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 Institute of Certified Public Accountants ("HKICPA"), 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 the 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, 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). When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. 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 HKICPA with effect from 1 April 2001. In doing so 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 or 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. 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 the 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 specifically identified 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.

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

Profit on pre-sale of properties under development for sale prior to 1 January 2005 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.

With the introduction of the HK Interpretation 3 "Revenue – Pre-completion contracts for the sale of development properties" issued by the HKICPA, the Group now recognises revenue arising from pre-sale of properties upon the completion of development of the property. The Group has relied on the transitional provisions set out in the Interpretation such that the Group will continue to adopt the stage of completion method to recognise revenue arising from pre-sale contracts entered into before 1 January 2005 while the completion method is adopted for pre-sale contracts entered into on or after 1 January 2005.

(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 cost, 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

(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 an 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 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 in the profit and loss account whenever the carrying amount exceeds the recoverable amount.

(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 year 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 investments 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 equivalents**

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 company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(i) **Foreign currencies**

Foreign currency transactions during the year are translated into Hong Kong dollars at the 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 rates 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 or associates which are dealt with in 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 or loss on disposal.

Gains or losses on outstanding forward contracts computed by reference to the forward rates at the balance sheet date are dealt with in the profit and loss account. Gains and losses on forward contracts entered into as hedges against net investments in overseas subsidiaries and associates are offset as reserve movements against the exchange differences 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 completion of the sale and purchase agreement and income from pre-sale of property under development for sale is recognised using the stage of completion method for contracts entered into before 1 January 2005, while the completion method is adopted for contracts entered into on or after 1 January 2005 (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 is accrued on a time-apportioned basis by reference to the principal outstanding and at the rate applicable.

(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 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 a 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 and 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) *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.

(iii) 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.

2. SEGMENT INFORMATION

(a) **Business segments**

(i) *Revenue and results*

	Segment Revenue		Segment Results	
	2005	2004	**2005**	2004
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Property development	**1,669.7**	1,153.9	**353.2**	180.4
Property investment	**279.4**	260.9	**190.8**	183.7
Investment and others	**179.7**	187.5	**267.2**	174.9
	2,128.8	1,602.3	**811.2**	539.0
Unallocated expenses			**(8.8)**	(4.8)
Operating profit			**802.4**	534.2
Borrowing costs			**(26.4)**	(51.5)
Write back of provision/(provision) for properties				
Property development			**14.2**	(4.6)
Property investment			**454.0**	28.8
Associates				
Property development			**295.6**	705.2
Investment and others			**23.3**	15.3
Write back of provision/(provision) for properties			**446.7**	(8.0)
Profit before taxation			**2,009.8**	1,219.4

(ii) Assets and liabilities

	Assets		Liabilities	
	2005	2004	**2005**	2004
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Property development	**5,183.6**	4,295.8	**256.9**	269.8
Property investment	**4,384.4**	3,282.3	**102.0**	98.6
Investment and others	**5,784.8**	5,371.2	**6.8**	15.0
Segment assets and liabilities	**15,352.8**	12,949.3	**365.7**	383.4
Associates				
Property development	**1,475.7**	1,694.3	**–**	–
Investment and others	**74.3**	64.0	**–**	–
Unallocated items	**3,490.4**	1,987.5	**3,484.4**	2,412.9
Total assets and liabilities	**20,393.2**	16,695.1	**3,850.1**	2,796.3

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

During the year, the Group incurred capital expenditure of HK$406.8 million (2004: HK$4.8 million) mainly in respect of the acquisition of an investment property in Japan. The Group has no significant depreciation and amortisation.

(b) Geographical segments

(i) Revenue and results

	Segment Revenue		Segment Results (Operating profit)	
	2005	2004	**2005**	2004
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Hong Kong	**500.5**	565.9	**249.1**	279.8
Singapore	**1,605.5**	1,036.4	**541.5**	254.4
Others	**22.8**	–	**11.8**	–
	2,128.8	1,602.3	**802.4**	534.2

(ii) Assets

	Assets	
	2005	2004
	HK$ Million	HK$ Million
Hong Kong	**6,811.6**	6,506.6
Singapore	**7,985.0**	6,442.7
Others	**556.2**	–
	15,352.8	12,949.3

3. TURNOVER AND OPERATING PROFIT

(a) Turnover

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

	Group	
	2005	2004
	HK$ Million	HK$ Million
Property development	**1,669.7**	1,153.9
Property investment	**279.4**	260.9
Investment and others	**179.7**	187.5
	2,128.8	1,602.3

(b) Operating profit

	Group	
	2005	2004
	HK$ Million	HK$ Million
Operating profit is arrived at:		
after charging:		
Staff costs	**27.5**	12.6
– including contributions to defined contribution retirement schemes of HK$1.9 million (2004: HK$2.1 million)		
Cost of properties sold	**1,251.1**	917.9
Depreciation	**1.2**	1.0
Auditors' remuneration	**2.7**	1.6
after crediting:		
Rental income from operating leases less outgoings	**202.5**	190.2
– including gross rental income from investment properties of HK$265.4 million (2004: HK$245.5 million) of which HK$0.6 million (2004: HK$0.4 million) is contingent rentals		
Dividend income from listed securities	**144.0**	136.4
Amortisation of negative goodwill	**12.9**	63.8

In addition to the above staff costs charged directly to the profit and loss account, staff costs of HK$14.6 million (2004: HK$10.3 million) were capitalised as part of the costs of properties under development for sale.

(c) **Directors' emoluments**

	Group	
	2005	2004
	HK$ Million	HK$ Million
Fees	**0.2**	0.1
Salaries and other benefits	**0.5**	–
Retirement scheme contributions	–	–
Discretionary bonuses and/or performance-related bonuses	**0.2**	–
Compensation for loss of office	–	–
Inducement for joining the Group	–	–

For the year under review, total emoluments (including any reimbursement of expenses) amounting to HK$82,712 (2004: Directors' fee of HK$51,584) were paid/payable to Independent Non-executive Directors of the Company, being in the form of Directors' fees of HK$71,585 and fee for acting as members of the Audit Committee of HK$11,127.

The aggregate emoluments paid or payable by the Company and/or its subsidiaries for the two financial years ended 31 March 2005 and 31 March 2004 in respect of each of the persons who was a Director of the Company at any time during the years amounted to less than HK$1,000,000.

(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 2005 of the five highest paid employees of the Group, of whom one employee was appointed as a Director of the Company in the financial year.

(i) *Aggregate emoluments*

	2005	2004
	HK$ Million	HK$ Million
Basic salaries, housing allowances, other allowances and benefits in kind	**6.5**	5.1
Retirement scheme contributions	**0.3**	0.3
Discretionary bonuses and/or performance-related bonuses	**2.1**	0.6
Compensation for loss of office	–	–
Inducement for joining the Group	–	–
	8.9	6.0

(ii) Bandings

Bands (in HK$)	**2005 Number**	2004 Number
Not more than $1,000,000	–	2
$1,000,001 – $1,500,000	**4**	2
$1,500,001 – $2,000,000	–	1
$3,500,001 – $4,000,000	**1**	–
	5	5

4. OTHER NET INCOME

	Group	
	2005 HK$ Million	2004 HK$ Million
Net profit on disposal of non-trading equity securities	**89.3**	10.0
Amortisation of negative goodwill	**12.9**	63.8
Profit on sale of an associate	**9.5**	–
Impairment of non-trading equity securities	–	(41.4)
Others	**1.5**	(9.3)
	113.2	23.1

Included in the net profit on disposal of non-trading equity securities is a net surplus, before deduction of minority interests, of HK$30.6 million (2004: a net deficit of HK$29.6 million) transferred from the investment revaluation reserves.

5. BORROWING COSTS

	Group	
	2005 HK$ Million	2004 HK$ Million
Interest payable on bank loans and overdrafts	**43.5**	39.7
Other borrowing costs	**14.8**	22.6
	58.3	62.3
Less: Amount capitalised	**(31.9)**	(10.8)
	26.4	51.5

The Group's effective borrowing interest rate for the year was approximately 2.2% (2004: 2.0%) per annum.

6. WRITE BACK OF PROVISION FOR PROPERTIES

Following a review based on the property market conditions prevailing at 31 March 2005, the Group has written back an aggregate property provision of HK$468.2 million, comprising HK$454.0 million for the Group's investment properties and HK$14.2 million for other properties, in accordance with the Group's accounting policies. The revaluation deficits of the Group's investment properties charged to the profit and loss account in prior years had effectively been written back in full as at 31 March 2005.

7. SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

Share of profits less losses of associates for the year ended 31 March 2005 of HK$765.6 million (2004: HK$712.5 million) included the Group's share of a provision write-back of HK$446.7 million (2004: a provision of HK$8.0 million) mainly relating to the Bellagio project, based on the achieved average selling price for the project and the prevailing market conditions.

8. 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% (2004: 17.5%). 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:

	Group	
	2005	2004
	HK$ Million	HK$ Million
Company and subsidiaries		
Current tax		
Hong Kong profits tax for the year	**12.5**	9.9
Overseas taxation for the year	**38.9**	17.8
Overprovision in prior years	**(0.6)**	(9.6)
	50.8	18.1
Deferred tax (Note 25)		
Origination and reversal of temporary differences	**(7.2)**	9.4
Effect of change in tax rates	**–**	(4.1)
	(7.2)	5.3
	43.6	23.4
Associates		
Hong Kong profits tax for the year	**30.0**	72.9
Overseas taxation for the year	**3.3**	7.2
	33.3	80.1
	76.9	103.5

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

	2005 HK$ Million	2004 HK$ Million
Profit before taxation	**2,009.8**	1,219.4
Notional tax on accounting profit calculated at applicable tax rates	**369.3**	220.2
Tax effect of non-deductible expenses	**10.3**	18.5
Tax effect of non-taxable revenue	**(188.8)**	(87.3)
Tax effect of unused tax losses not recognised	**–**	14.6
Tax effect of prior year's tax losses utilised this year	**(113.3)**	(48.8)
Overprovision in prior years	**(0.6)**	(9.6)
Effect of change in tax rates	**–**	(4.1)
Actual total tax charge	**76.9**	103.5

9. GROUP PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group profit attributable to Shareholders is dealt with in the accounts of the Company to the extent of a profit of HK$147.7 million (2004: HK$1,002.7 million).

10. DIVIDENDS

(a) **Dividends attributable to the year**

	2005 HK$ Million	2004 HK$ Million
Interim dividend approved and paid of 2.0 cents (2004: 2.0 cents) per share	**41.4**	41.4
Final dividend proposed after the balance sheet date of 6.0 cents (2004: 5.0 cents) per share	**124.2**	103.5
	165.6	144.9

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**

	2005 HK$ Million	2004 HK$ Million
Final dividend in respect of the previous financial year, approved and paid during the year, of 5.0 cents (2004: 5.0 cents) per share	**103.5**	103.5

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit for the year of HK$1,743.0 million (2004: HK$1,053.7 million) and 2,069.6 million ordinary shares in issue throughout the financial year ended 31 March 2005 and the previous year.

12. FIXED ASSETS

	Investment properties HK$ Million	Other fixed assets HK$ Million	Total HK$ Million
Group			
Cost or valuation			
At 1 April 2004	3,272.2	8.2	3,280.4
Exchange differences	29.4	(0.1)	29.3
Additions	398.5	8.3	406.8
Disposals	(0.3)	(1.0)	(1.3)
Revaluation surplus	657.3	–	657.3
At 31 March 2005	4,357.1	15.4	4,372.5
Accumulated depreciation			
At 1 April 2004	–	6.6	6.6
Exchange differences	–	0.1	0.1
Charge for the year	–	1.2	1.2
Written back on disposals	–	(0.9)	(0.9)
At 31 March 2005	–	7.0	7.0
Net book value			
At 31 March 2005	4,357.1	8.4	4,365.5
At 31 March 2004	3,272.2	1.6	3,273.8

(a) The analysis of cost or valuation of the above assets is as follows:

Balance at 31 March 2005			
2005 valuation	4,357.1	–	4,357.1
At cost	–	15.4	15.4
	4,357.1	15.4	4,372.5
Balance at 31 March 2004			
2004 valuation	3,272.2	–	3,272.2
At cost	–	8.2	8.2
	3,272.2	8.2	3,280.4

(b) **Tenure of title to properties:**

	2005	2004
	HK$ Million	HK$ Million
Held in Hong Kong		
Long lease	**1,967.0**	1,613.3
Held outside Hong Kong		
Freehold	**474.5**	–
Long lease	**1,915.6**	1,658.9
	4,357.1	3,272.2

(c) **Properties revaluation**

The Group's investment properties in Hong Kong, Singapore and Japan have been revalued as at 31 March 2005 by Wharf Estates Development Limited, a related company engaged in professional valuation, CB Richard Ellis (Pte) Ltd and Ikoma CB Richard Ellis KK, independent firms of property consultants, 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 is dealt with in the profit and loss account or investment property revaluation reserves in accordance with the Group's accounting policies.

(d) The gross amount of fixed assets of the Group held for use in operating leases was HK$4,357.1 million (2004: HK$3,272.2 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' sales receipts.

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

	Group	
	2005	2004
	HK$ Million	HK$ Million
Within 1 year	**224.6**	175.6
After 1 year but within 5 years	**139.3**	165.5
After 5 years	**–**	0.1
	363.9	341.2

13. SUBSIDIARIES

	Company 2005 HK$ Million	Company 2004 HK$ Million
Unlisted shares, at cost	**2,544.9**	2,544.9
Amounts due to subsidiaries	**(380.8)**	(383.8)
	2,164.1	2,161.1

Details of principal subsidiaries at 31 March 2005 are shown on page 59.

14. ASSOCIATES

	Group 2005 HK$ Million	Group 2004 HK$ Million
Share of net assets/(deficits)	**101.7**	(408.7)
Amounts due from associates	**1,508.4**	2,227.1
Amounts due to associates	**(60.1)**	(60.1)
	1,550.0	1,758.3

(a) Included in the amounts due from associates are loans and advances made by the Group to certain associates of HK$1,467.4 million (2004: HK$1,989.1 million) involved in the Sorrento and the Bellagio projects. Such loans and advances are in proportion to the Group's equity interest in the respective associates.

An advance in the amount of HK$1,387.6 million (2004: HK$1,773.6 million) for the Bellagio project bears interest at such rate as may from time to time be agreed by the shareholders of the associate. For the current financial year, the advance is interest free, unsecured and has no fixed terms of repayment.

A loan in the amount of HK$79.8 million (2004: HK$215.5 million) for the Sorrento project bears interest at rates as determined by shareholders of the associate with reference to the prevailing market rates which were between 0.6% to 2.2% (2004: 0.7% to 2.1%) per annum for the current financial year. Interest income in respect of the loan to the associate for the year ended 31 March 2005 amounted to HK$0.9 million (2004: HK$17.1 million). The loan is unsecured and has no fixed terms of repayment.

(b) The following supplementary information is disclosed relating to significant associates of the Group:

	2005 HK$ Million	2004 HK$ Million
(i) Diamond Hill Development Holdings Limited		
Consolidated balance sheet		
Non-current assets	**280.2**	251.4
Current assets	**5,721.5**	3,235.0
Current liabilities	**(2,557.9)**	(441.7)
Non-current liabilities	**(4,162.8)**	(5,320.8)
Consolidated profit and loss account		
Turnover	**1,934.4**	1,099.3
Profit for the year (2005: included a property provision write-back of HK$1,327.0 million)	**1,557.0**	73.8
(ii) Hopfield Holdings Limited		
Consolidated balance sheet		
Non-current assets	**55.7**	154.4
Current assets	**502.4**	970.0
Current liabilities	**(352.3)**	(582.1)
Non-current liabilities	**(199.5)**	(538.9)
Consolidated profit and loss account		
Turnover	**341.6**	4,358.5
Profit for the year	**157.0**	708.5
(iii) Grace Sign Limited		
Balance sheet		
Current assets	**1,617.4**	2,777.4
Current liabilities	**(509.8)**	(570.0)
Non-current liabilities	**–**	(959.2)
Profit and loss account		
Turnover	**1,492.0**	4,263.5
Profit for the year	**626.5**	1,248.2

(c) Details of principal associates at 31 March 2005 are shown on page 60.

15. LONG-TERM INVESTMENTS

	Group 2005 HK$ Million	Group 2004 HK$ Million
Non-trading equity securities, at market value		
Listed in Hong Kong	**4,288.9**	4,128.8
Listed outside Hong Kong	**1,352.8**	981.8
	5,641.7	5,110.6
Unlisted investments, at market value	**59.5**	55.2
	5,701.2	5,165.8

Included in the above equity securities are investments in a listed company the carrying value of which constituted more than 10% of the Group's total assets at 31 March 2005. Details of this listed company are shown as follows:

Name of company	Place of incorporation	Percentage of total issued ordinary shares held
The Wharf (Holdings) Limited	Hong Kong	7.0

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 amount of properties under development for sale and held for sale carried at net realisable value is HK$661.3 million (2004: HK$871.3 million).

(b) Properties under development for sale in the amount of HK$4,480.9 million (2004: HK$2,317.7 million) are expected to be completed after more than one year.

(c) Properties under development for sale with a carrying value of HK$2,284.2 million (2004: HK$1,827.1 million) are pledged as security for banking facilities made available to the Group.

(d) The carrying amount of properties under development for sale of the Group temporary held for use in operating leases, which run for a period of one to two years with no option to renew upon expiry, is HK$1,664.4 million (2004: HK$343.4 million). The related provision for diminution in value of these properties is HK$Nil (2004: HK$177.6 million).

18. SHORT-TERM INVESTMENTS

	Group	
	2005	2004
	HK$ Million	HK$ Million
Unlisted investments	**–**	79.8

19. TRADE AND OTHER RECEIVABLES

The Group maintains and closely monitors defined credit policies for its businesses and trade debtors in order to control the credit risk associated with trade debtors.

Included in trade and other receivables are trade debtors with an ageing analysis as at 31 March 2005 as follows:

	Group	
	2005	2004
	HK$ Million	HK$ Million
Current	**212.3**	273.5
31 – 60 days	**2.7**	19.9
61 – 90 days	**0.3**	–
Over 90 days	**3.2**	1.7
	218.5	295.1

20. BANK LOANS

	Group	
	2005	2004
	HK$ Million	HK$ Million
Current portion of long-term unsecured bank loans	**–**	230.0

21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with an ageing analysis as at 31 March 2005 as follows:

	Group	
	2005	2004
	HK$ Million	HK$ Million
Amounts payable in the next:		
0 – 30 days	**157.6**	148.8
31 – 60 days	**7.9**	10.5
61 – 90 days	**13.3**	19.7
Over 90 days	**30.3**	63.8
	209.1	242.8

22. SHARE CAPITAL

	2005	2004		
	No. of shares	No. of shares	**2005**	2004
	Million	Million	**HK$ Million**	HK$ Million
Authorised:				
Ordinary shares of HK$0.2 each	**3,000.0**	3,000.0	**600.0**	600.0
Issued and fully paid:				
Ordinary shares of HK$0.2 each	**2,069.6**	2,069.6	**413.9**	413.9

23. RESERVES

	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 2004	4.9	–	906.0	217.0	11,450.5	12,578.4
Final dividend approved in respect of the previous year *(Note 10b)*	–	–	–	–	(103.5)	(103.5)
Revaluation surplus	–	203.3	618.9	–	–	822.2
Realised on disposal	–	–	(22.5)	(1.3)	–	(23.8)
Exchange difference	–	–	–	65.4	–	65.4
Profit for the year retained	–	–	–	–	1,230.9	1,230.9
Interim dividend declared in respect of the current year *(Note 10a)*	–	–	–	–	(41.4)	(41.4)
Balance at 31 March 2005	4.9	203.3	1,502.4	281.1	12,536.5	14,528.2
Associates						
Balance at 1 April 2004	–	–	2.0	6.4	(457.3)	(448.9)
Revaluation surplus	–	–	0.2	–	–	0.2
Exchange difference	–	–	–	0.3	–	0.3
Profit for the year retained	–	–	–	–	512.1	512.1
Balance at 31 March 2005	–	–	2.2	6.7	54.8	63.7
Total reserves at 31 March 2005	4.9	203.3	1,504.6	287.8	12,591.3	14,591.9
Company and subsidiaries						
Balance at 1 April 2003	4.9	–	(888.2)	54.5	11,058.2	10,229.4
Final dividend approved in respect of the previous year *(Note 10b)*	–	–	–	–	(103.5)	(103.5)
Revaluation surplus	–	–	1,723.2	–	–	1,723.2
Impairment provision	–	–	41.4	–	–	41.4
Realised on disposal	–	–	29.6	(0.3)	–	29.3
Exchange difference	–	–	–	162.8	–	162.8
Profit for the year retained	–	–	–	–	537.2	537.2
Interim dividend declared in respect of the current year *(Note 10a)*	–	–	–	–	(41.4)	(41.4)
Balance at 31 March 2004	4.9	–	906.0	217.0	11,450.5	12,578.4
Associates						
Balance at 1 April 2003	–	–	0.2	3.3	(973.8)	(970.3)
Revaluation surplus	–	–	2.0	–	–	2.0
Realised on disposal	–	–	(0.2)	–	–	(0.2)
Exchange difference	–	–	–	3.1	–	3.1
Profit for the year retained	–	–	–	–	516.5	516.5
Balance at 31 March 2004	–	–	2.0	6.4	(457.3)	(448.9)
Total reserves at 31 March 2004	4.9	–	908.0	223.4	10,993.2	12,129.5

Included in other capital reserves of the Group is negative goodwill of HK$176.1 million (2004: HK$176.1 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
(b) Company						
Balance at 1 April 2004	4.9	–	–	50.6	1,689.8	1,745.3
Final dividend approved in respect of the previous year *(Note 10b)*	–	–	–	–	(103.5)	(103.5)
Profit for the year	–	–	–	–	147.7	147.7
Interim dividend declared in respect of the current year *(Note 10a)*	–	–	–	–	(41.4)	(41.4)
Total reserves at 31 March 2005	4.9	–	–	50.6	1,692.6	1,748.1
Balance at 1 April 2003	4.9	–	–	50.6	832.0	887.5
Final dividend approved in respect of the previous year *(Note 10b)*	–	–	–	–	(103.5)	(103.5)
Profit for the year	–	–	–	–	1,002.7	1,002.7
Interim dividend declared in respect of the current year *(Note 10a)*	–	–	–	–	(41.4)	(41.4)
Total reserves at 31 March 2004	4.9	–	–	50.6	1,689.8	1,745.3

Reserves of the Company available for distribution to Shareholders amount to HK$1,692.6 million (2004: HK$1,689.8 million). The application of the capital redemption reserve account is governed by section 49H of the Hong Kong Companies Ordinance. The revaluation reserves and other capital reserves have been set up and will be dealt with in accordance with the accounting policies adopted by the Group.

24. LONG-TERM LOANS

	Group	
	2005 HK$ Million	2004 HK$ Million
Bank loans (repayable after 2 years, but within 5 years)		
Secured	**1,171.3**	1,817.4
Unsecured	**1,668.0**	46.7
	2,839.3	1,864.1
Secured bonds *(Note)*	**275.6**	–
	3,114.9	1,864.1

Note: The secured bonds bear interest at 1.14% per annum and will mature on 30 September 2007.

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	Future benefit of tax losses HK$ Million	Total HK$ Million
Group					
Balance at 1 April 2003	48.6	7.6	(1.0)	(1.0)	54.2
Exchange differences	2.2	0.5	–	–	2.7
Charged/(credited) to the profit and loss account	3.8	1.6	–	(0.1)	5.3
Charged to reserves	–	–	9.4	–	9.4
Balance at 31 March/1 April 2004	54.6	9.7	8.4	(1.1)	71.6
Exchange differences	0.6	0.1	0.1	–	0.8
Charged/(credited) to the profit and loss account	2.6	(9.8)	–	–	(7.2)
Credited to reserves	–	–	(8.5)	–	(8.5)
Balance at 31 March 2005	57.8	–	–	(1.1)	56.7

(b) **Deferred tax assets unrecognised**

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

	Group 2005 HK$ Million	Group 2004 HK$ Million
Deductible temporary differences	**13.5**	10.3
Future benefit of tax losses	**113.8**	127.9
	127.3	138.2

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 ITEM

	Group 2005 HK$ Million	Group 2004 HK$ Million
Negative goodwill, at cost		
Balance at 1 April	**158.9**	222.7
Realised on disposal of the relevant assets acquired	**(12.9)**	(63.8)
Balance at 31 March	**146.0**	158.9

Negative goodwill, mainly arising from the privatisation of Realty Development Corporation Limited completed in 2003, represents the excess of the Group's interest in 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 is 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 during the year was credited to other net income.

27. CONTINGENT LIABILITIES

	Group 2005 HK$ Million	Group 2004 HK$ Million	Company 2005 HK$ Million	Company 2004 HK$ Million
Guarantees given in respect of banking facilities available to:				
Subsidiaries	**–**	–	**425.0**	905.0
Associates	**–**	63.2	**–**	–

28. COMMITMENTS

	Group 2005 HK$ Million	Group 2004 HK$ Million
(a) Acquisition of and future development expenditure relating to properties:		
Contracted but not provided for	**1,350.4**	199.8
(b) Forward exchange contracts:		
Forward exchange contracts outstanding	**120.7**	1,421.3

(c) At 31 March 2005, the Group has committed to acquire 2,424,310 shares in Hamptons Group Limited ("Hamptons"), an associate of Wheelock Properties (Singapore) Limited group ("WPSL"), at a purchase price of £3.12 per share payable by cash. Details of which are set out in note 30(a).

29. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transaction during the year ended 31 March 2005.

(a) **Bellagio project**

Included in interest in associates is an advance of HK$1,387.6 million (2004: HK$1,773.6 million) made by the Group to an associate involved in the Bellagio project. The loan bears interest at such rate as may from time to time be agreed by the shareholders of the associate. For the current financial year, the advance is interest free, unsecured and has no fixed terms of repayment.

The above is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules. A waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1994.

(b) **Sorrento project**

Included in interest in associates is a loan of HK$79.8 million (2004: HK$215.5 million) made by the Group to an associate involved in the Sorrento project. The loan bears interest at rates as determined by shareholders of the associate with reference to prevailing market rates which were between 0.6% and 2.2% (2004: 0.7% to 2.1%) per annum for the year. Interest income in respect of the loan to the associate for the year ended 31 March 2005 amounted to HK$0.9 million (2004: HK$17.1 million). The loan is unsecured and has no fixed terms of repayment.

The above is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules. A waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1997.

(c) The Group paid a General Managers' Commission to a related party of HK$35.3 million (2004: HK$33.4 million) for the provision of management services to the Group during the year under review. The payment of such an amount to the General Managers was in accordance with an agreement dated 31 March 1992.

The above is considered to be a related party transaction and also constitutes a continuing connected transaction as defined under the Listing Rules.

(d) The Group paid property managing and agency fees to certain related parties totalling HK$6.8 million (2004: HK$6.0 million) for the provision of property management and property leasing and related services to the Group during the year under review. The payment of such property managing and agency fees were in accordance with various agreements previously entered into between the Group and certain related parties.

The above are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules.

(e) The Group received dividend income in the amount of HK$104.5 million during the year ended 31 March 2005 (2004: HK$104.5 million) in respect of investments in a related company.

(f) **Kim Realty Investment Pte Ltd ("KRI")**

WPSL disposed of its 30% equity interest in KRI which owns a 50% interest in a 4-star hotel in Xiamen, The Marco Polo Xiamen, for a total consideration of S$2.04 million (equal to HK$9.5 million) to The Wharf (Holdings) Limited in July 2004.

The above is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules.

30. POST BALANCE SHEET EVENTS

(a) In March 2005, WPSL entered into a conditional agreement to acquire 2,424,310 shares in Hamptons at a purchase price of £3.12 per share payable by cash. The acquisition of such Hamptons shares was completed in April 2005. As this increased WPSL's shareholding interest in Hamptons beyond 35%, it triggered a general offer (described as a tag along procedure under the articles of association of Hamptons), to all other shareholders of Hamptons who subsequently accepted the offer with the result that Hamptons has now become a wholly owned subsidiary of WPSL. The total consideration paid by WPSL amounted to £23.8 million (equal to about HK$357.0 million).

(b) In May 2005, the Group entered into an agreement to acquire a property, known as No. 2 Heung Yip Road in Hong Kong through a private tender, at a total consideration of HK$455.0 million. The transaction is expected to complete in June 2005.

(c) After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 10 to the accounts.

31. FUTURE CHANGES IN ACCOUNTING POLICIES

For full convergence with International Financial Reporting Standards, the HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively, "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 March 2005.

The Group has made a preliminary assessment of the impact of these new HKFRSs and has so far concluded that the adoption of Hong Kong Accounting Standards ("HKAS") 40 "Investment Property", Hong Kong Financial Reporting Standards ("HKFRS") 3 "Business Combinations" and HK(SIC) Interpretation ("HK(SIC)-INT") 21 "Income taxes – recovery of revalued non-depreciable assets" will have certain impacts on its consolidated accounts as set out below:

(a) At present, surpluses or deficits arising on the annual revaluation of the Group's investment properties to open market value at the balance sheet date are dealt with in the investment properties revaluation reserves or in the profit and loss account if the total of those reserves is insufficient to cover a deficit on a portfolio basis. Following the adoption of the new HKAS 40, the Group's investment properties will continue to be stated at open market value and all surpluses/deficits arising from the revaluation of the investment properties will be reported in the consolidated profit and loss account. The new HKAS 40 and HK(SIC)-INT 21 require the provision of deferred tax on all these revaluation surpluses/deficits to be calculated at applicable profits tax rates. If these revised accounting standards had been adopted as at 31 March 2005, the Group's profit attributable to Shareholders would have been increased by approximately HK$167.7 million, being the net revaluation surpluses arising on the Group's investment properties of approximately HK$203.3 million which have been dealt with in investment properties revaluation reserves less deferred tax of approximately HK$35.6 million. Furthermore, recognition of deferred tax on the Group's cumulative properties revaluation surpluses is required and hence the Group's net assets as at 31 March 2005 would have reduced by approximately HK$35.6 million.

(b) At present, the Group has recognised negative goodwill arising on acquisition of a subsidiary or an associate after 1 April 2001 as deferred item and this is released to the profit and loss account on a proportional basis, when the relevant assets acquired are sold or otherwise realised. For negative goodwill arising on acquisition prior to 1 April 2001, the Group has relied upon the transitional provisions set out in SSAP 30 "Business Combinations" such that negative goodwill has been taken to capital reserves in the period in which it arose and has not been restated. The new HKFRS 3 requires negative goodwill be recognised in the profit and loss account immediately. Under the transitional arrangements of HKFRS 3, the existing negative goodwill classified as deferred item or taken to capital reserves will be derecognised by way of an adjustment to the retained earnings at 1 April 2005. Comparative figures are not required to be adjusted. As a result, the Group's net assets and retained earnings as at 1 April 2005 will be increased by HK$146.0 million and HK$322.1 million respectively while the Group's other capital reserves as at 1 April 2005 will be decreased by HK$176.1 million.

The Group will be continuing with the assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

32. ULTIMATE HOLDING COMPANY

The ultimate holding company is Wheelock and Company Limited, incorporated in Hong Kong.

33. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the Board of Directors on 7 June 2005.