NOTES TO THE ACCOUNTS

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 accounts

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

c) Basis of consolidation

(i) Subsidiaries and controlled companies

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

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

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

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

(ii) ***Associates***

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

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

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

(iii) ***Goodwill/negative goodwill***

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

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

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

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

d) Properties

(i) Investment properties

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

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

(ii) Properties under development for sale

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

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

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 completion of the 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 has been adopted for pre-sale contracts entered into 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 costs for that development, including borrowing costs capitalised, attributable to unsold units. Net realisable value is determined by management, based on prevailing market conditions.

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

e) Depreciation of fixed assets

(i) Investment properties

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

(ii) Other fixed assets

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

f) Impairment of assets

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

(i) Recoverable amount

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

(ii) Reversals of impairment losses

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

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

g) Investments in securities

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

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

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

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

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

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

h) Cash and cash equivalent

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

i) Foreign currencies

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

Gains or losses on outstanding 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 difference arising on the retranslation of the net investments.

j) Assets held for use in operating leases

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

k) Recognition of revenue

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

(ii) Income from sale of completed property is recognised upon 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 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.

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

l) Income taxes

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

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

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

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

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

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

m) Borrowing costs

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

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

n) Related parties

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

o) Provisions

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

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

p) Segment reporting

A segment is 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, corporate and financing expenses.

q) Employee benefits

(i) Defined contribution retirement schemes

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

(ii) Mandatory Provident Funds

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

(iii) Central Provident Fund in Singapore

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

(iv) Equity compensation benefits

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

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

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 investment	**343.0**	330.7	**237.2**	235.8
Property development	**3,900.4**	6,522.4	**861.2**	980.3
Investment and others	**358.3**	375.7	**287.0**	215.0
	4,601.7	7,228.8	**1,385.4**	1,431.1
Inter-segment revenue (Note i)	**(140.6)**	(112.9)	**–**	–
	4,461.1	7,115.9	**1,385.4**	1,431.1
Unallocated expenses			**(12.7)**	(7.7)
Operating profit			**1,372.7**	1,423.4
Borrowing costs			**(78.9)**	(137.0)
Write back of provision/(provision) for properties				
Property development			**1,352.1**	(4.6)
Property investment			**885.8**	44.6
Share of results of associates (Note ii)			**2,167.9**	2,047.3
Profit before taxation			**5,699.6**	3,373.7
Income tax			**(506.0)**	(536.8)
Minority interests			**(1,026.3)**	(534.3)
Group profit attributable to shareholders			**4,167.3**	2,302.6

Notes:

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

	2005 HK$ Million	2004 HK$ Million
Investment and others	**140.6**	112.9

(ii) Share of results of associates

	Segment Results	
	2005 HK$ Million	2004 HK$ Million
Property investment	**1,549.4**	1,448.5
Property development	**160.0**	367.3
Communications, media and entertainment	**227.7**	215.8
Pay television	**234.2**	221.7
Internet and multimedia	**(22.0)**	(42.4)
Telecommunications	**13.0**	17.5
Others	**2.5**	19.0
Logistics	**966.7**	912.2
Terminals	**904.3**	866.3
Other logistics business	**62.4**	45.9
Investment and others	**80.1**	132.4
Provision for telecommunications	**(148.8)**	(42.4)
Write back of provision/(provision) for properties	**53.9**	(145.8)
Provision for investment and others	**–**	(29.0)
Unallocated expenses and other items	**(601.8)**	(572.0)
Borrowing costs	**(119.3)**	(239.7)
	2,167.9	2,047.3

(ii) Assets and liabilities

	Assets		Liabilities	
	2005	2004	**2005**	2004
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Property investment	**5,341.0**	4,015.7	**102.0**	98.6
Property development	**11,393.7**	8,060.9	**3,072.4**	1,182.9
Investment and others	**1,930.3**	1,814.9	**6.8**	15.0
Segment assets and liabilities	**18,665.0**	13,891.5	**3,181.2**	1,296.5
Associates (Note)	**31,447.6**	24,528.3	**–**	–
Unallocated items	**3,509.1**	2,458.8	**8,804.6**	8,944.5
Total assets and liabilities	**53,621.7**	40,878.6	**11,985.8**	10,241.0

Note: Share of net segment assets less liabilities of associates

Property investment	**34,324.3**	29,198.5
Property development	**1,663.7**	1,490.9
Communications, media and entertainment	**2,249.7**	2,438.9
Logistics	**2,033.9**	2,024.4
Unallocated and other items	**(8,824.0)**	(10,624.4)
	31,447.6	24,528.3

Unallocated and other 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$411.2 million (2004: HK$6.0 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	**2,832.5**	6,077.2	**703.7**	1,158.6
Singapore	**1,605.5**	1,038.7	**652.7**	264.8
Others	**23.1**	–	**16.3**	–
	4,461.1	7,115.9	**1,372.7**	1,423.4

(ii) Assets

	Assets	
	2005	2004
	HK$ Million	HK$ Million
Hong Kong	**10,123.8**	7,443.5
Singapore	**7,985.0**	6,448.0
Others	**556.2**	–
	18,665.0	13,891.5

3. TURNOVER AND OPERATING PROFIT

a) Turnover

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

	2005 HK$ Million	2004 HK$ Million
Property investment	**343.0**	330.7
Property development	**3,900.4**	6,522.4
Investment and others	**217.7**	262.8
	4,461.1	7,115.9

b) Operating profit

	2005 HK$ Million	2004 HK$ Million
Operating profit is arrived at:		
after charging:		
Staff costs	**134.2**	133.3
– including contributions to defined contribution retirement schemes of HK$6.9 million (2004: HK$8.5 million)		
Cost of properties sold	**2,954.1**	5,192.2
Depreciation	**1.9**	3.0
Auditors' remuneration		
Audit services	**4.4**	3.3
Other services	**1.1**	0.2
and after crediting:		
Rental income from operating leases less outgoings	**246.8**	240.6
– including gross rental income from investment properties of HK$314.0 million (2004: HK$299.8 million) of which HK$0.7 million (2004: HK$3.9 million) is contingent rentals		
Dividend income from listed investments	**40.3**	32.6

Staff costs of HK$14.6 million (2004: HK$10.3 million) were capitalised in costs of properties under development for sale.

c) Directors' emoluments

	2005 **HK$ Million**	2004 HK$ Million
Fees	**0.4**	0.3
Basic salaries, housing allowances, other allowances and benefits in kind	**8.6**	4.0
Deemed profit on share option exercise	**–**	–
Retirement scheme contributions	**–**	–
Discretionary bonuses and/or performance – related bonuses	**5.9**	–
Compensation for loss of office	**–**	–
Inducement for joining the Group	**–**	–
	14.9	4.3

For the year under review, total emoluments (including any reimbursement of expenses) amounting to HK$165,890 (2004: Directors' fee of HK$168,096) were paid or payable to Independent Non-executive Directors of the Company, being in the form of Directors' fees of HK$154,796 and fee for acting as members of the Audit Committee of HK$11,094.

The emoluments in respect of the year ended 31 March 2005 of all the Directors of the Company in office during the year were in the following ranges:

Bands (in HK$)	**2005** **Number**	2004 Number
Not more than $1,000,000	**6**	11
$2,500,001 – $3,000,000	**1**	–
$3,500,001 – $4,000,000	**1**	–
$4,000,001 – $4,500,000	**–**	1
$8,000,001 – $8,500,000	**1**	–
	9	12

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 two employees (2004: four) of the Group who, not being Directors of the Company, are among the top five highest paid individuals (including persons who held the office of Directors of the Company at any time during the year as well as other employees of the Group) employed by the Group.

(i) Aggregate emoluments

	2005	2004
	HK$ Million	HK$ Million
Basic salaries, housing allowances, other allowances and benefits in kind	**2.6**	5.6
Deemed profit on share option exercise	**–**	–
Pension scheme contributions	**0.1**	0.2
Discretionary bonuses and/or performance-related bonuses	**1.1**	1.2
Compensation for loss of office	**–**	–
Inducement for joining the Group	**–**	–
	3.8	7.0

(ii) Bandings

	2005	2004
Bands (in HK$)	**Number**	Number
$1,500,001 – $2,000,000	**1**	3
$2,000,001 – $2,500,000	**1**	1
	2	4

4. OTHER NET INCOME

	2005 HK$ Million	2004 HK$ Million
Net profit on disposal of non-trading securities	**89.3**	19.8
Amortisation of negative goodwill	**8.6**	45.5
Deferred profit realised	**111.2**	–
Impairment of non-trading securities	**–**	(41.4)
Others	**4.4**	(6.6)
	213.5	17.3

Included in the net profit on disposal of non-trading securities is a net surplus, before deduction of minority interests, of HK$30.6 million (2004: a net deficit of HK$37.4 million) transferred from the investment revaluation reserves.

5. BORROWING COSTS

	2005 HK$ Million	2004 HK$ Million
Interest payable on		
Bank loans and overdrafts	**90.2**	129.9
Other loans repayable within 5 years	**0.9**	17.1
Other borrowing costs	**19.7**	28.7
	110.8	175.7
Less: Amount capitalised	**(31.9)**	(38.7)
	78.9	137.0

The Group's effective borrowing interest rate for the year was approximately 1.4% (2004: 1.8%) 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 had written back an aggregate property provision of HK$2,237.9 million, comprising HK$885.8 million for the Group's investment properties and HK$1,352.1 million for other properties, of which HK$1,327.0 million was written back in the interim accounts for the Bellagio Phases III and IV units according to the Group's accounting policy. The write back for the investment properties is related to the deficit charged to the profit and loss account in prior years.

7. INCOME TAX

a) The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 17.5% (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:

	2005 HK$ Million	2004 HK$ Million
Company and subsidiaries		
Current tax		
Hong Kong profits tax for the year	67.2	76.9
Overseas taxation for the year	38.9	17.9
Underprovision/(overprovision) in prior years	7.0	(7.7)
	113.1	87.1
Deferred tax (Note 24)		
Origination and reversal of temporary differences	(32.3)	9.5
Effect of change in tax rates	–	(4.1)
	80.8	92.5
Associates		
Current tax		
Hong Kong profits tax for the year	307.0	353.7
Overseas taxation for the year	3.7	15.7
Underprovision in prior years	60.0	32.0
	370.7	401.4
Deferred tax		
Origination and reversal of temporary differences	54.5	1.4
Effect of change in tax rates	–	41.5
	425.2	444.3
	506.0	536.8

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

	2005 **HK$ Million**	2004 HK$ Million
Profit before taxation	**5,699.6**	3,373.7
Notional tax on accounting profit calculated at applicable tax rates	**1,012.7**	591.5
Tax effect of non-deductible expenses	**73.1**	91.0
Tax effect of non-taxable revenue	**(306.0)**	(105.4)
Tax effect of unused tax losses not recognised	**25.7**	71.6
Tax effect of prior year's tax losses utilised this year	**(366.5)**	(179.4)
Tax effect of timing differences not recognised	**–**	5.8
Underprovision in prior years	**67.0**	24.3
Effect of change in tax rates	**–**	37.4
Actual total tax charge	**506.0**	536.8

8. GROUP PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$187.8 million (2004: HK$145.8 million).

9. DIVIDENDS

a) Dividends attributable to the year

	2005	2004
	HK$ Million	HK$ Million
Interim dividend declared and paid of 2.5 cents (2004: 2.5 cents) per share	**50.8**	50.8
Final dividend of 8.5 cents proposed after the balance sheet date (2004: 6.5 cents) per share	**172.7**	132.1
	223.5	182.9

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	2004
	HK$ Million	HK$ Million
Final dividend in respect of the previous financial year, approved and paid during the year, of 6.5 cents (2004: 5.0 cents) per share	**132.1**	101.6

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings for the year of HK$4,167.3 million (2004: HK$2,302.6 million) and 2,031.8 million ordinary shares in issue throughout the financial year ended 31 March 2005 and the previous year.

11. FIXED ASSETS

Group	Investment properties HK$ Million	Other fixed assets HK$ Million	Total HK$ Million
Cost or valuation			
At 1 April 2004	**4,005.6**	**32.0**	**4,037.6**
Exchange differences	**29.4**	**(0.1)**	**29.3**
Additions	**398.5**	**12.7**	**411.2**
Disposals	**(5.6)**	**(19.0)**	**(24.6)**
Revaluation surplus	**885.8**	**–**	**885.8**
At 31 March 2005	**5,313.7**	**25.6**	**5,339.3**
Accumulated depreciation			
At 1 April 2004	**–**	**26.8**	**26.8**
Exchange differences	**–**	**0.1**	**0.1**
Charge for the year	**–**	**1.9**	**1.9**
Written back on disposals	**–**	**(15.9)**	**(15.9)**
At 31 March 2005	**–**	**12.9**	**12.9**
Net Book Value			
At 31 March 2005	**5,313.7**	**12.7**	**5,326.4**
At 31 March 2004	4,005.6	5.2	4,010.8

	Investment properties HK$ Million	Other fixed assets HK$ Million	Total HK$ Million
a) The analysis of cost or valuation of the above assets is as follows:			
At valuation in 2005	**5,313.7**	**–**	**5,313.7**
At cost	**–**	**25.6**	**25.6**
	5,313.7	**25.6**	**5,339.3**
b) Tenure of title to properties:			
Held in Hong Kong			
Long lease	**2,923.6**	**–**	**2,923.6**
Held outside Hong Kong			
Freehold	**474.5**	**–**	**474.5**
Long lease	**1,915.6**	**–**	**1,915.6**
	5,313.7	**–**	**5,313.7**

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, an associated 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 less minority interests, where appropriate, is dealt with in the consolidated profit and loss account in accordance with the Group's accounting policies.

d) The gross amounts of investment properties of the Group held for use in operating leases were HK$5,313.7 million (2004: HK$4,005.6 million).

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

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

	Group	
	2005	2004
	HK$ Million	HK$ Million
Within 1 year	**250.4**	221.2
After 1 year but within 5 years	**152.4**	184.2
After 5 years	**–**	0.1
	402.8	405.5

12. SUBSIDIARIES

	Company	
	2005	2004
	HK$ Million	HK$ Million
Unlisted shares, at cost	**3,495.0**	3,495.0
Amounts due from subsidiaries	**4,442.5**	5,513.8
Amounts due to subsidiaries	**(3,299.2)**	(4,533.0)
	4,638.3	4,475.8

Details of principal subsidiaries at 31 March 2005 are shown on pages 74 and 75.

13. ASSOCIATES

	Group 2005 HK$ Million	Group 2004 HK$ Million
Share of net assets	**32,907.6**	26,317.2
Amounts due from associates	**68.3**	263.5
Loans from associates (Note b)	**(79.8)**	(215.6)
Amounts due to associates (Note c)	**(1,448.5)**	(1,836.8)
	31,447.6	24,528.3
a) Analysis of the cost of investments of the above:		
Shares listed in Hong Kong	**11,483.8**	11,483.8
Unlisted shares	**72.4**	78.0
	11,556.2	11,561.8
Market value of listed shares	**30,427.8**	28,897.6

b) Loans from associates of HK$79.8 million (2004: HK$215.6 million) are contributed by associates in proportion to their equity interests in the Sorrento property development project. The loans from associates are interest bearing at rates as determined with reference to prevailing market rates. Interest expenses in respect of loans from associates for the year ended 31 March 2005 amounted to HK$0.8 million (2004: HK$17.0 million). The loans are unsecured and have no fixed terms of repayment.

c) Included in the amounts due to associates is an advance of HK$1,387.6 million (2004: HK$1,773.6 million) contributed by an associate in proportion to its equity interest in the Bellagio property development project. The advance bears interest at such rate as may from time to time be agreed by the shareholders of the property holding company. For the current financial year, the advance is unsecured and interest free.

d) The Group equity accounted for the results and net assets of The Wharf (Holdings) Limited ("Wharf"), the Group's significant listed associate, based on its audited financial statements for the year ended 31 December 2004. Extracts of Wharf's audited consolidated profit and loss account and balance sheet are shown on page 79.

e) Details of principal associates at 31 March 2005 are shown on page 75.

14. LONG-TERM INVESTMENTS

	Group 2005 HK$ Million	Group 2004 HK$ Million
Non-trading equity securities, at market value		
Listed in Hong Kong	**68.8**	122.6
Listed outside Hong Kong	**1,352.8**	981.8
	1,421.6	1,104.4
Unlisted investments	**66.4**	62.1
	1,488.0	1,166.5

15. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

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

a) The amounts of properties under development for sale and properties held for sale carried at net realisable value is HK$661.3 million (2004: HK$4,204.6 million).

b) 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.

17. SHORT-TERM INVESTMENTS

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

18. 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 stakeholders' deposits in the amount of HK$743.9 million (2004: HK$435.6 million) in respect of pre-sale of properties and trade debtors of HK$357.8 million (2004: HK$732.1 million). The ageing analysis of the Group's trade debtors as at 31 March 2004 and 2005 is as follows:

	Group	
	2005	2004
	HK$ Million	HK$ Million
Current	**256.1**	526.7
31 – 60 days	**54.4**	82.5
61 – 90 days	**22.8**	17.0
Over 90 days	**24.5**	105.9
	357.8	732.1

19. BANK LOANS AND OVERDRAFTS

	Group		Company	
	2005	2004	**2005**	2004
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Unsecured bank loans and overdrafts	**507.6**	337.6	**157.9**	–
Current portion of unsecured long-term bank loans	**100.0**	1,930.0	**–**	–
	607.6	2,267.6	**157.9**	–

20. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with an ageing analysis as at 31 March 2004 and 2005 as follows:

	Group	
	2005	2004
	HK$ Million	HK$ Million
Amounts payable in the next:		
0 – 30 days	**197.6**	216.9
31 – 60 days	**113.9**	125.3
61 – 90 days	**208.4**	303.0
Over 90 days	**449.0**	497.2
	968.9	1,142.4

21. SHARE CAPITAL

	2005	2004	**2005**	2004
	No. of shares	No. of shares		
	Million	Million	**HK$ Million**	HK$ Million
Authorised				
Ordinary shares of HK$0.50 each	**2,800.0**	2,800.0	**1,400.0**	1,400.0
Issued and fully paid				
Ordinary shares of HK$0.50 each	**2,031.8**	2,031.8	**1,015.9**	1,015.9

22. RESERVES

	Share premium HK$ Million	Capital redemption reserve HK$ Million	Investment property revaluation reserves HK$ Million	Investment revaluation reserves HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
a) **Group**							
Company and subsidiaries							
Balance at 1 April 2004	1,913.6	19.5	–	31.8	278.0	8,732.3	10,975.2
Final dividend approved in respect of the previous year (Note 9b)	–	–	–	–	–	(132.1)	(132.1)
Revaluation surplus	–	–	–	301.2	–	–	301.2
Transferred to the profit and loss account on							
Disposal of non-trading securities	–	–	–	(16.7)	–	–	(16.7)
Disposal of other property	–	–	–	–	(1.0)	–	(1.0)
Exchange differences	–	–	–	–	46.7	–	46.7
Profit for the year retained	–	–	–	–	–	3,228.0	3,228.0
Interim dividend declared in respect of the current year (Note 9a)	–	–	–	–	–	(50.8)	(50.8)
Balance at 31 March 2005	1,913.6	19.5	–	316.3	323.7	11,777.4	14,350.5
Associates							
Balance at 1 April 2004	–	–	10,671.0	122.6	(301.1)	4,060.6	14,553.1
Revaluation surplus	–	–	5,246.0	113.9	–	–	5,359.9
Revaluation surplus of other properties	–	–	–	–	136.2	–	136.2
Transferred to the profit and loss account on disposal of non-trading securities	–	–	–	(10.6)	–	–	(10.6)
Deferred tax on revaluation of certain investment properties	–	–	(66.9)	–	–	–	(66.9)
Others	–	–	–	–	21.9	(19.4)	2.5
Profit for the year retained	–	–	–	–	–	939.3	939.3
Balance at 31 March 2005	–	–	15,850.1	225.9	(143.0)	4,980.5	20,913.5
Total reserves at 31 March 2005	1,913.6	19.5	15,850.1	542.2	180.7	16,757.9	35,264.0

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

Included in the other capital reserves is negative goodwill of HK$112.5 million (2004: HK$112.5 million).

	Share premium HK$ Million	Capital redemption reserve HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
b) Company					
Balance at 1 April 2004	**1,913.6**	**19.5**	**77.2**	**1,445.2**	**3,455.5**
Final dividend approved in respect of the previous year (Note 9b)	**–**	**–**	**–**	**(132.1)**	**(132.1)**
Profit for the year	**–**	**–**	**–**	**187.8**	**187.8**
Interim dividend declared in respect of the current year (Note 9a)	**–**	**–**	**–**	**(50.8)**	**(50.8)**
Balance at 31 March 2005	**1,913.6**	**19.5**	**77.2**	**1,450.1**	**3,460.4**
Balance at 1 April 2003	1,913.6	19.5	77.2	1,451.8	3,462.1
Final dividend approved in respect of the previous year (Note 9b)	–	–	–	(101.6)	(101.6)
Profit for the year	–	–	–	145.8	145.8
Interim dividend declared in respect of the current year (Note 9a)	–	–	–	(50.8)	(50.8)
Balance at 31 March 2004	1,913.6	19.5	77.2	1,445.2	3,455.5

Reserves of the Company available for distribution to shareholders at 31 March 2005 amounted to HK$1,450.1 million (2004: HK$1,445.2 million).

23. LONG-TERM LOANS

	Group 2005 HK$ Million	Group 2004 HK$ Million
Secured bank loans		
Repayable after 2 years, but within 5 years	**1,171.3**	1,817.4
Unsecured bank loans		
Repayable after 1 year, but within 2 years	**300.0**	700.0
Repayable after 2 years, but within 5 years	**5,168.0**	3,346.7
Repayable after 5 years	**500.0**	–
	5,968.0	4,046.7
	7,139.3	5,864.1
Secured bonds (Note)	**275.6**	–
	7,414.9	5,864.1

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

24. 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 benefits of tax losses HK$ Million	Total HK$ Million
Group					
Balance at 1 April 2003	49.6	7.6	(1.0)	(2.0)	54.2
Exchange differences	2.2	0.5	–	–	2.7
Charged/(credited) to the profit and loss account	4.1	1.6	–	(0.3)	5.4
Charged to reserves	–	–	9.4	–	9.4
At 31 March/1 April 2004	**55.9**	**9.7**	**8.4**	**(2.3)**	**71.7**
Exchange differences	**0.6**	**0.1**	**0.1**	**–**	**0.8**
Charged/(credited) to the profit and loss account	**2.5**	**(9.8)**	**–**	**(25.0)**	**(32.3)**
Credited to reserves	**–**	**–**	**(8.5)**	**–**	**(8.5)**
Balance at 31 March 2005	**59.0**	**–**	**–**	**(27.3)**	**31.7**

b) Deferred tax assets unrecognised

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

	Group	
	2005	2004
	HK$ Million	HK$ Million
Deductible temporary differences	**17.5**	16.2
Future benefits of tax losses	**225.5**	537.1
	243.0	553.3

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.

25. DEFERRED ITEMS

Included in deferred items are deferred profits of HK$356.4 million (2004: HK$356.4 million) and negative goodwill of HK$110.6 million (2004: HK$119.2 million).

a) Deferred profits

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

b) Negative goodwill

	Group	
	2005	2004
	HK$ Million	HK$ Million
Cost		
Balance at 1 April	**119.2**	160.1
Realised on disposal of the relevant assets acquired	**(8.6)**	(45.5)
Addition through increase interests in subsidiaries	**–**	4.6
Balance at 31 March	**110.6**	119.2

Negative goodwill, principally arising from the privatisation of Realty Development Corporation Limited in 2003 by a listed subsidiary of the Group, Wheelock Properties Limited, represents the fair values of the net assets acquired over the cost of the acquisition. The assets acquired mainly comprise investment properties, interests in associates, long-term investments and properties under development/held for sale. Negative goodwill will be released to the profit and loss account, on a proportional basis, when the relevant assets acquired are sold or otherwise realised.

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

26. CONTINGENT LIABILITIES

At 31 March 2005

a) There were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities up to HK$6,820.0 million (2004: HK$8,570.0 million).

b) There was no guarantees given by the Group in respect of banking facilities available to associates (2004: HK$63.2 million).

27. COMMITMENTS

a) Commitments in respect of property developments and capital expenditure

	Group	
	2005	2004
	HK$ Million	HK$ Million
Contracted but not provided for	**1,705.8**	1,103.5

b) Forward exchange contracts

	Group	
	2005	2004
	HK$ Million	HK$ Million
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 (“WPSL”), at a purchase price of £3.12 per share payable by cash. Details of which are set out in note 29(a).

28. RELATED PARTY TRANSACTIONS

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

a) Included in interest in associates are loans of HK$79.8 million (2004: HK$215.6 million) contributed by associates in proportion to their equity interests in the Sorrento property development project. The loans from associates are interest bearing at rates as determined with reference to prevailing market rates. Interest expenses in respect of loans from associates for the year ended 31 March 2005 amounted to HK$0.8 million (2004: HK$17.0 million). The loans are unsecured and have no fixed terms of repayment.

b) Included in interest in associates is an advance of HK$1,387.6 million (2004: HK$1,773.6 million) contributed by an associate in proportion to its equity interest in the Bellagio property development project. The advance bears interest at such rate as may from time to time be agreed by the shareholders of the property holding company. For the current financial year, the advance is unsecured and interest free.

c) In respect of the year ended 31 March 2005, the Group earned rental income totalling HK$30.1 million (2004: HK$37.0 million) from the Lane Crawford group, which are wholly owned by a trust of which the chairman of the Company is the settlor, in respect of the leasing of the Group's retail premises at Shop C, Wheelock House and the Basement, Ground Floor to Fourth Floor, a portion of the Sixth Floor and Rooms 706-8A of Lane Crawford House. These transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.

29. 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 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 offer 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, WPL 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 by June 2005.

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

30. 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", HK Interpretation ("HK-INT") 2 "The appropriate policies for hotel properties", 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 a significant impact on its consolidated accounts as set out below:

a) At present, the Group's associate records its hotel properties at valuation in accordance with SSAP 17 "Property, plant and equipment". No depreciation is provided by the associate on its hotel properties as they are maintained in a continuous state of sound repair such that, given the estimated life of the hotel properties and their residual values, any depreciation would be immaterial. For the financial year beginning 1 January 2005, the associate will adopt the requirements of HK-INT 2 and apply them retrospectively. The hotel properties will be stated at cost less accumulated depreciation and impairment, if any. The adoption of this new accounting interpretation by the associate would have had the effect of reducing the Group's net assets by approximately HK$1.4 billion at 31 March 2005, mainly as a result of the reversal of revaluations of hotel properties dealt with in other capital reserves and the annual depreciation on the hotel properties attributable to the Group for 2005/06 will be less than HK$15 million.

b) At present, surpluses or deficits arising on the annual revaluation of the Group's and its associates' investment properties to open market value at the balance sheet date are dealt with in the investment property 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 investment properties of the Group and its associates 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 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 increased by approximately HK$4.2 billion, being the Group's share of associates' investment property revaluation surpluses of approximately HK$5.2 billion which have been dealt with in investment property revaluation reserves less deferred tax of approximately HK$1.0 billion. Furthermore, recognition of deferred tax on the associates' cumulative property revaluation surpluses is required and hence the Group's net assets as at 31 March 2005 would have reduced by approximately HK$3.6 billion.

c) 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. No comparative figures are required to be adjusted. As a result, the Group's net assets as at 1 April 2005 will be increased by approximately HK$73.1 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.

31. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the Board of Directors on 14 June 2005.