

# Notes to the Accounts

## 1. Principal accounting policies

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

### (a) Basis of preparation

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

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

### (b) Basis of consolidation

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

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

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

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

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

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

### (c) Associated companies

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

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

### (d) Investment properties

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

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

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

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## **(e) Properties held for development**

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

## **(f) Leasehold land and buildings and other fixed assets**

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

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

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

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

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that these fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognized to reduce the asset to its recoverable amount. Such impairment losses are recognized in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

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

## **(g) Operating leases**

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

## **(h) Other investments**

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

Upon disposal, the cumulative gain or loss representing the difference between the net sale proceeds and the carrying amount of the relevant investment, together with the relevant portion of the investment revaluation reserve realized, is dealt with in the profit and loss account.

## **(i) Properties for sale**

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

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

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

## **(j) Debtors**

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

## **(k) Cash and cash equivalents**

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

## **(l) Provisions**

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

#### **(m) Contingent liabilities and contingent assets**

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

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

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

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

#### **(n) Deferred taxation**

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

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

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

#### **(o) Translation of foreign currencies**

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

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and

loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

#### **(p) Revenue recognition**

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

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

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

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

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

#### **(q) Employee benefits**

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

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

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

#### **(r) Borrowing costs**

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

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

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

# Notes to the Accounts

## (s) Segment reporting

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, other investments, properties for sale, debtors and operating cash. Segment liabilities comprise operating liabilities and exclude corporate

borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

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

## 2. Turnover, revenue and segment information

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

Revenues recognized during the year are as follows:

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Turnover		
Sale of investment properties and properties for sale	<b>312,343</b>	16,380
Rental and property management	<b>168,786</b>	177,387
Warehousing	<b>27,807</b>	27,046
	<b><u>508,936</u></b>	<u>220,813</u>
Other revenues		
Dividend income from other investments	<b>101,945</b>	11,927
Recovery of debts under liquidation	—	4,710
Interest income	<b>8,376</b>	7,036
Others	<b>5,617</b>	2,735
	<b><u>115,938</u></b>	<u>26,408</u>
	<b><u>624,874</u></b>	<u>247,221</u>

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

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

### Primary reporting format – business segments

	Year ended 31 March 2005					Group HK\$'000
	Sale of properties HK\$'000	Rental and property management HK\$'000	Warehousing HK\$'000	Investment HK\$'000	Elimination HK\$'000	
Turnover						
External	312,343	168,786	27,807	—	—	508,936
Inter-segment	—	—	—	—	—	—
	<u>312,343</u>	<u>168,786</u>	<u>27,807</u>	<u>—</u>	<u>—</u>	<u>508,936</u>
Segment results	<u>282,158</u>	<u>119,032</u>	<u>2,276</u>	<u>98,807</u>	<u>—</u>	502,273
Unallocated income less expenses						(19,969)
Gain on disposal of subsidiaries						2,258
Operating profit before interest						484,562
Interest income less finance costs						(6,418)
Operating profit						478,144
Share of profits less losses of associated companies	—	759	—	(175)		584
Profit before taxation						478,728
Taxation						(14,967)
Profit after taxation						463,761
Minority interests						(3,952)
Profit attributable to shareholders						<u>459,809</u>
Segment assets	277,842	3,896,160	60,134	438,660		4,672,796
Investment in associated companies	—	19,398	—	160		19,558
Total assets						<u>4,692,354</u>
Segment liabilities	150,000	101,688	6,997	2,817		261,502
Unallocated liabilities						256,731
Total liabilities						<u>518,233</u>
Capital expenditure	—	3,232	970	—		4,202
Depreciation	—	714	3,551	—		4,265

# Notes to the Accounts

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

### Primary reporting format – business segments *(continued)*

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

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

### Secondary reporting format – geographical segments

	Year ended 31 March							
	Turnover		Segment result		Total assets		Capital expenditure	
	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	492,058	203,930	399,412	129,829	4,106,578	2,824,458	3,258	7,025
Singapore	2,341	3,309	102,785	13,296	508,111	650,338	—	—
Mainland China	14,537	13,574	76	(4,318)	58,107	64,780	944	1,890
	<b>508,936</b>	<b>220,813</b>	<b>502,273</b>	<b>138,807</b>	<b>4,672,796</b>	<b>3,539,576</b>	<b>4,202</b>	<b>8,915</b>
Unallocated income less expenses			(19,969)	(15,697)				
Gain on disposal of subsidiaries			2,258	—				
Operating profit before interest			484,562	123,110				
Interest income less finance costs			(6,418)	(10,395)				
Operating profit			<b>478,144</b>	<b>112,715</b>				
Investments in associated companies					19,558	106,911		
Total assets					<b>4,692,354</b>	<b>3,646,487</b>		

## 3. Operating profit

Operating profit is stated after crediting and charging the following:

	2005	2004
	HK\$'000	HK\$'000
<b>Crediting:</b>		
Gross rental income from investment properties	158,243	160,842
Gross rental income from property held for development	5,234	7,610
Gain on disposal of investment properties	279,383	246
Gain on disposal of other fixed assets	13	—
Gain on disposal of subsidiaries	2,258	—
Write back of provision for other investments	—	80
Write back of provision for properties for sale	1,666	1,763
Exchange gain	901	317
<b>Charging:</b>		
Depreciation of fixed assets	4,265	3,955
Staff costs (Note 6)	32,055	27,538
Outgoings in respect of investment properties	47,378	47,411
Outgoings in respect of property held for development	5,382	6,393
Operating leases – land and buildings	5,957	6,332
Loss on disposal of other fixed assets	—	195
Provision for other investments	1,261	—
Auditors' remuneration	681	681

# Notes to the Accounts

## 4. Directors' and senior management's emoluments

### (a) Directors' emoluments

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

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Fees	2,174	420
Other emoluments:		
Salaries	5,426	5,466
Bonuses	2,214	1,410
Contribution to provident fund	65	65
	<u>9,879</u>	<u>7,361</u>

Directors' fees disclosed above include HK\$220,000 (2004: HK\$220,000) paid to Independent Non-Executive Directors of the Company.

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

<b>Emolument bands</b>	<b>Number of Directors</b>	
	<b>2005</b>	2004
Nil – HK\$1,000,000	9	10
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$2,500,000	1	—
HK\$2,500,001 – HK\$3,000,000	1	1
	<u>13</u>	<u>13</u>

### (b) Five highest paid individuals

Among the five individuals whose emoluments were the highest in the Group for the year, four (2004: four) of them were Directors of the Company and whose emoluments are disclosed above. The remuneration of the other individual was as follows:

	<b>2005</b>	2004
	<b>HK\$'000</b>	HK\$'000
Salaries	845	877
Bonuses	433	200
Contribution to provident fund	12	12
	<u>1,290</u>	<u>1,089</u>

## 5. Finance costs

Finance costs represent interest expense on bank loans and overdrafts.



## 6. Staff costs

	2005 HK\$'000	2004 HK\$'000
Salaries, wages and other benefits	31,293	26,771
Retirement benefits	<u>762</u>	<u>767</u>
Total staff costs, including Directors' emoluments	<u><b>32,055</b></u>	<u><b>27,538</b></u>

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

Contributions totalling HK\$68,000 (2004: HK\$66,000) were payable to the schemes at the end of the year and are included in creditors and accruals.

## 7. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year. Overseas taxation has been provided on the estimated assessable profits at rates prevailing in the countries in which the subsidiaries and associated companies operate.

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

	2005 HK\$'000	2004 HK\$'000
Current taxation:		
Hong Kong profits tax	(17,002)	(8,236)
Overseas taxation	(95)	(47)
Over provisions in prior years	104	2,074
Deferred taxation (Note 25)	<u>2,183</u>	<u>(70)</u>
	(14,810)	(6,279)
Share of taxation attributable to associated companies	<u>(157)</u>	<u>(16)</u>
Taxation charges	<u><b>(14,967)</b></u>	<u><b>(6,295)</b></u>

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

Profit before taxation	<u><b>478,728</b></u>	<u><b>112,547</b></u>
Calculated at a taxation rate of 17.5% (2004: 17.5%)	(83,777)	(19,696)
Effect of different taxation rates in other countries	(86)	(16)
Income not subject to taxation	68,475	4,226
Expenses not deductible for taxation purposes	(1,367)	(1,867)
Utilization of previously unrecognized tax losses	496	2,668
Recognition of previously unrecognized tax losses	—	6,343
Unrecognized tax losses	(60)	(92)
Over provisions in prior years	104	2,074
Others	<u>1,248</u>	<u>65</u>
Taxation charges	<u><b>(14,967)</b></u>	<u><b>(6,295)</b></u>

# Notes to the Accounts

## 8. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$58,000 (2004: HK\$11,077,000).

## 9. Dividends

	2005 HK\$'000	2004 HK\$'000
Interim dividend, paid, of HK\$0.07 per share (2004: HK\$0.05 per share)	18,178	12,984
Final dividend, proposed, of HK\$0.18 per share (2004: HK\$0.07 per share)	<u>46,743</u>	<u>18,178</u>
	<u>64,921</u>	<u>31,162</u>

At a meeting held on 14 July 2005 the Directors recommended a final dividend of HK\$0.18 per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of reserves for the year ending 31 March 2006.

## 10. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$459,809,000 (2004: HK\$99,342,000) and 259,685,288 (2004: 259,685,288) shares in issue during the year.

Diluted earnings per share is not presented as the Company has no dilutive potential shares as at 31 March 2005 (2004: Nil).

## 11. Related party and connected transactions

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

	2005 HK\$'000	2004 HK\$'000
Rental and storage income received from the WICL Group	1,571	2,279
Rental expenses paid to the WICL Group	675	685
Sharing of administrative services with the WICL Group	<u>1,192</u>	<u>1,517</u>

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

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

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

Landyork entered into a loan agreement on 25 June 2002 with the banks named therein and the Bank of China (Hong Kong) Limited as agent for the lenders (“Agent”) in relation to certain loan facilities (the “Facilities”) in the aggregate principal amount of HK\$1,000 million for the purposes of financing the balance of the land cost and the construction cost of The Grandville Project. As security for the Facilities, Nan Fung, USI and the Company (the “Guarantors”) have each provided a several repayment guarantee in favour of the Agent to the extent of their Relevant Percentage (10% in the case of the Company) of Landyork’s liabilities under the Facilities. The outstanding balance at 31 March 2005 under the Facilities was HK\$16,145,000 (2004: HK\$373,895,000). The Guarantors have also entered into a completion guarantee and funding agreement in favour of the Agent undertaking firstly to procure completion of or to complete The Grandville Project, and secondly to provide funding for The Grandville Project upon the happening of certain events. The Guarantors’ funding and payment obligations under the said completion guarantee and funding agreement are several and limited to their respective Relevant Percentage (10% in the case of the Company). All amounts outstanding under the Facilities have been repaid by Landyork in full on 12 May 2005.

At 31 March 2005 over 90% of The Grandville Project was sold. In addition to repaying in full the loans advanced by the Group to it in proportion to the Group’s 20% equity interest therein (2004: HK\$35,493,000) and the interest accrued thereon (2004: HK\$1,339,000), a sum of HK\$53,602,000 (2004: Nil)(Note 14) was advanced by Universal to the Group. The said advance by Universal to the Group is unsecured, interest free and has no fixed terms of repayment, and is equivalent to 20% of the balance at 31 March 2005 of an advance made by Landyork to Universal on the same terms.

- (ii) On 1 November 2004 an indirect wholly-owned subsidiary of the Company was appointed estate manager of two properties owned by the USI Group. Management fee received by the Group during the year under such appointment amounted to HK\$75,000. The continuing Connected Transactions under such appointment are carried out in the ordinary and usual course of the Group’s business on normal commercial terms, and are exempt under Rule 14A.33 the Listing Rules. The aforesaid information in this paragraph is provided to comply with SSAP 20 “Related Party Disclosures” by reason that certain Directors of the Company are also directors of USI.
- (iii) On 3 December 2004, an indirect wholly-owned subsidiary of the Group appointed USI Property Management Limited (“USIPM”), an indirect wholly-owned subsidiary of USI, as the project manager to manage the construction and development of Kwun Tong Inland Lot 242 situated at 102 How Ming Street, Kwun Tong, Kowloon, Hong Kong. The term of USIPM’s appointment is estimated to be for a period of approximately 70 months commencing on 1 December 2004, and the total fee payable to USIPM is estimated to be HK\$7,944,000 of which HK\$900,000 was paid and capitalized during the year.

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

## Notes to the Accounts

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

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

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

The Subscription Loan bears simple normal interest at the rate of 4.0619% per annum for a period of 3 years from the date of advance and payable in a lump sum at the end thereof. Irrespective of whether the Subscription Loan shall have been repaid in full or in part to Winprop during the course of the said three years, interest shall nonetheless accrue for the whole of the said three years on the full amount of the Subscription Loan. As at 31 March 2005, the balance of the Subscription Loan amounted to HK\$121,598,000 (2004: HK\$109,371,000) (Note 15) and interest receivable by Winprop from Winworth amounted to HK\$15,927,000 (2004: HK\$9,993,000).

All the loans owing by Winworth to its shareholders are unsecured, have no fixed terms of repayment, and have been subordinated to the indebtedness of Winworth to its bankers. Payment of the accrued interest on the Subscription Loan (“Accrued Interest”) was due on 26 June 2005. In view of the subordination arrangement subsisting at that date, payment of the Accrued Interest has been deferred and the Accrued Interest bears interest at a floating rate which is currently 6.25% per annum, to be compounded monthly as provided in the Subscription Agreement. Except for the interest on the Subscription Loan and the interest on the Accrued Interest mentioned in the preceding, all amounts owing by Winworth to its shareholders are interest free.

Winworth is the proprietor of the 99-year leasehold land parcel 566 at Draycott Drive, Singapore and the condominium housing development thereon known as “Draycott Eight”. Construction costs are being funded by Winworth’s banking facilities and shareholders’ loans, and the development is scheduled for completion in the second half year of 2005.

Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, non-executive Directors of the Company, are both beneficiaries of a family trust, the assets of which included indirect interests in 279,156,817 shares (2004: 239,277,272 shares) in Wing Tai, representing 38.98% of Wing Tai’s issued share capital as at 31 March 2005 (2004: 39.01%).

Mr. Christopher Patrick Langley, an independent non-executive Director of the Company, is also an independent non-executive director of Wing Tai.

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

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

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

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

In order to effect the joint venture, the issued share capitals of Winwill and Winhome have been restructured. All the transfers and allotments of shares were carried out on the basis of the par value of the shares which is S\$1.00 each for both companies. As at 31 March 2005, the respective shareholding proportions in Winwill and Winhome and the effective participation proportions in the Kovan Melody Project (“Effective Participation Proportions”) of the participating parties are as follows:

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

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

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

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

The loans advanced by Winprop to Winwill in proportion to Winprop’s 20% equity interest therein are unsecured, have no fixed terms of repayment and, except for an amount equivalent to S\$120,000 representing 12% of Winhome’s issued share capital, carry interest at the rate of 3.5% per annum. As at 31 March 2005, these loans amounted to HK\$50,750,000 (2004: HK\$49,960,000) (Note 14) and interest receivable by Winprop from Winwill amounted to HK\$2,414,000 (2004: HK\$550,000).

# Notes to the Accounts

## 12. Fixed assets

	<b>Group</b>				<b>Total</b>
	<b>Investment properties</b>	<b>Leasehold land and buildings</b>	<b>Property held for development</b>	<b>Others</b>	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost or valuation					
At 1 April 2004	1,750,711	35,695	887,000	43,004	2,716,410
Translation differences	1,168	—	—	21	1,189
Additions	—	—	3,143	1,059	4,202
Revaluation	238,180	—	1,309,857	—	1,548,037
Disposals of subsidiaries	(65,970)	(4,302)	—	(793)	(71,065)
Disposals	(296,050)	—	—	(414)	(296,464)
At 31 March 2005	<b>1,628,039</b>	<b>31,393</b>	<b>2,200,000</b>	<b>42,877</b>	<b>3,902,309</b>
Accumulated depreciation					
At 1 April 2004	—	1,804	—	37,046	38,850
Translation differences	—	—	—	14	14
Charge for the year	—	3,000	—	1,265	4,265
Disposals of subsidiaries	—	(205)	—	(263)	(468)
Disposals	—	—	—	(381)	(381)
At 31 March 2005	<b>—</b>	<b>4,599</b>	<b>—</b>	<b>37,681</b>	<b>42,280</b>
Net book value					
At 31 March 2005	<b>1,628,039</b>	<b>26,794</b>	<b>2,200,000</b>	<b>5,196</b>	<b>3,860,029</b>
At 31 March 2004	1,750,711	33,891	887,000	5,958	2,677,560
Analysis of cost or valuation:					
At valuation	1,628,039	31,393	2,200,000	—	3,859,432
At cost	—	—	—	42,877	42,877
	<b>1,628,039</b>	<b>31,393</b>	<b>2,200,000</b>	<b>42,877</b>	<b>3,902,309</b>

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

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	HK\$'000	HK\$'000
Held in Hong Kong:		
On medium-term leases	<b>3,759,010</b>	2,569,850
Held outside Hong Kong:		
On long-term leases	<b>69,029</b>	67,861
On medium-term leases	—	4,302
On short-term renewable leases	<b>26,794</b>	29,589
	<b>3,854,833</b>	<b>2,671,602</b>

Investment properties (other than agricultural lots) and property held for development held in Hong Kong were revalued at 31 March 2005 by Jones Lang LaSalle Limited. The agricultural lots held in Hong Kong were revalued at 31 March 2005 by B. I. Appraisals Limited. Investment properties held in Singapore were revalued at 31 March 2005 by Jones Lang LaSalle Property Consultants Pte. Ltd. All three valuers are independent. All valuations were carried out on the open market value basis.

Leasehold land and buildings held outside Hong Kong on short-term renewable leases are held in Mainland China and are stated at Directors' valuations at 31 March 2005 carried out on the depreciated replacement cost basis.

Other fixed assets are stated at cost less accumulated depreciation.

Certain investment properties with a total net book value of HK\$1,460,929,000 as at 31 March 2005 (2004: HK\$1,518,841,000) have been mortgaged to secure the Group's banking facilities.

### 13. Subsidiaries

	Company	
	2005	2004
	HK\$'000	HK\$'000
Unlisted shares – at cost	1	1
Loans and amounts due from subsidiaries	3,270,041	3,306,333
Less: Provision	(617,858)	(578,982)
	<u>2,652,184</u>	<u>2,727,352</u>

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

Particulars of the subsidiaries are set out on page 44.

### 14. Associated companies

	Group	
	2005	2004
	HK\$'000	HK\$'000
Group's share of net assets	4,313	3,886
Amounts and loans due from associated companies	68,847	103,025
Amounts and loans due to associated companies	(53,602)	—
	<u>19,558</u>	<u>106,911</u>
Investments at cost – unlisted shares	<u>9,874</u>	<u>9,874</u>

The amounts and loans due from/(to) associated companies are unsecured and have no fixed terms of repayment. Except for an amount equivalent to SGD120,000 representing 12% of Winhome's issued share capital, the amount of HK\$50,750,000 (2004: HK\$49,960,000) due from Winwill (Note 11(d)) carries interest at 3.5% per annum. All other amounts and loans due from/(to) associated companies are interest free.

Particulars of the associated companies are set out on page 45.

**Notes to the Accounts****15. Other investments**

	Group	
	2005	2004
	HK\$'000	HK\$'000
Unlisted equity investments, at valuation	159,010	461,990
Loans due from unlisted equity investments	141,587	123,427
Less: Provision	<u>(4,523)</u>	<u>(3,262)</u>
	296,074	582,155
Investment in a unit trust listed outside Hong Kong, at market value	<u>142,102</u>	<u>—</u>
	<u><b>438,176</b></u>	<u><b>582,155</b></u>

Unlisted equity investments include investments in 5.14% (2004: 5.14%) and 10.06% (2004: 10.06%) respectively of the ordinary share capitals of Suntec City Development Pte. Ltd. (“SCD”) and Suntec Investments Pte. Ltd., both incorporated in Singapore (“the Suntec Interests”).

On 9 December 2004 SCD sold its remaining office spaces and retail spaces in Suntec City, Singapore to Suntec Real Estate Investment Trust (“Suntec REIT”). Out of the consideration for such sale, a special distribution in specie of 23,480,700 Suntec REIT units at par of S\$1.00 each and a special cash dividend amounting to HK\$119,232,000 were distributed by SCD to the Group during the year. After deducting the Group’s attributable investment cost, a dividend income of HK\$89,324,000 was recognized by the Group as a result of such special distributions. In addition, a normal dividend amounting to HK\$12,621,000 (2004: HK\$11,927,000) was also distributed by SCD to the Group during the year.

As at 31 March 2005, the Suntec Interests as downsized were revalued by the Directors on a business valuation basis at HK\$156,865,000 (2004: HK\$459,845,000) whereas the Suntec REIT units held were valued at market value. The net valuation deficit has been debited to the investment revaluation reserve account (Note 22).

The Subscription Loan advanced by Winprop to Winworth (Note 11(c)) is unsecured, has no fixed terms of repayment and bears simple normal interest at the rate of 4.0619% per annum for a period of 3 years from 26 June 2002 and payable in a lump sum at the end thereof. Irrespective of whether the Subscription Loan shall have been repaid in full or in part to Winprop during the course of the said three years, interest shall nonetheless accrue for the whole of the said three years on the full amount of the Subscription Loan. As at 31 March 2005, the balance of the Subscription Loan amounted to HK\$121,598,000 (2004: HK\$109,371,000) and has been subordinated to the indebtedness of Winworth to its bankers.

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

**16. Other receivables**

	Group	
	2005	2004
	HK\$'000	HK\$'000
Loans due from third parties	173,375	173,375
Less: Provision	<u>(173,375)</u>	<u>(173,375)</u>
	<u>—</u>	<u>—</u>

The loans were advanced by the Group to two construction companies (“the Borrowers”), which are independent third parties, pursuant to a loan agreement dated 27 March 1998. On 27 November 1998 the Borrowers commenced voluntary liquidation and the Group made full provision against the loans. During the year, no dividend (2004: HK\$4,710,000) was received from the liquidators of the Borrowers.



## 17. Properties for sale

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

## 18. Debtors and receivables

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Current – 45 days	4,198	4,373
46 – 90 days	3,158	2,417
Over 90 days	622	725
	<u>7,978</u>	<u>7,515</u>

## 19. Creditors and accruals

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Current – 45 days	2,698	2,206
46 – 90 days	123	311
	<u>2,821</u>	<u>2,517</u>

## 20. Bank loans and overdrafts

	Group	
	2005 HK\$'000	2004 HK\$'000
Repayable on demand or within one year, secured	—	52,296
Current portion of long term bank loans ( <i>Note 23</i> )	81,364	117,892
	<u>81,364</u>	<u>170,188</u>

Short term bank loans included an amount of HK\$Nil (*2004: HK\$9,296,000*) denominated in Singapore dollar. Certain investment properties and properties for sale with a total net book value of HK\$1,588,771,000 at 31 March 2005 (*2004: HK\$1,645,017,000*) have been mortgaged to secure the Group's short term and long term bank loans.

## 21. Share capital

	Ordinary shares of HK\$0.01 each	
	No. of shares	HK\$'000
<b>Authorised:</b> At 31 March 2004 and 2005	<u>750,000,000</u>	<u>7,500</u>
<b>Issued and fully paid:</b> At 31 March 2004 and 2005	<u>259,685,288</u>	<u>2,596</u>

# Notes to the Accounts

## 22. Reserves

	Group						
	Contributed surplus	Land and buildings revaluation reserve	Investment properties revaluation reserve	Investment revaluation reserve	Exchange fluctuation account	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004	857,373	603,705	590,042	359,463	(17,495)	218,979	2,612,067
Exchange differences arising from translation of accounts	—	—	—	—	(4,339)	—	(4,339)
Realized on disposal of investment properties	—	—	(266,614)	—	—	—	(266,614)
Realized on distribution by other investments	—	—	—	(89,324)	—	—	(89,324)
Arising from revaluation	—	1,309,857	228,071	(41,646)	—	—	1,496,282
Profit for the year	—	—	—	—	—	459,809	459,809
Prior year final dividend paid	—	—	—	—	—	(18,178)	(18,178)
Interim dividend paid (Note 9)	(18,178)	—	—	—	—	—	(18,178)
At 31 March 2005	<u>839,195</u>	<u>1,913,562</u>	<u>551,499</u>	<u>228,493</u>	<u>(21,834)</u>	<u>660,610</u>	<u>4,171,525</u>
Representing:							
Final dividend proposed (Note 9)	46,743	—	—	—	—	—	46,743
Others	<u>792,452</u>	<u>1,913,562</u>	<u>551,499</u>	<u>228,493</u>	<u>(21,834)</u>	<u>660,610</u>	<u>4,124,782</u>
At 31 March 2005	<u>839,195</u>	<u>1,913,562</u>	<u>551,499</u>	<u>228,493</u>	<u>(21,834)</u>	<u>660,610</u>	<u>4,171,525</u>
At 1 April 2003	857,373	179,569	524,380	368,204	(12,138)	142,264	2,059,652
Exchange differences arising from translation of accounts	—	—	—	—	(5,357)	—	(5,357)
Transfer on disposal of properties for sale	—	(3,341)	—	—	—	3,341	—
Realized on disposal of investment properties	—	—	(101)	—	—	—	(101)
Arising from revaluation	—	427,477	65,763	(8,741)	—	—	484,499
Profit for the year	—	—	—	—	—	99,342	99,342
Prior year final dividend paid	—	—	—	—	—	(12,984)	(12,984)
Interim dividend paid (Note 9)	—	—	—	—	—	(12,984)	(12,984)
At 31 March 2004	<u>857,373</u>	<u>603,705</u>	<u>590,042</u>	<u>359,463</u>	<u>(17,495)</u>	<u>218,979</u>	<u>2,612,067</u>
Representing:							
Final dividend proposed (Note 9)	—	—	—	—	—	18,178	18,178
Others	<u>857,373</u>	<u>603,705</u>	<u>590,042</u>	<u>359,463</u>	<u>(17,495)</u>	<u>200,801</u>	<u>2,593,889</u>
At 31 March 2004	<u>857,373</u>	<u>603,705</u>	<u>590,042</u>	<u>359,463</u>	<u>(17,495)</u>	<u>218,979</u>	<u>2,612,067</u>
Attributable to associated companies							
At 31 March 2005	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,868)</u>	<u>(1,868)</u>
At 31 March 2004	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,295)</u>	<u>(2,295)</u>

## 22. Reserves (Continued)

	Company		
	Contributed surplus HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2004	2,688,969	35,879	2,724,848
Provision for subsidiaries	(38,876)	—	(38,876)
Profit for the year	—	58	58
Prior year final dividend paid	—	(18,178)	(18,178)
Interim dividend paid (Note 9)	(18,178)	—	(18,178)
At 31 March 2005	<u>2,631,915</u>	<u>17,759</u>	<u>2,649,674</u>
Representing:			
Final dividend proposed (Note 9)	46,743	—	46,743
Others	<u>2,585,172</u>	<u>17,759</u>	<u>2,602,931</u>
At 31 March 2005	<u>2,631,915</u>	<u>17,759</u>	<u>2,649,674</u>
At 1 April 2003	2,439,451	50,770	2,490,221
Reversal of provision for subsidiaries	249,518	—	249,518
Profit for the year	—	11,077	11,077
Prior year final dividend paid	—	(12,984)	(12,984)
Interim dividend paid (Note 9)	—	(12,984)	(12,984)
At 31 March 2004	<u>2,688,969</u>	<u>35,879</u>	<u>2,724,848</u>
Representing:			
Final dividend proposed (Note 9)	—	18,178	18,178
Others	<u>2,688,969</u>	<u>17,701</u>	<u>2,706,670</u>
At 31 March 2004	<u>2,688,969</u>	<u>35,879</u>	<u>2,724,848</u>

Pursuant to the Companies Law of the Cayman Islands and the Company's Articles of Association, the contributed surplus of the Company is available for distribution to shareholders in addition to retained earnings, provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

## 23. Long term bank loans

	Group	
	2005 HK\$'000	2004 HK\$'000
Secured – wholly repayable within five years	254,212	763,525
Less: Amount repayable within one year included under current liabilities (Note 20)	<u>(81,364)</u>	<u>(117,892)</u>
	<u>172,848</u>	<u>645,633</u>
The long term bank loans are repayable as follows:		
Within one year	81,364	117,892
In the second year	136,206	421,664
In the third to fifth years inclusive	<u>36,642</u>	<u>223,969</u>
	<u>254,212</u>	<u>763,525</u>

The long term bank loans included an amount of HK\$94,212,000 (2004: HK\$228,397,000) denominated in Singapore dollar. Certain investment properties and properties for sale with a total net book value of HK\$1,588,771,000 at 31 March 2005 (2004: HK\$1,645,017,000) have been mortgaged to secure the Group's short term and long term bank loans.

# Notes to the Accounts

## 24. Other long term loans

	Group	
	2005	2004
	HK\$'000	HK\$'000
Amounts due to minority shareholders of subsidiaries	<u>35,420</u>	<u>145,496</u>

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

## 25. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

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

	Group	
	2005	2004
	HK\$'000	HK\$'000
At 1 April of the previous year	21,100	21,030
(Credited)/charged to profit and loss account (Note 7)	<u>(2,183)</u>	<u>70</u>
At 31 March	<u>18,917</u>	<u>21,100</u>

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK\$17,415,000 (2004: HK\$17,071,000) to carry forward against future taxable income.

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

### Deferred tax assets

	Group	
	Tax losses	
	2005	2004
	HK\$'000	HK\$'000
At 1 April of the previous year	12,438	8,708
(Charged)/credited to profit and loss account	<u>(2,097)</u>	<u>3,730</u>
At 31 March	<u>10,341</u>	<u>12,438</u>

### Deferred tax liabilities

	Group	
	Accelerated depreciation	
	2005	2004
	HK\$'000	HK\$'000
At 1 April of the previous year	33,538	29,738
(Credited)/charged to profit and loss account	<u>(4,280)</u>	<u>3,800</u>
At 31 March	<u>29,258</u>	<u>33,538</u>

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

	Group	
	2005	2004
	HK\$'000	HK\$'000
Deferred tax assets	(5,675)	(6,766)
Deferred tax liabilities	<u>24,592</u>	<u>27,866</u>
	<u>18,917</u>	<u>21,100</u>

## 26. Future lease receipts

	Group	
	2005	2004
	HK\$'000	HK\$'000
At the end of the year, future minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:		
Not later than one year	93,105	107,796
Later than one year and not later than five years	<u>36,156</u>	<u>43,262</u>
	<u>129,261</u>	<u>151,058</u>

Future minimum lease receipts under non-cancelable operating leases as at 31 March 2005 in respect of the unsold portion of Global Gateway (Hong Kong), 168 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong have been included up to 31 August 2005 only as the said property will be disposed of on that date.

## 27. Capital commitments

	Group	
	2005	2004
	HK\$'000	HK\$'000
Contracted but not provided for	14,749	245
Authorised but not contracted for	<u>21,888</u>	<u>—</u>
	<u>36,637</u>	<u>245</u>

## 28. Lease commitments

	Group	
	2005	2004
	HK\$'000	HK\$'000
At the end of the year the Group had future aggregate minimum lease payments under non-cancelable operating leases for land and buildings as follows:		
Not later than one year	5,852	5,407
Later than one year and not later than five years	<u>350</u>	<u>4,550</u>
	<u>6,202</u>	<u>9,957</u>

## 29. Contingent liabilities

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given in respect of banking facilities granted to subsidiaries	—	—	1,293,689	1,294,940
Guarantees given in respect of banking facilities granted to Landyork ( <i>Note 11(b)</i> ) in proportion to the Group's 10% effective equity interest	100,000	100,000	100,000	100,000
Indemnity given in respect of banking facilities granted to Winhome ( <i>Note 11(d)</i> ) in proportion to the Group's 12% effective equity interest	<u>113,472</u>	<u>111,552</u>	—	—
	<u>213,472</u>	<u>211,552</u>	<u>1,393,689</u>	<u>1,394,940</u>

# Notes to the Accounts

## 30. Notes to the consolidated cash flow statement

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

	2005 HK\$'000	2004 HK\$'000
Operating profit	478,144	112,715
Valuation decrease of land and buildings	—	5,584
Depreciation charges	4,265	3,955
Gain on disposal of fixed assets	(279,396)	(51)
Gain on disposal of subsidiaries	(2,258)	—
Provision/(write back of provision) for other investments	1,261	(80)
Recovery of debts under liquidation	—	(4,710)
Interest income	(8,376)	(7,036)
Interest expenses	14,794	17,431
Dividend income	(101,945)	(11,927)
Exchange translation differences	(4,065)	552
Operating profit before working capital changes	102,424	116,433
(Increase)/decrease in properties for sale	(1,666)	10,395
Decrease in debtors and receivables	3,183	9,555
Decrease in creditors and accruals	(6,318)	(4,887)
Net cash inflow generated from operations	<u>97,623</u>	<u>131,496</u>

### (b) Disposal of subsidiaries

	2005 HK\$'000	2004 HK\$'000
<b>Net assets disposed of</b>		
Fixed assets	70,597	—
Debtors and receivables	2,761	—
Cash and bank balances	992	—
Creditors and accruals	(2,124)	—
Other long terms loans	(96,917)	—
	<u>(24,691)</u>	—
Realization of exchange fluctuation on disposal	(854)	—
Minority interests	(2,700)	—
	<u>(28,245)</u>	—
Gain on disposal of subsidiaries	2,258	—
<b>Consideration paid</b>	<u>(25,987)</u>	—
<b>Satisfied by:</b>		
Cash received	5,375	—
Cash paid	(31,362)	—
Net cash paid	(25,987)	—
Cash and bank balances of the subsidiaries disposed of	(92)	—
<b>Net cash outflow</b>	<u>(26,979)</u>	—

### 30. Notes to the consolidated cash flow statement (continued)

#### (c) Analysis of changes in financing

	Minority interests		Bank and other loans	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At 1 April of the previous year	(11,381)	(24,933)	961,317	927,954
Exchange differences	—	—	894	10,209
Disposal of subsidiaries	(2,700)	—	(96,917)	—
Minority interests in share of profits and reserves	14,061	14,452	—	—
Cash (outflow)/inflow from financing	—	(900)	(575,662)	23,154
At 31 March	<u>(20)</u>	<u>(11,381)</u>	<u>289,632</u>	<u>961,317</u>

#### (d) Analysis of bank and other loans

	2005 HK\$'000	2004 HK\$'000
Bank loans and overdrafts (Note 20)	—	52,296
Long term bank loans (Note 23)	254,212	763,525
Other long term loans (Note 24)	<u>35,420</u>	<u>145,496</u>
	<u>289,632</u>	<u>961,317</u>

### 31. Subsequent event

Pursuant to approval granted by the independent shareholders of USI and the Company respectively on 21 April 2005, the issued share capital of Pangold Development Limited (“Pangold”) has been restructured such that the effective equity interest of USI and the Company in Pangold are 80% and 20% respectively. The Group also acquired from USI 20% of the amount due by Pangold to USI at cost and reimbursed USI for 20% of USI’s cost of funding for the said amount. The Group’s total investment in Pangold after such acquisition is HK\$53,057,000. The USI Group and the Group have entered into a shareholders’ agreement to regulate, amongst other things, their relationship as shareholders of Pangold and to provide financial support to Pangold in the said proportions.

The abovementioned transactions constituted Connected Transactions by reason that USI is deemed a substantial shareholder of the Company.

Pangold acquired the Remaining Portion of Kowloon Inland Lot No. 4022 together with all messuages erections and buildings erected thereon now known as No. 157 Argyle Street, Kowloon (“the Property”) by way of public tender on 31 January 2005 and completed the acquisition on 1 March 2005. Pangold’s total investment in the Property is about HK\$262.1 million which includes the tender purchase price of the Property in the sum of HK\$250.1 million. The Property has a site area of approximately 18,000 square feet and Pangold is holding the Property for investment purpose. The Property may be redeveloped into residential units for sale if the market condition, the cost involved (including, among other items, the land premium for increasing the Property’s buildable gross floor area to its permissible maximum under the Outline Zoning Plan) and the risk levels associated therewith are considered suitable, justifiable and acceptable respectively.

### 32. Approval of accounts

The accounts set out on pages 16 to 45 were approved by the Board of Directors on 14 July 2005.