

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT INFORMATION

a) Business segments

(i) Revenue and results

	Segment Revenue		Segment Results	
	2006 HK\$ Million	2005 HK\$ Million (restated)	2006 HK\$ Million	2005 HK\$ Million (restated)
Property investment	449.0	402.7	278.6	271.8
Property development	2,688.8	3,900.4	888.9	861.2
Property management and agency	855.4	54.7	48.8	28.6
Investment and others	331.0	303.8	648.8	258.7
Inter-segment revenue (Note i)	4,324.2 (88.8)	4,661.6 (140.6)	1,865.1 –	1,420.3 –
	4,235.4	4,521.0	1,865.1	1,420.3
Unallocated expenses			(20.5)	(12.7)
Operating profit			1,844.6	1,407.6
Increase in fair value of investment properties			3,428.9	885.8
Write back of provision for properties			192.6	1,352.1
			5,466.1	3,645.5
Borrowing costs			(217.8)	(90.4)
Share of results of associates (Note ii)			6,870.6	6,191.6
Profit before taxation			12,118.9	9,746.7

Notes:

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

	2006 HK\$ Million	2005 HK\$ Million
Property management and agency	8.7	9.9
Investment and others	80.1	130.7
	88.8	140.6

(ii) Share of results of associates

	Segment Results	
	2006 HK\$ Million	2005 HK\$ Million (restated)
Property investment	1,730.5	1,551.9
Property development	78.0	159.8
Communications, media and entertainment	242.7	227.7
Pay television	168.3	234.2
Internet and multimedia	39.0	(22.0)
Telecommunications	51.9	27.5
Others	(16.5)	(12.0)
Logistics	1,018.8	965.7
Terminals	951.4	903.3
Others	67.4	62.4
Property agency	–	22.0
Investment and others	196.2	58.1
Increase in fair value of investment properties	5,701.3	5,448.1
Write back of provision for properties	23.5	53.9
Provision for telecommunications	–	(148.8)
Borrowing costs	(280.7)	(119.3)
Income tax	(1,263.6)	(1,410.9)
Unallocated expenses and other items	(576.1)	(616.6)
	6,870.6	6,191.6

(ii) Assets and liabilities

	Assets		Liabilities	
	2006 HK\$ Million	2005 HK\$ Million (restated)	2006 HK\$ Million	2005 HK\$ Million (restated)
Property investment	8,611.7	5,341.0	137.7	102.0
Property development	9,949.0	11,412.1	1,716.2	3,072.4
Property management and agency	608.0	4.0	142.0	6.0
Investment and others	2,479.5	1,926.3	63.4	6.8
Segment assets and liabilities	21,648.2	18,683.4	2,059.3	3,187.2
Associates (Note)	31,981.7	26,561.7	–	–
Unallocated items	4,517.7	3,509.1	8,750.3	8,901.4
Total assets and liabilities	58,147.6	48,754.2	10,809.6	12,088.6

Note: Share of net segment assets less liabilities of associates

	2006 HK\$ Million	2005 HK\$ Million (restated)
Property investment	38,533.9	32,838.8
Property development	2,067.2	1,674.1
Communications, media and entertainment	2,113.8	2,265.8
Logistics	1,592.6	2,049.0
Property agency	–	56.1
Unallocated and other items	(12,325.8)	(12,322.1)
	31,981.7	26,561.7

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\$143.5 million (2005: HK\$411.2 million) mainly in respect of the acquisition of properties and other fixed assets in the United Kingdom (2005: 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)	
	2006 HK\$ Million	2005 HK\$ Million (restated)	2006 HK\$ Million	2005 HK\$ Million (restated)
Hong Kong	2,854.2	2,832.5	1,259.8	703.7
Singapore	520.9	1,665.4	475.4	687.6
United Kingdom	788.5	–	47.9	–
Others	71.8	23.1	61.5	16.3
	4,235.4	4,521.0	1,844.6	1,407.6

(ii) Assets

	2006 HK\$ Million	2005 HK\$ Million (restated)
Hong Kong	10,421.0	10,123.8
Singapore	10,116.2	8,003.4
United Kingdom	604.6	–
Others	506.4	556.2
	21,648.2	18,683.4

(iii) During the year, more than 90% of the Group's share of results of associates arose in Hong Kong and more than 90% of the Group's share of assets less liabilities of associates were located in Hong Kong.

2. TURNOVER AND OPERATING PROFIT

a) Turnover

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

	2006 HK\$ Million	2005 HK\$ Million (restated)
Property investment	449.0	402.7
Property development	2,688.8	3,900.4
Property management and agency	846.7	44.8
Investment and others	250.9	173.1
	4,235.4	4,521.0

b) Operating profit

	2006 HK\$ Million	2005 HK\$ Million (restated)
Operating profit is arrived at: after charging:		
Staff costs	470.6	134.2
– including contributions to defined contribution retirement schemes	32.4	6.9
Cost of properties for sale sold	1,617.5	2,954.1
Operating lease charges: minimum lease payments		
Properties	36.9	–
Others	12.6	–
Depreciation	17.2	1.9
Amortisation of intangible assets	0.5	–
Loss on disposal of fixed assets	9.4	0.8
Auditors' remuneration		
Audit services	4.8	3.7
Other services	1.8	1.1
and after crediting:		
Rental income from operating leases less outgoings	306.4	246.8
– including gross rental income from investment properties HK\$305.6 million (2005: HK\$314.0 million) of which HK\$0.2 million (2005: HK\$0.7 million) is contingent rentals		
Interest income	154.4	74.8
Dividend income from listed investments	31.9	40.3

In addition to the above staff costs charged directly to the profit and loss account, staff costs of HK\$14.7 million (2005: HK\$14.6 million) were capitalised as part of the costs of properties under development for sale.

c) *Directors' emoluments*

	Fees HK\$'000	Basic salaries, housing and other allowances, and benefits in kind HK\$'000	Discretionary bonuses and/or performance related bonuses HK\$'000	Contributions to pension schemes HK\$'000	Compensation for loss of office/ inducement for joining the Group HK\$'000	2006 Total emoluments HK\$'000	2005 Total emoluments HK\$'000
Board of Directors							
Peter K C Woo	50	4,087	4,000	12	–	8,149	8,051
Gonzaga W J Li	94	–	–	–	–	94	76
Stephen T H Ng	50	–	–	–	–	50	39
Paul Y C Tsui	50	1,865	720	12	–	2,647	2,862
Independent Non-executive Directors							
Alexander S K Au	65*	–	–	–	–	65	42
B M Chang	65*	–	–	–	–	65	42
Kenneth W S Ting	50	–	–	–	–	50	39
William Turnbull	65*	–	–	–	–	65	42
Past Director							
David J Lawrence	49	4,154	2,273	29	–	6,505	3,826
	538	10,106	6,993	53	–	17,690	15,019
Total for 2005	423	8,637	5,919	40	–	–	15,019

* Includes Audit Committee Member's fee of HK\$15,000 (2005: HK\$3,698) received by each of relevant Directors.

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 2006 of three employees (2005: two) of the Group who, not being Directors of the Company, were 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

	2006 HK\$ Million	2005 HK\$ Million
Basic salaries, housing and other allowances, and benefits in kind	10.4	2.6
Deemed profit on share option exercise	–	–
Pension scheme contributions	0.7	0.1
Discretionary bonuses and/or performance-related bonuses	0.2	1.1
Compensation for loss of office/inducement for joining the Group	3.2	–
	14.5	3.8

(ii) Bandings

	2006 Number	2005 Number
Bands (in HK\$)		
\$1,500,001 – \$2,000,000	–	1
\$2,000,001 – \$2,500,000	–	1
\$3,500,001 – \$4,000,000	1	–
\$4,000,001 – \$4,500,000	1	–
\$6,500,001 – \$7,000,000	1	–
	3	2

3. OTHER NET INCOME

	2006 HK\$ Million	2005 HK\$ Million (restated)
Net profit on disposal of available-for-sale investments	261.9	89.3
Profit on disposal of investment properties	98.2	–
Deferred profit realised	5.9	111.2
Amortisation of negative goodwill	–	8.6
Exchange gains and others	35.4	4.5
	401.4	213.6

Included in the net profit on disposal of available-for-sale investments is a net surplus, before deduction of minority interests, of HK\$117.7 million (2005: HK\$30.6 million) transferred from the investment revaluation reserves.

4. WRITE BACK OF PROVISION FOR PROPERTIES

Following a review based on the property market conditions prevailing at 31 March 2006, net provision of HK\$192.6 million (2005: HK\$1,352.1 million) charged to the consolidated profit and loss account in prior years for properties under development for sale and held for sale were written back as a result of the increase in net realisable value of certain properties.

5. BORROWING COSTS

	2006 HK\$ Million	2005 HK\$ Million (restated)
Interest payable on		
Bank loans and overdrafts	235.9	90.2
Other loans repayable within 5 years	12.7	0.9
Other borrowing costs	12.5	19.7
	261.1	110.8
Less: Amount capitalised	(43.3)	(20.4)
	217.8	90.4

The Group's effective borrowing interest rate for the year was approximately 3.4% (2005: 1.4%) per annum.

6. 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% (2005: 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:

	2006 HK\$ Million	2005 HK\$ Million (restated)
Current tax		
Hong Kong profits tax for the year	35.6	67.2
Overseas taxation for the year	57.5	44.1
(Over)/under provision in prior years	(21.3)	7.0
	71.8	118.3
Deferred tax (Note 22)		
Change in fair value of investment properties	618.5	178.0
Reversal on disposal of investment properties	(14.6)	–
Origination and reversal of other temporary differences	26.7	(32.3)
	630.6	145.7
	702.4	264.0

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

	2006 HK\$ Million	2005 HK\$ Million (restated)
Profit before taxation	12,118.9	9,746.7
Notional tax on accounting profit calculated at applicable tax rates	2,156.4	1,721.2
Notional tax on share of profits of associates	(1,202.4)	(1,083.5)
Tax effect of non-deductible expenses	34.1	21.8
Tax effect of non-taxable revenue	(162.4)	(89.0)
Tax effect of unused tax losses not recognised	6.3	0.5
Tax effect of prior year's tax losses utilised this year	(108.3)	(313.8)
(Over)/under provision in prior years	(21.3)	7.0
Others	–	(0.2)
Actual total tax charge	702.4	264.0

- c) None of the current tax payable in the consolidated balance sheet is expected to be settled after more than one year.
- d) Share of associates' tax for the year ended 31 March 2006 of HK\$1,263.6 million (2005: HK\$1,410.9 million) is included in the share of profits less losses of associates.

7. GROUP PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$230.3 million (2005: HK\$187.8 million).

8. DIVIDENDS

a) Dividends attributable to the year

	2006 HK\$ Million	2005 HK\$ Million
Interim dividend declared and paid of 2.5 cents (2005: 2.5 cents) per share	50.8	50.8
Final dividend of 10.0 cents (2005: 8.5 cents) per share proposed after the balance sheet date	203.2	172.7
	254.0	223.5

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

	2006 HK\$ Million	2005 HK\$ Million
Final dividend in respect of the previous financial year, approved and paid during the year, of 8.5 cents (2005: 6.5 cents) per share	172.7	132.1

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to the shareholders for the year of HK\$10,316.1 million (2005: HK\$8,337.4 million) and 2,031.8 million ordinary shares in issue throughout the financial year ended 31 March 2006 and the previous year.

10. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the Group and/or Company after the adoption of these new and revised HKFRSs have been summarised in the section headed “Principal Accounting Policies” set out on pages 92 to 106. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

a) *HKAS 40 “Investment property”*

In prior years, the Group’s investment properties were stated at fair value with the changes in the value of investment properties dealt with as movements in the investment property revaluation reserves. Deficits arising on revaluation on a portfolio basis were set off against previous revaluation surpluses and thereafter charged to the consolidated profit and loss account.

With effect from 1 April 2005, upon the adoption of HKAS 40, all the Group’s and its associates’ investment properties are stated at fair values with all the changes in fair value recognised directly in the profit and loss account. This new accounting policy has been applied retrospectively. Revenue reserves as at 1 April 2005 increased by HK\$15,855.4 million (1 April 2004: HK\$10,671.0 million), representing the Group’s share of accumulated post-acquisition revaluation surplus of the associates, previously recorded in the investment property revaluation reserves, being transferred to the revenue reserves. The shareholders’ equity as at 1 April 2005 increased by HK\$5.3 million, because of an adjustment made by the associates to restate certain investment properties with unexpired lease term of 20 years or less at fair value under HKAS 40.

The effect of the change on the Group and its associates has been to increase the Group’s profit attributable to shareholders and minority interests for the year ended 31 March 2006 by HK\$8,518.8 million (2005: HK\$5,251.4 million) and HK\$611.4 million (2005: HK\$196.7 million) respectively.

b) HK(SIC)-INT 21 “Income taxes – recovery of revalued non-depreciable assets”

In prior years, deferred taxation was recognised on revaluation changes of investment properties of the Group and its associates on the basis that the recovery of the carrying amount of the investment properties would be through sales and no deferred taxation was provided on the revaluation changes of the investment properties, principally located in Hong Kong and Singapore, as the capital gains tax rate was nil.

With effect from 1 April 2005, HK(SIC)-INT 21 requires deferred taxation to be recognised on any revaluation changes on investment properties on the basis that the recovery of the carrying amount of the investment properties would be through use and calculated at the applicable profits tax rate and charged to the profit and loss account. This new accounting policy has been applied retrospectively. Shareholders’ equity and minority interests as at 1 April 2005 were restated and decreased by HK\$3,654.2 million and HK\$133.6 million (1 April 2004: HK\$2,642.7 million and HK\$50.8 million), respectively. The adjustment represented net deferred tax liabilities relating to the net revaluation surplus of the Group’s and its associates’ investment properties.

As a result of this change, the Group’s profit attributable to shareholders for the year ended 31 March 2006 decreased by HK\$1,515.2 million (2005: HK\$1,078.5 million), representing the Group’s and its share of associates’ net deferred tax charge (net of minority interests) for the year of HK\$539.5 million (2005: HK\$128.4 million) and HK\$975.7 million (2005: HK\$950.1 million) respectively.

c) HK-INT 2 “The appropriate accounting policies for hotel properties”

In prior years, the hotel and club properties of the Group’s associates were stated at their open market value based on an annual professional valuation. No depreciation was provided by the associates on the hotel and club properties as they were maintained in a continuous state of sound repair and given the estimated life of the hotel properties and their residual values, any depreciation would be immaterial.

With effect from 1 January 2005, upon the adoption of HK-INT 2 by the associates, the hotel and club properties are stated at cost less accumulated depreciation and impairment provision. The effect of adopting the new accounting policy has been applied retrospectively. Shareholders’ equity as at 1 April 2005 was restated and decreased by HK\$1,206.6 million (1 April 2004: HK\$1,051.1 million) whereas minority interests as at 1 April 2005 was restated and increased by HK\$0.2 million (1 April 2004: HK\$6.0 million).

The change has increased the associates’ depreciation charge and reduced the profit attributable to Group and minority interests for the year ended 31 March 2006 by HK\$10.1 million and HK\$0.4 million (2005: HK\$13.0 million and HK\$0.5 million), respectively .

d) HKFRS 3 “Business Combinations”

In prior years, the Group recognised negative goodwill arising on acquisition of a subsidiary or an associate after 1 April 2001 as a deferred item and this was released to the profit and loss account on a proportional basis, when the relevant assets acquired were sold or otherwise realised. For negative goodwill arising on acquisition prior to 1 April 2001, the Group relied upon the transitional provisions set out in Statement of Standard Accounting Practice 30 “Business Combinations” such that negative goodwill was taken to capital reserves in the period in which it arose and has not been restated. It was the Group’s policy to recognise positive goodwill as an asset and to amortise it to the profit and loss account on a straight line basis over its estimated useful life, subject to impairment testing when there were indications of impairment. As at 31 March 2005, the Group did not have any positive goodwill.

With effect from 1 April 2005, in accordance with HKFRS 3 “Business Combinations” and HKAS 36 “Impairment of Assets”, the Group no longer amortises goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating units to which the goodwill has been allocated exceeds its recoverable amount.

Negative goodwill must now be recognised in the profit and loss account immediately. Under the transitional arrangements of HKFRS 3, the existing negative goodwill classified as a deferred item or taken to capital reserves is derecognised by way of an adjustment to the revenue reserves at 1 April 2005. The change in accounting policy has been adopted prospectively from 1 April 2005 with no comparative figures being restated.

As a result of the change, the Group’s net assets and revenue reserves as at 1 April 2005 increased by HK\$97.6 million and HK\$210.1 million respectively while the Group’s other capital reserves as at 1 April 2005 decreased by HK\$112.5 million. In addition, the Group’s associate has transferred its goodwill, previously credited to or eliminated against other capital reserves, to revenue reserves. The net effect of the transfers has reduced the Group’s revenue reserves attributable to associates by HK\$1,442.4 million while the Group’s share of other capital reserves of associates increased by the same amount. Furthermore, the cessation and amortisation of goodwill by the associates has increased the Group’s profit attributable to shareholders for the year ended 31 March 2006 by HK\$24.1 million.

e) HKAS 16 “Property, Plant and Equipment”

In prior years, the rental income earned while a property was under development was capitalised to the development cost of the property.

With effect from 1 April 2005, upon the adoption of HKAS 16, capitalisation of such rental income is no longer allowed and the rental income is required to be recognised in the profit and loss account. As a result of this change, the shareholders’ equity and minority interests as at 1 April 2005 were increased by HK\$10.3 million and HK\$8.1 million (1 April 2004: HK\$ Nil) respectively. Attributable net rental earned from property held for development for the year ended 31 March 2006 was HK\$32.6 million (2005: HK\$18.2 million). The amounts attributable to shareholders and minority interests were HK\$18.3 million (2005: HK\$10.2 million) and HK\$14.3 million (2005: HK\$8.0 million) respectively.

f) HKAS 32 “Financial instruments: Disclosure and Presentation”, and HKAS 39 “Financial instruments: Recognition and Measurement”

In prior years, derivative financial instruments entered into by the Group to hedge the interest rate risk of a recognised asset or liability were not recorded on the balance sheet. Interest flows arising from the derivatives were accounted for on an accrual basis in previous years. Transactions hedged by foreign exchange contracts were recorded at the forward rate specified in the contracts.

The application of HKASs 32 and 39 has resulted in a change in accounting policy relating to the classification of financial assets and liabilities and their measurement. The principal effects of the change on the Group are summarised as below:

(i) Classification and measurement of financial assets and financial liabilities

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “loans and receivables”, “held-to-maturity financial assets” or “available-for-sale financial assets”. Financial assets at fair value through profit and loss are initially recognised at fair value and subsequently remeasured at fair value with any changes therein being recognised in the profit and loss account. Other financial assets are generally measured at amortised cost using the effective interest method. Available-for-sale financial assets are carried at fair value and any revaluation movements are transferred to the investment revaluation reserves.

The change has resulted in reclassifications of certain financial assets and liabilities together with the corresponding comparatives but has no significant impacts on the Group’s results and equity.

(ii) Derivatives and hedging

From 1 April 2005 onwards, all derivatives are initially recognised at fair value on the date of entering the derivative contract and are subsequently remeasured at fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account. Further details of new policies are set out in note (i) of principal accounting policies.

There are no material adjustments arising from the adoption of the new policies for derivatives and hedging.

g) Presentational changes

The application of the new and revised HKFRSs has also resulted in changes in the presentation of the financial statements retrospectively, with comparatives restated to conform with the current period's presentation, in particular as below:

- (i)** In prior years, minority interests were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Financial results shared by minority interests were separately presented in the consolidated profit and loss account as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 April 2005, in order to comply with HKAS 1 "Presentation of Financial Statements" and HKAS 27 "Consolidated and Separate Financial Statements", minority interests are presented in the consolidated balance sheet as an element of total equity, separately from the equity attributable to the shareholders of the Company, and the results shared by minority interests are presented on the face of the consolidated profit and loss account as an allocation of the attributable profit between the minority interests and the shareholders of the Company.

- (ii)** In prior years, the Group's share of associates' tax was presented as a component of taxation in the profit and loss account. On adoption of the HKAS 1, share of associates' tax is presented net of the share of associates' profit.

h) Summary of the effect of changes in accounting policies**(i) Effect on opening balance of total equity at 1 April 2005 and 1 April 2004 (as adjusted)**

	Shareholders' equity			Minority interests HK\$ Million	Total equity HK\$ Million
	Revenue reserves	Other reserves	Total		
	HK\$ Million	HK\$ Million	HK\$ Million		
At 1 April 2005					
Prior year adjustments					
HKAS 40 – Associates	15,855.4	(15,850.1)	5.3	0.2	5.5
HK(SIC)-INT 21	(3,654.2)	–	(3,654.2)	(133.6)	(3,787.8)
Company and subsidiaries	(102.3)	–	(102.3)	(0.5)	(102.8)
Associates	(3,551.9)	–	(3,551.9)	(133.1)	(3,685.0)
HK-INT 2 – Associates	(106.3)	(1,100.3)	(1,206.6)	0.2	(1,206.4)
HKAS 16 – Company and subsidiaries	10.2	0.1	10.3	8.1	18.4
	12,105.1	(16,950.3)	(4,845.2)	(125.1)	(4,970.3)
Opening balance adjustments					
HKFRS 3	(1,232.3)	1,329.9	97.6	37.5	135.1
Company and subsidiaries	210.1	(112.5)	97.6	37.5	135.1
Associates	(1,442.4)	1,442.4	–	–	–
HKAS 39 – Associates	(19.3)	–	(19.3)	(0.7)	(20.0)
Increase/(decrease) in total equity	10,853.5	(15,620.4)	(4,766.9)	(88.3)	(4,855.2)
At 1 April 2004					
Prior year adjustments					
HKAS 40 – Associates	10,671.0	(10,671.0)	–	–	–
HK(SIC)-INT 21	(2,642.7)	–	(2,642.7)	(50.8)	(2,693.5)
Company and subsidiaries	26.1	–	26.1	49.1	75.2
Associates	(2,668.8)	–	(2,668.8)	(99.9)	(2,768.7)
HK-INT 2 – Associates	(93.3)	(957.8)	(1,051.1)	6.0	(1,045.1)
Increase/(decrease) in total equity	7,935.0	(11,628.8)	(3,693.8)	(44.8)	(3,738.6)

(ii) Effect on profit after taxation

	Attributable to shareholders HK\$ Million	Minority interests HK\$ Million	Total HK\$ Million
For the year ended 31 March 2006			
HKAS 40	8,518.8	611.4	9,130.2
Company and subsidiaries	3,023.8	405.1	3,428.9
Associates	5,495.0	206.3	5,701.3
HK(SIC)-INT 21	(1,515.2)	(115.6)	(1,630.8)
Company and subsidiaries	(539.5)	(79.0)	(618.5)
Associates	(975.7)	(36.6)	(1,012.3)
HKAS 16 – Company and subsidiaries	18.3	14.3	32.6
HK-INT 2 – Associates	(10.1)	(0.4)	(10.5)
HKFRS 3 – Associates	24.1	0.9	25.0
Increase in profit after taxation	7,035.9	510.6	7,546.5
For the year ended 31 March 2005			
HKAS 40 – Associates	5,251.4	196.7	5,448.1
HK(SIC)-INT 21	(1,078.5)	(85.2)	(1,163.7)
Company and subsidiaries	(128.4)	(49.6)	(178.0)
Associates	(950.1)	(35.6)	(985.7)
HKAS 16 – Company and subsidiaries	10.2	8.0	18.2
HK-INT 2 – Associates	(13.0)	(0.5)	(13.5)
Increase in profit after taxation	4,170.1	119.0	4,289.1

11. FIXED ASSETS

Group 2006	Investment properties HK\$ Million	Other properties HK\$ Million	Other fixed assets HK\$ Million	Total HK\$ Million
Cost or valuation				
At 1 April 2005	5,313.7	–	25.6	5,339.3
Exchange differences	(12.4)	(1.3)	(4.5)	(18.2)
Additions				
Through acquisition of subsidiaries	–	0.3	43.7	44.0
Others	18.2	54.4	26.9	99.5
Disposals	(188.3)	–	(13.2)	(201.5)
Revaluation surplus	3,428.9	–	–	3,428.9
At 31 March 2006	8,560.1	53.4	78.5	8,692.0
Accumulated depreciation				
At 1 April 2005	–	–	12.9	12.9
Charge for the year	–	–	17.2	17.2
Written back on disposals	–	–	(3.0)	(3.0)
At 31 March 2006	–	–	27.1	27.1
Net book value				
At 31 March 2006	8,560.1	53.4	51.4	8,664.9
2005				
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

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

	Investment properties HK\$ Million	Other properties HK\$ Million	Other fixed assets HK\$ Million	Total HK\$ Million
Balance at 31 March 2006				
2006 valuation	8,560.1	–	–	8,560.1
At cost	–	53.4	78.5	131.9
	8,560.1	53.4	78.5	8,692.0
Balance at 31 March 2005				
2005 valuation	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:

	2006 HK\$ Million	2005 HK\$ Million
Investment properties		
Held in Hong Kong		
Long lease	5,906.7	2,923.6
Held outside Hong Kong		
Freehold	493.4	474.5
Long lease	2,160.0	1,915.6
	8,560.1	5,313.7
Other properties held outside Hong Kong – Long lease	53.4	–

c) Properties revaluation

The Group's investment properties in Hong Kong, Singapore and Japan have been revalued as at 31 March 2006 by Wheelock Properties (Hong Kong) Limited, a subsidiary engaged in professional valuation, CB Richard Ellis (Pte) Ltd and Ikoma CB Richard Ellis KK, independent firms of property consultants, who have appropriate qualifications and experience in the valuation of properties in the relevant locations, on an open market value basis, after taking into consideration the net rental income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

The surplus arising on revaluation is dealt with in the consolidated profit and loss account in accordance with the Group's accounting policies.

- d)** The gross amount of investment properties of the Group held for use in operating leases was HK\$8,560.1 million (2005: HK\$5,313.7 million).
- e)** The Group leases out properties under operating leases, which generally run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease income may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenants' sales receipts.
- f)** The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	Group	
	2006 HK\$ Million	2005 HK\$ Million
Within 1 year	246.8	250.4
After 1 year but within 5 years	246.8	152.4
After 5 years	2.4	–
	496.0	402.8

12. SUBSIDIARIES

	Company	
	2006	2005
	HK\$ Million	HK\$ Million
Unlisted shares, at cost	3,495.0	3,495.0
Amounts due from subsidiaries	2,959.9	4,442.5
Amounts due to subsidiaries	(1,967.4)	(3,299.2)
	4,487.5	4,638.3

Details of principal subsidiaries at 31 March 2006 are shown on pages 107 and 108.

Amounts due from and due to subsidiaries are unsecured, non-interest bearing and classified as non-current as these are not expected to be recoverable/payable within the next twelve months.

13. GOODWILL AND OTHER INTANGIBLE ASSETS

Group	Goodwill on consolidation	Trade name	Customer relationship	Total
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Cost				
At 1 April 2005	–	–	–	–
Additions through acquisition of subsidiaries	103.4	153.1	5.9	262.4
Arising from assets previously held	–	73.4	2.9	76.3
Exchange differences	(9.8)	(21.8)	(0.8)	(32.4)
At 31 March 2006	93.6	204.7	8.0	306.3
Accumulated amortisation				
At 1 April 2005	–	–	–	–
Charge for the year	–	–	0.5	0.5
At 31 March 2006	–	–	0.5	0.5
Carrying amount				
At 31 March 2006	93.6	204.7	7.5	305.8

The amortisation charge for the year was included in “administrative expenses” in the consolidated profit and loss account.

Intangible assets with indefinite useful lives

The trade name of “Hamptons” identified as an intangible asset on acquisition of Hamptons Group Limited by Wheelock Properties (Singapore) Limited (“WPSL”), a subsidiary of the Group, is assumed to have an indefinite useful life on the basis that the “Hamptons” trade name has been in existence for more than one hundred years, and the WPSL group intends to continue to use the “Hamptons” trade name.

Impairment test for cash-generating units containing goodwill

Goodwill is allocated to the WPSL group’s cash-generating units (“CGU”) acquired during the year. Only 1 CGU, Hamptons Group Limited is identified.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts approved by WPSL management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimate rates stated below. No impairment was recorded.

Impairment test for intangible assets with indefinite useful lives

The recoverable amount of intangible assets is determined based on value-in-use calculations. These calculations use cash flow projections based on forecasted income derived from the intangible assets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimate rates stated below. No impairment was recorded.

Key assumptions used for value-in-use calculations

	CGU	Intangible assets
	%	%
Gross margin	13.6	–
Growth rate	2.0	2.0
Discount rate	9.1	11.1

Management determined the forecast gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant business environment.

14. ASSOCIATES

	Group	
	2006	2005
	HK\$ Million	HK\$ Million (restated)
Share of net assets	32,745.8	28,021.7
Amounts due from associates	121.5	68.3
Amounts due to associates (Note a)	(885.6)	(1,528.3)
	31,981.7	26,561.7
a) Analysis of the cost of investments of the above:		
Shares listed in Hong Kong	11,443.4	11,483.8
Unlisted shares	5.3	78.0
	11,448.7	11,561.8
Market value of listed shares	34,839.1	30,427.8

- b)** Included in the amounts due to associates is a loan of HK\$881.6 million (2005: HK\$1,467.4 million involved in the Sorrento and the Bellagio projects) contributed by an associate in proportion to its equity interest in the Bellagio project. The loan bears interest at rates as determined by the shareholders of the property holding company with reference to the prevailing market rates which were between 4.7% to 4.9% (2005: interest free) per annum for the current financial year. Interest expense in respect of the loan from the associate for the year ended 31 March 2006 amounted to HK\$12.4 million (2005: HK\$ Nil). The loan is unsecured and has no fixed terms of repayment.

c) Summary financial information on associates

	2006		2005	
	Total HK\$ Million	Attributable interest HK\$ Million	Total HK\$ Million	Attributable interest HK\$ Million
Balance Sheets				
Assets	105,107.5	52,315.0	94,958.8	45,812.5
Liabilities	(39,264.3)	(19,569.2)	(36,762.1)	(17,790.8)
Equity	65,843.2	32,745.8	58,196.7	28,021.7
Profit and Loss Accounts				
Revenue	13,804.0	6,433.1	16,657.4	6,667.9
Profit before taxation	16,564.9	8,134.2	15,990.2	7,602.5
Income tax	(2,567.1)	(1,263.6)	(2,924.1)	(1,410.9)
Profit after taxation	13,997.8	6,870.6	13,066.1	6,191.6

- d)** The Group has 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 2005. Extracts of Wharf’s audited consolidated profit and loss account and balance sheet are shown on page 111.
- e)** Details of principal associates at 31 March 2006 are shown on page 108.

15. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2006	2005
	HK\$ Million	HK\$ Million
Equity securities, at market value		
Listed in Hong Kong	68.4	68.8
Listed outside Hong Kong	2,111.2	1,352.8
	2,179.6	1,421.6
Unlisted investments	6.9	66.4
	2,186.5	1,488.0

Equity securities listed outside Hong Kong include the Group's 20.97% interest in Hotel Properties Limited ("HPL"), a company incorporated in Singapore. This equity interest is not classified as an associate as the Group does not have significant influence in HPL. The Group does not have representation on the board of directors and does not participate in the policy-making processes of HPL.

16. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

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

- a) The amount of properties under development for sale and properties held for sale carried at net realisable value is HK\$785.3 million (2005: HK\$661.3 million).
- b) Properties under development for sale in the amount of HK\$6,627.3 million (2005: HK\$9,583.6 million) are expected to be substantially completed and recovered after more than one year.
- c) Properties under development for sale with a carrying value of HK\$4,014.3 million (2005: HK\$2,284.2 million) are pledged as security for banking facilities made available to the Group.
- d) The carrying amount of properties under development for sale of the Group temporarily held for use in operating leases, which run for a period of one to two years with no option to renew upon expiry, is HK\$2,386.0 million (2005: HK\$1,746.5 million as restated). No provision for diminution in value of these properties is made (2005: HK\$ Nil).

- e) The carrying value of leasehold land and freehold land included in properties under development for sale and held for sale is summarised as follows:

	Group	
	2006 HK\$ Million	2005 HK\$ Million
Held in Hong Kong		
Long lease	899.2	–
Medium term leases	1,296.9	2,932.9
	2,196.1	2,932.9
Held outside Hong Kong		
Freehold	5,005.6	4,107.9
	7,201.7	7,040.8

18. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of impairment losses for bad and doubtful debts) with an ageing analysis as at 31 March 2006 as follows:

	Group	
	2006 HK\$ Million	2005 HK\$ Million
Current	566.6	256.1
31 – 60 days	8.4	54.4
61 – 90 days	7.1	22.8
Over 90 days	22.9	24.5
	605.0	357.8
Other receivables	153.8	200.0
Stakeholders' deposits	330.9	743.9
	1,089.7	1,301.7

The Group maintains and closely monitors defined credit policies for its businesses and trade receivables in order to control the credit risk associated with trade receivables. Included in trade and other receivables are amounts mainly denominated in the functional currency of the entity to which they relate.

19. BANK BALANCES AND DEPOSITS

Included in bank balances and deposits is an amount of HK\$709.3 million (2005: HK\$135.4 million) in respect of certain proceeds received from the pre-sale of properties in Singapore held under the "Project Account Rules-1997 Ed", withdrawals from which are designated for payments for expenditure incurred on projects.

20. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an ageing analysis as at 31 March 2006 as follows:

	Group	
	2006	2005
	HK\$ Million	HK\$ Million
Amounts payable in the next:		
0 – 30 days	229.5	197.6
31 – 60 days	70.0	113.9
61 – 90 days	126.0	208.4
Over 90 days	316.9	449.0
	742.4	968.9
Other payables	405.9	317.4
	1,148.3	1,286.3

Included in trade and other payables are amounts mainly denominated in the functional currency of the entity to which they relate.

21. LOANS

	Group		Company	
	2006 HK\$ Million	2005 HK\$ Million	2006 HK\$ Million	2005 HK\$ Million
Secured bank loans				
Repayable after 1 year, but within 2 years	1,211.5	–	–	–
Repayable after 2 years, but within 5 years	401.6	1,171.3	–	–
	1,613.1	1,171.3	–	–
Unsecured bank loans				
Repayable within 1 year	1,976.1	607.6	–	157.9
Repayable after 1 year, but within 2 years	576.1	300.0	–	–
Repayable after 2 years, but within 5 years	2,788.7	5,168.0	–	–
Repayable after 5 years	–	500.0	–	–
	5,340.9	6,575.6	–	157.9
	6,954.0	7,746.9	–	157.9
Secured bonds (Note)	251.1	275.6	–	–
Total loans	7,205.1	8,022.5	–	157.9
Less: Amounts repayable within 1 year	(1,976.1)	(607.6)	–	(157.9)
Total long-term loans	5,229.0	7,414.9	–	–

Included in loans are amounts mainly denominated in the functional currency of the entity to which they relate.

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

22. DEFERRED TAX

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

	Revaluation of investment properties HK\$ Million	Depreciation allowances in excess of the related depreciation HK\$ Million	Intangible assets HK\$ Million	Others HK\$ Million	Total HK\$ Million
Group					
Balance at 1 April 2004					
As previously reported	–	55.9	–	15.8	71.7
Prior year adjustment in respect of HK(SIC)-INT 21	(75.2)	–	–	–	(75.2)
As restated	(75.2)	55.9	–	15.8	(3.5)
Exchange differences	–	0.6	–	0.2	0.8
Charged/(credited) to the profit and loss account	178.0	2.5	–	(34.8)	145.7
Credited to reserves	–	–	–	(8.5)	(8.5)
Balance at 31 March 2005	102.8	59.0	–	(27.3)	134.5
Balance at 1 April 2005					
As previously reported	–	59.0	–	(27.3)	31.7
Prior year adjustment in respect of HK(SIC)-INT 21	102.8	–	–	–	102.8
As restated	102.8	59.0	–	(27.3)	134.5
Charged to the profit and loss account	603.9	1.7	–	25.0	630.6
Charged to reserves	–	–	22.9	–	22.9
Through acquisition of subsidiaries	–	–	40.7	(2.3)	38.4
Balance at 31 March 2006	706.7	60.7	63.6	(4.6)	826.4

b) Deferred tax assets unrecognised

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

	Group	
	2006	2005
	HK\$ Million	HK\$ Million
Deductible temporary differences	21.5	17.5
Future benefits of tax losses	120.3	225.5
	141.8	243.0

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.

23. DEFERRED ITEMS

Included in deferred items are deferred profits of HK\$443.4 million (2005: Deferred profit of HK\$356.4 million and negative goodwill of HK\$110.6 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	
	2006 HK\$ Million	2005 HK\$ Million
Negative goodwill, at cost		
Balance at 1 April		
As previously reported	110.6	119.2
Opening balance adjustment	(110.6)	–
As restated	–	119.2
Realised on disposal of the relevant assets acquired	–	(8.6)
	–	110.6

Negative goodwill, principally arising from the privatisation of Realty Development Corporation Limited completed 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.

The opening balance adjustment is to derecognise the negative goodwill classified as deferred item to revenue reserves in compliance with HKFRS 3.

24. SHARE CAPITAL

	2006	2005	2006	2005
	No. of shares Million	No. of shares 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

25. TOTAL EQUITY

	Share capital HK\$ Million	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	Shareholders' equity HK\$ Million	Minority interests HK\$ Million	Total equity HK\$ Million
a) Group										
Company and subsidiaries										
Balance at 1 April 2005										
As previously reported	1,015.9	1,913.6	19.5	–	316.3	323.7	11,777.4	15,366.4	4,881.7	20,248.1
Prior year adjustments:										
Deferred tax on investment property revaluation surplus (HK(SIC)-INT 21)	–	–	–	–	–	–	(102.3)	(102.3)	(0.5)	(102.8)
Net rental earned for property for development for sale (HKAS 16)	–	–	–	–	–	0.1	10.2	10.3	8.1	18.4
As restated	1,015.9	1,913.6	19.5	–	316.3	323.8	11,685.3	15,274.4	4,889.3	20,163.7
Opening balance adjustment:										
Negative goodwill derecognised to revenue reserves (HKFRS 3)	–	–	–	–	–	(112.5)	210.1	97.6	37.5	135.1
	1,015.9	1,913.6	19.5	–	316.3	211.3	11,895.4	15,372.0	4,926.8	20,298.8
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	–	–	(172.7)	(172.7)	–	(172.7)
Dividend to minority interests	–	–	–	–	–	–	–	–	(836.4)	(836.4)
Revaluation surplus	–	–	–	–	273.0	29.9	–	302.9	124.3	427.2
Transferred to the profit and loss account on disposal of available- for-sale investments	–	–	–	–	(87.4)	–	–	(87.4)	(30.3)	(117.7)
Rights issue of a subsidiary attributable to minority interests	–	–	–	–	–	–	–	–	775.7	775.7
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(4.4)	(4.4)	(32.0)	(36.4)
Others	–	–	–	–	–	–	(2.9)	(2.9)	(0.9)	(3.8)
Through acquisition of subsidiaries	–	–	–	–	–	–	–	–	2.8	2.8
Reclassification from associates	–	–	–	–	–	28.8	(3.0)	25.8	21.7	47.5
Exchange differences	–	–	–	–	–	15.5	–	15.5	13.1	28.6
Profit for the year retained	–	–	–	–	–	–	4,741.9	4,741.9	916.0	5,657.9
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	–	–	–	(50.8)	(50.8)	–	(50.8)
Balance at 31 March 2006	1,015.9	1,913.6	19.5	–	501.9	285.5	16,403.5	20,139.9	5,880.8	26,020.7

NOTES TO THE FINANCIAL STATEMENTS

	Share capital HK\$ Million	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	Shareholders' equity HK\$ Million	Minority interests HK\$ Million	Total equity HK\$ Million
a) Group Associates										
Balance at 1 April 2005										
As previously reported	-	-	-	15,850.1	225.9	(143.0)	4,980.5	20,913.5	474.3	21,387.8
Prior year adjustments:										
Investment properties (HKAS 40)	-	-	-	(15,850.1)	-	-	15,855.4	5.3	0.2	5.5
Hotel and club properties (HK-INT 2)	-	-	-	-	-	(1,100.3)	(106.3)	(1,206.6)	0.2	(1,206.4)
Deferred tax on investment property revaluation surplus (HK(SIC)-INT 21)	-	-	-	-	-	-	(3,551.9)	(3,551.9)	(133.1)	(3,685.0)
As restated	-	-	-	-	225.9	(1,243.3)	17,177.7	16,160.3	341.6	16,501.9
Opening balance adjustments:										
Goodwill	-	-	-	-	-	1,442.4	(1,442.4)	-	-	-
Financial instruments	-	-	-	-	-	-	(19.3)	(19.3)	(0.7)	(20.0)
Revaluation surplus	-	-	-	-	225.9	199.1	15,716.0	16,141.0	340.9	16,481.9
Transferred to the profit and loss account on disposal of available-for-sale investments	-	-	-	-	49.6	-	-	49.6	1.9	51.5
Reclassification to subsidiaries	-	-	-	-	(33.3)	-	-	(33.3)	(2.7)	(36.0)
Reserve utilised for acquisition of interests in subsidiaries	-	-	-	-	-	(28.8)	3.0	(25.8)	(21.7)	(47.5)
Transfers	-	-	-	-	-	-	(860.7)	(860.7)	(32.3)	(893.0)
Profit for the year retained	-	-	-	-	-	(118.8)	120.6	1.8	-	1.8
Profit for the year retained	-	-	-	-	-	-	5,574.2	5,574.2	184.4	5,758.6
Balance at 31 March 2006	-	-	-	-	242.2	51.5	20,553.1	20,846.8	470.5	21,317.3
Total equity at 31 March 2006	1,015.9	1,913.6	19.5	-	744.1	337.0	36,956.6	40,986.7	6,351.3	47,338.0

	Share capital HK\$ Million	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	Shareholders' equity HK\$ Million	Minority interests HK\$ Million	Total equity HK\$ Million
a) Group										
Company and subsidiaries										
Balance at 1 April 2004										
As previously reported	1,015.9	1,913.6	19.5	–	31.8	278.0	8,732.3	11,991.1	3,854.7	15,845.8
Prior year adjustment:										
Deferred tax on investment property revaluation surplus (HK(SIC)-INT 21)	–	–	–	–	–	–	26.1	26.1	49.1	75.2
As restated	1,015.9	1,913.6	19.5	–	31.8	278.0	8,758.4	12,017.2	3,903.8	15,921.0
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	–	–	(132.1)	(132.1)	–	(132.1)
Dividend to minority interests	–	–	–	–	–	–	–	–	(96.3)	(96.3)
Revaluation surplus	–	–	–	–	301.2	–	–	301.2	103.3	404.5
Transferred to the profit and loss account on										
Disposal of available-for- sale investments	–	–	–	–	(16.7)	–	–	(16.7)	(13.9)	(30.6)
Disposal of other property	–	–	–	–	–	(1.0)	–	(1.0)	(0.3)	(1.3)
Exchange differences	–	–	–	–	–	46.8	–	46.8	40.4	87.2
Profit for the year retained	–	–	–	–	–	–	3,109.8	3,109.8	952.3	4,062.1
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	–	–	–	(50.8)	(50.8)	–	(50.8)
Balance at 31 March 2005	1,015.9	1,913.6	19.5	–	316.3	323.8	11,685.3	15,274.4	4,889.3	20,163.7

NOTES TO THE FINANCIAL STATEMENTS

	Share capital HK\$ Million	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	Shareholders' equity HK\$ Million	Minority interests HK\$ Million	Total equity HK\$ Million
a) Group										
Associates										
Balance at 1 April 2004										
As previously reported	-	-	-	10,671.0	122.6	(301.1)	4,060.6	14,553.1	238.7	14,791.8
Prior year adjustments:										
Investment properties (HKAS 40)	-	-	-	(10,671.0)	-	-	10,671.0	-	-	-
Hotel and club properties (HK-INT 2)	-	-	-	-	-	(957.8)	(93.3)	(1,051.1)	6.0	(1,045.1)
Deferred tax on investment property revaluation surplus (HK(SIC)-INT 21)	-	-	-	-	-	-	(2,668.8)	(2,668.8)	(99.9)	(2,768.7)
As restated	-	-	-	-	122.6	(1,258.9)	11,969.5	10,833.2	144.8	10,978.0
Surplus on revaluation of investment properties	-	-	-	5,246.0	-	-	-	5,246.0	196.5	5,442.5
Prior year adjustment for HKAS 40	-	-	-	(5,246.0)	-	-	-	(5,246.0)	(196.5)	(5,442.5)
As restated	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of hotel and club properties	-	-	-	-	-	136.2	-	136.2	5.1	141.3
Prior year adjustment for HK-INT 2	-	-	-	-	-	(142.5)	-	(142.5)	(5.3)	(147.8)
As restated	-	-	-	-	-	(6.3)	-	(6.3)	(0.2)	(6.5)
Deferred tax on revaluation of certain investment properties	-	-	-	(66.9)	-	-	-	(66.9)	(2.5)	(69.4)
Prior year adjustment for HK(SIC)-INT 21	-	-	-	66.9	-	-	-	66.9	2.5	69.4
As restated	-	-	-	-	-	-	-	-	-	-
Revaluation surplus	-	-	-	-	113.9	-	-	113.9	4.3	118.2
Transferred to the profit and loss account on disposal of available-for-sale investments	-	-	-	-	(10.6)	-	-	(10.6)	(0.4)	(11.0)
Others	-	-	-	-	-	21.9	(19.4)	2.5	0.1	2.6
Profit for the year retained	-	-	-	-	-	-	5,227.6	5,227.6	193.0	5,420.6
Balance at 31 March 2005	-	-	-	-	225.9	(1,243.3)	17,177.7	16,160.3	341.6	16,501.9
Total equity at 31 March 2005	1,015.9	1,913.6	19.5	-	542.2	(919.5)	28,863.0	31,434.7	5,230.9	36,665.6

	Share capital HK\$ Million	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
b) Company						
Shareholders' equity at 1 April 2005	1,015.9	1,913.6	19.5	77.2	1,450.1	4,476.3
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	(172.7)	(172.7)
Profit for the year	–	–	–	–	230.3	230.3
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	–	(50.8)	(50.8)
Shareholders' equity at 31 March 2006	1,015.9	1,913.6	19.5	77.2	1,456.9	4,483.1
Shareholders' equity at 1 April 2004	1,015.9	1,913.6	19.5	77.2	1,445.2	4,471.4
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	(132.1)	(132.1)
Profit for the year	–	–	–	–	187.8	187.8
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	–	(50.8)	(50.8)
Shareholders' equity at 31 March 2005	1,015.9	1,913.6	19.5	77.2	1,450.1	4,476.3

Reserves of the Company available for distribution to shareholders at 31 March 2006 amounted to HK\$1,456.9 million (31 March 2005: HK\$1,450.1 million).

26. FINANCIAL INSTRUMENTS

Exposure to interest rate, foreign currency, liquidity and credit risks arises in the normal course of the Group's business. These risks are managed by the Group's financial management policies and practices described below:

a) *Interest rate risk*

The Group's exposure to market risk for changes in interest rates primarily relates to the Group's debt obligations with financial institutions which are denominated into Singapore Dollars, Japanese Yen and Pound Sterling. Interest rates on borrowings are determined based on prevailing market rates. The Group does not use derivative financial instruments to hedge interest rate risks.

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

Group	2006			2005		
	Effective interest rates %	Within 1 year HK\$ Million	After 1 year but within 5 years HK\$ Million	Effective interest rates %	Within 1 year HK\$ Million	After 1 year but within 5 years HK\$ Million
Financial assets						
Bank balances and deposits	1.5 – 4.7	4,517.6	–	1.7 – 2.4	3,502.1	–
Financial liabilities						
Bank loans						
Secured	4.0 – 4.3	(1,613.1)	–	2.6 – 2.8	(1,171.3)	–
Unsecured	0.6 – 5.0	(5,340.9)	–	0.6 – 2.9	(6,575.6)	–
Secured bonds	1.14	–	(251.1)	1.14	–	(275.6)
		(6,954.0)	(251.1)		(7,746.9)	(275.6)
Total		(2,436.4)	(251.1)		(4,244.8)	(275.6)

b) Foreign currency risk

The Group has exposure to foreign currency risk as a result of its investments in subsidiaries operating overseas. The currencies giving rise to this risk are primarily Singapore Dollar, Japanese Yen and Pound Sterling.

The Group uses forward exchange contracts and local currency borrowings to hedge its foreign currency risk except its net investments in Singapore subsidiaries. Most of the forward exchange contracts have maturities of less than three months after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

c) Liquidity risk

Cash management of the Company and wholly-owned subsidiaries of the Group is centralised at the Group level. The non-wholly-owned subsidiaries are responsible for their own cash management, including the short term investment of cash surpluses with creditworthy financial institutions and the raising of loans to cover expected cash demands, in accordance with the established policies and strategies with the concurrence by the Company. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

d) Credit risk

The Group's credit risk is primarily attributable to rental, other trade and service receivables. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies in each of its core businesses.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet. There are no significant concentrations of credit risk within the Group.

e) Fair values

Listed investments are stated at market prices. Unlisted investments for which fair values cannot be reliably measured are stated at cost.

The fair values of debtors, bank balances and other liquid funds, creditors and accruals, current borrowings, and provisions are assumed to approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.

27. CONTINGENT LIABILITIES

At 31 March 2006, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities up to HK\$6,170.0 million (2005: HK\$6,820.0 million).

28. COMMITMENTS

a) Acquisition of and future development expenditure relating to properties

	Group	
	2006 HK\$ Million	2005 HK\$ Million
Contracted but not provided for	765.8	1,705.8

b) At 31 March 2006, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group			
	2006		2005	
	Properties HK\$ Million	Others HK\$ Million	Properties HK\$ Million	Others HK\$ Million
Within 1 year	31.2	8.2	–	–
After 1 year but within 5 years	95.2	4.6	–	–
After 5 years	73.9	–	–	–
	200.3	12.8	–	–

29. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transactions during the year ended 31 March 2006:

- a) Included in interest in associates is a loan of HK\$881.6 million (2005: HK\$1,387.6 million) contributed by an associate in proportion to its equity interest in the Bellagio property development project. The loan bears interest at rate as determined by the shareholders of the property holding company with reference to prevailing market rates which were between 4.7% and 4.9% (2005: interest free) per annum for the current financial year. Interest expense in respect of the loan from the associate for the year ended 31 March 2006 amounted to HK\$12.4 million (2005: HK\$ Nil). The loan is unsecured and has no fixed terms of repayment. This transaction did not constitute a connected transaction of the Company under the Listing Rules.
- b) In respect of the year ended 31 March 2006, the Group earned rental income totalling HK\$14.6 million (2005: HK\$30.1 million) from the Lane Crawford group, which is wholly owned by a trust of which the Chairman of the Company is the settlor, in respect of the leasing of certain 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 of Lane Crawford House as well as certain office/godown units. The above lease at Lane Crawford House expired at the end of June 2005. These transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.
- c) On 28 June 2005, the Group and its listed subsidiary, Wheelock Properties Limited, entered into agreements with The Wharf (Holdings) Limited group to sell their interest in 107,623,761 i-CABLE Communications Limited (i-CABLE) shares and 17,619,827 i-CABLE shares at consideration of HK\$277.1 million and HK\$45.4 million respectively. Profit recognised by the Group amounted to HK\$98.9 million. This transaction did not constitute a connected transaction of the Company under the Listing Rules.

30. POST BALANCE SHEET EVENTS

After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 8 to the financial statements.

31. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or reclassified as a result of the changes in accounting policies. Further details of which are disclosed in note 10.

In addition, the presentation of certain comparative figures in the segment reporting as disclosed in note 1 to the financial statements has been reclassified to conform with the current year's presentation which management considered would give a better indication of the results of the Group for the year.

32. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations that may impact the Group's financial statements. These new standards have not been adopted since they are only effective after 31 March 2006:

	Effective for accounting periods beginning on or after
HK(IFRIC) 4, Determining whether an arrangement contains a lease	1 January 2006
Amendments to HKAS 19, Employee benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
Amendments to HKAS 21, Net investment in a foreign operation	1 January 2006
Amendments to HKAS 39, Financial instruments:	
Recognition and measurement:	
Cash flow hedge accounting of forecast intragroup transactions	1 January 2006
The fair value option	1 January 2006
Financial guarantee contracts	1 January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:	
HKAS 1, Presentation of financial statements	1 January 2006
HKAS 27, Consolidated and separate financial statements	1 January 2006
HKFRS 3, Business combinations	1 January 2006
HKFRS 7, Financial instruments: disclosures	1 January 2007
Revised guidance on implementing HKFRS 4	1 January 2007
Amendment to HKAS 1, Presentation of financial statements: capital disclosures	1 January 2007

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Group's financial statements for the period beginning 1 April 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of the new standards and interpretations is unlikely to have a significant impact on the Group's results of operations and financial position.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2006.