

## 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 development	298.3	1,669.7	93.6	353.2
Property investment	405.1	339.1	252.4	225.4
Property agency	800.3	–	19.9	–
Investment and others	284.8	179.9	522.8	267.5
	<b>1,788.5</b>	<b>2,188.7</b>	<b>888.7</b>	<b>846.1</b>
Unallocated expenses			(15.5)	(8.8)
Operating profit			873.2	837.3
Increase in fair value of investment properties			1,384.4	657.3
Write back of provision for properties			190.1	14.2
			<b>2,447.7</b>	<b>1,508.8</b>
Borrowing costs			(52.8)	(37.9)
Share of profits less losses of associates				
Property development			322.2	265.6
Investment and others			2.8	1.3
Property agency			–	18.7
Write back of provision for properties			–	446.7
Profit before taxation			<b>2,719.9</b>	<b>2,203.2</b>

##### (ii) Assets and liabilities

	Assets		Liabilities	
	2006 HK\$ Million	2005 HK\$ Million (restated)	2006 HK\$ Million	2005 HK\$ Million (restated)
Property development	7,113.6	5,202.0	1,191.4	256.9
Property investment	5,604.4	4,384.4	184.2	102.0
Property agency	604.6	–	132.5	–
Investment and others	7,153.6	5,784.8	63.4	6.8
	<b>20,476.2</b>	<b>15,371.2</b>	<b>1,571.5</b>	<b>365.7</b>
Segment assets and liabilities				
Associates				
Property development	947.6	1,475.7	–	–
Investment and others	9.6	18.2	–	–
Property agency	–	56.1	–	–
Unallocated items	4,498.2	3,490.4	4,502.1	3,515.7
Total assets and liabilities	<b>25,931.6</b>	<b>20,411.6</b>	<b>6,073.6</b>	<b>3,881.4</b>

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

During the year, the Group incurred capital expenditure of HK\$138.1 million (2005: HK\$406.8 million) mainly in respect of the acquisition of properties and other fixed assets in 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	407.5	500.5	311.7	249.1
Singapore	520.9	1,665.4	469.6	576.4
United Kingdom	788.5	–	47.9	–
Others	71.6	22.8	44.0	11.8
	<b>1,788.5</b>	<b>2,188.7</b>	<b>873.2</b>	<b>837.3</b>

#### (ii) Assets

	Assets	
	2006 HK\$ Million	2005 HK\$ Million (restated)
Hong Kong	9,249.0	6,811.6
Singapore	10,116.2	8,003.4
United Kingdom	604.6	–
Others	506.4	556.2
	<b>20,476.2</b>	<b>15,371.2</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 2. TURNOVER AND OPERATING PROFIT

#### (a) Turnover

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

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$ Million</b>	HK\$ Million (restated)
Property development	<b>298.3</b>	1,669.7
Property investment	<b>405.1</b>	339.1
Property agency	<b>800.3</b>	–
Investment and others	<b>284.8</b>	179.9
	<b>1,788.5</b>	2,188.7

#### (b) Operating profit

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$ Million</b>	HK\$ Million (restated)
Operating profit is arrived at:		
after charging:		
Staff costs	<b>348.4</b>	27.5
– including contributions to defined contribution retirement schemes of HK\$26.6 million (2005: HK\$1.9 million)		
Cost of properties for sale sold	<b>165.7</b>	1,251.1
Operating lease charges: minimum lease payments		
properties	<b>36.9</b>	–
others	<b>12.6</b>	–
Depreciation	<b>15.9</b>	1.2
Amortisation of intangible assets	<b>0.5</b>	–
Loss on disposal of fixed assets	<b>9.4</b>	0.3
Auditors' remuneration		
audit services	<b>3.1</b>	2.0
other services	<b>1.7</b>	0.7
and crediting:		
Rental income from operating leases less outgoings	<b>278.9</b>	241.8
– including gross rental income from investment properties of HK\$272.9 million (2005: HK\$265.4 million) of which HK\$0.2 million (2005: HK\$0.6 million) is contingent rentals		
Dividend income from listed investments	<b>154.9</b>	144.0
Interest income	<b>129.9</b>	35.9

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.

## NOTES TO THE FINANCIAL STATEMENTS

### (c) Directors' emoluments

	Basic salaries, housing and other allowances, and benefits Fees HK\$'000	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
<b>Board of Directors</b>							
Gonzaga W. J. Li	44	-	-	-	-	44	37
Paul Y. C. Tsui	44	-	-	-	-	44	7
T. Y. Ng	44	-	-	-	-	44	37
Joseph M. K. Chow	45*	-	-	-	-	45	26
Ricky K. Y. Wong	3	-	-	-	-	3	-
<b>Independent Non-executive Directors</b>							
Glenn S. Yee	45*	-	-	-	-	45	26
Herald L. F. Lau	45*	-	-	-	-	45	18
David T. C. Lie-A-Cheong	30	-	-	-	-	30	12
<b>Past Director</b>							
David J. Lawrence	33	2,803	1,141	19	-	3,996	691
	<b>333</b>	<b>2,803</b>	<b>1,141</b>	<b>19</b>	<b>-</b>	<b>4,296</b>	<b>854</b>
Total for 2005	170	475	206	3	-		854

\* Includes Audit Committee Member's fee of HK\$15,000 (2005: HK\$3,709) received by each of relevant Directors.

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### (d) Five highest paid employees

Set out below are analysis 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 the five highest paid employees of the Group.

#### (i) Aggregate emoluments

	2006 HK\$ Million	2005 HK\$ Million
Basic salaries, housing and other allowances, and benefits in kind	16.9	6.5
Retirement scheme contributions	0.7	0.3
Discretionary bonuses and/or performance related bonuses	1.3	2.1
Compensation for loss of office	3.2	–
Inducement for joining the Group	–	–
	<b>22.1</b>	<b>8.9</b>

#### (ii) Bandings

Bands (in HK\$)	2006 Number	2005 Number
\$1,000,001 – \$1,500,000	–	4
\$2,500,001 – \$3,000,000	1	–
\$3,500,001 – \$4,000,000	1	1
\$4,000,001 – \$4,500,000	1	–
\$5,000,001 – \$5,500,000	1	–
\$6,500,001 – \$7,000,000	1	–
	<b>5</b>	<b>5</b>

### 3. OTHER NET INCOME

	Group 2006 HK\$ Million	2005 HK\$ Million (restated)
Net profit on disposal of available-for-sale investments	168.3	89.3
Net profit on disposal of investment properties	98.2	–
Amortisation of negative goodwill	–	12.9
Profit on sale of an associate	–	9.5
Exchange gain/others	36.6	1.6
	<b>303.1</b>	<b>113.3</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 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\$190.1 million (2005: HK\$14.2 million) charged to the consolidated profit and loss account in prior years for properties under development for sale and held for sale was written back as a result of the increase in net realisable value of certain properties.

### 5. BORROWING COSTS

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$ Million</b>	HK\$ Million (restated)
Interest on bank loans, bonds and overdrafts	<b>92.3</b>	43.5
Other borrowing costs	<b>3.7</b>	14.8
	<b>96.0</b>	58.3
Less: Amount capitalised	<b>(43.2)</b>	(20.4)
	<b>52.8</b>	37.9

The Group's effective borrowing interest rate for the year was approximately 2.9% (2005: 2.2%).

### 6. SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

Share of profits less losses of associates for the year ended 31 March 2006 amounted to HK\$325.0 million (2005: HK\$732.3 million), comprising mainly attributable profits from sale of Bellagio and Parc Palais units undertaken by associates. Included in the share of profits of associates in last financial year is an amount of HK\$446.7 million arising from the Group's share of a provision write-back for the Bellagio development project.

## NOTES TO THE FINANCIAL STATEMENTS

### 7. INCOME TAX

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

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$ Million</b>	HK\$ Million (restated)
<i>Current tax</i>		
Hong Kong profits tax for the year	<b>8.7</b>	12.5
Overseas taxation for the year	<b>57.5</b>	44.1
Under/(over) provision in prior years	<b>8.7</b>	(0.6)
	<b>74.9</b>	56.0
<i>Deferred tax (Note 23)</i>		
Change in fair value of investment properties	<b>260.7</b>	137.6
Reversal on disposal of investment properties	<b>(14.6)</b>	–
Origination and reversal of temporary differences	<b>1.7</b>	(7.2)
	<b>247.8</b>	130.4
	<b>322.7</b>	186.4

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

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$ Million</b>	HK\$ Million (restated)
Profit before taxation	<b>2,719.9</b>	2,203.2
Notional tax on accounting profit calculated at applicable tax rates	<b>511.6</b>	403.1
Share of profits less losses of associates	<b>(56.9)</b>	(130.1)
Tax effect of non-deductible expenses	<b>27.0</b>	10.8
Tax effect of non-taxable revenue	<b>(158.4)</b>	(81.3)
Tax effect of unused tax losses not recognised	<b>1.0</b>	0.1
Tax effect of prior year's tax losses utilised this year	<b>(10.3)</b>	(15.4)
Under/(over) provision in prior years	<b>8.7</b>	(0.6)
Others	<b>–</b>	(0.2)
Actual total tax charge	<b>322.7</b>	186.4

- (c) None of the taxation 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\$25.8 million (2005: HK\$33.3 million) is included in the share of profits less losses of associates.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. 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 a profit of HK\$169.0 million (2005: HK\$147.7 million).

### 9. DIVIDENDS

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

	2006 HK\$ Million	2005 HK\$ Million
Interim dividend approved and paid of 2.0 cents (2005: 2.0 cents) per share	41.4	41.4
Final dividend proposed after the balance sheet date of 7.0 cents (2005: 6.0 cents) per share	144.9	124.2
	<u>186.3</u>	<u>165.6</u>

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 6.0 cents (2005: 5.0 cents) per share	124.2	103.5

### 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to Shareholders for the year of HK\$2,234.2 million (2005 restated: HK\$1,841.6 million) and 2,069.6 million ordinary shares in issue throughout the financial year ended 31 March 2006 and the previous year.

### 11. 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 66 to 78. 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 properties 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 investment properties are stated at fair value with all the changes in fair value recognised directly in the consolidated profit and loss account. This new accounting policy has been applied retrospectively. Revenue reserves as at 1 April 2005 was increased by HK\$203.3 million (1 April 2004: HK\$Nil), representing the transfer of accumulated attributable revaluation surplus previously recorded in the investment properties revaluation reserves.

The effect of the change has been to increase the Group’s profit attributable to Shareholders and minority interests for the year ended 31 March 2006 by HK\$1,317.4 million (2005: HK\$203.3 million) and HK\$67.0 million (2005: HK\$Nil) 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 the Group’s investment properties 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 gain 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 as at 1 April 2005 was restated and decreased by HK\$41.4 million (1 April 2004: increased by HK\$77.0 million) whereas minority interests as at 1 April 2005 was restated and increased by HK\$10.1 million (1 April 2004: HK\$29.3 million). The adjustment represented deferred tax liabilities/assets on the revaluation of the Group’s investment properties.

As a result of this change, deferred tax charge for the year ended 31 March 2006 increased by HK\$260.7 million (2005: HK\$137.6 million). The amounts attributable to Shareholders and minority interests are HK\$244.4 million (2005: HK\$118.4 million) and HK\$16.3 million (2005: HK\$19.2 million) respectively.

**(c) 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 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.

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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 be now recognised in the profit and loss account immediately. Under the transitional arrangements of HKFRS 3, the existing negative goodwill classified as deferred item or taken to capital reserves 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, the Group’s net assets and revenue reserves as at 1 April 2005 were increased by HK\$146.0 million and HK\$322.1 million respectively while the Group’s other capital reserves as at 1 April 2005 were decreased by HK\$176.1 million.

### **(d) HKAS 16 “Property, Plant and Equipment”**

In prior years, the rental income earned while the property is still under its development stage, 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 as at 1 April 2005 was increased by HK\$13.9 million (1 April 2004: HK\$Nil) whereas minority interests as at 1 April 2005 was restated and increased by HK\$4.5 million (1 April 2004: HK\$Nil). Attributable net rental earned from property held for redevelopment 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\$24.6 million (2005: HK\$13.7 million) and HK\$8.0 million (2005: HK\$4.5 million) respectively.

### **(e) HKAS 32 “Financial instruments: Disclosure and Presentation”, and HKAS 39 “Financial instruments: Recognition and Measurement”**

In prior years, derivative financial instruments entered 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 impact 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.

**(f) 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 of 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 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, 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’ profits.

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(g) 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	203.3	(203.3)	–	–	–
HK(SIC)-INT 21	(41.4)	–	(41.4)	10.1	(31.3)
HKAS 16	13.7	0.2	13.9	4.5	18.4
	175.6	(203.1)	(27.5)	14.6	(12.9)
Opening balance adjustment					
HKFRS 3	322.1	(176.1)	146.0	–	146.0
Increase/(decrease) in total equity	497.7	(379.2)	118.5	14.6	133.1
At 1 April 2004					
Prior year adjustment					
HK(SIC)-INT 21	77.0	–	77.0	29.3	106.3

(ii) Effect on profit after taxation

	Attributable to Shareholders	Minority interests	Total
	HK\$ Million	HK\$ Million	HK\$ Million
For the year ended 31 March 2006			
HKAS 40	1,317.4	67.0	1,384.4
HK(SIC)-INT 21	(244.4)	(16.3)	(260.7)
HKAS 16	24.6	8.0	32.6
Increase in profit after taxation	1,097.6	58.7	1,156.3
For the year ended 31 March 2005			
HKAS 40	203.3	–	203.3
HK(SIC)-INT 21	(118.4)	(19.2)	(137.6)
HKAS 16	13.7	4.5	18.2
Increase/(decrease) in profit after taxation	98.6	(14.7)	83.9

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12. FIXED ASSETS

	Investment properties HK\$ Million	Other properties HK\$ Million	Other fixed assets HK\$ Million	Total HK\$ Million
<b>Group</b>				
<b>2006</b>				
<b>Cost or valuation</b>				
At 1 April 2005	4,357.1	–	15.4	4,372.5
Exchange differences	(12.4)	(1.3)	(4.5)	(18.2)
Additions				
– Others	13.6	54.4	26.1	94.1
– Through acquisition of subsidiaries	–	0.3	43.7	44.0
Disposals	(188.3)	–	(13.2)	(201.5)
Revaluation surplus	1,384.4	–	–	1,384.4
At 31 March 2006	<u>5,554.4</u>	<u>53.4</u>	<u>67.5</u>	<u>5,675.3</u>
<b>Accumulated depreciation</b>				
At 1 April 2005	–	–	7.0	7.0
Charge for the year	–	–	15.9	15.9
Written back on disposals	–	–	(3.0)	(3.0)
At 31 March 2006	<u>–</u>	<u>–</u>	<u>19.9</u>	<u>19.9</u>
<b>Net book value</b>				
At 31 March 2006	<u>5,554.4</u>	<u>53.4</u>	<u>47.6</u>	<u>5,655.4</u>
<b>2005</b>				
<b>Cost or valuation</b>				
At 1 April 2004	3,272.2	–	8.2	3,280.4
Exchange differences	29.4	–	(0.1)	29.3
Additions	398.5	–	8.3	406.8
Disposals	(0.3)	–	(1.0)	(1.3)
Revaluation surplus	657.3	–	–	657.3
At 31 March 2005	<u>4,357.1</u>	<u>–</u>	<u>15.4</u>	<u>4,372.5</u>
<b>Accumulated depreciation</b>				
At 1 April 2004	–	–	6.6	6.6
Exchange differences	–	–	0.1	0.1
Charge for the year	–	–	1.2	1.2
Written back on disposals	–	–	(0.9)	(0.9)
At 31 March 2005	<u>–</u>	<u>–</u>	<u>7.0</u>	<u>7.0</u>
<b>Net book value</b>				
At 31 March 2005	<u>4,357.1</u>	<u>–</u>	<u>8.4</u>	<u>4,365.5</u>

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(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	5,554.4	–	–	5,554.4
At cost	–	53.4	67.5	120.9
	<b>5,554.4</b>	<b>53.4</b>	<b>67.5</b>	<b>5,675.3</b>
Balance at 31 March 2005				
2005 valuation	4,357.1	–	–	4,357.1
At cost	–	–	15.4	15.4
	<b>4,357.1</b>	<b>–</b>	<b>15.4</b>	<b>4,372.5</b>

(b) Tenure of title to properties:

	2006 HK\$ Million	2005 HK\$ Million
Investment properties		
Held in Hong Kong		
Long lease	2,901.0	1,967.0
Held outside Hong Kong		
Freehold	493.4	474.5
Long lease	2,160.0	1,915.6
	<b>5,554.4</b>	<b>4,357.1</b>
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 fellow subsidiary company 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.

## NOTES TO THE FINANCIAL STATEMENTS

- (d) The gross amount of fixed assets of the Group held for use in operating leases was HK\$5,554.4 million (2005: HK\$4,357.1 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:

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$ Million</b>	HK\$ Million
Within 1 year	<b>225.7</b>	224.6
After 1 year but within 5 years	<b>228.9</b>	139.3
After 5 years	<b>2.4</b>	–
	<b>457.0</b>	363.9

### 13. SUBSIDIARIES

	<b>Company</b>	
	<b>2006</b>	2005
	<b>HK\$ Million</b>	HK\$ Million
Unlisted shares, at cost	<b>2,544.9</b>	2,544.9
Amounts due to subsidiaries	<b>(379.1)</b>	(380.8)
	<b>2,165.8</b>	2,164.1

Details of principal subsidiaries at 31 March 2006 are shown on page 79.

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

**14. GOODWILL AND OTHER INTANGIBLE ASSETS**

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

The amortisation charge for the year was included in “administrative and corporate 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 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 forecast 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.



## NOTES TO THE FINANCIAL STATEMENTS

### Impairment test for intangible asset 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 royalty income forecast 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 expectation 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.

## 15. ASSOCIATES

	Group	
	2006 HK\$ Million	2005 HK\$ Million
Share of net assets	128.6	101.7
Amounts due from associates	911.4	1,508.4
Amounts due to associates	(82.8)	(60.1)
	<u>957.2</u>	<u>1,550.0</u>

- (a) Included in the amounts due from associates is a loan made by the Group to an associate involved in the Bellagio project of HK\$881.6 million (2005: loans and advances of HK\$1,467.4 million to associates involved in the Sorrento and the Bellagio projects). Such loan is in proportion to the Group's equity interest in the associate. The loan bears interest at rates as determined by shareholders of the associate 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 income in respect of the loan to 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.

## NOTES TO THE FINANCIAL STATEMENTS

### (b) Summary of financial information on associates

	2006		2005	
	Total HK\$ Million	Attributable interest HK\$ Million	Total HK\$ Million	Attributable interest HK\$ Million
<b>Balance Sheets</b>				
Assets	<b>3,962.8</b>	<b>1,268.2</b>	8,697.1	2,737.2
Liabilities	<b>(3,387.4)</b>	<b>(1,139.6)</b>	(8,007.1)	(2,635.5)
Equity	<b>575.4</b>	<b>128.6</b>	690.0	101.7
<b>Profit and loss accounts</b>				
Revenue	<b>3,071.6</b>	<b>949.2</b>	4,595.6	1,347.8
Profit before taxation	<b>1,175.3</b>	<b>350.8</b>	2,574.5	765.6
Income tax	<b>(99.2)</b>	<b>(25.8)</b>	(146.7)	(33.3)
Profit after taxation	<b>1,076.1</b>	<b>325.0</b>	2,427.8	732.3

(c) Details of principal associates at 31 March 2006 are shown on page 80.

## 16. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2006 HK\$ Million	2005 HK\$ Million
Equity securities, at market value		
Listed in Hong Kong	<b>4,960.0</b>	4,288.9
Listed outside Hong Kong	<b>2,119.4</b>	1,352.8
Unlisted investments, at market value	<b>7,079.4</b>	5,641.7
	–	59.5
	<b>7,079.4</b>	5,701.2

Included in the above equity securities are investments in a listed company the carrying value of which constituted more than 10% of the Group's total assets at 31 March 2006. Details of this listed company are shown as follows:

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

## NOTES TO THE FINANCIAL STATEMENTS

Equity securities listed outside Hong Kong include the Group's 20.97% interest in Hotel Properties Limited ("HPL"), a company incorporated and listed 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.

### 17. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

### 18. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD FOR SALE

- (a) The amount of properties under development for sale and held for sale carried at net realisable value is HK\$785.3 million (2005: HK\$661.3 million).
- (b) Properties under development for sale in the amount of HK\$6,627.3 million (2005 restated: HK\$4,499.3 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\$2,202.0 million (2005 restated: HK\$1,682.8 million). 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:

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$ Million</b>	HK\$ Million
Held in Hong Kong		
Long lease	<b>899.2</b>	–
Medium lease	<b>201.6</b>	202.2
	<b>1,100.8</b>	202.2
Held outside Hong Kong		
Freehold	<b>5,005.6</b>	4,107.9
	<b>6,106.4</b>	4,310.1

## NOTES TO THE FINANCIAL STATEMENTS

### 19. 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:

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$ Million</b>	HK\$ Million
Current	<b>173.8</b>	212.3
31 – 60 days	<b>7.4</b>	2.7
61 – 90 days	<b>6.2</b>	0.3
Over 90 days	<b>20.8</b>	3.2
	<b>208.2</b>	218.5
Other receivables	<b>131.4</b>	142.0
	<b>339.6</b>	360.5

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.

### 20. 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.

### 21. TRADE AND OTHER PAYABLES

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

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$ Million</b>	HK\$ Million
Amounts payable in the next:		
0 – 30 days	<b>206.9</b>	157.6
31 – 60 days	<b>2.1</b>	7.9
61 – 90 days	<b>0.5</b>	13.3
Over 90 days	<b>4.1</b>	30.3
	<b>213.6</b>	209.1
Other payables	<b>317.2</b>	170.5
	<b>530.8</b>	379.6

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

## NOTES TO THE FINANCIAL STATEMENTS

### 22. LOANS

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$ Million</b>	HK\$ Million
Secured bank loans		
Repayment after 1 year, but within 2 years	<b>1,211.5</b>	–
Repayment after 2 years, but within 5 years	<b>401.5</b>	1,171.3
	<b>1,613.0</b>	1,171.3
Unsecured bank loans		
Repayment within 1 year	<b>840.0</b>	–
Repayment after 1 year, but within 2 years	<b>76.2</b>	–
Repayment after 2 years, but within 5 years	<b>1,128.7</b>	1,668.0
	<b>2,044.9</b>	1,668.0
Secured bonds (Note)		
	<b>3,657.9</b>	2,839.3
	<b>251.1</b>	275.6
Total loans	<b>3,909.0</b>	3,114.9
Less: Amounts repayable within 1 year	<b>(840.0)</b>	–
Total long-term loans	<b>3,069.0</b>	3,114.9

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 23. 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
<b>Group</b>					
Balance at 1 April 2004					
as previously reported	–	54.6	–	17.0	71.6
prior year adjustment (HK(SIC)-INT 21)	(106.3)	–	–	–	(106.3)
	<u>(106.3)</u>	<u>54.6</u>	<u>–</u>	<u>17.0</u>	<u>(34.7)</u>
as restated	(106.3)	54.6	–	17.0	(34.7)
Exchange differences	–	0.6	–	0.2	0.8
Charged/(credited) to the profit and loss account	137.6	2.6	–	(9.8)	130.4
Credited to reserves	–	–	–	(8.5)	(8.5)
	<u>31.3</u>	<u>57.8</u>	<u>–</u>	<u>(1.1)</u>	<u>88.0</u>
Balance at 31 March 2005					
Balance at 1 April 2005					
as previously reported	–	57.8	–	(1.1)	56.7
prior year adjustment (HK(SIC)-INT 21)	31.3	–	–	–	31.3
	<u>31.3</u>	<u>57.8</u>	<u>–</u>	<u>(1.1)</u>	<u>88.0</u>
as restated	31.3	57.8	–	(1.1)	88.0
Exchange differences	(0.6)	0.6	–	–	–
Charged to the profit and loss account	246.1	1.7	–	–	247.8
Charged to reserves	–	–	22.9	–	22.9
Through acquisition of subsidiaries	–	–	40.7	(2.3)	38.4
	<u>276.8</u>	<u>60.1</u>	<u>63.6</u>	<u>(3.4)</u>	<u>397.1</u>
<b>Balance at 31 March 2006</b>					

## NOTES TO THE FINANCIAL STATEMENTS

### (b) Deferred tax assets unrecognised

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

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$ Million</b>	HK\$ Million
Deductible temporary differences	<b>19.3</b>	13.5
Future benefit of tax losses	<b>106.4</b>	113.8
	<b>125.7</b>	127.3

Deferred tax assets have not been recognised as the Directors consider it is not probable that taxable profits will be available against which the tax losses and the deductible temporary differences can be utilised. The deductible temporary differences and tax losses do not expire under current tax legislation.

## 24. DEFERRED ITEM

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$ Million</b>	HK\$ Million
Negative goodwill, at cost		
Balance at 1 April		
as previously reported	<b>146.0</b>	158.9
opening balance adjustment	<b>(146.0)</b>	–
as restated	–	158.9
Realised on disposal of the relevant assets acquired	–	(12.9)
Balance at 31 March	–	146.0

Negative goodwill mainly arising from the privatisation of Realty Development Corporation Limited completed in 2003, represents the excess of the Group's interest in 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.

## 25. SHARE CAPITAL

	<b>2006</b>	2005	<b>2006</b>	2005
	<b>No. of shares</b>	No. of shares	<b>HK\$ Million</b>	HK\$ Million
	<b>Million</b>	Million		
<b>Authorised:</b>				
Ordinary shares of HK\$0.2 each	<b>3,000.0</b>	3,000.0	<b>600.0</b>	600.0
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.2 each	<b>2,069.6</b>	2,069.6	<b>413.9</b>	413.9

## NOTES TO THE FINANCIAL STATEMENTS

### 26. TOTAL EQUITY

	Share capital 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
<b>(a) Group</b>									
<b>Company and subsidiaries</b>									
Balance at 1 April 2005									
As previously reported	413.9	4.9	203.3	1,502.4	281.1	12,536.5	14,942.1	1,524.5	16,466.6
Prior year adjustments in respect of:									
Investment properties (HKAS 40)	-	-	(203.3)	-	-	203.3	-	-	-
Deferred tax on investment properties revaluation surplus (HK(SIC)-INT 21)	-	-	-	-	-	(41.4)	(41.4)	10.1	(31.3)
Net rental earned for property under development for sale (HKAS 16)	-	-	-	-	0.2	13.7	13.9	4.5	18.4
As restated	413.9	4.9	-	1,502.4	281.3	12,712.1	14,914.6	1,539.1	16,453.7
Opening balance adjustment in respect of negative goodwill derecognised to revenue reserves (HKFRS 3)	-	-	-	-	(176.1)	322.1	146.0	-	146.0
	413.9	4.9	-	1,502.4	105.2	13,034.2	15,060.6	1,539.1	16,599.7
Final dividend approved in respect of the previous year (Note 9b)	-	-	-	-	-	(124.2)	(124.2)	-	(124.2)
Dividends paid to minority interests	-	-	-	-	-	-	-	(793.9)	(793.9)
Revaluation surplus	-	-	-	1,034.9	40.2	-	1,075.1	22.0	1,097.1
Realised on disposal	-	-	-	(117.6)	-	-	(117.6)	(0.1)	(117.7)
Rights issue of a subsidiary attributable to minority interests	-	-	-	-	-	-	-	775.7	775.7
Acquisition of additional interests in subsidiaries	-	-	-	-	-	(5.9)	(5.9)	(30.5)	(36.4)
Others	-	-	-	-	-	(3.8)	(3.8)	-	(3.8)
Through acquisition of subsidiaries	-	-	-	-	-	-	-	2.8	2.8
Reclassification from associates	-	-	-	-	6.7	28.1	34.8	12.8	47.6
Exchange differences	-	-	-	-	20.6	-	20.6	8.0	28.6
Profit for the year retained	-	-	-	-	-	2,090.6	2,090.6	163.0	2,253.6
Interim dividend declared in respect of the current year (Note 9a)	-	-	-	-	-	(41.4)	(41.4)	-	(41.4)
Balance at 31 March 2006	413.9	4.9	-	2,419.7	172.7	14,977.6	17,988.8	1,698.9	19,687.7
<b>Associates</b>									
Balance at 1 April 2005	-	-	-	2.2	6.7	54.8	63.7	12.8	76.5
Realised on disposal	-	-	-	(2.2)	-	-	(2.2)	-	(2.2)
Reclassification to subsidiaries	-	-	-	-	(6.7)	(28.1)	(34.8)	(12.8)	(47.6)
Profit for the year retained	-	-	-	-	-	143.6	143.6	-	143.6
Balance at 31 March 2006	-	-	-	-	-	170.3	170.3	-	170.3
<b>Total equity at 31 March 2006</b>	<b>413.9</b>	<b>4.9</b>	<b>-</b>	<b>2,419.7</b>	<b>172.7</b>	<b>15,147.9</b>	<b>18,159.1</b>	<b>1,698.9</b>	<b>19,858.0</b>



## NOTES TO THE FINANCIAL STATEMENTS

	Share capital 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
<b>Company and subsidiaries</b>									
Balance at 1 April 2004									
As previously reported	413.9	4.9	-	906.0	217.0	11,450.5	12,992.3	1,346.3	14,338.6
Prior year adjustment in respect of:									
Deferred tax on investment properties revaluation deficit (HK(SIC)-INT 21)	-	-	-	-	-	77.0	77.0	29.3	106.3
As restated	413.9	4.9	-	906.0	217.0	11,527.5	13,069.3	1,375.6	14,444.9
Final dividend approved in respect of the previous year (Note 9b)	-	-	-	-	-	(103.5)	(103.5)	-	(103.5)
Dividends paid to minority interests	-	-	-	-	-	-	-	(22.3)	(22.3)
Revaluation surplus	-	-	-	618.9	-	-	618.9	(0.1)	618.8
Realised on disposal	-	-	-	(22.5)	(1.3)	-	(23.8)	(8.2)	(32.0)
Exchange differences	-	-	-	-	65.6	-	65.6	23.4	89.0
Profit for the year retained	-	-	-	-	-	1,329.5	1,329.5	170.7	1,500.2
Interim dividend declared in respect of the current year (Note 9a)	-	-	-	-	-	(41.4)	(41.4)	-	(41.4)
Balance at 31 March 2005	413.9	4.9	-	1,502.4	281.3	12,712.1	14,914.6	1,539.1	16,453.7
<b>Associates</b>									
Balance at 1 April 2004	-	-	-	2.0	6.4	(457.3)	(448.9)	9.1	(439.8)
Revaluation surplus	-	-	-	0.2	-	-	0.2	-	0.2
Exchange differences	-	-	-	-	0.3	-	0.3	(0.8)	(0.5)
Profit for the year retained	-	-	-	-	-	512.1	512.1	4.5	516.6
Balance at 31 March 2005	-	-	-	2.2	6.7	54.8	63.7	12.8	76.5
<b>Total equity at 31 March 2005</b>	<b>413.9</b>	<b>4.9</b>	<b>-</b>	<b>1,504.6</b>	<b>288.0</b>	<b>12,766.9</b>	<b>14,978.3</b>	<b>1,551.9</b>	<b>16,530.2</b>
<b>(b) Company</b>									
Balance at 1 April 2005	413.9	4.9	-	-	50.6	1,692.6	2,162.0	-	2,162.0
Final dividend approved in respect of the previous year (Note 9b)	-	-	-	-	-	(124.2)	(124.2)	-	(124.2)
Profit for the year retained	-	-	-	-	-	169.0	169.0	-	169.0
Interim dividend declared in respect of the current year (Note 9a)	-	-	-	-	-	(41.4)	(41.4)	-	(41.4)
<b>Shareholders' equity at 31 March 2006</b>	<b>413.9</b>	<b>4.9</b>	<b>-</b>	<b>-</b>	<b>50.6</b>	<b>1,696.0</b>	<b>2,165.4</b>	<b>-</b>	<b>2,165.4</b>
Balance at 1 April 2004	413.9	4.9	-	-	50.6	1,689.8	2,159.2	-	2,159.2
Final dividend approved in respect of the previous year (Note 9b)	-	-	-	-	-	(103.5)	(103.5)	-	(103.5)
Profit for the year retained	-	-	-	-	-	147.7	147.7	-	147.7
Interim dividend declared in respect of the current year (Note 9a)	-	-	-	-	-	(41.4)	(41.4)	-	(41.4)
<b>Shareholders' equity at 31 March 2005</b>	<b>413.9</b>	<b>4.9</b>	<b>-</b>	<b>-</b>	<b>50.6</b>	<b>1,692.6</b>	<b>2,162.0</b>	<b>-</b>	<b>2,162.0</b>

Reserves of the Company available for distribution to Shareholders amount to HK\$1,696.0 million (2005: HK\$1,692.6 million). The application of the capital redemption reserve account is governed by section 49H of the Hong Kong Companies Ordinance. The revaluation reserves and other capital reserves have been set up and will be dealt with in accordance with the accounting policies adopted by the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### 27. 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 in Singapore Dollar, 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 balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

	2006			2005		
	Effective	Within	After 1 year	Effective	Within	After 1 year
	interest rates	1 year	but within	interest rates	1 year	but within
	%	HK\$ Million	5 years	%	HK\$ Million	5 years
			HK\$ Million			HK\$ Million
Group						
Financial assets						
Bank balances and deposits	1.50 – 4.69	4,498.1	–	1.72 – 2.38	3,484.5	–
Financial liabilities						
Bank loans						
secured	4.02 – 4.32	(1,613.0)	–	2.55 – 2.82	(1,171.3)	–
unsecured	0.61 – 4.97	(2,044.9)	–	0.60 – 2.42	(1,668.0)	–
Secured bonds	1.14	–	(251.1)	1.14	–	(275.6)
		(3,657.9)	(251.1)		(2,839.3)	(275.6)
Total		840.2	(251.1)		645.2	(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.

## NOTES TO THE FINANCIAL STATEMENTS

### (c) Liquidity risk

Cash management of the Company and wholly-owned subsidiaries of the Group are 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.

## 28. CONTINGENT LIABILITIES

	Group		Company	
	2006	2005	2006	2005
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Guarantees given in respect of banking facilities available to subsidiaries	<u>–</u>	<u>–</u>	<u>1,017.0</u>	<u>425.0</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 29. COMMITMENTS

	<b>Group</b>	
	<b>2006</b>	2005
	<b>HK\$ Million</b>	HK\$ Million
(a) Acquisition of and future development expenditure relating to properties: Contracted but not provided for	<b>765.8</b>	1,350.4
(b) At 31 March 2006, the total future minimum lease payments under non-cancellable operating leases are payable as follows:		

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

### 30. MATERIAL RELATED PARTY TRANSACTIONS

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

#### (a) Bellagio project

Included in interest in associates is a loan of HK\$881.6 million (2005: HK\$1,387.6 million) made by the Group to an associate involved in the Bellagio project. The loan bears interest at rates as determined by shareholders of the associate 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 income in respect of the loan to 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.

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

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## NOTES TO THE FINANCIAL STATEMENTS

- (b) The Group paid to a related party General Managers' Commission of HK\$32.5 million (2005: HK\$35.3 million) for the provision of management services to the Group during the year under review. The payment of such an amount to the General Managers was in accordance with an agreement dated 31 March 1992.

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

- (c) The Group paid to certain related parties property managing and agency fees totalling HK\$6.2 million (2005: HK\$6.8 million) for the provision of property management and property leasing and related services to the Group during the year under review. The payment of such property managing and agency fees were in accordance with various agreements previously entered into between the Group and certain related companies.

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

- (d) The Group received dividend income in the amount of HK\$123.9 million (2005: HK\$104.5 million) during the year ended 31 March 2006 in respect of its 7% interest in The Wharf (Holdings) Limited.

- (e) The Group disposed of its interest in 17,619,827 shares of i-CABLE Communications Limited at a consideration of HK\$45.4 million to The Wharf (Holdings) Limited in June 2005. Profits recognised by the Group amounted to HK\$5.2 million.

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

### 31. POST BALANCE SHEET EVENTS

After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 9 to the financial statements.

### 32. 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 11.

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.

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## NOTES TO THE FINANCIAL STATEMENTS

### 33. 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:

	<b>Effective for accounting periods beginning on or after</b>
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.

### 34. PARENT AND ULTIMATE HOLDING COMPANY

The Directors consider the parent and ultimate holding company at 31 March 2006 to be Wheelock and Company Limited, incorporated in Hong Kong. Wheelock and Company Limited produces financial statements available for public use.

### 35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 12 June 2006.