Notes to the Financial Statements

1. General information

Winsor Properties Holdings Limited ("the Company") is a limited liability company incorporated under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The Company and its subsidiaries (collectively known as the "Group") are principally engaged in property investment and development and management, warehousing and investment holding.

These financial statements have been approved for issue by the Board of Directors of the Company on 13 July 2006.

2. Basis of preparation and summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") under the historical cost convention except that, as disclosed in the accounting policies below, buildings, investment properties, available-for-sale financial assets and derivative financial instruments are carried at fair values.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) Changes in accounting policies

The Group adopted the following new and revised Hong Kong Financial Reporting Standards (''HKFRS''), Hong Kong Accounting Standards ("HKAS") and interpretations ("HK(SIC)-Int") (collectively the "HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005 and relevant to the operations of the Group:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HK(SIC)-Int 15	Operating Leases — Incentives
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-Depreciable Assets
HKFRS 3	Business Combinations

The overall effects of the adoption of the new and revised HKFRSs are to decrease the opening equity (including minority interests) as at 1 April 2005 and 2004 by HK$440,612,000 and HK$218,209,000 respectively. The application of the new and revised HKFRSs has also resulted in a change in the presentation of the income statement, balance sheet and statement of changes in equity. In particular, the presentation of minority interests and the Group's share of taxation attributable to associated companies have been changed in accordance with HKAS 1. The comparative figures have been amended as required in accordance with the relevant requirements.

(b) Changes in accounting policies ***(continued)***

Details of the major changes in the Group's accounting policies are as follows:

(i) Investment properties

The adoption of HKAS 40 "Investment Property" has resulted in a change in the accounting policy for and classification of investment properties. In prior years, the increases in fair value were credited to investment properties revaluation reserve whereas decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement. Following the adoption of HKAS 40, changes in fair value of investment properties are recognised in the income statement.

In accordance with the transitional provisions of HKAS 40, the amount held in investment properties revaluation reserve as at 1 April 2005 has been reclassified to the Group's retained earnings. Also, with the wider definition of investment properties as set out in HKAS 40, the Group has reclassified a property held for development as an investment property and its related land and buildings revaluation reserve as at 1 April 2005 has also been reclassified to the Group's retained earnings. The Group adopted HKAS 40 prospectively and accordingly the comparative figures of the relevant balance sheet items, income statement items and related disclosure information have not been restated.

(ii) Deferred taxation

The adoption of HK(SIC)-Int 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets" has resulted in a change in the accounting policy relating to the measurement of deferred taxation arising from the revaluation of investment properties. Such deferred taxation is measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use and is calculated at the profits tax rate.

In prior years, the carrying amount of the asset was expected to be recovered through sale. No provision for deferred taxation on revaluation of investment properties in Hong Kong was made as the deferred taxation was calculated at the tax rate applicable on eventual sale, which in Hong Kong is nil.

HK(SIC)-Int 21 does not have any transitional provisions and this change in accounting policy has been applied retrospectively and comparative figures have been restated accordingly.

(iii) Financial instruments

The adoption of HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in a change in accounting policy for recognition, measurement and disclosure of financial instruments.

In prior years, financial derivatives held by the Group were not recorded on the balance sheet. From 1 April 2005 onwards, all financial derivatives that are within the scope of HKASs 32 and 39 are required to be carried at fair value at each balance sheet date. Depending on the type of hedging relationship, subsequent changes in the fair value of financial derivatives and hedged items are recognised in the income statement or directly transferred to hedging reserve.

The Group has also redesignated its other investments as "available-for-sale financial assets" or "loans and receivables" on 1 April 2005. The changes in fair values for available-for-sale financial assets are recognised in equity. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

As HKAS 39 does not permit recognition, derecognition and measurement of financial instruments on a retrospective basis, all the related financial impacts on the Group's financial statements in prior years are reflected as opening adjustments to the Group's equity as at 1 April 2005 and accordingly, the comparative figures as presented in the financial statements have not been restated.

The adoption of HKASs 2, 7, 8, 10, 16, 17, 21, 23, 24, 27, 28, 33, 36, 37 and HK(SIC)-Int 15 did not result in any significant change to the Group's accounting policies and the presentation of the Group's financial statements.

(iv) Effects of changes in accounting policies

The effects of the above changes in accounting policies on the income statement items, earnings per share, balance sheet items and the components of total equity are summarised below:

Notes to the Financial Statements

(b) Changes in accounting policies *(continued)*

(iv) Effects of changes in accounting policies *(continued)*

	HKAS 40 HK$'000	HK(SIC)-Int 21 HK$'000	HKASs 32 and 39 HK$'000	Total HK$'000
For the year ended 31 March 2006				
Income statement items				
Increase in fair value of investment properties	672,460	—	—	672,460
Increase in other operating income	—	—	3,374	3,374
Disposal of properties during the year	(279,649)	55,086	—	(224,563)
Increase in deferred taxation charge	—	(117,345)	—	(117,345)
Increase/(decrease) in profit for the year	392,811	(62,259)	3,374	333,926
Attributable to:				
Shareholders of the Company	392,811	(62,259)	3,374	333,926
Minority interests	—	—	—	—
	392,811	(62,259)	3,374	333,926
Increase/(decrease) in earnings per share (in HK$)	1.51	(0.24)	0.01	1.28

As the Group adopted HKAS 40 prospectively and HKAS 39 does not permit retrospective application, the changes in the Group's accounting policies as mentioned above did not have any significant impact on the income statement items and earnings per share for the year ended 31 March 2005.

	HKAS 40 HK$'000	HK(SIC)-Int 21 HK$'000	HKASs 32 and 39 HK$'000	Total HK$'000
At 31 March 2006				
Balance sheet items				
Decrease in property, plant and equipment	(2,200,000)	—	—	(2,200,000)
Increase in investment properties	2,200,000	—	—	2,200,000
Decrease in other investments	—	—	(369,239)	(369,239)
Recognition of available-for-sale financial assets	—	—	213,926	213,926
Recognition of loans and receivables	—	—	155,313	155,313
Recognition of derivative financial instruments	—	—	1,863	1,863
Increase in deferred tax liabilities	—	(501,360)	—	(501,360)
(Decrease)/increase in net assets	—	(501,360)	1,863	(499,497)
Components of total equity				
Decrease in land and buildings revaluation reserve	(1,549,708)	—	—	(1,549,708)
Decrease in investment properties revaluation reserve	(447,271)	—	—	(447,271)
Increase/(decrease) in retained earnings	1,996,979	(501,360)	1,863	1,497,482
(Decrease)/increase in total equity	—	(501,360)	1,863	(499,497)

(b) Changes in accounting policies ***(continued)***

(iv) Effects of changes in accounting policies *(continued)*

	HKAS 40 HK$'000	HK(SIC)-Int 21 HK$'000	HKASs 32 and 39 HK$'000	Total HK$'000
At 1 April 2005				
Balance sheet items				
Decrease in property, plant and equipment	**(2,200,000)**	**—**	**—**	**(2,200,000)**
Increase in investment properties	**2,200,000**	**—**	**—**	**2,200,000**
Decrease in other investments	**—**	**—**	**(438,176)**	**(438,176)**
Recognition of available-for-sale financial assets	**—**	**—**	**300,651**	**300,651**
Recognition of loans and receivables	**—**	**—**	**137,381**	**137,381**
Recognition of derivative financial instruments	**—**	**—**	**(1,367)**	**(1,367)**
Increase in deferred tax liabilities	**—**	**(439,101)**	**—**	**(439,101)**
Decrease in net assets	**—**	**(439,101)**	**(1,511)**	**(440,612)**
Components of total equity				
Decrease in land and buildings revaluation reserve	**(1,549,708)**	**(334,873)**	**—**	**(1,884,581)**
Decrease in investment properties revaluation reserve	**(447,271)**	**(104,228)**	**—**	**(551,499)**
Increase/(decrease) in retained earnings	**1,996,979**	**—**	**(1,511)**	**1,995,468**
Decrease in total equity	**—**	**(439,101)**	**(1,511)**	**(440,612)**

(v) Standards, interpretations and amendments to published standards that are not yet effective for the year ended 31 March 2006

Certain new standards, interpretations and amendments to existing accounting standards have been issued by the HKICPA that are relevant to the Group's businesses and are mandatory for the Group's accounting periods beginning on or after 1 April 2006. The Group has not early adopted these new standards, amendments and interpretations for the year ended 31 March 2006. The Group has already commenced an assessment of the impact of these new standards, interpretations and amendments but is not yet in a position to quantify the impact of these new standards, amendments and interpretations on its results of operations and financial position.

(c) Group accounting

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired by the Group is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associated company is accounted for using the equity method from the date on which it becomes an associated company. The measurement and recognition of goodwill is the same as that of goodwill arising

Notes to the Financial Statements

(c) Group accounting *(continued)*

from the acquisition of subsidiaries. Goodwill relating to an associated company is included in the carrying amount of the investment.

The consolidated income statement includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill (net of any accumulated impairment losses) on acquisition.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Intercompany transactions and balances between Group companies are eliminated. Unrealised gains on transactions between Group companies and between the Group and its associated companies to the extent of the Group's interest are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of subsidiaries and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on the disposal of a subsidiary or an associated company represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill and related accumulated exchange fluctuation.

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

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(d) Property, plant and equipment

Buildings and other property, plant and equipment are stated at valuation or historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, at the following annual rates:

Buildings	4%
Plant, machinery and other equipment	10% – 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gains or losses on disposal of property, plant and equipment are the difference between the net sale proceeds and the carrying amounts of the relevant assets, and are recognised in the income statement. Any revaluation reserve balance remaining attributable to the relevant assets is transferred to retained earnings and is shown as a movement in reserves.

(e) Investment properties

Property that is held for long term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases and properties being redeveloped for continued future use as investment property. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

(e) Investment properties *(continued)*

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out annually by external valuers. Changes in fair values are recognised in the income statement.

Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as revaluation of property, plant and equipment. However, if the fair value gives rise to a reversal of a previous impairment loss, this reversal is recognised in the income statement.

(f) Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

(i) Leases - where the Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease periods.

(ii) Leases - where the Group is the lessor

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 2(d) above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(p) below.

(g) Investments

From 1 April 2004 to 31 March 2005:

The Group classified its investments, other than subsidiaries and associated companies, as other investments which were held for long term purposes and stated at valuation. Increases in valuation were credited to the investment revaluation reserve; decreases were first set off against increases on earlier valuations and thereafter were debited to operating profit. Any subsequent increases were credited to operating profit up to the amount previously debited.

Upon disposal, the cumulative gain or loss representing the difference between the net sale proceeds and the carrying amount of the relevant investment, together with the relevant portion of the investment revaluation reserve realised, was dealt with in the income statement.

From 1 April 2005 onwards:

The Group classifies its investments in the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives and they are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gain or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve

(g) Investments *(continued)*

(ii) Loans and receivables *(continued)*

months after the balance sheet date. These are classified as non-current assets. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Regular way purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(h) Properties for sale

Completed properties for sale remaining unsold at the balance sheet date are stated at the lower of cost and net realisable value.

Cost is determined by apportionment of the total land and development costs attributable to the unsold properties. Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses, or by management estimates based on prevailing market conditions.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(j) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has entered into certain interest rate swap contracts with financial institutions and currently the Group has not maintained the necessary documentation regarding the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. Accordingly, these derivative financial instruments do not qualify for hedge accounting under HKAS 39. Changes in fair value of derivative financial instruments which do not qualify for hedge accounting are recognised immediately in the income statement under other operating income/expense.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligation, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(m) Contingent liabilities and contingent assets

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

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

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

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

(n) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

(o) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the ‘‘functional currency’’). The financial statements are presented in Hong Kong dollars, which is the Company’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates ruling at the balance sheet date are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation difference on non-monetary items of equities classified as available-for-sale financial assets is included in the reserve in equity.

(iii) Group companies

The results and financial positions of all the entities in the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(2) income and expenses for each income statement are translated at average exchange rates; and
(3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Notes to the Financial Statements

(p) Recognition of revenue and income

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

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

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

Interest income is recognised on a time proportion basis using the effective interest method.

Storage income and other income is recognised when the related services are rendered.

(q) Employee benefits

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

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

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

(r) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of these assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as expenses in the year in which they are incurred.

(s) Segment reporting

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

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, investment properties, available-for-sale financial assets, loans and receivables, other investments, properties for sales, trade and other receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as current tax payable and deferred tax liabilities and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment and investment properties, including additions resulting from business combination.

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

(t) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period when the legal obligations of the Company is established.

(u) Comparative figures

Where necessary, comparative figures have been reclassified or extended to conform with current year's presentation.

3. Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks such as currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(i) Foreign exchange risk

The majority of the Group's assets are located and operated in Hong Kong, and the related revenue generated from these assets are denominated in Hong Kong dollars. At 31 March 2006, all of the Group's borrowings were denominated in Hong Kong dollars except for a bank loan of approximately HK$39,551,000 which was denominated in Singapore dollars.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency transaction risk. Currency exposure arising from the net assets of the Group's foreign operations are managed primarily through borrowings denominated in the relevant foreign currencies.

Management monitors exchange rate movements closely to ascertain if any material exposure may arise.

(ii) Price risk

The Group is exposed to equity securities price risk because certain of the Group's investments are classified in the balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

(iii) Credit risk

The Group's credit risks are primarily attributable to time deposits, rent receivable from tenants and counter-party financial obligations in derivative financial instruments.

The Group's time deposits are deposited with banks and financial institutions of high credit ratings and the Group has exposure limit to any single financial institution.

For rent receivable from tenants, credit checks are part of the normal leasing process and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate provisions for impairment are made for irrecoverable amounts.

To mitigate counter-party risk, the Group enters into derivative contracts only with sound financial institutions with strong investment-grade credit ratings, limits exposure to each, and monitors each's rating regularly.

The Group has no significant concentration of credit risk, with exposure spread over a number of counter-parties and customers.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management aims to maintain flexibility in funding by keeping committed credit lines available.

(v) Interest rate risk

As the Group has no significant interest-bearing assets (other than bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group is exposed to changes in interest rates due to its bank borrowings which are disclosed in notes 26 and 27 below. The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. Interest rate swap is the hedging instrument most commonly used by the Group to manage the interest rate exposure. The Group enters into debt obligations to support general corporate purposes including capital expenditure and working capital needs.

3. Financial risk management *(continued)*

(b) Fair value estimation

The fair value of investment properties is determined by reference to the valuation reports of independent professional valuers and current prices in an active market.

The fair value of investments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for investments held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

In assessing the fair value of non-trading securities and other financial assets, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The fair value of interest rate swap contracts is calculated on the present value of the estimated future cash flows.

The nominal values less impairment provision (if applicable) of trade and other receivables, prepayments, accruals, trade and other payables and borrowings with floating interest rates are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Fair value of investment properties

The Group's investment properties are revalued at the balance sheet date on the open market value basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement on whether such valuations and assumptions by the valuers are reasonable, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

(ii) Fair value of available-for-sale financial assets

If information on current or recent prices of available-for-sale financial assets is not available, the fair values of available-for-sale financial assets are determined using valuation techniques (including discounted cash flow model or price/earnings multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance state.

Critical judgement in applying the Group's accounting policies

(i) Income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(ii) Classification of investment properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property (land or building) is held to earn rental or for capital appreciation rather than for use in the production or supply of goods and services or sale. The Group considers each property separately in making its judgement.

5. Turnover, income and segment information

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

Revenue and income recognised during the year are as follows:

	2006 HK$'000	2005 HK$'000
Turnover		
Sale of investment properties and properties for sale	**772,116**	312,343
Rental and property management	**129,605**	168,786
Warehousing	**31,442**	27,807
	933,163	508,936
Other income		
Dividend income from		
– an unlisted investment	**72,436**	101,945
– a listed real estate investment trust	**7,047**	—
Interest income	**23,032**	8,376
Others	**8,891**	5,617
	111,406	115,938
	1,044,569	624,874

5. Turnover, income and segment information *(continued)*

An analysis of turnover, results, assets, liabilities and other information by business and geographical segments is as follows:

Primary reporting format – business segments

	Sale of properties HK$'000	Rental and property management HK$'000	Warehousing HK$'000	Investment HK$'000	Group HK$'000
Year ended 31 March 2006					
Turnover	772,116	129,605	31,442	—	933,163
Segment results before change in fair value of investment properties	93,640	93,326	6,055	78,717	271,738
Increase in fair value of investment properties	—	672,460	—	—	672,460
Segment results	93,640	765,786	6,055	78,717	944,198
Unallocated income less expenses					(21,029)
Operating profit before interest					923,169
Interest income less finance costs					18,999
Operating profit					942,168
Share of profits less losses of associated companies	—	2,068	—	(1,075)	993
Profit before taxation					943,161
Taxation					(124,103)
Profit for the year					819,058
Capital expenditure	—	68,340	2,167	—	70,507
Depreciation	—	768	2,644	—	3,412
Non-cash expenses other than depreciation	—	—	—	1,711	1,711
As at 31 March 2006					
Segment assets	—	4,294,807	65,038	510,141	4,869,986
Associated companies	—	21,857	—	218,569	240,426
Unallocated assets					5,054
Total assets					5,115,466
Segment liabilities	—	60,585	6,141	3,231	69,957
Unallocated liabilities					624,563
Total liabilities					694,520

5. Turnover, income and segment information *(continued)*

Primary reporting format – business segments *(continued)*

	Sale of properties HK$'000	Rental and property management HK$'000	Warehousing HK$'000	Investment HK$'000	Group HK$'000
Year ended 31 March 2005					
Turnover	312,343	168,786	27,807	—	508,936
Segment results	282,158	119,032	2,276	98,807	502,273
Unallocated income less expenses					(24,919)
Operating profit before interest					477,354
Interest income less finance costs					790
Operating profit					478,144
Share of profits less losses of associated companies	—	602	—	(175)	427
Profit before taxation					478,571
Taxation					(14,810)
Profit for the year					463,761
Capital expenditure	—	3,232	970	—	4,202
Depreciation	—	714	3,551	—	4,265
Non-cash expenses other than depreciation	—	—	—	1,435	1,435
As at 31 March 2005					
Segment assets	277,842	3,890,486	60,134	438,659	4,667,121
Associated companies	—	19,398	—	160	19,558
Unallocated assets					5,675
Total assets					4,692,354
Segment liabilities	150,000	66,477	5,905	2,679	225,061
Unallocated liabilities					732,293
Total liabilities					957,354

(i) Increase in fair value of investment properties of HK$672,460,000 for the year ended 31 March 2006 has been disclosed separately. As the Group adopted HKAS 40 prospectively, the related segment information for the year ended 31 March 2005 has not been restated accordingly.

(ii) The initial adoption of HKASs 32 and 39 on 1 April 2005 did not require the restatement of the comparative figures and accordingly, the segment results, finance costs and other related segment information for the year ended 31 March 2005 have not been restated.

Notes to the Financial Statements

5. Turnover, income and segment information *(continued)*

Secondary reporting format – geographical segments

	Year ended 31 March						As at 31 March	
	Turnover		Segment results		Capital expenditure		Total assets	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Hong Kong	**913,113**	492,058	**857,967**	399,412	**68,628**	3,258	**4,364,380**	4,100,904
Singapore	**3,180**	2,341	**81,883**	102,785	**6**	—	**443,302**	508,111
Mainland China	**16,870**	14,537	**4,348**	76	**1,873**	944	**62,304**	58,106
	933,163	508,936	**944,198**	502,273	**70,507**	4,202	**4,869,986**	4,667,121
Unallocated income less expenses			**(21,029)**	(24,919)				
Operating profit before interest			**923,169**	477,354				
Interest income less finance costs			**18,999**	790				
Operating profit			**942,168**	478,144				
Associated companies							**240,426**	19,558
Unallocated assets							**5,054**	5,675
Total assets							**5,115,466**	4,692,354

6. Operating profit

Operating profit is stated after crediting and charging the following:

	2006	2005
	HK$'000	HK$'000
Crediting:		
Gross rental income from investment properties	**123,078**	158,243
Gross rental income from property held for development	—	5,234
Gain on disposal of investment properties and properties for sales	**93,640**	280,493
Gain on disposal of plant and equipment	**50**	13
Gain on disposal of subsidiaries	—	2,258
Write back of provision for properties for sale	—	1,666
Fair value gain on derivative financial instruments	**3,230**	—
Exchange gain	**1,981**	901
Charging:		
Depreciation of property, plant and equipment	**3,412**	4,265
Staff costs *(Note 9)*	**34,744**	32,055
Outgoings in respect of investment properties	**35,439**	47,378
Outgoings in respect of property held for development	—	5,382
Operating leases – land and buildings	**6,465**	5,957
Expenses of interest rate swap contracts	**340**	7,208
Provision for available-for-sale financial assets/other investments	**70**	1,261
Auditors' remuneration	**762**	681

7. Directors' and senior management's emoluments

(a) Directors' emoluments

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Contribution to provident fund HK$'000	Total HK$'000
Executive Directors					
Mr. Chow Wai Wai, John	20	2,150	1,075	1,658	4,903
Mr. Lam Woon Bun	20	1,525	515	1,274	3,334
Mrs. Chen Chou Mei Mei, Vivien	20	390	—	47	457
Mr. Chung Hon Sing, John	20	691	—	9	720
Mr. Chow Wei Lin	20	1,056	264	194	1,534
	100	**5,812**	**1,854**	**3,182**	**10,948**
Non-Executive Directors					
Mr. Cheng Wai Chee, Christopher	1,800	—	—	—	1,800
Mr. Cheng Wai Sun, Edward	20	—	—	—	20
Mr. Tang Ming Chien, Manning	20	—	—	—	20
	1,840	—	—	—	**1,840**
Independent Non-Executive Directors					
Lord Sandberg	20	—	—	—	20
Mr. Christopher Patrick Langley	160	—	—	—	160
Mr. Ho Fook Hong, Ferdinand	40	—	—	—	40
Dr. Lo Ka Shui	20	—	—	—	20
Mr. Haider Hatam Tyebjee Barma	117	—	—	—	117
	357	—	—	—	**357**
Total 2006	**2,297**	**5,812**	**1,854**	**3,182**	**13,145**
Total 2005	2,174	5,426	2,214	65	9,879

(b) Five highest paid individuals

Among the five individuals whose emoluments were the highest in the Group for the year, four *(2005: four)* of them were Directors of the Company and whose emoluments are disclosed above. The remuneration of the other individual was as follows:

	2006 HK$'000	2005 HK$'000
Salaries	**845**	845
Discretionary bonuses	**433**	433
Contribution to provident fund	**12**	12
	1,290	1,290

Notes to the Financial Statements

8. Finance costs

	2006	2005
	HK$'000	HK$'000
Interest expenses on bank loans and overdrafts	**4,033**	7,586

No interest has been capitalised during the year *(2005: Nil)*.

9. Staff costs

	2006	2005
	HK$'000	HK$'000
Salaries, wages and other benefits	**30,915**	31,293
Retirement benefits	**3,829**	762
Total staff costs, including Directors' emoluments	**34,744**	32,055

The Group contributes to a defined contribution mandatory provident fund scheme for those employees in Hong Kong under the age of 65. Two subsidiaries operate in a country which has a central government administrated retirement scheme. Contributions are made by the Group as a percentage of employees' relevant salaries. The retirement benefit costs charged to the income statement represent contributions paid and payable by the Group, after deducting forfeitures of HK$4,000 *(2005: HK$19,000)* in respect of the above retirement schemes.

Contributions totalling HK$72,000 *(2005: HK$68,000)* were payable to the schemes at the end of the year and are included in trade and other payables and accruals.

10. Taxation

	2006 HK$'000	2005 HK$'000
Current taxation:		
Hong Kong profits tax	**(54,525)**	(17,002)
Overseas taxation	**(698)**	(95)
(Under)/over provisions in prior years	**(5,654)**	104
Deferred taxation (charge)/credit *(Note 29)*	**(63,226)**	2,183
Taxation charges	**(124,103)**	(14,810)

Hong Kong profits tax has been provided at the rate of 17.5% *(2005: 17.5%)* on the estimated assessable profits for the year. Overseas taxation has been provided on the estimated assessable profits at rates prevailing in the countries in which the subsidiaries operate.

The Group's share of taxation of associated companies of HK$1,067,000 (2005: HK$157,000) has been netted off against the Group's share of profits less losses of associated companies as presented in the income statement.

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

	2006 HK$'000	2005 HK$'000
Operating profit	**942,168**	478,144
Calculated at a taxation rate of 17.5% *(2005: 17.5%)*	**(164,879)**	(83,675)
Effect of different taxation rates in other countries	**(85)**	(12)
Income not subject to taxation	**42,180**	68,475
Expenses not deductible for taxation purposes	**(177)**	(1,336)
Utilisation of previously unrecognised tax losses	**3,029**	482
Recognition of previously unrecognised tax losses	**706**	—
Unrecognised tax losses	—	(60)
(Under)/over provisions in prior years	**(5,654)**	104
Others	**777**	1,212
Taxation charges	**(124,103)**	(14,810)

11. Profit attributable to shareholders of the Company

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$179,143,000 *(2005: loss of HK$38,818,000)*.

12. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of the Company of HK$816,627,000 *(2005: HK$459,809,000)* and 259,685,288 *(2005: 259,685,288)* shares in issue during the year.

Diluted earnings per share is not presented as the Company has no dilutive potential shares as at 31 March 2006 *(2005: Nil)*.

Notes to the Financial Statements

13. Dividends

	2006 HK$'000	2005 HK$'000
Interim dividend, paid, of HK$0.09 per share *(2005: HK$0.07 per share)*	**23,372**	18,178
Final dividend, proposed, of HK$0.19 per share *(2005: HK$0.18 per share)*	**49,340**	46,743
	72,712	64,921

At a meeting held on 13 July 2006, the Directors recommended a final dividend of HK$0.19 per share. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of reserves for the year ending 31 March 2007.

14. Significant related party transactions

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

(a) Sales/purchases of goods, services and investments

	2006 HK$'000	2005 HK$'000
Management fee income from related companies *(Note i)*	**274**	75
Interest income from an investee company *(Note 20)*	**2,192**	5,672
Interest income from associated companies *(Note 18(a))*	**6,479**	2,491
Project management fee to a related company and capitalised in investment properties *(Note ii)*	**(1,800)**	(900)

(i) The management fee income was charged at rates pursuant to the agreements entered into between the Group and the related companies.

(ii) The project management fee was charged pursuant to the agreement entered into between the Group and the related company.

(b) Year-end loan balances with related parties are as follows:

	2006 HK$'000	2005 HK$'000
Amounts and loans due from associated companies *(Note 18)*	**311,312**	68,847
Amounts and loans due to associated companies *(Note 18)*	**(77,915)**	(53,602)
Amounts and loans due from an investee company *(Note 20)*	**155,313**	137,524

(c) Compensation of key management personnel

Members of key management of the Group are the Executive Directors of the Company. Their remuneration for the year is set out in note 7(a) above.

15. Property, plant and equipment

	Group			
	Property held for development HK$'000	Buildings HK$'000	Others HK$'000	Total HK$'000
At cost or valuation				
At 31 March 2005, as previously reported	2,200,000	31,393	42,877	2,274,270
Effect on adoption of HKAS 40 *(Note 16)*	(2,200,000)	—	—	(2,200,000)
At 1 April 2005, as restated	—	31,393	42,877	74,270
Translation differences	—	1,253	674	1,927
Additions	—	—	2,659	2,659
Disposals	—	—	(5,989)	(5,989)
At 31 March 2006	—	32,646	40,221	72,867
Accumulated depreciation				
At 1 April 2005	—	4,599	37,681	42,280
Translation differences	—	437	586	1,023
Charge for the year	—	1,867	1,545	3,412
Disposals	—	—	(5,939)	(5,939)
At 31 March 2006	—	6,903	33,873	40,776
Net book value				
At 31 March 2006	—	25,743	6,348	32,091
Analysis of cost or valuation:				
At valuation	—	32,646	—	32,646
At cost	—	—	40,221	40,221
	—	32,646	40,221	72,867

Notes to the Financial Statements

15. Property, plant and equipment *(continued)*

	Group			
	Property held for development HK$'000	Buildings HK$'000	Others HK$'000	Total HK$'000
At cost or valuation				
At 1 April 2004	887,000	35,695	43,004	965,699
Translation differences	—	—	21	21
Additions	3,143	—	1,059	4,202
Revaluation	1,309,857	—	—	1,309,857
Disposals of subsidiaries	—	(4,302)	(793)	(5,095)
Disposals	—	—	(414)	(414)
At 31 March 2005	2,200,000	31,393	42,877	2,274,270
Accumulated depreciation				
At 1 April 2004	—	1,804	37,046	38,850
Translation differences	—	—	14	14
Charge for the year	—	3,000	1,265	4,265
Disposals of subsidiaries	—	(205)	(263)	(468)
Disposals	—	—	(381)	(381)
At 31 March 2005	—	4,599	37,681	42,280
Net book value				
At 31 March 2005	2,200,000	26,794	5,196	2,231,990
Analysis of cost or valuation:				
At valuation	2,200,000	31,393	—	2,231,393
At cost	—	—	42,877	42,877
	2,200,000	31,393	42,877	2,274,270

(a) As the Group adopted HKAS 40 prospectively, the details of the movement in property, plant and equipment for the year ended 31 March 2005 have not been restated.

(b) Net book value of property held for development and buildings are analysed as follows:

	Group	
	2006 HK$'000	2005 HK$'000
Held in Hong Kong:		
On medium term leases	—	2,200,000
Held outside Hong Kong:		
On short term renewable leases	**25,743**	26,794
	25,743	2,226,794

Buildings held outside Hong Kong on short term renewable leases are held in Mainland China and are stated at Directors' valuations carried out on the depreciated replacement cost basis.

Other property, plant and equipment are stated at cost less accumulated depreciation.

16. Investment properties

	Group 2006 HK$'000	Group 2005 HK$'000
At valuation		
Beginning of the year, as previously reported	**1,628,039**	1,750,711
Effect on adoption of HKAS 40 *(Note 15)*	**2,200,000**	—
Beginning of the year, as restated	**3,828,039**	1,750,711
Translation differences	**963**	1,168
Additions	**67,848**	—
Disposal of subsidiaries	—	(65,970)
Disposals	**(545,950)**	(296,050)
Fair value gain/revaluation surplus	**672,460**	238,180
End of the year	**4,023,360**	1,628,039

The carrying amounts of investment properties is analysed as follows:

	Group 2006 HK$'000	Group 2005 HK$'000
Held in Hong Kong:		
On medium term leases	**3,951,450**	1,559,010
Held outside Hong Kong:		
On long term leases	**71,910**	69,029
	4,023,360	1,628,039

(a) Investment properties (other than agricultural lots) held in Hong Kong were revalued at 31 March 2006 by Jones Lang LaSalle Limited. The agricultural lots held in Hong Kong were revalued at 31 March 2006 by B. I. Appraisals Limited. Investment properties held in Singapore were revalued at 31 March 2006 by Jones Lang LaSalle Property Consultants Pte. Ltd. All three valuers are independent. All valuations were carried out on the open market value basis. The valuations have made reference to current prices in an active market.

(b) Certain investment properties with carrying amount of HK$1,150,900,000 as at 31 March 2006 *(2005: HK$1,460,929,000)* have been mortgaged to secure the Group's banking facilities.

17. Subsidiaries

	Company 2006 HK$'000	Company 2005 HK$'000
Unlisted shares – at cost	**1**	1
Loans and amounts due from subsidiaries	**3,333,064**	3,270,041
Less: Provision	**(571,791)**	(617,858)
	2,761,274	2,652,184

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

(b) Particulars of the subsidiaries are set out on page 60.

18. Associated companies

	Group	
	2006	2005
	HK$'000	HK$'000
Share of net assets	**7,029**	4,313
Amounts and loans due from associated companies *(Note a)*	**311,312**	68,847
Amounts and loans due to associated companies *(Note b)*	**(77,915)**	(53,602)
	240,426	19,558
Investments at cost – unlisted shares	**11,308**	9,874

The share of assets, liabilities and results of the associated companies attributable to the Group is summarised as follows:

	2006	2005
	HK$'000	HK$'000
As at 31 March		
Non-current assets	**519,477**	257,331
Current assets	**38,682**	37,516
Current liabilities	**(37,122)**	(20,814)
Non-current liabilities	**(514,008)**	(269,720)
	7,029	4,313
For the year ended 31 March		
Revenue	**6,318**	5,767
Profits less losses after taxation	**993**	427

(a) The amounts and loans due from associated companies are unsecured and have no fixed terms of repayment. Except for an aggregate amount of HK$9,019,000 (2005: HK$9,019,000) which is interest free, the amounts and loans due from associated companies carry interests at prevailing market interest rates or at fixed rates as agreed between the mutual parties.

(b) The amounts and loans due to associated companies are unsecured, interest free and have no fixed terms of repayment.

(c) Particulars of the associated companies are set out on page 61.

19. Available-for-sale financial assets

	Group 2006 HK$'000
Beginning of the year	—
Opening adjustment for the adoption of HKASs 32 and 39	**300,651**
Distribution by an investee company	**(96,716)**
Provision for impairment	**(70)**
Increase in fair value transferred to equity	**10,061**
End of the year	**213,926**

Available-for-sale financial assets include the following:	
Investment in a real estate investment trust listed outside Hong Kong	**148,588**
Unlisted equity investments	**65,338**
	213,926

Available-for-sale financial assets are primarily denominated in Singapore dollars. The investment in a real estate investment trust has been pledged to secure the Group's banking facilities.

20. Loans and receivables

	Group 2006 HK$'000
Beginning of the year	—
Opening adjustment for the adoption of HKASs 32 and 39	**137,381**
Addition	**17,932**
End of the year	**155,313**

The loans and receivables are due from an investee company, denominated in Singapore dollars, unsecured, subordinated to the bank borrowings of the investee company and have no fixed terms of repayment. At 31 March 2006, except for an amount of HK$18,398,000 which bears interest at 6.25% per annum, the remaining balances are all interest free. At 31 March 2005, loans and receivables of S$30,000,000 (equivalent to HK$131,760,000) carried interest at a fixed rate of 4.06% per annum.

21. Other investments

	Group 2005 HK$'000
Unlisted equity investments, at valuation	159,010
Loans due from unlisted equity investments	141,587
Less: Provision	(4,523)
	296,074
Investment in a real estate investment trust listed outside Hong Kong, at market value	142,102
	438,176

All the Group's other investments as at 31 March 2005 had been redesignated as either available-for-sale financial assets or loans and receivables upon the adoption of HKASs 32 and 39.

22. Trade and other receivables

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables, net of provisions	**7,103**	7,978	—	—
Other receivables	**3,785**	2,237	—	—
Deposits	**3,261**	153,226	—	—
Prepayments	**1,357**	1,411	**226**	269
	15,506	164,852	**226**	269

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

	Group	
	2006	2005
	HK$'000	HK$'000
Current – 45 days	**4,826**	4,198
46 – 90 days	**1,541**	3,158
Over 90 days	**736**	622
	7,103	7,978

The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group	
	2006	2005
	HK$'000	HK$'000
Hong Kong dollar	**11,274**	160,721
Singapore dollar	**326**	226
Renminbi	**3,906**	3,905
	15,506	164,852

23. Derivative financial instruments

	Group
	2006
	HK$'000
Derivative financial assets, net	
Interest rate swap contracts	**1,863**

(a) The aggregate notional principal amount of the interest rate swap contracts is HK$380,000,000 *(2005: HK$380,000,000)*.

(b) As at 1 April 2005, the fair value of the derivative financial instruments was a net liability of HK$1,367,000.

(c) All the interest rate swap contracts do not qualify for hedge accounting under HKAS 39.

24. Bank balances and cash

	Group	
	2006	**2005**
	HK$'000	**HK$'000**
Cash at bank and on hand	**8,402**	10,970
Short term bank deposits	**421,388**	62,252
	429,790	76,222

Short term bank deposits have an average effective interest rate of 3.8% *(2005: 1.6%)* per annum and an average maturity of 32 days *(2005: 40 days)*.

25. Trade and other payables and accruals

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**1,657**	2,821	**—**	—
Other payables	**7,591**	8,113	**11**	—
Deposits received	**20,789**	176,894	**—**	—
Accruals	**5,125**	4,332	**225**	236
	35,162	192,160	**236**	236

The ageing analysis of trade payables is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Current – 45 days	**1,514**	2,698
46 – 90 days	**143**	123
	1,657	2,821

The carrying amounts of trade and other payables and accruals are denominated in the following currencies:

	Group	
	2006	2005
	HK$'000	HK$'000
Hong Kong dollar	**29,367**	187,321
Singapore dollar	**4,140**	3,263
Renminbi	**1,655**	1,576
	35,162	192,160

26. Bank loans and overdrafts

	Group	
	2006	2005
	HK$'000	HK$'000
Bank overdrafts	**12**	—
Current portion of long term bank loans *(Note 27)*	**2,397**	81,364
	2,409	81,364

27. Long term bank loans

	Group 2006 HK$'000	Group 2005 HK$'000
Secured – wholly repayable within five years	**39,551**	254,212
Less: Amount repayable within one year included under current liabilities *(Note 26)*	**(2,397)**	(81,364)
	37,154	172,848
The long term bank loans are repayable as follows:		
Within one year	**2,397**	81,364
In the second year	**37,154**	136,206
In the third to fifth years inclusive	**—**	36,642
	39,551	254,212

All the long term bank loans are denominated in Hong Kong dollars except for an amount of HK$39,551,000 *(2005: HK$94,212,000)* which is denominated in Singapore dollars. Certain investment properties with a carrying amount of HK$1,150,900,000 at 31 March 2006 *(2005: HK$1,588,771,000, including properties for sale of HK$127,842,000)* have been mortgaged to secure the Group's long term bank loans.

The bank loans have an average effective interest rate of 4.69% *(2005: 1.98%)* per annum. The carrying values of bank loans approximate their fair values.

28. Other long term loans

	Group 2006 HK$'000	Group 2005 HK$'000
Amounts due to minority shareholders of subsidiaries	**35,378**	35,420

The loans are denominated in Hong Kong dollars, unsecured, interest free and have no fixed terms of repayment.

The fair value of the other long term loans is approximately HK$33,784,000 *(2005: HK$33,895,000)*.

29. Deferred taxation

	Group 2006 HK$'000	Group 2005 HK$'000
Beginning of the year, as previously reported	**18,917**	21,100
Effect on adoption of HK(SIC)-Int 21	**439,101**	218,209
Beginning of the year, as restated	**458,018**	239,309
Charged/(credited) to income statement *(Note 10)*	**63,226**	(2,183)
Charged to equity	**—**	220,892
End of the year	**521,244**	458,018

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% *(2005: 17.5%)*.

29. Deferred taxation *(continued)*

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits are probable. As at 31 March 2006, the Group has no unrecognised tax losses to carry forward against future taxable income *(2005: HK$17,415,000)*.

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

Deferred tax assets

	Group					
	Tax losses		**Provision**		**Total**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Beginning of the year	**10,341**	12,438	—	—	**10,341**	12,438
Credited/(charged) to income statement	**666**	(2,097)	**18**	—	**684**	(2,097)
End of the year	**11,007**	10,341	**18**	—	**11,025**	10,341

Deferred tax liabilities

	Group					
	Accelerated depreciation		**Revaluation of properties**		**Total**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Beginning of the year, as previously reported	**29,258**	33,538	—	—	**29,258**	33,538
Effect on adoption of HK(SIC)-Int 21	—	—	**439,101**	218,209	**439,101**	218,209
Beginning of the year, as restated	**29,258**	33,538	**439,101**	218,209	**468,359**	251,747
Charged/(credited) to income statement	**1,651**	(4,280)	**62,259**	—	**63,910**	(4,280)
Charged to equity	—	—	—	220,892	—	220,892
End of the year	**30,909**	29,258	**501,360**	439,101	**532,269**	468,359

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

	Group	
	2006	2005
	HK$'000	HK$'000
		Restated
Deferred tax assets	**(3,191)**	(5,675)
Deferred tax liabilities	**524,435**	463,693
	521,244	458,018

30. Share capital

	Ordinary shares of HK$0.01 each	
	No. of shares	**HK$'000**
Authorised:		
At 31 March 2006 and 2005	**750,000,000**	**7,500**
Issued and fully paid:		
At 31 March 2006 and 2005	**259,685,288**	**2,596**

Notes to the Financial Statements

31. Reserves

	Group						
	Contributed surplus HK$'000	Land and buildings revaluation reserve HK$'000	Investment properties revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation account HK$'000	Retained earnings HK$'000	Total HK$'000
At 31 March 2005, as previously reported	839,195	1,913,562	551,499	228,493	(21,834)	660,610	4,171,525
Prior year adjustment upon the adoption of HK(SIC)-Int 21 on deferred tax arising from revaluation of properties	—	(334,873)	(104,228)	—	—	—	(439,101)
At 31 March 2005, as restated	839,195	1,578,689	447,271	228,493	(21,834)	660,610	3,732,424
Opening adjustments for the adoption of:							
- HKASs 32 and 39	—	—	—	—	—	(1,511)	(1,511)
- HKAS 40	—	(1,549,708)	(447,271)	—	—	1,996,979	—
	—	(1,549,708)	(447,271)	—	—	1,995,468	(1,511)
At 1 April 2005, as restated	839,195	28,981	—	228,493	(21,834)	2,656,078	3,730,913
Exchange translation differences	—	—	—	—	869	—	869
Transferred upon disposal of properties for sale	—	(28,981)	—	—	—	28,981	—
Fair value gain on available-for-sale financial assets	—	—	—	10,061	—	—	10,061
Realised on distribution by an unlisted investment	—	—	—	(72,436)	—	—	(72,436)
Profit for the year	—	—	—	—	—	816,627	816,627
Prior year final dividend paid	(46,743)	—	—	—	—	—	(46,743)
Interim dividend paid *(Note 13)*	(23,372)	—	—	—	—	—	(23,372)
	(70,115)	(28,981)	—	(62,375)	869	845,608	685,006
At 31 March 2006	769,080	—	—	166,118	(20,965)	3,501,686	4,415,919
Representing:							
Final dividend proposed *(Note 13)*	—	—	—	—	—	49,340	49,340
Others	769,080	—	—	166,118	(20,965)	3,452,346	4,366,579
At 31 March 2006	769,080	—	—	166,118	(20,965)	3,501,686	4,415,919

31. Reserves *(continued)*

	Group						
	Contributed surplus HK$'000	Land and buildings revaluation reserve HK$'000	Investment properties revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation account HK$'000	Retained earnings HK$'000	Total HK$'000
At 31 March 2004, as previously reported	857,373	603,705	590,042	359,463	(17,495)	218,979	2,612,067
Prior year adjustment upon the adoption of HK(SIC)-Int 21on deferred tax arising from revaluation of properties	—	(105,648)	(112,561)	—	—	—	(218,209)
At 31 March 2004, as restated	857,373	498,057	477,481	359,463	(17,495)	218,979	2,393,858
Exchange translation differences	—	—	—	—	(3,485)	—	(3,485)
Revaluation surpluses/ (deficits)	—	1,309,857	228,071	(41,646)	—	—	1,496,282
Deferred tax arising from revaluation of properties	—	(229,225)	(41,681)	—	—	—	(270,906)
Realised on disposal of subsidiaries	—	—	—	—	(854)	—	(854)
Realised on disposal of investment properties	—	—	(216,600)	—	—	—	(216,600)
Realised on distribution by an unlisted investment	—	—	—	(89,324)	—	—	(89,324)
Profit for the year	—	—	—	—	—	459,809	459,809
Prior year final dividend paid	—	—	—	—	—	(18,178)	(18,178)
Interim dividend paid *(Note 13)*	(18,178)	—	—	—	—	—	(18,178)
	(18,178)	1,080,632	(30,210)	(130,970)	(4,339)	441,631	1,338,566
At 31 March 2005, as restated	839,195	1,578,689	447,271	228,493	(21,834)	660,610	3,732,424
Representing:							
Final dividend proposed *(Note 13)*	46,743	—	—	—	—	—	46,743
Others	792,452	1,578,689	447,271	228,493	(21,834)	660,610	3,685,681
At 31 March 2005	839,195	1,578,689	447,271	228,493	(21,834)	660,610	3,732,424

Notes to the Financial Statements

31. Reserves *(continued)*

	Company		
	Contributed surplus HK$'000	**Retained earnings HK$'000**	**Total HK$'000**
At 31 March 2005	**2,631,915**	**17,759**	**2,649,674**
Profit for the year	**—**	**179,143**	**179,143**
Transfer	**46,067**	**(46,067)**	**—**
Prior year final dividend paid	**(46,743)**	**—**	**(46,743)**
Interim dividend paid *(Note 13)*	**(23,372)**	**—**	**(23,372)**
At 31 March 2006	**2,607,867**	**150,835**	**2,758,702**
Representing:			
Final dividend proposed *(Note 13)*	**—**	**49,340**	**49,340**
Others	**2,607,867**	**101,495**	**2,709,362**
At 31 March 2006	**2,607,867**	**150,835**	**2,758,702**
At 31 March 2004	2,688,969	35,879	2,724,848
Loss for the year	—	(38,818)	(38,818)
Transfer	(38,876)	38,876	—
Prior year final dividend paid	—	(18,178)	(18,178)
Interim dividend paid *(Note 13)*	(18,178)	—	(18,178)
At 31 March 2005	2,631,915	17,759	2,649,674
Representing:			
Final dividend proposed *(Note 13)*	46,743	—	46,743
Others	2,585,172	17,759	2,602,931
At 31 March 2005	2,631,915	17,759	2,649,674

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

32. Future lease receipts

At the end of the year, future minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Not later than one year	**78,495**	93,105
Later than one year and not later than five years	**40,664**	36,156
	119,159	129,261

33. Capital commitments

	Group	
	2006	2005
	HK$'000	HK$'000
Property, plant and equipment		
Contracted but not provided for	—	14,749
Authorised but not contracted for	—	21,888
	—	36,637
Investment properties		
Contracted but not provided for	**98,499**	—
Investments in associated companies		
Contracted but not provided for	**544,351**	—
	642,850	36,637

34. Lease commitments

At the end of the year, the Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Not later than one year	**6,418**	5,852
Later than one year and not later than five years	**5,200**	350
	11,618	6,202

35. Contingent liabilities

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given in respect of banking facilities granted to subsidiaries	**—**	—	**1,129,283**	1,293,689
Guarantees given in respect of banking facilities granted to an investee company in proportion to the Group's 10% effective equity interest	**—**	100,000	**—**	100,000
Indemnity given in respect of banking facilities granted to an investee company in proportion to the Group's 12% effective equity interest	**115,056**	113,472	**—**	—
	115,056	213,472	**1,129,283**	1,393,689

36. Notes to the consolidated cash flow statement

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

	2006	2005
	HK$'000	HK$'000
Operating profit	**942,168**	478,144
Increase in fair value of investment properties	**(672,460)**	—
Depreciation of property, plant and equipment	**3,412**	4,265
Gain on disposal of investment properties, properties for sale and plant and equipment	**(93,690)**	(280,506)
Gain on disposal of subsidiaries	**—**	(2,258)
Provision for available-for-sale financial assets/other investments	**70**	1,261
Fair value gain on derivative financial instruments	**(3,230)**	—
Interest income	**(23,032)**	(8,376)
Interest expenses	**4,033**	7,586
Dividend income	**(79,483)**	(101,945)
Operating profit before working capital changes	**77,788**	98,171
Increase in properties for sale	**—**	(1,666)
Decrease in trade and other receivables	**368**	3,183
Decrease in trade and other payables and accruals	**(6,354)**	(6,318)
Net cash inflow generated from operations	**71,802**	93,370

36. Notes to the consolidated cash flow statement *(continued)*

(b) Disposal of subsidiaries

	2005 HK$'000
Net assets disposed of	
Property, plant and equipment and investment properties	70,597
Trade and other receivables	2,761
Bank balances and cash	992
Trade and other payables and accruals	(2,124)
Other long term loans	(96,917)
	(24,691)
Realisation of exchange fluctuation on disposal	(854)
Minority interests	(2,700)
	(28,245)
Gain on disposal of subsidiaries	2,258
Consideration paid	(25,987)
Satisfied by:	
Cash received	5,375
Cash paid	(31,362)
Net cash paid	(25,987)
Bank balances and cash of the subsidiaries disposed of	(992)
Net cash outflow	(26,979)

(c) Analysis of changes in financing

	Minority interests		Bank and other loans	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Beginning of the year	**(20)**	(11,381)	**289,632**	961,317
Exchange differences	**20**	—	—	894
Disposal of subsidiaries	—	(2,700)	—	(96,917)
Minority interests in share of profit and reserves	**2,431**	14,061	—	—
Net cash outflow from financing	—	—	**(214,703)**	(575,662)
End of the year	**2,431**	(20)	**74,929**	289,632

(d) Analysis of bank and other loans

	2006 HK$'000	2005 HK$'000
Long term bank loans *(Note 27)*	**39,551**	254,212
Other long term loans *(Note 28)*	**35,378**	35,420
	74,929	289,632