WHEELOCK PROPERTIES LIMITED
會德豐地產有限公司

Stock Code 股份代號: 0049

Annual Report 2006/07 二零零六至零七年年報

WHEELOCK PROPERTIES

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CORPORATE INFORMATION

Board of Directors
Peter K C Woo, *GBS, JP (Chairman)*
Joseph M K Chow, *OBE, JP*
Herald L F Lau*
Gonzaga W J Li
David T C Lie-A-Cheong, *JP**
T Y Ng
Paul Y C Tsui
Ricky K Y Wong
Glenn S Yee*

* *Independent Non-executive Directors*

Secretary
Wilson W S Chan, *FCIS*

General Managers
Wheelock Corporate Services Limited

Registered Office
23rd Floor, Wheelock House
20 Pedder Street
Hong Kong

Registrars
Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Auditors
KPMG

CHAIRMAN'S STATEMENT

In 2006, Hong Kong's economy grew at a faster-than-expected 6.8%, thanks to healthy consumer spending, capital investment and exports. The retail market remained bullish, emboldened by growing tourist arrivals and strengthening consumer confidence. Pick-up in Hong Kong's economy, coupled with continued expansion of the financial sector and professional firms, continued to lift Grade A office demand and resulted in a steady pace of increase in office rents. The luxury residential market was also buoyant, underpinned by domestic economic recovery, limited supply and stabilizing interest rate environment.

On the Group's residential development, 93% of the total units at Bellagio have been sold by the end of March 2007. In December 2006, the Group completed the disposal of its entire interest in the single shop at Wheelock House for HK$225 million. This, together with the successful disposal of various units at Great Western Plaza, was made in line with the Group's policy of disposing of non-core properties. Fitfort will be the next candidate for disposal. The office portion was 98% leased at satisfactory rental rates at the end of March 2007. In addition, the Group successfully acquired a 50% interest in a site for property development in Foshan of Guangdong Province through a joint venture in a public auction in February 2007. The joint venture committed a price of RMB950 million for the site.

Wheelock Properties (Singapore) Limited ("WPSL")

In Singapore, the economy grew by 7.7% in 2006 driven by increased exports, strong manufacturing and recovery in the construction industry. The financial year saw a remarkable period of escalating property prices and all sectors of the real estate market performed well. Prices of private residential properties rose considerably and demand for high end residential homes remained strong. There was renewed optimism in the office sector. Office rents increased significantly and rose beyond the last peak in 2001, on the back of strong demand in the marketplace.

The Group successfully pre-sold various properties in Singapore through WPSL during the financial year, including all units of The Cosmopolitan and The Sea View and 94% of units at Ardmore II by the end of March 2007. In accordance with the current accounting standard, however, turnover and profits will not be recognised until project completion. As such, the Group's development profit for the financial year decreased by comparison to the preceding financial year.

In March 2006, WPSL took advantage of a unique opportunity to acquire for investment a 20.97% stake in Hotel Properties Limited for a total amount of S$171.4 million. Hotel Properties Limited is a listed company in Singapore and its businesses include hotel operations, development properties, investment properties and restaurants. The Group's average cost of S$1.8 per share compares favourably to the traded market value of S$5.10 per share as at 31 March 2007.

In August 2006, WPSL sold its entire interest in Hamptons Group Limited for £82 million and realised a net profit after tax of HK$475 million. The profit attributable to the Group (net of minority interests) arising from the disposal amounted to HK$360 million.

CHAIRMAN'S STATEMENT

RESULTS

Including a one-off gain from the disposal of Hamptons but excluding the unrealised surplus from the revaluation of investment properties and property write-backs, Group profit for the year under review increased by 13% to HK$1,151 million (2006: HK$1,017 million). Including the lower unrealised surplus from the revaluation of investment properties and property write-backs, Group profit was HK$1,450 million (2006: HK$2,234 million). Earnings per share were HK$0.70 (2006: HK$1.08).

Consolidated net asset value per share rose by 17% to HK$10.25 as at 31 March 2007 (2006: HK$8.77).

A final dividend of 8.0 cents per share has been recommended to bring the total dividend for the year to 10.0 cents per share (2006: 9.0 cents per share).

OUTLOOK

The economic outlook for Hong Kong is reasonably positive, given its role as a hub for China-related businesses, healthy tourist growth, strong demand in the service sector and upbeat domestic spending. The economic partnership between the Mainland and Hong Kong through CEPA (including the fourth stage) and usage of the Hong Kong platform for the "bringing in, going out" process for Mainland enterprises will continue to benefit Hong Kong.

Hong Kong is poised for further growth, given sustainable economic growth in China. The Singapore economy is also strong and demand for top end luxurious properties is expected to remain robust. The Group will continue to explore investment opportunities in Hong Kong and the Asia Pacific region to enhance value to Shareholders.

Peter K C Woo
Chairman

Hong Kong, 6 June 2007

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW

Given below is a review of the various segments of the Group.

Overview

Associates
The Group effectively owns 33.3% of Bellagio and 20% of Parc Palais.

Bellagio (1/3 owned by the Group)
Bellagio is a residential development in Sham Tseng overlooking the Tsing Ma Bridge. Out of the total of 3,345 units in the development, cumulative sales have reached 3,123 units (or 93%) by the end of March 2007.

Parc Palais (20% owned by the Group)
Parc Palais is a one-million-square-foot GFA residential development in Homantin. 96% (or 673 units) of the 700 units have been sold by March 2007.

Re-development of *6D-6E Babington Path*, Mid-levels and *2 Heung Yip Road*, Aberdeen, is underway. Both projects are currently scheduled for completion in the fourth quarter of 2009.

Wheelock House and *Fitfort* were 98% and 96% leased respectively at satisfactory rental rates at the end of March 2007.

In December 2006, the Group completed the disposal of its entire interest in Shop C at Wheelock House for HK$225 million.

In line with the Group's policy of disposing of non-core assets, following the recent successful disposal of Shop C at Wheelock House and various units at Great Western Plaza, Fitfort will be the next candidate for disposal.

The Group successfully acquired a 50% interest in a site for property development in Foshan of Guangdong Province through a joint venture in a public auction in February 2007. The joint venture committed a price of RMB950 million for the site.

Wheelock Properties (Singapore) Limited (a 76%-owned Singapore listed subsidiary)
Profit for Wheelock Properties (Singapore) Limited ("WPSL") amounted to S$297.9 million for the year under review (2006: S$183.7 million).

In February 2007, WPSL completed the acquisition of The Habitat One, which will be re-named *Ardmore III*, for redevelopment and sale.

In January 2007, WPSL completed the sale of *Oakwood Residence Azabujuban* and realised a profit on disposal amounting to S$52 million.

In August 2006, WPSL sold its entire interest in Hamptons Group Limited ("Hamptons") for £82 million and realised a profit on disposal amounting to S$91 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Development Properties
The Sea View is a residential condominium development of 6 tower blocks with 546 apartments. Construction is in progress and development completion is scheduled in the fourth quarter of 2007. All of the 546 units have been pre-sold by March 2007.

The Cosmopolitan is a residential condominium development with 228 apartments on the former Times House site. Construction is in progress and the project is scheduled for completion in the fourth quarter of 2007. All of the 228 units have been pre-sold by March 2007.

Ardmore II is a prime residential condominium development with 118 apartments. Piling works commenced in early 2007 and development completion is scheduled in 2009. Pre-sales was met with favourable response and has reached 94% by March 2007.

Main construction work for *Orchard View* is underway and the project is scheduled for completion by December 2008.

The Scotts Shopping Centre and the Ascott Serviced Apartment will be re-developed into a prime residential condominium development, to be known as *Scotts Square*. Demolition of the previous buildings is in progress. Development completion is scheduled in the mid of 2010.

Investment Properties
Wheelock Place, a commercial development at Orchard Road, Singapore was 100% committed at satisfactory rental rates at the end of March 2007.

FINANCIAL REVIEW

(I) Results Review

Discontinued operation
WPSL had sold its 100% interest in Hamptons for £82 million (about HK$1,182 million) and realised a net profit after tax of HK$475 million (HK$360 million attributable to the Group). Following the disposal, the results of Hamptons, which formed a significant business segment of the Group, were reported as a discontinued operation and presented separately in the profit and loss account in accordance with Hong Kong Financial Reporting Standard 5 “Non-current assets held for sale and discontinued operations”.

Continuing operations
Turnover
Group turnover from continuing operations for the year fell by 12% to HK$862 million (2006: HK$978 million), reflecting lower sales revenue recognised by the Property Development segment. This was partly mitigated by increase in dividend and interest income.

Operating profit

Group operating profit from continuing operations fell by 14% to HK$706 million (2006: HK$820 million) mainly due to the unfavorable operating results recorded by the Property Development and the Investment and Other segments.

Property Development

Revenue of Property Development segment fell by 75% to HK$74 million (2006: HK$298 million) and operating profit dropped by 64% to HK$34 million (2006: HK$94 million), which were mainly affected by the absence of property development completion by WPSL. For the year under review, property sale revenue mainly came from sales of properties in Hong Kong, comprising one shop at Bailey Garden, various industrial units at My Loft, World Tech Centre and Metro Loft and various carparking spaces. The sales recognised in the previous financial year were mainly derived from sales of 11 Grange Residences units in Singapore by WPSL.

WPSL recognises profits on pre-sales of properties under development by stages using the percentage of completion method in accordance with generally accepted accounting principles in Singapore. The Group prepares its consolidated financial statements under Hong Kong Financial Reporting Standards which recognises revenue and profit on pre-sales of properties upon the completion of properties. Accordingly, profits recognised by WPSL in respect of its pre-sales of The Sea View and The Cosmopolitan units were reversed and excluded in the Group's consolidated financial statements. The cumulative attributable profits to the Group so reversed amounted to approximately HK$531 million as at 31 March 2007.

Property Investment

Revenue and operating profit from the Property Investment segment fell slightly to HK$399 million (2006: HK$405 million) and HK$242 million (2006: HK$252 million) respectively. The decrease in revenue was mainly caused by the loss of rental income following the disposal of Oakwood Residence Azabujuban as well as the redevelopment of The Scotts Shopping Centre and the Ascott Serviced Apartment which commenced by the end of December 2006. During the financial year, higher average rental rates were achieved by the Group's investment properties; however, the operating profit was adversely impacted by higher operating expenses and administrative expenses incurred by WPSL.

Investment and Others

Investment and other revenue, comprising mainly dividends from the Group's long-term investment portfolio and interest income, rose by 41% to HK$389 million (2006: HK$275 million). Conversely, operating profit decreased by 7% to HK$454 million (2006: HK$490 million), which mainly due to lower profit from disposal of long-term investments of HK$61 million (2006: HK$146 million) was recorded. In addition, there was also profit from sale of Oakwood Residence Azabujuban of HK$120 million (2006: Sale of Great Western Plaza units HK$98 million).

Increase in fair value of investment properties

Included in the Group's results was a revaluation surplus of HK$406 million (2006: HK$1,385 million) on revaluation of the Group's investment properties.

Write back of provision for properties

There was also a net write-back of provision of HK$23 million (2006: HK$190 million) in respect of certain development properties.

Borrowing costs

Borrowing costs charged to the profit and loss account rose to HK$72 million (2006: HK$52 million), which was incurred by WPSL. Borrowing costs capitalised for properties under development for sale amounted to HK$81 million (2006: HK$43 million). For the year under review, the Group's effective borrowing interest rate was approximately 3.9% per annum (2006: 2.9% per annum).

Share of profits less losses of associates

Share of profit of associates was HK$176 million (2006: HK$325 million). The share of associates' results for the year under review and previous year were mainly derived from the sales of Bellagio and Parc Palais units undertaken by associates.

Income tax

Taxation charge of HK$66 million (2006: HK$293 million) included deferred tax of HK$76 million (2006: HK$261 million) provided against the net revaluation surplus of investment properties.

Minority interests

Profit shared by minority interests was HK$256 million (2006: HK$163 million), which was related to the profit of WPSL, including the profit on disposal of Hamptons.

Profit attributable to Shareholders

The Group's profit attributable to Shareholders was HK$1,450 million (2006: HK$2,234 million). Earnings per share were HK$0.70 (2006: HK$1.08).

Included in the results was an attributable surplus of HK$299 million (2006: HK$1,217 million), comprising the Group's revaluation surplus and write-back of provision for property of HK$429 million (2006: HK$1,575 million) less related deferred tax and minority interests of HK$130 million (2006: HK$358 million).

Excluding this attributable revaluation surplus, the Group's net profit attributable to Shareholders was HK$1,151 million (2006: HK$1,017 million). The increase was attributable to the profit on disposal of Hamptons, which was partly offset by lower profit from property sales undertaken by the Group and its associates, mainly the Bellagio development.

(II) Liquidity and Financial Resources

Equity

The Shareholders' equity amounted to HK$21,216 million or HK$10.25 per share as at 31 March 2007, compared to HK$18,159 million or HK$8.77 per share as at 31 March 2006. The Group's total equity, including minority interests, was HK$23,592 million (2006: HK$19,858 million).

Net cash

The Group's net cash increased substantially to HK$3,296 million as at 31 March 2007, which was made up of bank deposits and cash of HK$6,433 million and debts of HK$3,137 million, compared to a net cash of HK$589 million as at 31 March 2006.

Excluding WPSL, the Company and its subsidiaries together had net cash of HK$2,919 million (2006: HK$1,824 million). The major cash inflow for the year included the proceeds from sales of Bellagio units distributed by the project company. The Group's share of such distribution amounted to HK$698 million. Besides, the Group realised net cash of HK$225 million from the sale of Shop C at Wheelock House.

WPSL's net cash amounted to HK$377 million as at 31 March 2007. This compared favourably against a net debt of HK$1,235 million as at 31 March 2006. WPSL's major cash inflows for the year mainly attributable to the proceeds from the disposal of Hamptons and Oakwood Residence Azabujuban as well as from pre-sales of residential units at The Sea View, The Cosmopolitan and Ardmore II.

Committed and uncommitted facilities

(a) The Group's available loan facilities totalled HK$5.7 billion, comprising committed and uncommitted loan facilities of HK$5.4 billion and HK$0.3 billion respectively. The debt maturity profile of the Group as at 31 March 2007 was analysed as follows:

	2007 HK$ Million	2006 HK$ Million
Within 1 year	**515**	840
After 1 year but within 2 years	**–**	1,538
After 2 years, but within 3 years	**1,124**	433
After 3 years, but within 4 years	**1,498**	1,098
	3,137	3,909
Undrawn facilities	**2,614**	2,801
Total loan facilities	**5,751**	6,710

(b) The following assets of the Group have been pledged for securing bank loan facilities:

	2007 HK$ Million	2006 HK$ Million
Investment properties	–	493
Properties under construction	560	–
Properties under development for sale	7,435	4,014
	7,995	4,507

(c) As at 31 March 2007, WPSL's borrowings for financing its properties in Singapore were primarily denominated in Singapore Dollar. Forward exchange contracts were entered into by WPSL mainly for hedging purpose. The Group has no other significant exposure to foreign exchange fluctuation except for the net investments in its Singapore subsidiaries.

Available-for-sale investments

The Group maintained a portfolio of available-for-sale investments with a market value of HK$9,025 million as at 31 March 2007 (2006: HK$7,079 million), which primarily comprised a 7% interest in Wharf, a 20% interest in Hotel Properties Limited owned by WPSL and other blue chip securities.

In accordance with the Group's accounting policies, the long-term investments classified as available-for-sale investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserves until the investment is sold. Such reserves had an attributable accumulated surplus of HK$3,759 million as at 31 March 2007, compared to HK$2,420 million as at 31 March 2006. Performance of the portfolio was satisfactory.

Contingent Liabilities

As at 31 March 2007 and 31 March 2006, there was no guarantee given by the Group in respect of banking facilities available to associates.

(III) Acquisition of Property/Disposal of Subsidiary

Disposal of Hamptons

WPSL completed on 24 August 2006 the disposal of its 100% interest in Hamptons for £82 million (about HK$1,182 million) at a profit after tax of HK$475 million. The profit attributable to the Group (net of minority interests) resulted from the disposal amounted to HK$360 million.

Disposal of Shop C at Wheelock House

The Group completed on 28 December 2006 the disposal of 100% interest in Shop C at Wheelock House for a consideration of HK$225 million with a net profit of HK$9 million reported in the results under review. Apart from this, the net revaluation surpluses less deferred tax of the property in total amount of HK$43 million arisen in prior years have been included and reported in the results of the respective years in accordance with the current accounting standards.

Disposal of Oakwood Residence Azabujuban

WPSL completed on 31 January 2007 the disposal of its 100% interest in Oakwood Residence Azabujuban for JPY9.9 billion (about HK$654 million). The profit attributable to the Group (net of minority interests) from the disposal amounted to HK$123 million. In addition, the net attributable revaluation surpluses less deferred tax of the property in total amount of HK$64 million arisen in prior years have been included and reported in the results of the respective years.

The Habitat One, Singapore (to be renamed Ardmore III)

In February 2007, WPSL completed the acquisition of The Habitat One for S$180 million (about HK$882 million). Planning and design for the property are in progress. The proposed development will be an international standard 36-storey stylish development in the prestigious Ardmore Park, next to Ardmore II.

50% interest in Foshan Joint Venture

In February 2007, the Group through a 50%-owned joint venture successfully acquired a site for property development in Foshan of Guangdong Province for RMB950 million in a public auction.

(IV) Human Resources

The Group had 105 employees as at 31 March 2007 (2006: 1,046). The decrease of 941 employees was mainly due to the exclusion of Hamptons' employees after it was disposed of by WPSL in August 2006. Employees are remunerated according to the nature of their jobs and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for the year ended 31 March 2007 amounted to HK$247 million.

CORPORATE GOVERNANCE REPORT

(A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 March 2007, all the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 (the "Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited were met by the Company, with the exception of one deviation as set out under section (D) below. The application of the relevant principles, and the reasons for the abovementioned deviation from a Code provision, are stated in the following sections.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company who were in office during the financial year ended 31 March 2007, they have confirmed that they have complied with the Model Code during the financial year.

(C) BOARD OF DIRECTORS

(i) Composition of the Board, number of Board meetings and Directors' attendance

The Company's Board has a balance of skills and experience and a balance composition of executive and non-executive directors. Four Board meetings were held during the financial year ended 31 March 2007. The composition of the Board and attendance of the Directors are set out below:

Directors	**Attendance at Meetings**
Chairman	
Peter K C Woo	4
Non-executive Directors	
Joseph M K Chow	3
Gonzaga W J Li	3
T Y Ng	3
Paul Y C Tsui	4
Ricky K Y Wong	4
Independent Non-executive Directors	
Herald L F Lau	4
David T C Lie-A-Cheong	4
Glenn S Yee	3

Each Director of the Company has been appointed on the strength of his calibre, experience and stature, and his potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring board approval were arranged by means of circulation of written resolutions.

(ii) **Operation of the Board**

The Company is headed by an effective Board which takes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses, and changes to accounting standards, and adopted appropriate reporting format in its interim report, annual report and other related documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are either briefed during Board meetings or issued with regular updates and materials to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive briefings and orientation on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.

There is a clear division of responsibilities between the Board and the management. Decisions on important matters are specifically reserved to the Board while decisions on the Group's general operations are delegated to the management. Important matters include those affecting the Group's strategic policies, major investment and funding decisions and major commitments relating to the Group's operations.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Peter K C Woo serves as the Chairman and also as the *de facto* chief executive officer of the Company. This is a deviation from the Code provision with respect to the roles of chairman and chief executive officer to be performed by different individuals. Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a chief executive officer. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals.

(E) NON-EXECUTIVE DIRECTORS

All those existing Directors of the Company who do not hold any executive office of the Company have their respective terms of appointment coming to an end normally three years after their appointment to the Board or (in the case of Directors who were re-elected to the Board at previous Annual General Meetings) their last re-election as Directors.

(F) REMUNERATION OF DIRECTORS

The Company has set up a Remuneration Committee consisting of the Chairman of the Company and two other independent Non-executive Directors.

One Remuneration Committee meeting was held during the financial year ended 31 March 2007. Attendance of the Members is set out below:

Members	Attendance at Meeting
Peter K C Woo, *Chairman*	1
David T C Lie-A-Cheong	1
Glenn S Yee	1

The terms of reference of the Remuneration Committee are aligned with the provisions set out in the Code. Given below are the main duties of the Remuneration Committee:

(a) to consider the Company's policy and structure for all remuneration of Directors and senior management;

(b) to determine the specific remuneration packages of all executive Directors and senior management;

(c) to review performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(d) to review the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and

(e) to review compensation arrangements relating to dismissal or removal of Directors for misconduct.

The work performed by the Remuneration Committee for the financial year ended 31 March 2007 is summarised below:

(a) review of the Company's policy and structure for all remuneration of Directors and senior management;

(b) consideration of the emoluments for all Directors and senior management; and

(c) review of the level of fees for Directors and Audit Committee Members.

The basis of determining the emoluments payable to its Directors and senior management by the Company is by reference to the level of emoluments normally granted by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining the Directors' fees, currently at the rate of HK$30,000 per annum per Director, payable to Directors of the Company, and the Audit Committee Members' fees, currently at the rate of HK$15,000 per annum per Member, payable to those Directors of the Company who are also Members of the Audit Committee of the Company is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.

(G) NOMINATION OF DIRECTORS

The Company does not have a nomination committee as the role and function of such committee are performed by the Board.

The Board is responsible for the formulation of the nomination policies, making recommendations to Shareholders on Directors standing for re-election, providing sufficient biographical details of Directors to enable Shareholders to make an informed decision on the re-election, and where necessary, nominate Directors to fill casual vacancies. The Chairman from time to time reviews the composition of the Board with particular regard to ensuring that there is an appropriate number of Directors on the Board independent of management. He also identifies and nominates qualified individuals for appointment as new Directors of the Company. New Directors of the Company will be appointed by Board. Any and all new Directors are subject to retirement from the Board at the Annual General Meeting of the Company immediately following his or her appointment and may stand for re-election at the Annual General Meeting.

(H) AUDITORS' REMUNERATION

The fees in relation to the audit and other services provided by KPMG, the external auditors of the Company, amounted to HK$3 million and HK$1 million respectively.

(I) AUDIT COMMITTEE

The Audit Committee of the Company consists of one Non-executive Director and two independent Non-executive Directors.

All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required. In addition, Mr Herald L F Lau has the appropriate professional qualifications and experience in financial matters.

Two Audit Committee meetings were held during the financial year ended 31 March 2007. Attendance of the Members is set out below:

Members	**Attendance at Meetings**
Glenn S Yee, *Chairman*	2
Joseph M K Chow	2
Herald L F Lau	2

(i) The terms of reference of the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the Audit Committee:

(a) to consider the appointment of the external auditors and any questions of resignation or dismissal;

(b) to discuss with the external auditors before the audit commences, the nature and scope of the audit;

(c) to review the half-year and annual financial statements before submission to the Board, focusing particularly on:

(1) any changes in accounting policies and practices;
(2) major judgmental areas;
(3) significant adjustments resulting from the audit;
(4) the going concern assumption;
(5) compliance with accounting standards; and
(6) compliance with stock exchange and legal requirements;

(d) to discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary); and

(e) to review the audit programme, and ensure co-ordination with external auditors, of the internal audit function.

(ii) The work performed by the Audit Committee for the financial year ended 31 March 2007 is summarised below:

(a) approval of the remuneration and terms of engagement of the external auditors;

(b) review of the external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards;

(c) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (i)(c) above regarding the duties of the Audit Committee;

(d) discussion with the external auditors before the audit commences, the nature and scope of the audit;

(e) review of the audit programme and co-ordination between the external auditors and the internal audit function;

(f) review of the Group's financial controls, internal control and risk management systems; and

(g) meeting with the external auditors without executive Board members present.

(J) INTERNAL CONTROL

The Directors are ultimately responsible for the internal control system of the Group and, through the Audit Committee, have reviewed the effectiveness of the system. The internal control system comprises a well-defined organisational structure with specified limits of authority in place. Areas of responsibility of each business and operational units are also clearly defined to ensure effective checks and balances.

Procedures have been designed for safeguarding assets against unauthorised use or disposition, maintenance of proper accounting records, assurance of the reliability of financial information for internal use or publication and compliance with relevant legislation and regulations. Such procedures are designed to manage risks of failure in operational systems and can provide reasonable assurance against material errors, losses or fraud.

The internal audit function monitors compliance with policies and standards and the effectiveness of internal control structures across the whole Group. The head of Internal Audit Department reports to the Audit Committee. A full set of internal audit reports will also be provided to the external auditors.

A review of the effectiveness of the Group's internal control system and procedures covering all controls, including financial, operational and compliance and risk management, was conducted by the Audit Committee and subsequently reported to the Board during the financial year ended 31 March 2007. Based on the result of the review, in respect of the financial year ended 31 March 2007, the Directors considered that the internal control system and procedures of the Group were effective and adequate.

(K) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for the financial year ended 31 March 2007, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flows for the year then ended and in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended 31 March 2007:

(i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;

(ii) prudent and reasonable judgements and estimates are made; and

(iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

(L) COMMUNICATION WITH SHAREHOLDERS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performances and activities. Annual and interim reports are printed and sent to all Shareholders. As a standard part of the investor relations programme to maintain a constant dialogue on the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.

The Company encourages its Shareholders to attend Annual General Meetings to ensure a high level of accountability and to stay informed of the Group's strategy and goals.

The Company keeps Shareholders informed of the procedure for voting by poll in all circulars to Shareholders which are from time to time despatched to Shareholders together with notices of general meetings of the Company. The Board and external auditors attend the Annual General Meetings to answer Shareholders' questions.

(M) SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to the Hong Kong Companies Ordinance, on requisition of one or more Shareholders in aggregate holding not less than 5% of the paid-up capital of the Company carrying the right to vote at general meetings, the Directors of the Company must convene an extraordinary general meeting.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 March 2007.

PRINCIPAL ACTIVITIES AND TRADING OPERATIONS

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on page 84.

An analysis of the principal activities and geographical locations of trading operations of the Company and its subsidiaries during the financial year is set out in Note 1 to the Financial Statements on pages 37 to 39.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 March 2007 are set out in the Consolidated Profit and Loss Account on page 29.

Appropriations of profits and movements in reserves during the financial year are set out in Note 25 to the Financial Statements on pages 61 and 62.

DIVIDENDS

An interim dividend of 2.0 cents per share was paid on 29 December 2006. The Directors have now recommended for adoption at the Annual General Meeting to be held on Thursday, 16 August 2007 the payment on 23 August 2007 to Shareholders on record as at 16 August 2007 of a final dividend of 8.0 cents per share in respect of the financial year ended 31 March 2007. This recommendation has been disclosed in the Financial Statements.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 12 to the Financial Statements on page 50.

DONATIONS

The Group made donations during the financial year totalling HK$1 million.

DIRECTORS

The Directors of the Company during the financial year were Mr P K C Woo, Dr J M K Chow, Mr H L F Lau, Mr G W J Li, Mr D T C Lie-A-Cheong, Mr T Y Ng, Mr P Y C Tsui, Mr R K Y Wong and Mr G S Yee.

Dr J M K Chow, Mr H L F Lau and Mr T Y Ng are due to retire from the Board at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

REPORT OF THE DIRECTORS

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

There was in existence during the financial year an agreement dated 31 March 1992 between the Company and Wheelock Corporate Services Limited ("WCSL"), whereby WCSL were appointed the General Managers of the Company. The said appointment has become effective since 31 March 1992 and subject to certain terms and conditions as stipulated in a Master Services Agreement dated 22 December 2004 between the Company and Wheelock and Company Limited as revised by a supplemental agreement dated 7 February 2007 (relevant details thereof are set out on page 27 of this Annual Report), shall continue in force until it is terminated by WCSL by the giving of six months' prior notice in writing. Messrs P Y C Tsui and T Y Ng are directors of WCSL and are accordingly regarded as interested in the said agreement.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

AUDITORS

The Financial Statements now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, 6 June 2007

REPORT OF THE DIRECTORS

SUPPLEMENTARY CORPORATE INFORMATION

(A) Biographical Details of Directors and Senior Managers

(I) Directors

Peter K C WOO, *GBS, JP, Chairman* (Age: 60)

Mr Woo has resumed the role of Chairman of the Company since May 2006 after having also served in that capacity from 1985 to 1990. He also serves as a member and the chairman of the Company's Remuneration Committee. He is the chairman and a substantial shareholder of the Company's parent company, namely, Wheelock and Company Limited ("Wheelock") and also the chairman of The Wharf (Holdings) Limited ("Wharf") and Wheelock Properties (Singapore) Limited ("WPSL") in Singapore.

Mr Woo was appointed a Justice of the Peace in 1993 and awarded the Gold Bauhinia Star in 1998 by the Hong Kong SAR Government. He has for many years been actively engaged in community and related services, both locally and in the international arena, and has held various Government appointments. He has been the Government-appointed chairman of the Hong Kong Trade Development Council since October 2000 and had served as the chairman of Hospital Authority from 1995 to 2000 and the council chairman of Hong Kong Polytechnic University from 1993 to 1997. He was the chairman of the Hong Kong Environment and Conservation Fund Committee set up in 1994 which he co-funded with the Government. He also served as a deputy chairman in 1991 to Prince of Wales Business Leaders Forum, and as a member of the International Advisory Council of JPMorgan Chase & Co., National Westminster Bank, Banca Nazionale del Lavoro, Elf Aquitaine of France and General Electric of America. He has received Honorary Doctorates from various universities in Australia, Hong Kong and the United States.

Joseph M K CHOW, *OBE, JP, Director* (Age: 66)

Dr Chow has been a Director of the Company since 2003. He also serves as a member of the Company's Audit Committee. Dr Chow is a professional civil and structural engineer. He is also a fellow of the Hong Kong Institution of Engineers, the Institution of Civil Engineers and the Institution of Structural Engineers. He is the chairman of the Hong Kong Construction Workers Registration Authority, a member of Chinese People's Political Consultative Conference of Shanghai and a Hon. Senior Superintendent of the Hong Kong Auxiliary Police Force. Dr Chow is the chairman of Joseph Chow & Partners Limited as well as an independent non-executive director of the publicly-listed Chevalier International Holdings Limited, Build King Holdings Ltd. and PYI Corporation Ltd.

Herald L F LAU, *Director* (Age: 66)

Mr Lau has been an independent Non-executive Director of the Company since 2004. He also serves as a member of the Company's Audit Committee. Mr Lau has been practicing as a certified public accountant in Hong Kong for over 30 years and has extensive experience in auditing, finance, taxation and management. He was formerly a partner of a professional accountants firm PricewaterhouseCoopers, Hong Kong, until his retirement from the firm in June 2001. He is also an independent non-executive director of Fairwood Holdings Limited, Kerry Properties Limited and China World Trade Center Company, Limited (Beijing). Mr Lau is a fellow member of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Gonzaga W J LI, *Director* (Age: 78)
Mr Li has been a Director of the Company since 1997. He was elected the Chairman of the Company in 1997 and stepped downed as the Chairman in May 2006. He is also the senior deputy chairman of Wheelock and Wharf, the chairman of Harbour Centre Development Limited ("HCDL") and the chief executive officer and a director of Wharf China Limited. Furthermore, he is a director of Joyce Boutique Holdings Limited ("Joyce").

David T C LIE-A-CHEONG, *JP*, *Director* (Age: 47)
Mr Lie has been an independent Non-executive Director of the Company since 2004. He also serves as a member of the Company's Remuneration Committee. Mr Lie is the executive chairman of Newpower International (Holdings) Company, Limited and China Concept Consulting Limited. He has been selected as a member of the National Committee of the 8th, 9th and 10th Chinese People's Political Consultative Conference since 1993. He is currently the Honorary Consul of the Hashemite Kingdom of Jordan in Hong Kong Special Administrative Region ("HKSAR"), a member of the Commission on Strategic Development of HKSAR, a member of The Greater Pearl River Delta Business Council, a board member of Hospital Authority, a member of the China Overseas Friendship Association, a general committee member of the Hong Kong General Chamber of Commerce, Hong Kong Chair of Hong Kong Trade Development Council – Hong Kong/France Business Partnership. Mr Lie is also an independent non-executive director of the publicly-listed Herald Holdings Limited.

T Y NG, *Director* (Age: 59)
Mr Ng has been a Director of the Company since 1998. He is also a director of Wharf, HCDL, Joyce and Wheelock Corporate Services Limited ("WCSL"). Mr Ng is an associate member of both the HKICPA and the Chartered Institute of Management Accountants ("CIMA").

Paul Y C TSUI, *Director* (Age: 60)
Mr Tsui has been a Director of the Company since 2005. He is also an executive director of Wheelock and a director of Joyce and WPSL. Furthermore, he is the managing director of WCSL and a director of Myers Investments Limited ("Myers"). Mr Tsui is a fellow member of the HKICPA, The Association of Chartered Certified Accountants and the CIMA.

Ricky K Y WONG, *Director* (Age: 42)
Mr Wong has been a Director of the Company since 2006. He joined the Wharf group in 1989. He has been in continuous employment of the Wheelock and Wharf group since 1989 and has been responsible for various property-related matters of the Wheelock and Wharf group. He is currently the executive director of Wheelock Properties (Hong Kong) Limited, which is a wholly-owned subsidiary of Wheelock, and is presently responsible for overseeing the property development and related business of the Wheelock and Wharf group. Mr Wong graduated from University of Wisconsin in the United States with a Master Degree in Business Administration.

Glenn S YEE, *Director* (Age: 56)
Mr Yee has been an independent Non-executive Director of the Company since 2003. He also serves as a member and the chairman of the Company's Audit Committee and a member of the Company's Remuneration Committee. Mr Yee is the managing director of Pacific Can Company Limited.

Notes:

(1) Wheelock, WCSL and Myers (of which Mr P K C Woo, Mr G W J Li, Mr T Y Ng and/or Mr P Y C Tsui is/are director(s)) have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

(2) The Company confirms that it has received written confirmation from each of the independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and considers them independent.

(II) Senior Managers

During the financial year, the senior management responsibilities of the Group were vested with the General Managers of the Company, namely, Wheelock Corporate Services Limited (as referred to in the Report of the Directors under the section headed "Management Contracts" on page 20), and none of the employees of the Group are regarded as Senior Managers.

(B) Directors' Interests in Shares

At 31 March 2007, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, the Company's parent company, namely, Wheelock, and an associate of Wheelock, namely, Wharf, and the percentages which the relevant shares represented to the issued share capitals of the three companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	**Nature of Interest**
The Company		
G W J Li	2,900 (0.0001%)	Personal Interest
Wheelock		
P K C Woo	1,204,934,330 (59.3023%)	Personal Interest in 8,847,510 shares, Corporate Interest in 200,865,142 shares and Other Interest in 995,221,678 shares
G W J Li	1,486,491 (0.0732%)	Personal Interest
T Y Ng	70,000 (0.0034%)	Personal Interest
Wharf		
G W J Li	686,549 (0.0280%)	Personal Interest
T Y Ng	178,016 (0.0073%)	Personal Interest

Notes:

(a) The 995,221,678 shares of Wheelock stated above as "Other Interest" against the name of Mr P K C Woo represented an interest comprised in certain trust properties in which Mr Woo was taken, under certain provisions in Part XV of the SFO which are applicable to a director or chief executive of a listed company, to be interested.

(b) The shareholdings classified as "Corporate Interest" in which the Director concerned was taken to be interested as stated above were interests of corporations at respective general meetings of which the Director was either entitled to exercise (or taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers:

(i) there were no interests, both long and short positions, held as at 31 March 2007 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and

(ii) there existed during the financial year no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

(C) Substantial Shareholders' Interests

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 31 March 2007, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

Names	**No. of Ordinary Shares** (percentage of issued capital)
(i) Myers Investments Limited	1,536,058,277 (74.22%)
(ii) Wheelock Corporate Services Limited	1,536,058,277 (74.22%)
(iii) Wheelock and Company Limited	1,536,058,277 (74.22%)
(iv) HSBC Trustee (Guernsey) Limited	1,536,058,277 (74.22%)

Note: *For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against parties (i) to (iv) above represent the same block of shares.*

All the interests stated above represented long positions and as at 31 March 2007, there were no short position interests recorded in the Register.

(D) Pension Schemes

As at 31 March 2007, no pension scheme of the Group was operated for any employee of the Group. The retirement benefit scheme in which the Group's employees participated was the Central Provident Fund in Singapore.

The total employers' pension cost, including pension cost contributed by the disposed Hamptons group, charged to the profit and loss account during the financial year ended 31 March 2007 amounted to HK$15 million.

(E) Directors' Interests in Competing Business

Set out below is information disclosed pursuant to Rule 8.10 of the Listing Rules.

Five Directors of the Company, namely, Messrs P K C Woo, G W J Li, T Y Ng, P Y C Tsui and R K Y Wong, being also directors of the Company's parent company, namely, Wheelock, and/or certain subsidiaries of Wheelock, are considered as having an interest in Wheelock under Rule 8.10 of the Listing Rules.

The ownership of commercial premises by Wheelock group for rental purposes is considered as competing with the commercial premises owned by the Group for letting. Since the Group's commercial premises are not in close proximity to those owned by the Wheelock group and the customers and tenants for the Group's properties are somewhat different from those for the properties owned by the Wheelock group, the Group considers that its interest regarding the business of owning and letting of commercial premises is adequately safeguarded.

For safeguarding the interests of the Group, the independent Non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's property leasing business is and continues to be run on the basis that it is independent of, and at arm's length from, that of the Wheelock group.

(F) Major Customers & Suppliers

For the financial year ended 31 March 2007:

(a) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and

(b) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

(G) Bank Loans, Overdrafts and Other Borrowings

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 March 2007 which are repayable on demand or within a period not exceeding one year or after one year are set out in Note 22 to the Financial Statements on page 58.

(H) Interest Capitalised

The amount of interest capitalised by the Group during the financial year is set out in Note 5 to the Financial Statements on page 45.

(I) Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

(J) Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 March 2007.

(K) Disclosure of Connected Transactions

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the press announcements of the Company dated 30 August 2004, 22 December 2004 and 7 February 2007 respectively and were required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(i) Tenancy Agreement with Wheelock Properties (Hong Kong) Limited

On 30 August 2004, a tenancy agreement (the "Tenancy Agreement") in respect of the whole of 5th Floor, Wheelock House, 20 Pedder Street, Hong Kong for the period from 1 September 2004 to 31 August 2007 was entered into between Marnav Holdings Limited ("Marnav"), a wholly-owned subsidiary of the Company as the landlord, and Wheelock Properties (Hong Kong) Limited ("WPHK"), a wholly-owned subsidiary of Wheelock as the tenant.

As the Company is a 74%-owned subsidiary of Wheelock, the transaction (the "WH Transaction") constitutes a continuing connected transaction for the Company under the Listing Rules.

The rental receivable by Marnav from WPHK under the Tenancy Agreement for each of the four financial years ending 31 March 2008 would range from HK$0.8 million to HK$2.0 million.

With ownership of properties for letting being one of the Group's principal business activities, rental income is an important recurrent income source of the Group.

(ii) Master Services Agreement with Wheelock and Company Limited

Under various agreements previously entered into, the Company together with some of its wholly-owned subsidiaries have appointed certain subsidiaries of Wheelock for the provision by the latter of general managerial and/or administrative services, including legal, secretarial, human resources, accounting and financial and information technology services (the "General Management Services"), and property management and/or leasing and other property related services (the "Property Services") (collectively, the "Services").

On 22 December 2004, a master services agreement (the "Master Services Agreement") for a term from 22 December 2004 to 31 March 2007 was entered into between the Company and Wheelock to, among other things, provide for an annual aggregate maximum amount payable by the Group for the Services provided and to govern the entry into of any further individual agreements separately between members of the Group with members of Wheelock group in respect of the provision of the Services.

As the Company is a 74%-owned subsidiary of Wheelock, the transactions (the "MS Transactions") constitute continuing connected transactions for the Company under the Listing Rules.

The Master Services Agreement was renewed at the end of January 2007 for a further term of three years from 1 April 2007 (the "Renewed Term"). On 7 February 2007, a supplemental agreement (the "Supplemental Agreement") was entered into between the Company and Wheelock to, among other things, adopt certain revised annual cap amounts for the Service fees in respect of the Renewed Term.

Under the Supplemental Agreement, the aggregate amount of remuneration payable by the Group for the General Management Services will be subject to a revised annual cap amount of HK$44 million in respect of each of the three financial years of the Company from 1 April 2007 to 31 March 2010. Furthermore, the aggregate amount of remuneration payable by the Group for the Property Services will be subject to revised annual cap amounts of HK$9.8 million, HK$11.3 million, HK$13.0 million respectively for those three financial years.

(iii) With regard to the Related Party Transactions as disclosed under Note 29 to the Financial Statements on pages 65 and 66, the transaction stated under paragraph (d) therein does not constitute a connected transaction for the Company under the Listing Rules.

(iv) Confirmation from Directors Etc.

The Directors, including the independent Non-executive Directors, of the Company have reviewed the WH Transaction and the MS Transactions (collectively, the "Transactions") mentioned under Section K(i) and K(ii) above and confirmed that the Transactions were entered into:

(a) by the Group in the ordinary and usual course of its business;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and

(c) in accordance with the relevant agreements governing such Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Furthermore, the auditors of the Company have advised the following:

(1) the Transactions had been approved by the Company's Board of Directors;

(2) nothing came to the attention of the auditors of the Company that caused them to believe that the Transactions were not entered into in accordance with the terms of the related agreements governing the Transactions; or, where there was no agreement, on terms no less favourable than those for similar transactions undertaken by the Group with independent third parties where available; and

(3) the relevant cap amounts have not been exceeded during the financial year ended 31 March 2007.

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 31 March 2007

	Note	2007 HK$ Million	2006 HK$ Million
Continuing operations			
Turnover	2	**862**	978
Other net income	3	**152**	280
		1,014	1,258
Direct costs and operating expenses		**(154)**	(272)
Selling and marketing expenses		**(6)**	(12)
Administrative and corporate expenses		**(148)**	(154)
Operating profit	2	**706**	820
Increase in fair value of investment properties	12	**406**	1,385
Write back of provision for properties	4	**23**	190
		1,135	2,395
Borrowing costs	5	**(72)**	(52)
Share of profits less losses of associates	6	**176**	325
Profit before taxation		**1,239**	2,668
Income tax	7(a)	**(66)**	(293)
Profit for the year from continuing operations		**1,173**	2,375
Discontinued operation	8		
Profit for the year from a discontinued operation		**58**	22
Net gain on disposal of subsidiaries		**475**	–
Total profit from a discontinued operation		**533**	22
Profit for the year		**1,706**	2,397
Profit attributable to:			
Shareholders	9	**1,450**	2,234
Minority interests		**256**	163
		1,706	2,397
Dividends attributable to the year	10		
Interim dividend declared during the year		**41**	41
Final dividend proposed after the balance sheet date		**166**	145
		207	186
Earnings per share	11		
Continuing operations		**HK$0.51**	HK$1.07
Discontinued operation		**HK$0.19**	HK$0.01
		HK$0.70	HK$1.08

The notes and principal accounting policies on pages 37 to 84 form part of these financial statements.

CONSOLIDATED BALANCE SHEET At 31 March 2007

	Note	2007 HK$ Million	2007 HK$ Million	2006 HK$ Million	2006 HK$ Million
Non-current assets					
Fixed assets	12				
Investment properties			5,392		5,554
Other property, plant and equipment			651		101
			6,043		5,655
Goodwill and other intangible assets	14		–		306
Associates	15		363		957
Available-for-sale investments	16		9,025		7,079
Deferred debtors	17		24		36
			15,455		14,033
Current assets					
Properties under development for sale	18	8,344		6,627	
Properties held for sale	18	390		433	
Trade and other receivables	19	244		340	
Bank balances and deposits	20	6,433		4,498	
		15,411		11,898	
Current liabilities					
Trade and other payables	21	(492)		(531)	
Bank loans	22	(515)		(840)	
Deposits from sale of properties		(2,713)		(1,041)	
Amounts due to fellow subsidiaries		(32)		(36)	
Current tax	7(c)	(276)		(159)	
		(4,028)		(2,607)	
Net current assets			11,383		9,291
Total assets less current liabilities			26,838		23,324
Non-current liabilities					
Long-term loans	22	(2,622)		(3,069)	
Deferred tax	23	(624)		(397)	
			(3,246)		(3,466)
NET ASSETS			23,592		19,858
Capital and reserves					
Share capital	24		414		414
Reserves			20,802		17,745
Shareholders' equity	25(a)		21,216		18,159
Minority interests	25(a)		2,376		1,699
TOTAL EQUITY	25(a)		23,592		19,858

The notes and principal accounting policies on pages 37 to 84 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Director

COMPANY BALANCE SHEET At 31 March 2007

	Note		2007 HK$ Million		2006 HK$ Million
Non-current assets					
Subsidiaries	13		**2,210**		2,166
Current asset					
Amount due from a fellow subsidiary		–		3	
Current liabilities					
Trade and other payables		(3)		(2)	
Amount due to a fellow subsidiary		–		(1)	
		(3)		(3)	
Net current liabilities			(3)		–
TOTAL ASSETS LESS CURRENT LIABILITIES			2,207		2,166
Capital and reserves					
Share capital	24		**414**		414
Reserves			**1,793**		1,752
SHAREHOLDERS' EQUITY	25(b)		2,207		2,166

The notes and principal accounting policies on pages 37 to 84 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2007

	Note	2007 HK$ Million	2007 HK$ Million	2006 HK$ Million	2006 HK$ Million
Total equity at 1 April					
Shareholders' equity			**18,159**		15,124
Minority interests			**1,699**		1,552
			19,858		16,676
Surplus on revaluation of available-for-sale investments		**1,645**		1,044	
Intangible assets arising from assets previously held		**–**		53	
Acquisition of additional interest in subsidiaries		**–**		(37)	
Exchange difference on translation of financial statements of foreign entities/others		**598**		25	
Net gains not recognised in the consolidated profit and loss account			**2,243**		1,085
Profit for the year			**1,706**		2,397
Reserves transferred to the consolidated profit and loss account on disposal of:					
Available-for-sale investments			**(7)**		(120)
Properties			**(4)**		–
Total recognised income for the year			**3,938**		3,362
Shareholders		**3,243**		3,200	
Minority interests		**695**		162	
		3,938		3,362	
Final dividend approved in respect of the previous year	10(b)		**(145)**		(124)
Interim dividend declared in respect of the current year	10(a)		**(41)**		(41)
Dividends paid to minority interests	25(a)		**(18)**		(794)
Rights issue of a subsidiary attributable to minority interests	25(a)		**–**		776
Minority interests through acquisition of subsidiaries	25(a)		**–**		3
Total equity at 31 March			**23,592**		19,858
Attributable to:					
Shareholders			**21,216**		18,159
Minority interests			**2,376**		1,699
			23,592		19,858

The notes and principal accounting policies on pages 37 to 84 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 March 2007

	Note	2007 HK$ Million	2006 HK$ Million
Cash generated from/(used in) operations	a	**117**	(255)
Interest received		**196**	130
Interest paid		**(155)**	(91)
Dividends received from listed investments		**193**	158
Dividends received from associates		**221**	181
Hong Kong profits tax paid		**(8)**	(13)
Overseas profits tax paid		**(62)**	(20)
Net cash generated from operating activities		**502**	90
Investing activities			
Proceeds from disposal of available-for-sale investments		**154**	685
Proceeds from disposal of investment properties		**892**	293
Proceeds from disposal of subsidiaries	b	**1,037**	–
Proceeds from disposal of fixed assets		**–**	1
Purchase of available-for-sale investments		**(52)**	(916)
Purchase of additional interests in subsidiaries		**–**	(36)
Purchase of fixed assets		**(123)**	(94)
Acquisition of subsidiaries	c	**–**	(349)
Decrease in deferred debtors		**12**	24
Decrease in net investment in associates		**544**	683
Net cash generated from investing activities		**2,464**	291
Financing activities			
(Repayment)/drawdown of short-term loans		**(390)**	857
Repayment of long-term loans		**(643)**	(72)
Dividends paid to Shareholders		**(186)**	(166)
Dividends paid to minority shareholders		**(18)**	(794)
Issuance of rights shares to minority shareholders		**–**	772
Net cash (used in)/generated from financing activities		**(1,237)**	597
Net increase in cash and cash equivalents		**1,729**	978
Cash and cash equivalents at 1 April		**4,498**	3,485
Effect of foreign exchange rate changes		**206**	35
Cash and cash equivalents at 31 March		**6,433**	4,498
Analysis of the balances of cash and cash equivalents at 31 March			
Bank balances and deposits		**6,433**	4,498

Notes to the consolidated cash flow statement

(a) Reconciliation of profit before taxation to cash generated from/(used in) operations

	2007 HK$ Million	2006 HK$ Million
Profit before taxation		
From continuing operations	**1,239**	2,668
From a discontinued operation	**678**	52
Adjustments for:		
Share of profits less losses of associates	**(186)**	(325)
Interest income	**(197)**	(130)
Interest expenses	**73**	51
Depreciation	**10**	16
Dividend income from listed investments	**(197)**	(155)
Net profit on disposal of available-for-sale investments	**(61)**	(168)
Increase in fair value of investment properties	**(406)**	(1,385)
Write back of provision for properties	**(23)**	(190)
Net profit on disposal of investment properties	**(119)**	(98)
Net profit on disposal of subsidiaries	**(597)**	–
Loss on disposal of fixed assets	**–**	9
Amortisation of intangible assets	**–**	1
Exchange differences	**354**	50
Operating profit before working capital changes	**568**	396
Increase in properties under development for sale	**(2,166)**	(1,896)
Decrease/(increase) in properties held for sale	**36**	(43)
(Increase)/decrease in trade and other receivables	**(161)**	262
Decrease in amounts due to fellow subsidiaries	**(4)**	(8)
Increase/(decrease) in trade and other payables	**172**	(7)
Increase in deposits from sale of properties	**1,672**	1,041
Cash generated from/(used in) operations	**117**	(255)

(**b**) Disposal of subsidiaries

On 31 July 2006, Wheelock Properties (Singapore) Limited ("WPSL") entered into an agreement to sell its 100% interest in Hamptons Group Limited ("Hamptons") at a consideration of £82 million (about HK$1,182 million) payable by cash. The company is engaged in estate agency services in the residential property market. The disposal was completed on 24 August 2006.

The cash flow and the net assets of subsidiaries disposed of are provided below:

	2007 HK$ Million
Non-current assets	**377**
Current assets	**407**
Current liabilities	**(294)**
Minority interests	**(6)**
Net assets disposed	**484**
Goodwill on acquisition	**101**
Gain on disposal	**597**
Cash consideration received, satisfied in cash	**1,182**
Less: Cash of subsidiaries disposed	**(145)**
Net cash inflow in respect of the disposal of subsidiaries	**1,037**

There were no disposals in the year ended 31 March 2006.

(c) Acquisition of subsidiaries

On 21 April 2005, the Group acquired 67.6% of the shares in Hamptons for HK$363 million in cash. In the period to 31 March 2006, Hamptons contributed HK$810 million to the Group's turnover and HK$14 million to the profit attributable to Shareholders of the Company. The acquisition has been accounted for using the purchase method.

If the acquisition had occurred on 1 April 2005, Hamptons' revenue and net profit contributed to the Group would not be significantly different to that reported above.

The cash flow and the net assets of subsidiaries acquired are provided below:

	2006 HK$ Million
Non-current assets	256
Current assets	212
Current liabilities	(149)
Minority interests	(3)
	316
Amount previously accounted for as an associate	(57)
Net assets acquired	259
Goodwill arising on acquisition	104
Total purchase price paid, satisfied in cash	363
Less: Cash of subsidiaries acquired	(14)
Net cash outflow in respect of the acquisition of subsidiaries	349

The goodwill is attributable to the profitability of the acquired business and the synergies expected to arise after the Group's acquisition of Hamptons.

There were no acquisitions in the year ended 31 March 2007.

1. SEGMENT INFORMATION

(a) Business segments

(i) Revenue and results

	Segment Revenue 2007 HK$ Million	Segment Revenue 2006 HK$ Million	Segment Results 2007 HK$ Million	Segment Results 2006 HK$ Million
Continuing operations				
Property development	**74**	298	**34**	94
Property investment	**399**	405	**242**	252
Investment and others	**389**	275	**454**	490
	862	978	**730**	836
Unallocated expenses			**(24)**	(16)
Operating profit			**706**	820
Increase in fair value of investment properties			**406**	1,385
Write back of provision for properties			**23**	190
			1,135	2,395
Borrowing costs			**(72)**	(52)
Share of profits less losses of associates				
Property development			**176**	322
Investment and others			**–**	3
			1,239	2,668
Income tax			**(66)**	(293)
Profit for the year from continuing operations			**1,173**	2,375
Discontinued operation (note 8)				
Property agency	**447**	800	**68**	20
Investment and others	**5**	10	**4**	33
	452	810	**72**	53
Borrowing costs			**(1)**	(1)
Share of profits less losses of associates				
Property agency			**10**	–
			81	52
Income tax			**(23)**	(30)
Profit for the year from a discontinued operation			**58**	22
Net gain on disposal of subsidiaries			**475**	–
Total profit from a discontinued operation			**533**	22
Profit for the year			**1,706**	2,397

(ii) Assets and liabilities

	Assets		Liabilities	
	2007	2006	**2007**	2006
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Continuing operations				
Property development	**8,944**	7,113	**2,973**	1,192
Property investment	**5,968**	5,604	**208**	184
Investment and others	**9,158**	7,154	**24**	63
	24,070	19,871	**3,205**	1,439
Discontinued operation				
Property agency	**–**	605	**–**	133
Segment assets and liabilities	**24,070**	20,476	**3,205**	1,572
Associates				
Property development	**359**	947	**–**	–
Investment and others	**4**	10	**–**	–
Unallocated items	**6,433**	4,498	**4,069**	4,501
Total assets and liabilities	**30,866**	25,931	**7,274**	6,073

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$123 million (2006: HK$138 million) mainly in respect of the acquisition of properties (2006: acquisition of properties and other fixed assets) in the United Kingdom. The Group has no significant depreciation and amortisation.

(b) Geographical segments

(i) Revenue and results

	Segment Revenue		Segment Results (Operating profit)	
	2007	2006	**2007**	2006
	HK$ Million	HK$ Million	**HK$ Million**	HK$ Million
Continuing operations				
Hong Kong	**460**	407	**308**	315
Singapore	**362**	521	**245**	469
Others	**40**	50	**153**	36
	862	978	**706**	820
Discontinued operation				
United Kingdom	**450**	788	**71**	45
Others	**2**	22	**1**	8
	452	810	**72**	53
	1,314	1,788	**778**	873

(ii) Assets

	2007	2006
	HK$ Million	HK$ Million
Continuing operations		
Hong Kong	**9,352**	9,249
Singapore	**14,604**	10,116
Others	**114**	506
	24,070	19,871
Discontinued operation		
United Kingdom	**–**	605
	24,070	20,476

2. TURNOVER AND OPERATING PROFIT

(a) Turnover

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

	2007 HK$ Million	2006 HK$ Million
Continuing operations		
Property development	**74**	298
Property investment	**399**	405
Investment and others	**389**	275
	862	978
Discontinued operation		
Property agency	**447**	800
Investment and others	**5**	10
	452	810
	1,314	1,788

(b) Operating profit

	2007 HK$ Million	2006 HK$ Million
Operating profit is arrived at:		
Continuing operations		
after charging:		
Staff costs *	**64**	27
– including contributions to defined contribution retirement schemes of HK$3 million (2006: HK$2 million)		
Cost of trading properties sold	**34**	166
Operating lease charges: minimum lease payments		
Properties	**24**	37
Others	**–**	13
Depreciation	**10**	16
Amortisation of intangible assets	**–**	1
Loss on disposal of fixed assets	**–**	9
Auditors' remuneration		
Audit services	**3**	3
Other services	**1**	2
and crediting:		
Rental income from operating leases less outgoings	**268**	279
Dividend income from listed investments	**197**	155
Interest income	**192**	120
Discontinued operation		
after charging:		
Staff costs	**157**	321
– including contributions to defined contribution retirement schemes of HK$12 million (2006: HK$25 million)		
and crediting:		
Interest income	**5**	10

* In addition to the above staff costs charged directly to the consolidated profit and loss account, staff costs of HK$26 million (2006: HK$15 million) were capitalised as part of the costs of properties under development for sale.

(c) Directors' emoluments

	Fees HK$000	Basic salaries, housing and other allowances, and benefits in kind HK$000	Discretionary bonuses and/or performance related bonuses HK$000	Contributions to pension schemes HK$000	Compensation for loss of office/ inducement for joining the Group HK$000	2007 Total emoluments HK$000	2006 Total emoluments HK$000
Board of Directors							
Peter K C Woo	38	–	–	–	–	38	–
Gonzaga W J Li	32	–	–	–	–	32	44
Paul Y C Tsui	45	–	–	–	–	45	44
T Y Ng	32	–	–	–	–	32	44
Joseph M K Chow	45*	–	–	–	–	45	45
Ricky K Y Wong	30	–	–	–	–	30	3
Independent Non-executive Directors							
Glenn S Yee	45*	–	–	–	–	45	45
Herald L F Lau	45*	–	–	–	–	45	45
David T C Lie-A-Cheong	30	–	–	–	–	30	30
Past Director							
David J Lawrence	–	–	–	–	–	–	3,996
	342	–	–	–	–	342	4,296
Total for 2006	333	2,803	1,141	19	–		4,296

* Includes Audit Committee Member's fee of HK$15,000 (2006: HK$15,000) received by each of relevant Directors.

(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 2007 of the five highest paid employees of the Group.

(i) Aggregate emoluments

	2007 HK$ Million	2006 HK$ Million
Basic salaries, housing and other allowances, and benefits in kind	**16**	17
Retirement scheme contributions	**–**	1
Discretionary bonuses and/or performance related bonuses	**42**	1
Compensation for loss of office	**–**	3
	58	22

(ii) Bandings

Bands (in HK$)	2007 Number	2006 Number
$1,500,001 – $2,000,000	**2**	–
$2,500,001 – $3,000,000	**–**	1
$3,500,001 – $4,000,000	**–**	1
$4,000,001 – $4,500,000	**–**	1
$5,000,001 – $5,500,000	**–**	1
$6,500,001 – $7,000,000	**–**	1
$8,000,001 – $8,500,000	**1**	–
$8,500,001 – $9,000,000	**1**	–
$37,000,001 – $37,500,000	**1**	–
	5	5

3. OTHER NET INCOME

	2007 HK$ Million	2006 HK$ Million
Continuing operations		
Net profit on disposal of available-for-sale investments *	**61**	146
Net profit on disposal of investment properties	**119**	98
Exchange (loss)/gain and others	**(28)**	36
	152	280
Discontinued operation		
Net profit on disposal of available-for-sale investments *	**–**	22
Exchange (loss)/gain and others	**(1)**	1
	(1)	23
	151	303

* Included in the net profit on disposal of available-for-sale investments is a net revaluation surplus, before deduction of minority interests, of HK$7 million (2006: HK$118 million) transferred from the investment revaluation reserves.

4. WRITE BACK OF PROVISION FOR PROPERTIES

Following a review based on the property market conditions prevailing at 31 March 2007, a net provision of HK$23 million (2006: HK$190 million) from continuing operations 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

	2007 HK$ Million	2006 HK$ Million
Continuing operations		
Interest on bank loans, bonds and overdrafts	**148**	91
Other borrowing costs	**5**	4
	153	95
Less: Amount capitalised	**(81)**	(43)
	72	52
Discontinued operation		
Interest on bank loans and overdrafts	**1**	1
	73	53

The Group's effective borrowing interest rate for the year was approximately 3.9% (2006: 2.9%) per annum.

6. SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

	2007 HK$ Million	2006 HK$ Million
Continuing operations	**176**	325
Discontinued operation	**10**	–
	186	325

Share of profits less losses of associates from continuing operations comprises mainly attributable profits from sale of Bellagio and Parc Palais units undertaken by associates.

7. INCOME TAX

(a) The provisions for Hong Kong and Singapore profits taxes are based on the profit for the year as adjusted for tax purposes at the rate of 17.5% (2006: 17.5%) and 18% (2006: 20%) respectively. Other 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:

	2007 HK$ Million	2006 HK$ Million
Continuing operations		
Current tax		
Hong Kong profits tax for the year	**13**	9
Overseas taxation for the year	**53**	29
(Over)/under provision in prior years	**(5)**	7
	61	45
Deferred tax (Note 23)		
Change in fair value of investment properties	**76**	261
Reversal on disposal of investment properties	**(68)**	(15)
Effect of change in tax rate	**(1)**	–
Origination and reversal of temporary differences	**(2)**	2
	5	248
	66	293
Discontinued operation (Note 8)		
Current tax		
Overseas taxation for the year	**22**	29
Under provision in prior years	**3**	2
Income tax on gain on disposal of subsidiaries	**122**	–
	147	31
Deferred tax (Note 23)		
Origination and reversal of temporary differences	**(2)**	(1)
	145	30
	211	323

Notes:

(i) The Singapore Government enacted a change in the income tax rate from 20% to 18% for the fiscal year 2007.

(ii) The over provision from continuing operations for the year ended 31 March 2007 represented the write back of a tax provision resulting from the reduction of Singapore income tax rate as mentioned above.

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

	2007 HK$ Million	2006 HK$ Million
Profit before taxation (including profit from a discontinued operation)	**1,917**	2,720
Notional tax on accounting profit calculated at applicable tax rates	**286**	512
Share of profits less losses of associates	**(31)**	(57)
Tax effect of non-deductible expenses	**45**	27
Tax effect of non-taxable revenue	**(78)**	(159)
Tax effect of unused tax losses not recognised	**2**	1
Tax effect of prior year's tax losses utilised this year	**(10)**	(10)
(Over)/under provision in prior years	**(2)**	9
Effect of change in tax rate	**(1)**	–
Actual total tax charge	**211**	323
Tax charge attributable to a discontinued operation	**(145)**	(30)
Tax charge attributable to continuing operations	**66**	293

(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 from continuing operations for the year ended 31 March 2007 of HK$34 million (2006: HK$26 million) is included in the share of profits less losses of associates.

8. DISCONTINUED OPERATION

	2007 HK$ Million	2006 HK$ Million
Gain on disposal of subsidiaries	**597**	–
Income tax on gain on disposal of subsidiaries	**(122)**	–
Net gain on disposal of subsidiaries	**475**	–
Profit for the year from a discontinued operation	**58**	22
	533	22

On 31 July 2006, WPSL entered into an agreement to sell its 100% interest in Hamptons at a consideration of £82 million (about HK$1,182 million) payable by cash. The disposal was completed on 24 August 2006. Hamptons' principal business is estate agency services in the residential property market in the United Kingdom. Details of the disposal were set out in the Company's announcement and circular dated 1 August 2006 and 11 September 2006 respectively.

The results of Hamptons are presented below:

	2007 HK$ Million	2006 HK$ Million
Turnover	452	810
Other net (loss)/income	(1)	23
	451	833
Direct costs and operating expenses	(164)	(394)
Selling and marketing expenses	(139)	(226)
Administrative expenses	(76)	(160)
Operating profit	72	53
Borrowing costs	(1)	(1)
Share of profits less losses of associates	10	–
Profit before taxation	81	52
Income tax	(23)	(30)
Profit for the year	58	22
Profit attributable to:		
Shareholders	44	14
Minority interests	14	8
	58	22
The net cash flows incurred by the disposed subsidiaries are as follows:		
Operating activities	51	68
Investing activities	1,027	(351)
Financing activities	44	–
Net cashflow inflow/(outflow)	1,122	(283)

9. 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$227 million (2006: HK$169 million).

10. DIVIDENDS

(a) Dividends attributable to the year

	2007 HK$ Million	2006 HK$ Million
Interim dividend approved and paid of 2.0 cents (2006: 2.0 cents) per share	**41**	41
Final dividend proposed after the balance sheet date of 8.0 cents (2006: 7.0 cents) per share	**166**	145
	207	186

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

	2007 HK$ Million	2006 HK$ Million
Final dividend in respect of the previous financial year, approved and paid during the year, of 7.0 cents (2006: 6.0 cents) per share	**145**	124

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to Shareholders for the year of HK$1,450 million (2006: HK$2,234 million) and 2,070 million ordinary shares in issue throughout the financial year ended 31 March 2007 and the previous year. The profit for the year is analysed as follows:

	2007 HK$ Million	2006 HK$ Million
Attributable to:		
Continuing operations	**1,046**	2,220
Discontinued operation	**404**	14
	1,450	2,234

12. FIXED ASSETS

	Investment properties HK$ Million	Property under construction HK$ Million	Other properties HK$ Million	Other fixed assets HK$ Million	Total HK$ Million
Group					
2007					
Cost or valuation					
At 1 April 2006	5,554	–	53	68	5,675
Exchange differences	161	–	8	7	176
Additions	16	–	86	21	123
Transfer from development properties	–	560	–	–	560
Disposals					
Others	(745)	–	–	(9)	(754)
Through disposal of subsidiaries	–	–	(62)	(75)	(137)
Revaluation surplus	406	–	–	–	406
At 31 March 2007	5,392	560	85	12	6,049
Accumulated depreciation					
At 1 April 2006	–	–	–	20	20
Exchange differences	–	–	–	2	2
Charge for the year	–	–	1	9	10
Written back on disposals					
Others	–	–	–	(3)	(3)
Through disposal of subsidiaries	–	–	–	(23)	(23)
At 31 March 2007	–	–	1	5	6
Net book value					
At 31 March 2007	5,392	560	84	7	6,043
2006					
Cost or valuation					
At 1 April 2005	4,357	–	–	16	4,373
Exchange differences	(13)	–	(1)	(5)	(19)
Additions					
Others	14	–	54	26	94
Through acquisition of subsidiaries	–	–	–	44	44
Disposals	(189)	–	–	(13)	(202)
Revaluation surplus	1,385	–	–	–	1,385
At 31 March 2006	5,554	–	53	68	5,675
Accumulated depreciation					
At 1 April 2005	–	–	–	7	7
Charge for the year	–	–	–	16	16
Written back on disposals	–	–	–	(3)	(3)
At 31 March 2006	–	–	–	20	20
Net book value					
At 31 March 2006	5,554	–	53	48	5,655

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

	Investment properties HK$ Million	Property under construction HK$ Million	Other properties HK$ Million	Other fixed assets HK$ Million	Total HK$ Million
Balance at 31 March 2007					
2007 valuation	**5,392**	**–**	**–**	**–**	**5,392**
At cost	**–**	**560**	**85**	**12**	**657**
	5,392	**560**	**85**	**12**	**6,049**
Balance at 31 March 2006					
2006 valuation	5,554	–	–	–	5,554
At cost	–	–	53	68	121
	5,554	–	53	68	5,675

(b) Tenure of title to properties:

	2007 HK$ Million	2006 HK$ Million
Investment properties		
Held in Hong Kong		
Long lease	**2,807**	2,901
Held outside Hong Kong		
Freehold	**–**	493
Long lease	**2,585**	2,160
	5,392	5,554
Property under construction held outside Hong Kong – Freehold	**560**	–
Other properties held outside Hong Kong – Long lease	**84**	53

(c) Properties revaluation

The Group's investment properties in Hong Kong and Singapore have been revalued as at 31 March 2007 by Knight Frank Petty Limited and CB Richard Ellis (Pte) Ltd, independent firms of property consultants, who have appropriate qualifications and experience in the valuation of properties in the relevant locations, on a market value basis, after taking into consideration the net rental income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

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

(d) The gross amount of fixed assets of the Group held for use in operating leases was HK$5,392 million (2006: HK$5,554 million).

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

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

	Group	
	2007	2006
	HK$ Million	HK$ Million
Within 1 year	**228**	226
After 1 year but within 5 years	**277**	229
After 5 years	**11**	2
	516	457

(g) During the year, WPSL has reclassified the retail podium of Scotts Square from properties under development for sale to other property, plant and equipment as the intention of the management is to hold the retail podium of the properties for long-term. Upon receipt of the Temporary Occupation Permit, it will be transferred to investment properties.

(h) Property under construction amounting to HK$560 million (2006: HK$Nil) are pledged as security to obtain bank loans.

13. SUBSIDIARIES

	Company	
	2007	2006
	HK$ Million	HK$ Million
Unlisted shares, at cost	**2,545**	2,545
Amounts due to subsidiaries	**(335)**	(379)
	2,210	2,166

Details of principal subsidiaries at 31 March 2007 are shown on page 84.

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

14. GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill on consolidation HK$ Million	Trade name HK$ Million	Customer relationships HK$ Million	Total HK$ Million
Group				
Cost				
At 1 April 2006	**94**	**205**	**8**	**307**
Exchange differences	**7**	**16**	**1**	**24**
Disposal of subsidiaries	**(101)**	**(221)**	**(9)**	**(331)**
At 31 March 2007	**–**	**–**	**–**	**–**
Accumulated amortisation				
At 1 April 2006	**–**	**–**	**1**	**1**
Written back on disposal of subsidiaries	**–**	**–**	**(1)**	**(1)**
At 31 March 2007	**–**	**–**	**–**	**–**
Carrying amount				
At 31 March 2007	**–**	**–**	**–**	**–**
Cost				
At 1 April 2005	–	–	–	–
Acquisition of subsidiaries	104	153	6	263
Exchange differences	(10)	(21)	(1)	(32)
Arising from assets previously held	–	73	3	76
At 31 March 2006	94	205	8	307
Accumulated amortisation				
At 1 April 2005	–	–	–	–
Charge for the year	–	–	1	1
At 31 March 2006	–	–	1	1
Carrying amount				
At 31 March 2006	94	205	7	306

The amortisation charge for the year ended 31 March 2006 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 in 2006, was assumed to have an indefinite useful life on the basis that the "Hamptons" trade name has been in existence for more than one hundred years, and the Group continued to use the "Hamptons" trade name until the date of disposal of Hamptons.

All the intangible assets arising from Hamptons were disposed of upon the disposal of Hamptons on 24 August 2006.

15. ASSOCIATES

	Group 2007 HK$ Million	2006 HK$ Million
Share of net assets	79	129
Amounts due from associates	333	911
Amounts due to associates	(49)	(83)
	363	957

(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$308 million (2006: HK$882 million). 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 4.4% to 5.0% (2006: 4.7% to 4.9%) per annum for the current financial year. Interest income in respect of the loan to the associate for the year ended 31 March 2007 amounted to HK$25 million (2006: HK$12 million). The loan is unsecured and has no fixed terms of repayment.

(b) Summary financial information on associates

	2007		2006	
	Total HK$ Million	Attributable interest HK$ Million	Total HK$ Million	Attributable interest HK$ Million
Balance Sheets				
Assets	1,881	583	3,963	1,268
Liabilities	(1,486)	(504)	(3,388)	(1,139)
Equity	395	79	575	129
Profit and loss accounts				
Revenue	2,325	722	3,072	949
Profit before taxation	730	210	1,175	351
Income tax	(121)	(34)	(99)	(26)
Profit after taxation	609	176	1,076	325

(c) Details of principal associates at 31 March 2007 are shown on page 84.

16. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2007 HK$ Million	Group 2006 HK$ Million
Equity securities, at market value		
Listed in Hong Kong	**5,053**	4,960
Listed outside Hong Kong	**3,972**	2,119
	9,025	7,079

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 2007. 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

Equity securities listed outside Hong Kong include the Group's 20.06% (2006: 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$230 million (2006: HK$785 million).

(b) Properties under development for sale in the amount of HK$4,942 million (2006: HK$6,627 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$7,435 million (2006: HK$4,014 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$Nil (2006: HK$2,202 million).

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

	Group 2007 HK$ Million	2006 HK$ Million
Held in Hong Kong		
Long lease	**898**	899
Medium lease	**207**	202
	1,105	1,101
Held outside Hong Kong		
Freehold	**6,201**	5,005
	7,306	6,106

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 2007 as follows:

	Group 2007 HK$ Million	2006 HK$ Million
Current	**14**	174
31 – 60 days	**–**	8
61 – 90 days	**–**	6
Over 90 days	**1**	21
	15	209
Other receivables	**229**	131
	244	340

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$1,062 million (2006: HK$709 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 2007 as follows:

	Group	
	2007	2006
	HK$ Million	HK$ Million
Amounts payable in the next:		
0 – 30 days	**246**	207
31 – 60 days	**5**	2
61 – 90 days	**–**	1
Over 90 days	**6**	4
	257	214
Other payables	**235**	317
	492	531

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

22. LOANS

	Group 2007 HK$ Million	2006 HK$ Million
Secured bank loans		
Repayment within 1 year	**515**	–
Repayment after 1 year, but within 2 years	**–**	1,211
Repayment after 2 years, but within 5 years	**1,950**	402
	2,465	1,613
Unsecured bank loans		
Repayment within 1 year	**–**	840
Repayment after 1 year, but within 2 years	**–**	76
Repayment after 2 years, but within 5 years	**672**	1,129
	672	2,045
	3,137	3,658
Secured bonds (Note)	**–**	251
Total loans	**3,137**	3,909
Less: Amounts repayable within 1 year	**(515)**	(840)
Total long-term loans	**2,622**	3,069

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

Note: The secured bonds as at 31 March 2006 bore interest at 1.14% per annum and were repaid during the year.

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	Revaluation of investment HK$ Million	Depreciation allowances in excess of the related depreciation HK$ Million	Intangible assets HK$ Million	Others HK$ Million	Total HK$ Million
Group						
Balance at 1 April 2005	31	–	58	–	(1)	88
Exchange differences	(1)	–	1	–	–	–
Charged to the profit and loss account	246	–	1	–	–	247
Charged to reserves	–	–	–	23	–	23
Through acquisition of subsidiaries	–	–	–	41	(2)	39
Balance at 31 March/1 April 2006	276	–	60	64	(3)	397
Exchange differences	–	–	3	5	–	8
Charged/(credited) to the profit and loss account	7	–	–	–	(4)	3
Charged to reserves	–	280	–	–	–	280
Through disposal of subsidiaries	–	–	–	(69)	5	(64)
Balance at 31 March 2007	283	280	63	–	(2)	624

(b) **Deferred tax assets unrecognised**

The Group has not accounted for deferred tax assets in respect of accumulative tax losses of HK$678 million (2006: HK$606 million) and certain deductible temporary differences of HK$22 million (2006: HK$97 million), with details below.

	Group	
	2007	2006
	HK$ Million	HK$ Million
Deductible temporary differences	**4**	19
Future benefit of tax losses	**119**	107
	123	126

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. SHARE CAPITAL

	2007 No. of shares Million	2006 No. of shares Million	**2007 HK$ Million**	2006 HK$ Million
Authorised:				
Ordinary shares of HK$0.2 each	**3,000**	3,000	**600**	600
Issued and fully paid:				
Ordinary shares of HK$0.2 each	**2,070**	2,070	**414**	414

25. TOTAL EQUITY

	Share capital HK$ Million	Capital redemption reserve HK$ Million	Investment revaluation reserves HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million	Shareholders' equity HK$ Million	Minority interests HK$ Million	Total equity HK$ Million
(a) **Group**								
Company and subsidiaries								
Balance at 1 April 2006	414	5	2,420	172	14,978	17,989	1,699	19,688
Final dividend approved in respect of the previous year (Note 10b)	–	–	–	–	(145)	(145)	–	(145)
Dividends paid to minority interests	–	–	–	–	–	–	(18)	(18)
Revaluation surplus	–	–	1,346	–	–	1,346	299	1,645
Realised on disposal	–	–	(7)	(4)	–	(11)	–	(11)
Exchange differences	–	–	–	458	–	458	146	604
Disposal of subsidiaries	–	–	–	(36)	36	–	(6)	(6)
Profit for the year retained	–	–	–	–	1,495	1,495	256	1,751
Interim dividend declared in respect of the current year (Note 10a)	–	–	–	–	(41)	(41)	–	(41)
Balance at 31 March 2007	414	5	3,759	590	16,323	21,091	2,376	23,467
Associates								
Balance at 1 April 2006	–	–	–	–	170	170	–	170
Loss for the year absorbed	–	–	–	–	(45)	(45)	–	(45)
Balance at 31 March 2007	–	–	–	–	125	125	–	125
Total equity at 31 March 2007	414	5	3,759	590	16,448	21,216	2,376	23,592
Company and subsidiaries								
Balance at 1 April 2005	414	5	1,503	105	13,034	15,061	1,539	16,600
Final dividend approved in respect of the previous year (Note 10b)	–	–	–	–	(124)	(124)	–	(124)
Dividends paid to minority interests	–	–	–	–	–	–	(794)	(794)
Revaluation surplus	–	–	1,035	40	–	1,075	22	1,097
Realised on disposal	–	–	(118)	–	–	(118)	–	(118)
Rights issue of a subsidiary attributable to minority interests	–	–	–	–	–	–	776	776
Acquisition of additional interests in subsidiaries	–	–	–	–	(6)	(6)	(31)	(37)
Others	–	–	–	–	(4)	(4)	–	(4)
Through acquisition of subsidiaries	–	–	–	–	–	–	3	3
Reclassification from associates	–	–	–	6	29	35	13	48
Exchange differences	–	–	–	21	–	21	8	29
Profit for the year retained	–	–	–	–	2,090	2,090	163	2,253
Interim dividend declared in respect of the current year (Note 10a)	–	–	–	–	(41)	(41)	–	(41)
Balance at 31 March 2006	414	5	2,420	172	14,978	17,989	1,699	19,688
Associates								
Balance at 1 April 2005	–	–	2	6	55	63	13	76
Realised on disposal	–	–	(2)	–	–	(2)	–	(2)
Reclassification to subsidiaries	–	–	–	(6)	(29)	(35)	(13)	(48)
Profit for the year retained	–	–	–	–	144	144	–	144
Balance at 31 March 2006	–	–	–	–	170	170	–	170
Total equity at 31 March 2006	414	5	2,420	172	15,148	18,159	1,699	19,858

	Share capital HK$ Million	Capital redemption reserve HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
(b) Company					
Balance at 1 April 2006	414	5	50	1,697	2,166
Final dividend approved in respect of the previous year (Note 10b)	–	–	–	(145)	(145)
Profit for the year retained	–	–	–	227	227
Interim dividend declared in respect of the current year (Note 10a)	–	–	–	(41)	(41)
Shareholders' equity at 31 March 2007	414	5	50	1,738	2,207
Balance at 1 April 2005	414	5	50	1,693	2,162
Final dividend approved in respect of the previous year (Note 10b)	–	–	–	(124)	(124)
Profit for the year retained	–	–	–	169	169
Interim dividend declared in respect of the current year (Note 10a)	–	–	–	(41)	(41)
Shareholders' equity at 31 March 2006	414	5	50	1,697	2,166

Reserves of the Company available for distribution to Shareholders amount to HK$1,738 million (2006: HK$1,697 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.

26. FINANCIAL INSTRUMENTS

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

(a) Interest rate risk

The Group's exposure to market risk for changes in interest rates primarily relates to the Group's debt obligations with financial institutions which are denominated 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.

	2007 Effective interest rates %	2007 Within 1 year HK$ Million	2007 After 1 year but within 5 years HK$ Million	2006 Effective interest rates %	2006 Within 1 year HK$ Million	2006 After 1 year but within 5 years HK$ Million
Group						
Financial assets						
Bank balances and deposits	**2.35-5.24**	**6,433**	**–**	1.50-4.69	4,498	–
Financial liabilities						
Bank loans						
secured	**3.27-4.00**	**(2,465)**	**–**	4.02-4.32	(1,613)	–
unsecured	**3.83**	**(672)**	**–**	0.61-4.97	(2,045)	–
Secured bonds		**–**	**–**	1.14	–	(251)
		(3,137)	**–**		(3,658)	(251)
Total		**3,296**	**–**		840	(251)

(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, Renminbi, Japanese Yen and Pound Sterling.

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

(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. In respect of rental receivables, sufficient rental deposits are held to cover potential exposure to credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet. Except for the financial guarantees given by the Company as set out in note 27, the Group does not provide any other guarantee which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 27. There are no significant concentrations of credit risk within the Group.

(e) **Fair values**

Listed investments are stated at market prices.

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.

Amounts due (to)/from subsidiaries are unsecured, interest free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose fair values.

27. CONTINGENT LIABILITIES

(a) At 31 March 2007 and 31 March 2006, there was no guarantee given by the Group in respect of the banking facilities available to associates.

(b) At 31 March 2007, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities up to HK$225 million (2006: HK$1,017 million).

(c) The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was HK$Nil.

28. COMMITMENTS

	Group	
	2007	2006
	HK$ Million	HK$ Million
(a) Acquisition of and future development expenditure relating to properties:		
Contracted but not provided for	**2,283**	766
Authorised but not contracted for	**562**	–

(b) At 31 March 2007, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group			
	2007		2006	
	Properties	**Others**	Properties	Others
	HK$ Million	**HK$ Million**	HK$ Million	HK$ Million
Within 1 year	**–**	**–**	31	8
After 1 year but within 5 years	**–**	**–**	95	5
After 5 years	**–**	**–**	74	–
	–	**–**	200	13

29. 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 2007:

(a) **Bellagio project**

Included in interest in associates is a loan of HK$308 million (2006: HK$882 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 4.4% and 5.0% (2006: 4.7% and 4.9%) per annum for the current financial year. Interest income in respect of the loan to the associate for the year ended 31 March 2007 amounted to HK$25 million (2006: HK$12 million). 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.

(b) The Group paid to a related party General Managers' Commission of HK$30 million (2006: HK$33 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$7 million (2006: HK$6 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$138 million (2006: HK$124 million) during the year ended 31 March 2007 in respect of its 7% interest in The Wharf (Holdings) Limited.

(e) During the year ended 31 March 2006, the Group disposed of its interest in 17,619,827 shares of i-CABLE Communications Limited at a consideration of HK$45 million to The Wharf (Holdings) Limited. Profits recognised by the Group amounted to HK$5 million.

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

30. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective or available for early adoption for the current accounting period of the Group.

The "Principal accounting policies" set out on pages 68 to 83 summarises the accounting policies of the Group after the adoption of these policies to the extent that they are relevant to the Group. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 33).

Financial guarantees issued (Amendments to HKAS 39, Financial instruments: Recognition and measurement: Financial guarantee contracts)

In prior years, financial guarantees issued by the Group were disclosed as contingent liabilities in accordance with HKFRS 4, Insurance contracts and HKAS 37, Provisions, contingent liabilities and contingent assets. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantee would be called upon.

With effect from 1 April 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Group has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where material and the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of provision, if any, that should be recognised in accordance with HKAS 37.

The adoption of the amendment does not have any impact on the Group's results of operation and financial position for the financial years 2005/06 and 2006/07.

31. POST BALANCE SHEET EVENTS

After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 10 to the financial statements.

32. COMPARATIVE FIGURES

As a result of the disposal of Hamptons, which was reported as a discontinued operation in the financial statements in accordance with HKFRS 5, Non-current assets held for sale and discontinued operations, certain comparative figures have been adjusted or reclassified to conform with the current year's presentation.

33. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations. These new standards have not been adopted since they are only effective after 31 March 2007.

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.

In addition, the following developments may result in new or amended disclosures in the financial statements:

	Effective for accounting periods beginning on or after
HKFRS 7, Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1, Presentation of financial statements: capital disclosures	1 January 2007

34. PARENT AND ULTIMATE HOLDING COMPANY

The Directors consider the parent and ultimate holding company at 31 March 2007 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 6 June 2007.

PRINCIPAL ACCOUNTING POLICIES

(a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 30 to the Financial Statements provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except where stated otherwise in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note (z).

(c) BASIS OF CONSOLIDATION

(i) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses.

(ii) **Associates**

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated profit and loss account includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment of goodwill relating to the investment in associates recognised for the year.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that, in substance, form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated profit and loss account.

(iii) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in the consolidated profit and loss account.

On disposal of a cash-generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(d) PROPERTIES

(i) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated profit and loss account. Rental income from investment properties is accounted for as described in note (r)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease, and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note (k).

Property that is being constructed or developed for future use as investment property is classified as other property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in the consolidated profit and loss account.

(ii) Other properties held for own use

Other properties held for own use are stated at cost less accumulated depreciation and impairment losses.

(iii) Properties under development for sale

Properties under development for sale are classified as current assets and stated at the lower of cost and net realisable value. Cost includes identified costs including the acquisition cost of land, aggregate cost of development, borrowing costs capitalised, material and supplies, wages, other direct expenses and an appropriate proportion of overheads. Net realisable value is estimated by the management, taking into account the expected selling price ultimately to be achieved, based on prevailing market conditions and the anticipated costs to completion.

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

(iv) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalised, attributable to unsold units. Net realisable value is estimated by the management, based on prevailing market conditions. Costs of completed properties held for sale comprise all costs of purchase, costs of conversion and costs incurred in bringing the properties to their present location and condition.

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

(e) OTHER FIXED ASSETS

Other fixed assets are stated at cost less accumulated depreciation and impairment losses.

(f) DEPRECIATION OF FIXED ASSETS

Depreciation is calculated to write-off the cost of items of fixed assets, less their estimated residual value, using a straight line method over their estimated useful lives as follows:

(i) Investment properties

No depreciation is provided on investment properties.

(ii) Other properties held for own use

Depreciation is provided on the cost of other properties held for own use over the unexpired period of the lease of 51 years.

(iii) Other fixed assets

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

(g) INVESTMENTS IN DEBT AND EQUITY SECURITIES

(i) Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in the consolidated profit and loss account.

(ii) Dated debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are initially recognised in the balance sheet at fair value plus transaction costs. Subsequently, they are stated in the balance sheet at amortised cost less impairment losses.

(iii) Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

(iv) Other investments in securities are classified as available-for-sale investments and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in the investment revaluation reserves in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in the consolidated profit and loss account. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the consolidated profit and loss account. When these investments are derecognised, the cumulative gain or loss previously recognised directly in the investment revaluation reserves in equity is recognised in the consolidated profit and loss account.

(v) Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(h) DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the consolidated profit and loss account. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

(i) HEDGING

(i) **Fair value hedge**
A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the consolidated profit and loss account. The gain or loss from remeasuring the hedging instrument at fair value together with the gain or loss on the hedged item attributable to the hedged risk are recorded in the consolidated profit and loss account.

(ii) Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised directly in equity. The ineffective portion of any gain or loss is recognised immediately in the consolidated profit and loss account.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is removed from equity and recognised in the consolidated profit and loss account in the same period or periods during which the asset acquired or liability assumed affects the consolidated profit and loss account (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is removed from equity and recognised in the consolidated profit and loss account in the same period or periods during which the hedged forecast transaction affects the consolidated profit and loss account.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the consolidated profit and loss account.

(iii) Hedge of net investment in a foreign operation

The portion of the gain or loss on remeasurement to fair value of an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity until the disposal of the foreign operation, at which time the cumulative gain or loss recognised directly in equity is recognised in the consolidated profit and loss account. The ineffective portion is recognised immediately in the consolidated profit and loss account.

(j) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Other intangible assets with finite lives are stated at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised on a straight-line basis from the date the asset is available for use and over its estimated useful lives of 3 to 5 years.

Intangible assets that have indefinite lives are stated at cost less impairment losses. Such intangible assets are tested for impairment annually as described in note (l)(ii).

(k) LEASED ASSETS

(i) Classification of leased assets

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as an investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets held under operating leases

– Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the consolidated profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated profit and loss account in the accounting period in which they are incurred.

– The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note (d)(i)) or is properties under development for sale (see note (d)(iii)).

(iii) Assets held under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note (f). Impairment losses are accounted for in accordance with the accounting policy as set out in note (l)(ii). Finance charges implicit in the lease payments are charged to the consolidated profit and loss account over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to the consolidated profit and loss account in the accounting period in which they are incurred.

(l) IMPAIRMENT OF ASSETS

(i) Impairment of financial assets

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale investments are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses arising on equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets) where the effect of discounting is material.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the consolidated profit and loss account. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale investments, the cumulative loss that had been recognised directly in equity is removed from equity and is recognised in the consolidated profit and loss account. The amount of the cumulative loss that is recognised in the consolidated profit and loss account is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the consolidated profit and loss account.

  Impairment losses recognised in the consolidated profit and loss account in respect of available-for-sale equity investments are not reversed through the consolidated profit and loss account. Any subsequent increase in the fair value of such assets is recognised directly in the investment revaluation reserves in equity.

(ii) **Impairment of other assets**

The carrying amounts of non-current assets, other than properties carried at revalued amounts and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

– *Recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised as an expense in the consolidated profit and loss account whenever the carrying amount exceeds the recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(m) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(n) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings for which there is a hedging relationship with a derivative financial instrument, which does not qualify for hedge accounting are initially recognised at fair value less transaction costs. At each balance sheet date the fair value is remeasured and any change in fair value is recognised in the consolidated profit and loss account.

Other interest-bearing borrowings are initially recognised at fair value less transaction costs. Subsequent to initial recognition, the interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the consolidated profit and loss account over the period of the borrowings together with any interest and fees payable using the effective interest method.

(o) TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) CASH AND CASH EQUIVALENTS

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

(q) FOREIGN CURRENCIES

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the balance sheets of overseas subsidiaries and associates are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The profit and loss accounts of overseas subsidiaries or associates are translated into Hong Kong dollars at the monthly weighted average exchange rates for the year. Differences arising from the translation of the financial statements of overseas subsidiaries or associates, and those arising from foreign currency borrowings used to hedge a net investment in a foreign operation, are dealt with in other capital reserves. All other exchange differences are dealt with in the consolidated profit and loss account. On disposal of an overseas subsidiary or associate, the cumulative amount of the exchange differences recognised in other capital reserves which relate to that overseas subsidiary or associate is included in the calculation of the profit or loss on disposal.

(r) RECOGNITION OF REVENUE

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

(ii) Income arising from the sale of properties held for sale is recognised upon the execution of the formal sale and purchase agreement or the issue of occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under deposits from sale of properties.

(iii) Residential agency income comprises fees and commissions which are brought into account on the exchange of contracts for the property to which they relate. Lettings income relates to fees for finding and renewing tenants for landlord of properties and are recognised on the commencement of the tenancy.

(iv) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income is recognised as it accrues using the effective interest method.

(s) INCOME TAXES

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

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

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

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

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

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

(t) BORROWING COSTS

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

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

(u) RELATED PARTIES

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or vice versa, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) FINANCIAL GUARANTEES ISSUED, PROVISIONS AND CONTINGENT LIABILITIES

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note (v)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provision and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(w) SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), or in providing products, or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group companies within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

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

(x) EMPLOYEE BENEFITS

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

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

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

(y) DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the profit and loss account, which comprises the post-tax profit or loss of the discontinued operation; and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation. When an operation is classified as a discontinued operation, the comparative profit and loss account is restated as if the operation had been discontinued from the start of the comparative period.

(z) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Note 26 contains information about the assumptions and their risk relating to financial instruments. Other key sources of estimation uncertainty are as follows:

– *Valuation of investment properties*

  Investment properties are included in the balance sheet at their market values, which are assessed annually by qualified valuers, after taking into consideration the net income allowing for reversionary potential.

  The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

– *Business combination and allocation of purchase price amongst intangible assets*

  The Group accounted for the business combination in accordance with HKFRS 3 "Business Combinations". The Group is required to recognise separately, at the acquisition date, the acquiree's identifiable assets, including tangible and intangible assets that satisfy the recognition criteria regardless of whether they had been previously recognised in the acquiree's financial statements.

  The valuation in respect of the intangible assets recognised upon the acquisition was performed by an independent valuer by reference to the future economic benefits to be derived from these assets based on fair value assessment. The assumptions adopted in the valuation include the revenue growth, expected percentage of recurring business and the general market conditions.

– *Assessment of impairment of non-current assets*

The Group has non-current assets, including properties, goodwill and other intangible assets. Assets that have an indefinite useful life are tested for impairment annually. Assets that are subject to depreciation and amortisation are assessed on an annual basis as to whether there is any indication of impairment loss which suggests that the carrying value of these asset may not be recoverable. Management assess the recoverable amount of each non-current asset based on its value in use (using relevant rates) or on its net selling price (by reference to market prices), depending upon the anticipated future plans for the assets. Estimating the value in use of an asset involves estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and applying the appropriate discount rate to these future cash flows. Cash flow projections for the remaining useful life of the asset and the most recent financial budgets/forecasts are approved by management.

– *Assessment of provision for properties held under development and for sale*

Management determines the net realisable value of properties held for sale by using (1) prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers; and (2) internal estimates of costs based on quotes by suppliers.

Management's assessment of net realisable value of properties under development for sale requires the application of a risk-adjusted discount rate to estimate future discounted cash flows to be derived from the properties under development for sale. These estimates requires judgement as to the anticipated sale prices by reference to recent sale transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions. The Group's estimates may be inaccurate, and estimates may need to be adjusted in later periods.

– *Recognition of deferred tax assets*

The recognition of deferred tax assets requires formal assessment by the Group of the future profitability of related operations. In making this judgement, the Group evaluates, amongst other factors, the forecast financial performance and operational and financing cashflows.

PRINCIPAL SUBSIDIARIES AND ASSOCIATES At 31 March 2007

Subsidiaries	Place of incorporation/ operation	Issue share capital (all being ordinary shares and fully paid up except otherwise stated)	Percentage of equity attributable to the Group	Principal activities
Actbilt Pte Limited	Singapore	1,000,000 S$1 shares	76	Property
Belgravia Properties Pte. Ltd.	Singapore	1,000,000 S$1 shares	76	Property
Bestbilt Pte. Ltd.	Singapore	1,000,000 S$1 shares	76	Property
Botanica Pte. Ltd.	Singapore	1,000,000 S$1 shares	76	Property
Everbilt Developers Pte Ltd	Singapore	160,000,000 S$1 shares	76	Property
Janeworth Company Limited	Hong Kong	550,000,000 HK$1 shares	100	Property
Lynchpin Limited	British Virgin Islands/ International	500 US$1 shares	100	Investment
Marnav Holdings Limited	Hong Kong	1,000,000 HK$1 shares	100	Property
Mer Vue Developments Pte. Ltd.	Singapore	1,000,000 S$1 shares	76	Property
NART Finance Limited	Hong Kong	3 HK$10 shares	100	Finance
Nassim Developments Pte. Ltd.	Singapore	2 S$1 shares	76	Investment
Pachino Limited	Hong Kong	2 HK$10 shares	100	Property
Pizzicato Limited	Hong Kong	2 HK$10 shares	100	Property
Realty Development Corporation Limited (held directly)	Hong Kong	1,151,389,640 HK$0.2 shares	100	Holding company
Samover Company Limited	Hong Kong	2 HK$1 shares	100	Property
Sandsprings Limited	Hong Kong	2 HK$10 shares	100	Property
Titano Limited	Hong Kong	2 HK$1 shares	100	Property
Wheelock Properties (China) Limited (held directly)	British Virgin Islands	500 US$1 shares	100	Holding company
Wheelock Properties (Singapore) Limited	Singapore	398,853,292 S$1 shares & 797,706,584 shares issued at S$0.825 per share	76	Holding company/ Property
Zarow Limited	Hong Kong	2 HK$10 shares	100	Property

Associates	Place of incorporation/ operation	Percentage of share capital (of the class of shares stated below) held by subsidiary(ies) of the Company	Percentage of equity attributable to the Group	Principal activities
Diamond Hill Development Holdings Limited	British Virgin Islands	33 (ordinary shares)	33	Holding company
Dramstar Company Limited (Note a)	Hong Kong	100 (“B” shares)	44	Property
Grace Sign Limited (Note a)	Hong Kong	20 (ordinary shares)	20	Property
Salisburgh Company Limited	Hong Kong	33 (ordinary shares)	33	Property

Notes:

(a) The financial statements of these associates have been audited by a firm of accountants other than KPMG.

(b) Unless otherwise stated, the subsidiaries and associates were held indirectly by the Company.

(c) The above list gives the principal subsidiaries and associates of the Group which, in the opinion of the Directors, principally affected the profit and assets of the Group.

(d) The associates are unlisted corporate entities.

REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders of Wheelock Properties Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Wheelock Properties Limited (the "Company") set out on pages 29 to 84, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

6 June 2007

SCHEDULE OF PRINCIPAL PROPERTIES At 31 March 2007

Investment properties/other properties held for own use	Lot number	Lease expiry	Approx. gross floor area (sq.ft.)	Attributable % owned	Year of completion	Type/usage
Investment properties						
3/F-24/F, Wheelock House, 20 Pedder Street, Central	ML99 Sec. A,C, R.P. & ML 100 Sec. A,B, R.P.	2854	192,900	100	1984	Office
Fitfort, Basement – 3/F, Healthy Gardens Podium, 560 King's Road, North Point	IL 3546	2086	125,400 & 353 car parks	100	1979	Shopping arcade & car parks
Various shops at Great Western Plaza, 100-142 Belcher's Street, Kennedy Town	IL 906 Sec. L,M & R.P.	2882	13,200	100	1960s & 70s	Shops
Wheelock Place, 501 Orchard Road, Singapore	–	2089	465,000	76	1993	Office & shopping arcade
Other properties held for own use						
34 Grosvenor Square, London, England	–	2057	5,900	76	–	Office

SCHEDULE OF PRINCIPAL PROPERTIES At 31 March 2007

Properties under development/ completed properties for sale	Lot number	Site area (sq.ft.)	Approx. gross floor area (sq.ft.)	Attributable % owned	Expected year of completion	Type/usage	Stage of completion
Properties under/held for development							
6D-6E Babington Path, Mid-Levels	IL609C R.P. & Sec. D R.P.	5,837	47,000	100	2009	Residential	Foundation work in progress
2 Heung Yip Road, Wong Chuk Hang, Aberdeen	AIL 374	49,000	735,000	100	2009	Industrial/ Office	Demolition completed
The Sea View, Amber Road, Singapore	–	381,803	796,100 (all units pre-sold)	76	2007	Residential	Superstructure in progress
The Cosmopolitan, 390 Kim Seng Road, Singapore	–	112,862	316,000 (all units pre-sold)	76	2007	Residential	Superstructure in progress
Orchard View, 29 Anguilla Park, Singapore	–	29,078	89,600	76	2008	Residential	Superstructure in progress
Ardmore II, 1 & 2 Ardmore Park, Singapore	–	89,630	238,700 (224,600 s.f. pre-sold)	76	2009	Residential	Foundation in progress
Scotts Square, 6 Scotts Road, Singapore	–	71,145	373,300	76	2010	Residential & commercial	Demolition in progress
Ardmore III, 3 Ardmore Park, Singapore	–	54,981	169,300	76	2011	Residential	Planning
Completed properties for sale							
Various units of World Tech Centre, 95 How Ming Street, Kwun Tong	KTIL 195 R.P.	37,341	52,800	100	–	Industrial	Completed
Various units of My Loft, 9 Hoi Wing Road, Tuen Mun	TMTL 379	40,946	29,500	100	–	Godown	Completed
4/F South Seas Centre, Tower 1, 75 Mody Road, Tsimshatsui	KIL 10549	–	14,500	100	–	Office	Completed
12/F Wing On Plaza, 62 Mody Road, Tsimshatsui	KIL 10586	–	19,900	100	–	Office	Completed
Major property projects undertaken by associates							
Various units of Bellagio, 33 Castle Peak Road, Sham Tseng	Lot No. 269 R.P. in DD 390	566,090	224,400	33	–	Residential	Completed
Various units of Parc Palais, 18 Wylie Road, King's Park, Homantin	KIL 11118	387,569	50,700	20	–	Residential	Completed

Notes:
(1) All the above properties are in Hong Kong except otherwise stated.
(2) The gross floor area of completed properties for sale represents unsold area of the respective properties.

FIVE-YEAR FINANCIAL SUMMARY

HK$ Million Financial year ended 31 March	(Restated) 2003	2004	(Restated) 2005	2006	**2007**
Consolidated Profit and Loss Account					
Turnover (Note 2)	1,999	1,602	2,189	1,788	**1,314**
Group (loss)/profit attributable to Shareholders (Notes 1 & 2)	(793)	1,054	1,842	2,234	**1,450**
Dividends attributable to the year	145	145	166	186	**207**
Consolidated Balance Sheet					
Fixed assets	3,163	3,274	4,365	5,655	**6,043**
Goodwill and other intangible assets	–	–	–	306	**–**
Associates	3,443	1,758	1,550	957	**363**
Available-for-sale investments	3,307	5,166	5,701	7,079	**9,025**
Deferred debtors	103	90	60	36	**24**
Current assets (Note 2)	5,669	6,407	8,735	11,898	**15,411**
Current liabilities	(2,161)	(702)	(532)	(2,607)	**(4,028)**
Long-term loans	(2,336)	(1,864)	(3,115)	(3,069)	**(2,622)**
Deferred tax (Notes 1 & 2)	(54)	(72)	(88)	(397)	**(624)**
Deferred item	(223)	(159)	(146)	–	**–**
	10,911	13,898	16,530	19,858	**23,592**
Share capital	414	414	414	414	**414**
Reserves (Notes 1 & 2)	9,259	12,129	14,564	17,745	**20,802**
Shareholders' equity	9,673	12,543	14,978	18,159	**21,216**
Minority interests (Notes 1 & 2)	1,238	1,355	1,552	1,699	**2,376**
Total equity	10,911	13,898	16,530	19,858	**23,592**
Financial Data (Notes 1 & 2)					
(Loss)/earnings per share (Cents)	(38.3)	50.9	89.0	108.0	**70.0**
Dividend per share (Cents)	7.0	7.0	8.0	9.0	**10.0**
Dividend cover (Times)	N/A	7.3	11.1	12.0	**7.0**
Net assets per share (HK$)	4.67	6.06	7.24	8.77	**10.25**

Notes:
Pursuant to the adoption of all applicable Hong Kong Financial Reporting Standards ("HKFRSs") in 2006 and the revised Statement of Standard Accounting Practice 12 ("SSAP 12") "Income taxes" in 2004, certain figures have been reclassified or restated as set out below:

(1) These figures for the year 2003 have been restated pursuant to the adoption of SSAP 12 as explained in note 11 to the 2004 financial statements.

(2) These figures for the year 2005 have been restated pursuant to the adoption of all applicable HKFRSs as explained in note 11 to the 2006 financial statements. Figures for 2004 and prior years have not been restated as it would involve delays and expenses out of proportion to the benefit to Shareholders.