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Wheelock and Company Limited

Annual Report 2006/07

Stock Code: 20

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WHEELOCK

WHEELOCK

Founded 1857

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Peter K C Woo, GBS, JP *(Chairman)*
Gonzaga W J Li *(Senior Deputy Chairman)*
Stephen T H Ng *(Deputy Chairman)*
Paul Y C Tsui *(Executive Director)*

Independent Non-executive Directors

Alexander S K Au, OBE*
B M Chang*
Kenneth W S Ting, SBS, JP*

* *Members of the Audit Committee*

SECRETARY

Wilson W S Chan, FCIS

REGISTRARS

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28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

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20 Pedder Street
Hong Kong
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PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

KPMG

The Hong Kong economy has returned to a robust growth mode. Real GDP grew by a faster-than-expected rate of 6.8% last year, underpinned by stepped up consumer spending, capital investment and exports. The buoyant local stock market, the increase in employment opportunities as well as salary levels, and the increasing number of overseas visitors resulted in a big boost to the local retail market. These favourable factors, coupled with the popularity of our Group's retail properties owing to their high qualities and first class management, resulted in a very strong performance by these properties last year. Strong economic fundamentals also propelled the local office market. Continued expansion of the financial sector and professional corporations sparked Grade A office demand, which resulted in a steady pace of growth in office rents. Prices for luxury residential units, due to limited supply, increased at a staggering rate last year.

In Singapore, the economy was strong with a 7.7% GDP growth in 2006, on the back of increased exports, stronger manufacturing growth and recovery in the construction industry. Real estate market was buoyant in 2006. Strong demand for high end residential homes spurred considerable growth in residential prices. Office rents rose beyond the last peak in 2001, underpinned by strong demand.

The Group, through Wheelock Properties (Singapore) Limited, acquired a 20.97% stake in Hotel Properties Limited, listed in Singapore, for S$171.4 million in March 2006. The market price of those shares had increased substantially during the financial year over the Group's acquisition cost. In addition, the Group also made successful pre-sales of various properties in Singapore including The Cosmopolitan (100%), The Sea View (100%) and Ardmore II (94%) by the end of March 2007. Relevant profits, however, will not be recognised until project completion, which resulted in a decrease of the Group's property development profit for the financial year over a year earlier.

Including a one-off gain from the disposal of Hamptons Group Limited ("Hamptons") but excluding the unrealised surplus from the revaluation of investment properties and property write-backs, Group profit decreased by 6% to HK$2,995 million for the year ended 31 March 2007 (2006: HK$3,203 million). Including the lower unrealised surplus from the revaluation of investment properties and property write-backs, Group profit was HK$6,310 million (2006: HK$10,316 million). Earnings per share were HK$3.11 (2006: HK$5.08).

At 31 March 2007, consolidated net asset value per share was HK$24.02, 19% higher than a year earlier. The financial position of the Group remained strong, with net cash amounting to HK$1.3 billion compared to a net debt of HK$2.7 billion in the preceding year.

A final dividend of 10.0 cents per share has been recommended to bring the total dividend for the year to 12.5 cents per share (2006: 12.5 cents per share). Total dividend received in cash from the publicly-listed associate The Wharf (Holdings) Limited and subsidiary Wheelock Properties Limited amounted to HK$1,116 million during the financial year (2006: HK$1,003 million).

BUSINESS PERFORMANCE

Properties

93% of the total units of Bellagio have been sold by March 2007. The office portion of Crawford House (formerly known as Lane Crawford House) was 74% leased at satisfactory rental rates. Hennes & Mauritz AB (H&M), a reputable international retailer, leased the majority of the retail podium.

Wheelock Properties Limited

All owned and joint-venture residential projects, including Bellagio and Parc Palais, contributed favourably during the year but fewer units were sold by comparison to the preceding year. Wheelock House and Fitfort were 98% and 96% leased respectively at satisfactory rental rates at the end of March 2007. The group disposed of its entire interest in the single shop at Wheelock House for HK$225 million in December 2006. In February 2007, the group also successfully acquired a 50% interest in a site for property development in Foshan of Guangdong Province in a public auction through a joint venture, which committed a price of RMB950 million.

Wheelock Properties (Singapore) Limited

The company sold its entire interest in Hamptons for £82 million in August 2006 and its entire interest in Oakwood Residence Azabujuban for ¥9.9 billion in January 2007. In addition, the company acquired The Habitat One for S$180 million in February 2007. It will be an international and stylish development for sale in the prestigious Ardmore Park and will be re-named Ardmore III. All units at The Sea View and The Cosmopolitan and 94% of units at Ardmore II have been pre-sold by the end of March 2007. 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. Wheelock Place was 100% committed at satisfactory rental rates at the end of March 2007.

The Wharf (Holdings) Limited

Harbour City and Times Square, the core assets of the group representing close to 60% of total assets, recorded solid double-digit growth in both turnover and operating profit. Expansion and commitments to the property sector in the Mainland continued. With the acquisition of three development sites in Chengdu, Suzhou and Wuxi in late 2006 and early 2007, the land bank in China (including existing investment properties) is now over 50 million square feet. Modern Terminals' expansion into the Mainland also continued. It entered into a contract in December 2006 to increase its investment in the Shekou Container Terminals. Phase 2 of the Taicang terminal opened for business in 2006 and the first two berths of the Dachan Bay terminal will open towards the end of 2007. A framework agreement on strategic cooperation for the development of Dayaowan terminals in Dalian was also signed recently.

A full report on each business unit's performance is included in the Segment Review section.

OUTLOOK

Asia will continue to be the world's growth spot, with China taking the lead. Hong Kong, being a hub for China-related business and a platform for the "bringing in, going out" process for Mainland enterprises, will continue to benefit from the robust economic growth of China. The economic partnership between the Mainland and Hong Kong through four stages of CEPA and the expansion of the Individual Visit Scheme will continue to support Hong Kong.

The Group will strive for further growth on the back of numerous investment opportunities in Hong Kong and China and is confident of a promising future.

On behalf of Shareholders and my fellow Directors, I wish to express our heartfelt gratitude to all staff for their dedication and contribution throughout the year.

Peter K C Woo
Chairman

Hong Kong, 14 June 2007

FINANCIAL HIGHLIGHTS

	2007 HK$ Million	2006 HK$ Million
Results		
Turnover (Continuing operations)	**2,771**	3,425
Operating profit (Continuing operations)	**1,203**	1,792
Profit before attributable revaluation surplus and write-back for properties	**2,995**	3,203
Group profit attributable to shareholders	**6,310**	10,316
Dividends attributable to the year	**254**	254
Earnings per share	**HK$3.11**	HK$5.08
Dividends per share	**12.5¢**	12.5¢
Dividends from major subsidiary/associate		
Wheelock Properties	**138**	123
Wharf	**978**	880
Financial position		
Total assets	**67,378**	58,178
Net cash/(debt)	**1,330**	(2,687)
Shareholders' equity	**48,816**	41,016
Net assets per share	**HK$24.02**	HK$20.19
Net debt to shareholders' equity	**N/A**	6.6%
Net debt to total equity	**N/A**	5.7%

	Group profit/(loss) to Shareholders*				
Financial year	**Before property revaluation HK$ Million**	**After property revaluation HK$ Million**	**Shareholders' equity HK$ Million**	**Earnings/ (loss) per share HK¢**	**Dividends per share HK¢**
1997/1998 **	(958)	(958)	39,921	(47.3)	28.0
1998/1999 **	808	657	27,548	32.4	7.5
1999/2000 **	1,821	864	27,242	42.6	7.5
2000/2001 **	1,371	523	28,419	25.8	7.5
2001/2002	1,452	547	26,485	26.9	7.5
2002/2003 **	1,600	35	22,790	1.7	7.5
2003/2004	2,276	2,303	26,544	113.3	9.0
2004/2005 **	2,498	8,337	31,435	410.3	11.0
2005/2006 **	3,203	10,316	41,016	507.7	12.5
2006/2007	**2,995**	**6,310**	**48,816**	**310.5**	**12.5**

* *Group profit/(loss) to Shareholders before and after property revaluation denote profit before and after the attributable investment property revaluation surplus (net of deferred tax and minority interests) and property write-back of the Group and its associates.*

** *Restated to conform to new and revised accounting standards effective in 2006/07 and prior years.*

	Group Net Profit				Shareholders' Equity			
	2007		2006		**2007**		2006	
	HK$ Million	**%**	HK$ Million	%	**HK$ Million**	**%**	HK$ Million (restated)	%
Wharf Holdings [(1)]	**2,062**	**69**	2,166	68	**36,161**	**71**	31,427	71
Wheelock Properties [(2)]	**754**	**25**	705	22	**12,050**	**24**	9,900	22
Other investments	**179**	**6**	332	10	**2,571**	**5**	2,970	7
	2,995	**100**	3,203	100	**50,782**	**100**	44,297	100
Corporate items [(3)]	**–**		–		**(1,966)**		(3,281)	
Attributable investment property revaluation surplus [(4)]	**3,302**		7,003		**–**		–	
Attributable property write-back	**13**		110		**–**		–	
Attributable to Shareholders	**6,310**		10,316		**48,816**		41,016	
Per share	**HK$3.11**		HK$5.08		**HK$24.02**		HK$20.19	

Notes:
1) *Wharf's profit contribution is based on attributable amount to the Group.*
2) *Wheelock Properties' attributable profit contribution and attributable shareholders' equity exclude the dividend income from and its 7% holdings in Wharf, respectively.*
3) *Corporate items represent net debt of the Company and its wholly-owned subsidiaries, respectively.*
4) *The attributable investment property revaluation surplus includes the Group's and its share of Wharf's revaluation surplus of HK$187 million (2006: HK$2,484 million) and HK$3,115 million (2006: HK$4,519 million) respectively.*

PROPERTY

Bellagio (effectively 74%-owned)

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.

Crawford House (wholly-owned) (formerly known as Lane Crawford House)

The office portion of Crawford House was 74% leased at satisfactory rental rates. Hennes & Mauritz AB (H&M), a reputable international retailer, leased the majority of the retail podium.

WHEELOCK PROPERTIES LIMITED (A 74%-OWNED LISTED SUBSIDIARY) ("WPL")

Including a one-off gain from the disposal of Hamptons Group Limited ("Hamptons") but excluding the unrealised surplus from the revaluation of investment properties and property write-backs, WPL's 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, WPL's profit was HK$1,450 million (2006: HK$2,234 million).

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. WPL effectively owns 20% of Parc Palais.

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 WPL group completed the disposal of its entire interest in Shop C at Wheelock House for HK$225 million.

The WPL 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.

During the year, the Group received a cash dividend of HK$138 million (2006: HK$123 million) from WPL.

Wheelock Properties (Singapore) Limited (a 76%-owned listed subsidiary of WPL)

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 acquired The Habitat One for S$180 million. It will be an international and stylish development for sale in the prestigious Ardmore Park and will be re-named Ardmore III.

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 for £82 million and realised a profit on disposal amounting to S$91 million.

In March 2006, WPSL acquired for investment a 20.97% stake in Hotel Properties Limited, a listed company in Singapore, for S$171.4 million. The group's average cost of S$1.8 per share compares favourably to the traded market value of S$5.1 per share as at 31 March 2007.

Development Properties

The Sea View is a residential condominium development of six 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 has 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 middle 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.

THE WHARF (HOLDINGS) LIMITED (A 48%-OWNED LISTED ASSOCIATE)

Wharf's group turnover increased by 7% to HK$13,364 million (2005: HK$12,543 million) and operating profit increased by 8% to HK$6,471 million (2005: HK$6,003 million). However, borrowing costs rose in a higher interest rate environment and taxation charge (excluding deferred taxation on the revaluation surplus of investment properties) rose primarily due to deferred tax items recorded by i-CABLE Communications Limited since 2005. Net profit attributable to shareholders excluding the net surplus arising on the revaluation of investment properties decreased by 5% to HK$4,285 million (2005: HK$4,499 million). Including the lower unrealised surplus from the revaluation of investment properties, net profit attributable to shareholders was HK$10,757 million (2005: HK$13,888 million).

Core properties, Harbour City and Times Square in Hong Kong represent close to 60% of Wharf group's total assets. In 2006, their combined turnover rose by 12% to HK$4,722 million and operation profit by 14% to HK$3,414 million.

Harbour City (wholly-owned by Wharf)

Harbour City turned over HK$3,722 million during 2006, for an increase of 12% over 2005; operating profit increased by 14% to HK$2,574 million.

Positive local sentiment and tourist arrivals fuelled the momentum of retail sales. Turnover of Harbour City's retail sector grew by 14% to HK$1,472 million. An average occupancy of 96% was maintained throughout 2006 with favourable rental growth. Tenants at Harbour City continued to achieve impressive sales performance, with a 16% increase in average sales per square foot during the year reaching a record high of over HK$1,400 in December 2006.

The office sector reported turnover growth of 10% to HK$1,104 million, on the back of strong rental reversion. Average office occupancy was maintained at 95% in 2006. Average rental rate for leases signed in 2006 was 60% higher than the rates of the expired leases, thanks to the strong upsurge in spot rates in the last two years.

Turnover for the serviced apartments sector decreased by 8% to HK$202 million, attributable to lower occupancy as a result of keener competition. The three hotels in Harbour City performed strongly during the year, with consolidated occupancy of 90% and a healthy 20% growth in average room rate.

Times Square (wholly-owned by Wharf)

Times Square's turnover reached HK$1,000 million in 2006, an increase of 13% over 2005; operating profit increased by 13% to HK$840 million.

Average retail occupancy was maintained at nearly 100% during the year, with favourable rental growth for all new lettings and renewals. Tenants enjoyed a 12% increase in average sales per square foot achieved in December 2006. The use of themes and zoning successfully focus shopper's attention and distribute traffic evenly around the Times Square retail mall.

Turnover for the office sector rose by 15% to HK$294 million during 2006, resulting from strong rental reversions. Office occupancy stood at 93% at the end of 2006, and rental rates increased steadily throughout the year.

China Properties

The group is increasing its investments in China with further land acquisitions. In December 2006 and January 2007, the group acquired three prime lots in the cities of Suzhou, Wuxi and Chengdu. With these additions, the land bank including existing investment properties in the Mainland now reaches over 50 million square feet, covering eight cities: Beijing, Shanghai, Chongqing, Wuhan, Dalian, Chengdu, Suzhou and Wuxi. Some of the earlier projects are expected to start to make a profit contribution in 2007.

The three completed properties, namely, Beijing Capital Times Square, Shanghai Times Square and the retail podium of Chongqing Times Square, all performed satisfactorily. Rental revenue rose by 15% and operating profit by 53% during 2006.

Pre-sales of some of the residential units at Wellington Garden in Shanghai and Wuhan Times Square are well underway. 57% and 72% of the units launched were pre-sold respectively by the end of 2006.

Modern Terminals (a 68%-owned subsidiary of Wharf)

Modern Terminals' investment in Mainland ports accelerates. The transformation of Modern Terminals from operating at a single port (Hong Kong) to a portfolio of strategic ports is rapidly taking shape.

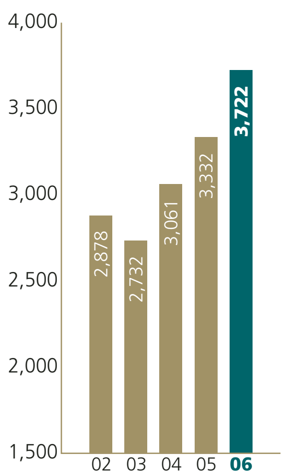
Despite a 7% throughput growth to 5.42 million TEUs, Modern Terminals' revenue and operating profit decreased by 2% and 4% respectively in 2006, as a result of box mix shift in favour of transshipment and feeder cargos, and increasing competition in Hong Kong and South China. Modern Terminals currently operates 7.5 berths with total handling capacity of 7.0 million TEUs and its market share in Kwai Chung was maintained at 33.8% at the end of 2006.

In China, Chiwan Container Terminals and Shekou Container Terminals (SCT) handled 3.9 million TEUs and 2.0 million TEUs respectively during 2006. Modern Terminals entered into a contract in December 2006 to increase its investment in the Shekou Container Terminals.

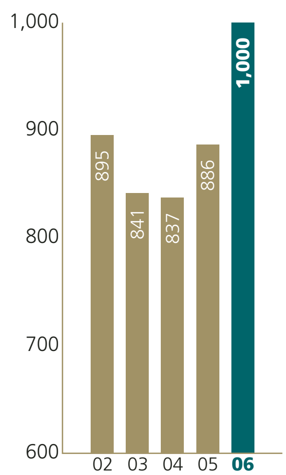
Throughput for Phase I of Taicang (51%-owned by Modern Terminals) grew substantially by 86% to 467,000 TEUs in 2006, reflecting strong growth in intra-Asia trade. The first berth of Phase II (70%-owned by Modern Terminals) commenced operation in November 2006. Dachan Bay Phase I (65%-owned by Modern Terminals) will increase Modern Terminals' own operating capacity in Pearl River Delta from 7.5 to 12.5 berths. The first two berths will commence operations towards the end of 2007.

A framework agreement on strategic cooperation for the development of Dayaowan terminals in Dalian was signed in March 2007.

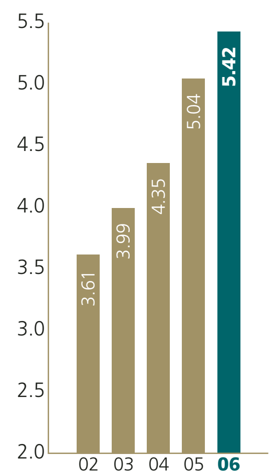
Harbour City: Gross Revenue
(HK$ Million)



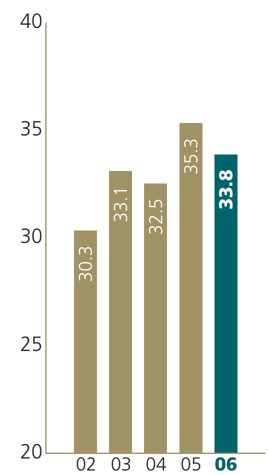
Times Square: Gross Revenue
(HK$ Million)



Modern Terminals: Throughput
(Million TEUs)



Modern Terminals: Market Share
(%)



Other Businesses

Other Hong Kong Properties

Plaza Hollywood registered turnover growth of 6% to HK$277 million, resulting from favourable rental growth in both new lettings and renewals. Average occupancy maintained at nearly 100% throughout 2006.

60 Victoria Road, Kennedy Town, is 100%-owned by listed subsidiary Harbour Centre Development Limited. Virtually all of the 73 units have been sold, to realise proceeds of HK$278 million.

Leasing activities for the Peak Portfolio remained strong during 2006. Average occupancy at Mountain Court, Chelsea Court and 1 Plantation Road was over 90% at the end of 2006, with favourable rental reversion achieved.

Two houses at Gough Hill Residences, which comprises five deluxe houses, were promptly sold at an average of HK$28,000 per square foot in 2006, realising proceeds of HK$446 million. The remaining three houses were sold in March and May 2007 at an average of HK$32,000 per square foot.

The group is actively seeking opportunities to dispose of its non-core properties.

i-CABLE

Total revenue rose by 4% to HK$2,548 million and profit before taxation dipped by 26% to HK$210 million, as a result of escalating programming cost and keener marketing and pricing strategies. Intense competition from rival operators impacted on CABLE TV's performance and total revenue from Pay TV grew by 1% and operating profit decreased by 26% to HK$248 million. With a more flexible marketing approach, i-CABLE was able to overcome new threats from the competition to report a 7% growth in Pay TV subscribers to 786,000 at the end of 2006. Turnover from the Internet & Multimedia segment rose by 7% to HK$596 million and operating profit grew by 66% to HK$129 million. i-CABLE's Broadband subscribers grew by 2% year-on-year to 328,000 at the end of 2006, attributable to service enhancement through network upgrade, bundling strategies and the continued introduction of value-added services. Wholesale voice lines, meanwhile, climbed to 168,000, compared with 120,000 a year ago.

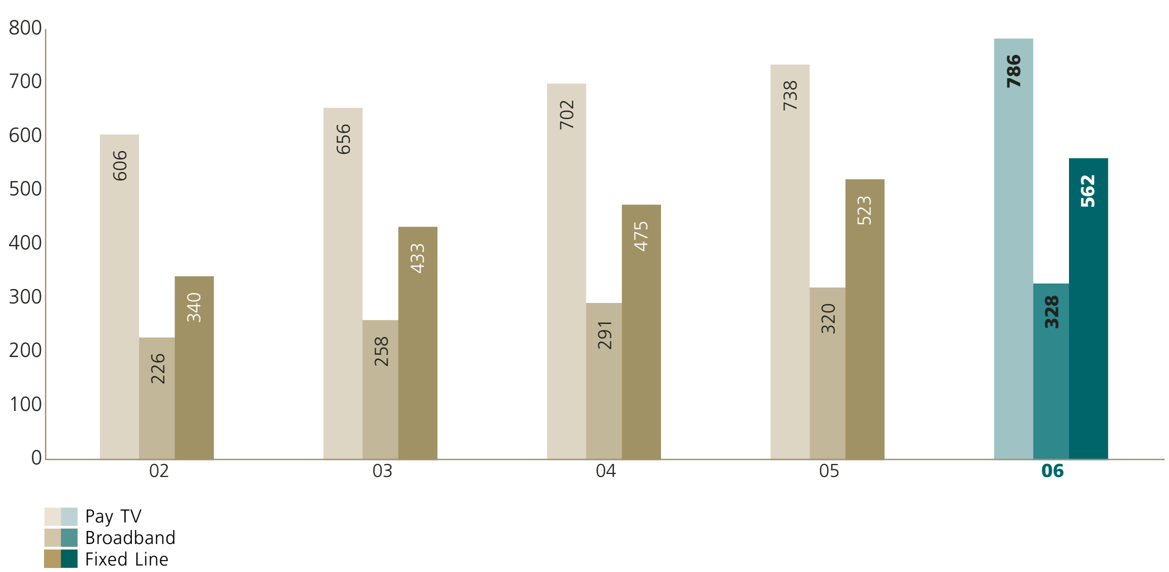
Wharf T&T

Turnover from the Wharf T&T group in 2006 plunged by 6% to HK$1,384 million while operating profit skidded by 162% to become an operating loss amounting to HK$64 million. Cashflow position, nevertheless, remained healthy with an inflow of HK$52 million (2005: HK$94 million). The fixed line installed base grew by 39,000 or 7% to 562,000, representing an overall market share of 13%.

For the financial year under review, total cash dividends received by the Group from Wharf amounted to HK$978 million (2006: HK$880 million).

Growth of Pay TV/Broadband Subscribers and Fixed Line Installment

(in thousands)



(I) RESULTS REVIEW

Discontinued operation

As reported in interim results, 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$268 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 on 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 19% to HK$2,771 million (2006: HK$3,425 million), reflecting the lower sales revenue recognised by the Property Development segment.

Operating profit

Group operating profit from continuing operations fell by 33% to HK$1,203 million (2006: HK$1,792 million) mainly due to the unfavourable operating results recorded by the Property Development and the Investment and Others segments.

Property Investment

Revenue and operating profit from the Property Investment segment rose slightly to HK$458 million (2006: HK$449 million) and HK$287 million (2006: HK$278 million) respectively. The increase was mainly attributable to the retail podium of Crawford House, which was reopened and recommenced to generate rental revenue in November 2006 following the new lease signed with Hennes & Mauritz AB (H&M) and completion of an extensive renovation. However, this favourable result was in part adversely impacted by the loss of rental income following the disposal of Oakwood Residence Azabujuban and 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.

Property Development

Revenue of the Property Development segment fell by 28% to HK$1,942 million (2006: HK$2,689 million) and operating profit dropped by 37% to HK$558 million (2006: HK$890 million), which were mainly affected by the absence of property development completion by WPSL and lower profit contribution from the sale of Bellagio units.

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$395 million as at 31 March 2007.

Investment and Others

Investment revenue, comprising mainly dividends from the Group's long-term investment portfolio and interest income, increased by 16% to HK$436 million (2006: HK$376 million). Conversely, operating profit fell by 40% to HK$386 million (2006: HK$645 million), mainly due to lower profit from disposal of long-term investments of HK$61 million (2006: HK$240 million). In addition, there was also profit contribution from sale of Oakwood Residence Azabujuban amounting to 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, before share of associates' surplus, of HK$380 million (2006: HK$3,429 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$193 million) in respect of certain development properties.

Borrowing costs

Borrowing costs charged to the profit and loss account was HK$214 million (2006: HK$218 million). 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 4.2% per annum (2006: 3.4% per annum).

Share of profits less losses of associates

Share of profits of associates, substantially contributed by Wharf, was HK$5,371 million (2006: HK$6,871 million). Included in the share of Wharf's results was an attributable investment property revaluation surplus, net of deferred tax, of HK$3,115 million (2006: HK$4,519 million).

Excluding the attributable revaluation surplus, share of associates' profits would have been HK$2,256 million (2006: HK$2,352 million).

Wharf's Property Investment segment continued to gain momentum with improved revenue and operating profit. This was partly offset by the unfavourable results of the Communications, Media and Entertainment segments, amidst the escalating competition in the markets, and increase in borrowing costs.

The share of associates' results also included profit derived from the sales of Parc Palais units undertaken by a 20%-owned associate of WPL.

Income tax

Taxation charge of HK$131 million (2006: HK$672 million) included deferred tax of HK$71 million (2006: HK$619 million) provided against the net revaluation surplus of investment properties.

Minority interests

Profit shared by minority interests was HK$855 million (2006: HK$1,101 million), which was mainly related to the profit of WPL, including the profit on disposal of Hamptons.

Profit attributable to Shareholders

The Group's profit attributable to Shareholders was HK$6,310 million (2006: HK$10,316 million). Earnings per share were HK$3.11 (2006: HK$5.08).

Included in the results was an attributable surplus of HK$3,315 million (2006: HK$7,113 million), comprising the Group's revaluation surplus and write-back of provision for properties of HK$403 million (2006: HK$3,622 million) less related deferred tax and minority interests of HK$203 million (2006: HK$1,028 million) and the net surplus of HK$3,115 million (2006: HK$4,519 million) attributable to associates, including principally Wharf.

Excluding this attributable revaluation surplus, the Group's net profit attributable to Shareholders was HK$2,995 million (2006: HK$3,203 million). The decrease was largely attributable to lower profit contribution from property sales and disposal of certain long-term investments, which was partly offset by the profit on disposal of Hamptons.

(II) LIQUIDITY AND FINANCIAL RESOURCES

Equity

The Shareholders' equity amounted to HK$48,816 million or HK$24.02 per share as at 31 March 2007, compared to HK$41,016 million or HK$20.19 per share as at 31 March 2006.

In compliance with the new accounting requirements in respect of the amendment to HKAS 19, the Group's Shareholders' equity as at 1 April 2006 was restated to HK$41,016 million from HK$40,987 million. The increase was attributable to the recognition of all unrecognised actuarial gains by the Group's associate for its defined benefit pension schemes as at 31 December 2005.

The Group's total equity, including minority interests, was HK$56,778 million as at 31 March 2007 (2006: HK$47,368 million).

Supplemental Information on Net Asset Value

To better reflect its underlying net asset value ("NAV") attributable to its shareholders, Wharf had made certain adjustments on the book NAV that was based on HKFRSs and disclosed as supplemental information in the Financial Review section of its Annual Report 2006. On the same basis, the adjusted underlying NAV attributable to the Group's Shareholders is summarised below for additional information:

	Per share HK$
Book NAV (based on HKFRSs) as at 31 March 2007	24.02
Share of Wharf's adjustments:	5.45
Modern Terminals	
– based on the latest transaction price	1.81
i-CABLE	
– based on market value as at 31 December 2006 (@HK$1.82 p.s.)	0.25
Hotel properties	
– based on the valuation as at 31 December 2006 conducted by an independent valuer	0.87
Deferred tax on investment property revaluation surplus	2.52*
Wheelock's deferred tax on investment property revaluation surplus	0.31*
Adjusted underlying NAV as at 31 March 2007	**29.78**
Adjusted underlying NAV as at 31 March 2006	25.75

* *As there is no capital gains tax on sales of investment properties in Hong Kong and Singapore, the deferred tax liability (attributable to the Group HK$5.8 billion or about HK$2.83 per share) as provided and included in the consolidated balance sheet of the Group and its associate would not be payable if the above-mentioned investment properties were to be sold at the revalued amounts under the respective current tax regime. Accordingly, such deferred tax as provided under HKAS 40 and HK(SIC)-INT 21 has been excluded for the above calculation in order to provide a better understanding of the NAV attributable to Shareholders.*

Net cash

The Group's net cash amounted to HK$1,330 million as at 31 March 2007, which was made up of bank deposits and cash of HK$6,466 million and debts of HK$5,136 million. This compared favourably against a net debt of HK$2,687 million as at 31 March 2006. Net cash generated from the Group's operating activities was HK$3,204 million, which included net cash inflows from sales of properties, mainly Bellagio in Hong Kong and Ardmore II, The Sea View and The Cosmopolitan in Singapore, and dividend income from Wharf. Net cash of HK$1,266 million from investing activities was mainly attributable to the proceeds from the disposal of Hamptons, Oakwood Residence Azabujuban and Shop C at Wheelock House.

Excluding WPL group's net cash of HK$3,296 million, the Company together with its other subsidiaries had a net debt of HK$1,966 million, reduced by HK$1,310 million from HK$3,276 million as at 31 March 2006. For the year under review, total cash dividends received from Wharf and WPL, being the Group's main sources of recurring cash inflow, totalled HK$1,116 million (2006: HK$1,003 million). The Company also received distributions from the sale of Bellagio amounting to HK$698 million.

Committed and uncommitted facilities

(a) The Group's available loan facilities totalled HK$10.7 billion, comprising committed and uncommitted loan facilities of HK$8.9 billion and HK$1.8 billion, respectively. The debt maturity profile of the Group as at 31 March 2007 was analysed as follows:

	2007 HK$ Million	2006 HK$ Million
Repayable within 1 year	**1,015**	1,976
Repayable after 1 year, but within 2 years	**600**	2,038
Repayable after 2 years, but within 3 years	**1,673**	1,733
Repayable after 3 years, but within 4 years	**1,848**	1,458
	5,136	7,205
Undrawn facilities	**5,585**	5,375
Total loan facilities	**10,721**	12,580

(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, the Group's borrowings were primarily denominated in Hong Kong dollars except that 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$4,167 million as at 31 March 2007 (2006: HK$2,187 million), which primarily comprised 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$1,434 million as at 31 March 2007, compared to HK$502 million as at 31 March 2006. Performance of the portfolio was satisfactory.

Contingent liabilities

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$268 million.

Disposal of Shop C at Wheelock House

WPL completed on 28 December 2006 the disposal of 100% interest in Shop C at Wheelock House for a consideration of HK$225 million. The profit attributable to the Group (net of minority interests) was HK$7 million and was reported in the results under review. Apart from this, the net revaluation surpluses less deferred tax of the property in total amount of HK$29 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$91 million. In addition, the net attributable revaluation surpluses less deferred tax of the property in total amount of HK$48 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, WPL 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 has 787 employees as at 31 March 2007 (2006: 1,712). The decrease of 925 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$390 million.

(V) POST BALANCE SHEET EVENTS

On 1 June 2007, the Company issued an announcement in relation to its proposed acquisition of 1,515,000 additional Wharf shares (the "Proposed Acquisition") in the open market at an estimated aggregate consideration of approximately HK$47 million, based on Wharf share at HK$31 per share as of 1 June 2007.

If the Company proceeds with the Proposed Acquisition, it will result in Wharf becoming a subsidiary of the Company and beneficially owned by the Group as to approximately 50.00003%. Upon completion, the financial statements of Wharf group will be fully consolidated into that of the Group's results, in compliance with the generally accepted accounting standards.

The Proposed Acquisition will constitute a very substantial acquisition and requires Shareholders' approval at an extraordinary general meeting. A circular containing details of the Proposed Acquisition was despatched to the Company's shareholders on 22 June 2007 in compliance with the Listing Rules.

(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	3
Senior Deputy Chairman	
Gonzaga W J Li	4
Deputy Chairman	
Stephen T H Ng	4
Executive Director	
Paul Y C Tsui	4
Independent Non-executive Directors	
Alexander S K Au	3
B M Chang	2
Kenneth W S Ting	2
The late William Turnbull *(passed away on 4 March 2007)*	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, a substantial proportion thereof being independent Non-executive Directors.

Furthermore, the Chairman is supported by Senior Deputy Chairman Mr Gonzaga W J Li, Deputy Chairman Mr Stephen T H Ng, and Executive Director Mr Paul Y C Tsui. The Chairman is responsible for the Board, focuses on Group strategies and Board issues, ensures a cohesive working relationship between members of the Board and management, and directly has responsibilities in certain major business units of the Group. The Executive Director has full executive responsibilities in the business directions and operational efficiency of the business units under his responsibilities and is accountable to the Chairman.

(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
Alexander S K Au	1
Kenneth W S Ting *(appointed on 8 March 2007)*	Nil
The late William Turnbull *(passed away on 4 March 2007)*	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 paid 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$50,000 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 in conjunction with the two Deputy Chairmen from time to time review the composition of the Board with particular regard to ensuring that there is an appropriate number of Directors on the Board independent of management. They also identify and nominate 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$4 million and HK$1 million respectively.

(I) AUDIT COMMITTEE

All the Members of the Audit Committee of the Company are appointed from the 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 Alexander S K Au has the appropriate professional qualifications and experience in financial matters.

Four 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**
Alexander S K Au, *Chairman*	4
B M Chang	2
Kenneth W S Ting *(appointed on 8 March 2007)*	Nil
The late William Turnbull *(passed away on 4 March 2007)*	3

(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 listing rules and legal requirements in relation to financial reporting;

(d) to discuss findings and reservations (if any) 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 flow 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. Press releases are posted on the Company's corporate website www.wheelockcompany.com. The Company's website provides email address, postal address, fax number and telephone number by which enquiries may be put to the Company's Board. Constantly being updated in a timely manner, the website also contains a wide range of additional information on the Group's business activities. 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 Company has taken steps to ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company. Regarding circulars to Shareholders for convening Annual General Meetings, the Company would also state in such circulars that arrangements have been made for the voting of each of the resolutions being put to the Annual General Meetings to be dealt with by means of poll vote. The Board and external auditors attend the Annual General Meetings to answer Shareholders' questions. Poll results are advertised in newspapers on the following business day and are posted on the Company's corporate website shortly after the meetings.

(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.

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 pages 105 and 106.

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 52 to 55.

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 43.

Appropriations of profits and movements in reserves during the financial year are set out in Note 25 to the Financial Statements on pages 79 to 81.

DIVIDENDS

An interim dividend of 2.5 cents per share was paid on 9 January 2007. The Directors have now recommended for adoption at the Annual General Meeting to be held on Friday, 17 August 2007 the payment on 24 August 2007 to Shareholders on record as at 17 August 2007 of a final dividend of 10.0 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 11 to the Financial Statements on page 66.

DONATIONS

The Group made donations during the financial year totalling HK$1.6 million.

DIRECTORS

The Directors of the Company during the financial year were Messrs P K C Woo, G W J Li, S T H Ng, P Y C Tsui, A S K Au, B M Chang and K W S Ting and the late W Turnbull (passed away on 4 March 2007).

Messrs S T H Ng and K W S Ting 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).

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company or any of its subsidiaries 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

No contracts for the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company or any of its subsidiaries 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.

KPMG was appointed Auditors of the Company to fill the vacancy occasioned by the retirement of PricewaterhouseCoopers on 15 August 2005.

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, 14 June 2007

SUPPLEMENTARY CORPORATE INFORMATION

(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC.

(I) Directors

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

Mr Woo has resumed the role of Chairman of the Company since 2002 after having also served in that capacity from 1986 to 1996. He also serves as a member and the chairman of the Company's Remuneration Committee. He is also the chairman of The Wharf (Holdings) Limited ("Wharf"), Wheelock Properties Limited ("WPL"), 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.

Gonzaga W J LI, *Senior Deputy Chairman (Age: 78)*

Mr Li has been a Director of the Company since 1969 and became Chairman in 1996. He relinquished the title of Chairman and has assumed the title of Senior Deputy Chairman of the Company since 2002. He is also the senior deputy chairman of Wharf and the chairman of Harbour Centre Development Limited ("HCDL") as well as the chief executive officer and a director of Wharf China Limited. Furthermore, he is a director of WPL and Joyce Boutique Holdings Limited ("Joyce").

Stephen T H NG, *Deputy Chairman (Age: 54)*
Mr Ng has been a Director of the Company since 1988 and became the Deputy Chairman in 1995. He is also the deputy chairman and managing director of Wharf, the chairman, president and chief executive officer of i-CABLE Communications Limited, a director of Joyce, the chairman of Modern Terminals Limited as well as the chairman and chief executive officer of Wharf T&T Limited. Mr Ng serves as a member of the General Committee of The Hong Kong General Chamber of Commerce.

Paul Y C TSUI, *Executive Director (Age: 60)*
Mr Tsui has been a Director of the Company since 1998 and became Executive Director in 2003. He is also a director of Joyce, WPL and WPSL. Mr Tsui is a fellow member of the Hong Kong Institute of Certified Public Accountants ("HKICPA"), The Association of Chartered Certified Accountants ("ACCA") and the Chartered Institute of Management Accountants.

Alexander S K AU, *OBE, Director (Age: 60)*
Mr Au has been an independent Non-executive Director of the Company since 2002. He also serves as a member and the chairman of the Company's Audit Committee and also a member of the Company's Remuneration Committee.

A banker by profession, Mr Au was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. Currently he is an executive director and the chief financial officer of Henderson Land Development Company Limited and a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. He is also a member of the Council of the Hong Kong University of Science and Technology.

An accountant by training, Mr Au is a Chartered Accountant as well as a Fellow of the HKICPA and ACCA.

B M CHANG, *Director (Age: 78)*
Mr Chang has been a Director of the Company since 1969. He, being an independent Non-executive Director, also serves as a member of the Company's Audit Committee.

Kenneth W S TING, *SBS, JP, Director (Age: 64)*
Mr Ting has been an independent Non-executive Director of the Company since 2003. He also serves as a member of the Company's Audit Committee and Remuneration Committee. Mr Ting is also the managing director, chief executive officer of publicly-listed Kader Holdings Company Limited and the chairman of Kader Industrial Company Limited, and a director of New Island Printing Holdings Limited. Mr Ting currently serves as the chairman of the Federation of Hong Kong Industries, the non-executive director of the Mandatory Provident Fund Schemes Authority, the president of the Hong Kong Plastics Manufacturers' Association Limited, the honorary president of the Chinese Manufacturers' Association of Hong Kong and the honorary president of the Toys Manufacturers' Association of Hong Kong Limited.

Mr Ting is also a member of the Hong Kong General Chamber of Commerce, the Hong Kong Trade Development Council, the Manpower Development Council, the Economic and Employment Council, the Hong Kong Polytechnic University Court and The Hong Kong University of Science and Technology Court. Furthermore, he is a member of the Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference and the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (Yue Xiu District).

Note: The Company confirms that it has received written confirmation from each of the independent Non-executives 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

Various businesses of the Group are respectively under the direct responsibility of the Chairman and the Executive Director of the Company as named under (A)(I) above, who are regarded as senior management of the Group.

(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, of an associate of the Company, namely, Wharf, and of a subsidiary of the Company, namely, WPL, 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		
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
S T H Ng	300,000 (0.0148%)	Personal Interest
B M Chang	8,629,575 (0.4247%)	Corporate Interest
Wharf		
G W J Li	686,549 (0.0280%)	Personal Interest
S T H Ng	650,057 (0.0266%)	Personal Interest
WPL		
G W J Li	2,900 (0.0001%)	Personal Interest

Notes:

(1) The 995,221,678 shares of the Company 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 Securities and Futures Ordinance (the "SFO") which are applicable to a director or chief executive of a listed company, to be interested.

(2) The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were interests of corporations at respective general meetings of which the relevant Directors were respectively 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.

(3) The shareholding interests stated above as "Personal Interest" and "Corporate Interest" against the name of Mr P K C Woo totalling 209,712,652 shares of the Company represented the same block of shares as that of the shareholding interest of Mrs Bessie P Y Woo stated under "section (C) Substantial Shareholders' Interests" below.

(4) The 995,221,678 shares of the Company as referred to under Note (1) above are entirely duplicated or included in the shareholding interest of HSBC Trustee (Guernsey) Limited stated under "section (C) Substantial Shareholders' Interests" below.

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, other than person(s) who is/are Director(s) of the Company, who/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)	Third Avenue Management LLC	123,151,000 (6.06%)
(ii)	Mrs Bessie P Y Woo	209,712,652 (10.32%)
(iii)	HSBC Trustee (Guernsey) Limited	1,095,300,362 (53.91%)

Note: Duplication occurred in respect of the shareholding interests under (ii) and (iii) above, as set out in Notes (3) and (4) under "section (B) Directors' Interests in Shares" above.

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

The Group operates a number of pension schemes. Set out below are certain particulars regarding the principal pension scheme (the "Pension Scheme") operated by the Group:

(I) Nature of the Pension Scheme

The Pension Scheme is a defined contribution scheme. The assets of the Pension Scheme are held separately by an independently administered fund.

(II) Funding of the Pension Scheme

The Pension Scheme is funded by contributions from employees and employers. The employees and employers contribute respectively to the Pension Scheme sums which represent percentages of their salaries as defined under the relevant trust deed.

(III) Forfeited Contributions

The contributions are expensed as incurred and may be reduced by contributions forfeited by those employees who have left the Pension Scheme prior to vesting fully in the contributions.

(IV) Cost of the Pension Scheme

The employer's cost charged to the profit and loss account during the year ended 31 March 2007 in respect of the Pension Scheme amounted to HK$0.3 million. During the year, no forfeiture of employers' contributions was used to reduce current year's contribution.

Note: The total employers' pension cost in respect of all pension schemes of the Group, including the cost related to various mandatory retirement schemes which are not operated by the Group, charged to the profit and loss account during the financial year ended 31 March 2007 amounted to HK$21 million.

(E) EXECUTIVE SHARE INCENTIVE SCHEME (THE "SCHEME")

(I) Summary of the Scheme

(a) *Purpose of the Scheme:*

To give executives of the Group the opportunity of acquiring an equity participation in the Company, to continue to provide them with the motivation and incentive to give their best contribution towards the Company's continued growth and success.

(b) *Participants of the Scheme:*

Any employee of the Company or any of its subsidiaries holding an executive, managerial, supervisory or similar position, including a Director of the Company or any of its subsidiaries holding executive office, who accepts the offer of the grant of an option in accordance with the terms of the Scheme (the "Employee(s)").

(c) (i) Total number of ordinary shares of HK$0.50 each in the capital of the Company (the "Shares") available for issue under the Scheme as at 31 March 2007:

82,401,464

(ii) Percentage of the issued share capital that it represents as at 31 March 2007:

4%

(d) Maximum entitlement of each participant under the Scheme as at 31 March 2007:

Not more than:

(i) 10% of the maximum number of Shares available for subscription under the terms of the Scheme; and

(ii) in terms of amount of the aggregate subscription price, such amount of aggregate subscription price in respect of all the Shares for which an Employee is granted options in any financial year as would exceed five times his or her gross annual remuneration.

(e) Period within which the Shares must be taken up under an option:

Within 10 years from the date on which the option is granted or such shorter period as the Board of Directors may approve.

(f) Minimum period for which an option must be held before it can be exercised:

One year from the date on which the option is granted.

(g) (i) Price payable on application or acceptance of the option:

HK$1.00

(ii) The period within which payments or calls must or may be made or loans of such purposes must be repaid:

Seven days after the offer date of an option.

(h) Basis of determining the exercise price:

Pursuant to rule 17.03(9) of the Listing Rules, the exercise price must be at least the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(i) The remaining life of the Scheme:

One year

(II) Details of Share Options Granted

No share option of the Company was issued, exercised, cancelled, lapsed or outstanding throughout the financial year.

(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 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 21 to the Financial Statements on page 76.

(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 61.

(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.

KPMG

TO THE SHAREHOLDERS OF WHEELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Wheelock and Company Limited (the "Company") set out on pages 43 to 107 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. The 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 the 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 the 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

14 June 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2007

	Note	2007 HK$ Million	2006 HK$ Million
Continuing operations			
Turnover	2	**2,771**	3,425
Other net income	3	**186**	378
		2,957	3,803
Direct costs and operating expenses		**(1,518)**	(1,820)
Selling and marketing expenses		**(100)**	(110)
Administrative expenses		**(136)**	(81)
Operating profit	2	**1,203**	1,792
Increase in fair value of investment properties	11	**380**	3,429
Write back of provision for properties	4	**23**	193
		1,606	5,414
Borrowing costs	5	**(214)**	(218)
Share of profits less losses of associates	14	**5,371**	6,871
Profit before taxation		**6,763**	12,067
Income tax	6(c)	**(131)**	(672)
Profit for the year from continuing operations		**6,632**	11,395
Discontinued operation	7		
Profit for the year from a discontinued operation		**58**	22
Net gain on disposal of subsidiaries		**475**	–
Profit from a discontinued operation		**533**	22
Profit for the year		**7,165**	11,417
Profit attributable to:			
Equity shareholders of the Company	8	**6,310**	10,316
Minority interests		**855**	1,101
		7,165	11,417
Dividends payable to equity shareholders of the Company attributable to the year	9		
Interim dividend declared during the year		**51**	51
Final dividend proposed after the balance sheet date		**203**	203
		254	254
Earnings per share	10		
Continuing operations		**HK$2.96**	HK$5.08
Discontinued operation		**HK$0.15**	–
		HK$3.11	HK$5.08

The notes and principal accounting policies on pages 52 to 107 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	Note	2007 HK$ Million		2006 HK$ Million (restated)	
Non-current assets					
Fixed assets	11				
Investment properties			**8,401**		8,560
Other property, plant and equipment			**657**		105
			9,058		8,665
Goodwill and other intangible assets	13		**–**		306
Interest in associates	14		**37,417**		32,012
Available-for-sale investments	15		**4,167**		2,187
Deferred debtors	16		**127**		231
			50,769		43,401
Current assets					
Properties under development for sale	17	**8,344**		6,627	
Properties held for sale	17	**1,258**		2,542	
Trade and other receivables	18	**541**		1,090	
Bank balances and deposits	19	**6,466**		4,518	
		16,609		14,777	
Current liabilities					
Trade and other payables	20	**(992)**		(1,148)	
Bank loans and overdrafts	21	**(1,015)**		(1,976)	
Deposits from sale of properties		**(2,713)**		(1,041)	
Current tax	6(e)	**(300)**		(146)	
		(5,020)		(4,311)	
Net current assets			**11,589**		10,466
Total assets less current liabilities			**62,358**		53,867
Non-current liabilities					
Long-term loans	21	**(4,121)**		(5,229)	
Deferred tax	22	**(1,034)**		(827)	
Deferred items	23	**(425)**		(443)	
			(5,580)		(6,499)
Net assets			**56,778**		47,368
Capital and reserves					
Share capital	24		**1,016**		1,016
Reserves			**47,800**		40,000
Total equity attributable to equity shareholders of the Company	25(a)		**48,816**		41,016
Minority interests	25(a)		**7,962**		6,352
Total equity			**56,778**		47,368

The notes and principal accounting policies on pages 52 to 107 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Executive Director

At 31 March 2007

	Note	2007 HK$ Million	2006 HK$ Million
Non-current assets			
Interest in subsidiaries	12	**4,492**	4,488
Current liabilities			
Trade and other payables		**(4)**	(5)
Net assets		**4,488**	4,483
Capital and reserves			
Share capital	24	**1,016**	1,016
Reserves		**3,472**	3,467
Shareholders' equity	25(b)	**4,488**	4,483

The notes and principal accounting policies on pages 52 to 107 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

	Note		**2007 HK$ Million**		2006 HK$ Million (restated)
Total equity at 1 April					
As previously reported:					
Equity shareholders of the Company			**40,987**		31,513
Minority interests			**6,351**		5,268
Total equity			**47,338**		36,781
Prior year adjustment for HKAS 19	30(a)		**30**		15
As restated			**47,368**		36,796
Company and subsidiaries					
Surplus on revaluation of available-for-sale investments		**1,563**		374	
Intangible assets arising from assets previously held		**–**		53	
Acquisition of additional interests in subsidiaries		**–**		(37)	
Exchange difference on translation of financial statements of foreign entities/others		**599**		26	
Associates					
Surplus on revaluation of available-for-sale investments		**386**		51	
Actuarial gains on defined benefit pension schemes		**16**		15	
Reserve utilised for acquisition of additional interest in subsidiaries		**–**		(893)	
Exchange differences/others		**91**		2	
Net gain/(loss) not recognised in the profit and loss account			**2,655**		(409)

For the year ended 31 March 2007

	Note		2007 HK$ Million		2006 HK$ Million (restated)
Company and subsidiaries					
Profit for the year			**7,165**		11,417
Reserves transferred to the profit and loss account on disposal of:					
Available-for-sale investments			**(7)**		(118)
Properties			**(4)**		–
Associates					
Reserves transferred to the profit and loss account on disposal of available-for-sale investments			**(1)**		(36)
Total recognised income for the year (2006: as restated)			**9,808**		10,854
Equity shareholders of the Company		**8,054**		9,713	
Minority interests		**1,754**		1,141	
		9,808		10,854	
Final dividend approved in respect of the previous year	9(b)		**(203)**		(173)
Interim dividend declared in respect of the current year	9(a)		**(51)**		(51)
Dividend to minority interests	25(a)		**(144)**		(837)
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			**56,778**		47,368
Attributable to:					
Equity shareholders of the Company			**48,816**		41,016
Minority interests			**7,962**		6,352
			56,778		47,368

The notes and principal accounting policies on pages 52 to 107 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 operations	a	**2,306**	1,778
Interest received		**193**	157
Interest paid		**(283)**	(249)
Dividends received from associates		**1,050**	1,080
Dividends received from listed investments		**56**	35
Hong Kong profits tax paid		**(56)**	(48)
Overseas tax paid		**(62)**	(20)
Net cash generated from operating activities		**3,204**	2,733
Investing activities			
Proceeds from disposal of investment properties		**892**	293
Proceeds from disposal of subsidiaries	b	**1,037**	–
Proceeds from disposal of available-for-sale investments		**154**	962
Proceeds from disposal of fixed assets		**–**	1
Proceeds from disposal of associates		**–**	63
Purchase of fixed assets		**(155)**	(100)
Purchase of available-for-sale investments		**(168)**	(906)
Purchase of additional interests in subsidiaries		**–**	(36)
Acquisition of subsidiaries	c	**–**	(349)
Purchase of additional interest in an associate		**–**	(10)
Decrease in deferred debtors		**104**	139
Decrease in net advances from associates		**(598)**	(695)
Net cash generated from/(used in) investing activities		**1,266**	(638)
Financing activities			
Drawdown of long-term loans		**1,499**	857
Repayment of long-term loans		**(2,303)**	(2,212)
Net (repayment)/drawdown of short-term bank loans		**(1,526)**	529
Dividends paid to shareholders		**(254)**	(224)
Dividends paid to minority shareholders		**(144)**	(836)
Issuance of rights shares to minority shareholders		**–**	772
Net cash used in financing activities		**(2,728)**	(1,114)
Net increase in cash and cash equivalents		**1,742**	981
Cash and cash equivalents at 1 April		**4,518**	3,502
Effect of foreign exchange rate changes		**206**	35
Cash and cash equivalents at 31 March		**6,466**	4,518
Analysis of the balances of cash and cash equivalents			
Bank balances and deposits		**6,466**	4,518

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

a) Reconciliation of operating profit to cash generated from operations

	2007 HK$ Million	2006 HK$ Million
Operating profit		
From continuing operations	**1,203**	1,792
From a discontinued operation	**72**	53
Adjustments for:		
Interest income	**(194)**	(154)
Dividend income from listed investments	**(60)**	(32)
Depreciation	**11**	17
Net profit on disposal of available-for-sale investments	**(61)**	(262)
Net profit on disposal of investment properties	**(119)**	(98)
Loss on disposal of fixed assets	**–**	9
Deferred profit realised	**(18)**	(6)
Amortisation of intangible assets	**–**	1
Exchange differences	**354**	51
Operating profit before working capital changes	**1,188**	1,371
Increase in properties under development for sale	**(2,166)**	(1,977)
Decrease in properties held for sale	**1,277**	2,918
Decrease in trade and other receivables	**292**	453
Increase/(decrease) in deposits from sale of properties	**1,672**	(683)
Increase/(decrease) in trade and other payables	**43**	(304)
Cash generated from operations	**2,306**	1,778

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 disposed of subsidiaries	**1,037**

There were no disposal 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$11 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		Segment Results	
	2007 HK$ Million	2006 HK$ Million	**2007 HK$ Million**	2006 HK$ Million
Continuing operations				
Property investment	**458**	449	**287**	278
Property development	**1,942**	2,689	**558**	890
Investment and others	**436**	376	**386**	645
	2,836	3,514	**1,231**	1,813
Inter-segment revenue				
Investment and others	**(65)**	(89)	**–**	–
	2,771	3,425	**1,231**	1,813
Unallocated expenses			**(28)**	(21)
Operating profit			**1,203**	1,792
Increase in fair value of investment properties			**380**	3,429
Write back of provision for properties			**23**	193
			1,606	5,414
Borrowing costs			**(214)**	(218)
Share of profits less losses of associates (Note)			**5,371**	6,871
Profit before taxation			**6,763**	12,067
Income tax			**(131)**	(672)
Profit for the year from continuing operations			**6,632**	11,395
Discontinued operation (Note 7)				
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 (Note)			**10**	–
Profit before taxation			**81**	52
Income tax			**(23)**	(30)
Profit for the year from a discontinued operation			**58**	22
Net gain on disposal of subsidiaries			**475**	–
Profit from a discontinued operation			**533**	22
Profit for the year			**7,165**	11,417

Note: Share of profits less losses of associates

	Segment Results	
	2007	2006
	HK$ Million	HK$ Million
Continuing operations		
Property investment	**1,984**	1,731
Property development	**54**	78
Communications, media and entertainment	**135**	243
Logistics	**998**	1,019
Investment and others	**338**	196
Increase in fair value of investment properties	**3,909**	5,701
Write back of provision for properties	**100**	24
Provision for telecommunications	**(50)**	–
Borrowing costs	**(411)**	(281)
Income tax	**(1,153)**	(1,264)
Unallocated expenses and other items	**(533)**	(576)
	5,371	6,871
Discontinued operation		
Property agency	**10**	–
	5,381	6,871

(ii) Assets and liabilities

	Assets		Liabilities	
	2007 HK$ Million	2006 HK$ Million (restated)	**2007 HK$ Million**	2006 HK$ Million (restated)
Continuing operations				
Property investment	**8,977**	8,612	**154**	138
Property development	**10,063**	9,949	**3,337**	1,716
Investment and others	**4,455**	2,482	**26**	73
	23,495	21,043	**3,517**	1,927
Discontinued operation				
Property agency	**–**	605	**–**	133
Segment assets and liabilities	**23,495**	21,648	**3,517**	2,060
Interest in associates (Note)	**37,417**	32,012	**–**	–
Unallocated items	**6,466**	4,518	**7,083**	8,750
Total assets and liabilities	**67,378**	58,178	**10,600**	10,810

Note: Share of net segment assets less liabilities of associates

	2007 HK$ Million	2006 HK$ Million (restated)
Property investment	**42,527**	38,525
Property development	**3,206**	2,068
Communications, media and entertainment	**1,929**	2,114
Logistics	**2,404**	1,650
Investment and others	**3**	6
Unallocated and other items	**(12,652)**	(12,351)
	37,417	32,012

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

During the year, the Group incurred capital expenditure of HK$155 million (2006: HK$144 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 HK$ Million	2006 HK$ Million	**2007 HK$ Million**	2006 HK$ Million
Continuing operations				
Hong Kong	**2,368**	2,854	**800**	1,260
Singapore	**362**	521	**245**	475
Others	**41**	50	**158**	57
	2,771	3,425	**1,203**	1,792
Discontinued operation				
United Kingdom	**450**	788	**71**	45
Others	**2**	22	**1**	8
	452	810	**72**	53
	3,223	4,235	**1,275**	1,845

(ii) *Assets*

	2007 HK$ Million	2006 HK$ Million
Continuing operations		
Hong Kong	**8,665**	10,421
Singapore	**14,604**	10,116
Others	**226**	506
	23,495	21,043
Discontinued operation		
United Kingdom	**–**	605
	23,495	21,648

(iii) During the year, more than 90% of the Group's share of results of associates arose in Hong Kong.

2. TURNOVER AND OPERATING PROFIT

a) *Turnover*

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

	2007 HK$ Million	2006 HK$ Million
Continuing operations		
Property investment	**458**	449
Property development	**1,942**	2,689
Investment and others	**371**	287
	2,771	3,425
Discontinued operation		
Property agency	**447**	800
Investment and others	**5**	10
	452	810
	3,223	4,235

b) *Operating profit*

	2007 HK$ Million	2006 HK$ Million
Operating profit is arrived at:		
Continuing operations		
after charging:		
Staff costs *	**207**	150
– including contributions to defined contribution retirement schemes of HK$9 million (2006: HK$7 million)		
Cost of properties for sale sold	**1,275**	1,618
Operating lease charges: minimum lease payments		
Properties	**24**	37
Others	**–**	13
Depreciation	**11**	17
Amortisation of intangible assets	**–**	1
Loss on disposal of fixed assets	**–**	9
Auditors' remuneration		
Audit services	**4**	5
Other services	**1**	2

	2007 HK$ Million	2006 HK$ Million
and crediting:		
Rental income from operating leases less outgoings	**311**	306
Interest income	**189**	144
Dividend income from listed investments	**60**	32
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	94	4,080	4,000	12	–	8,186	8,149
Gonzaga W J Li	84	–	–	–	–	84	94
Stephen T H Ng	52	–	–	–	–	52	50
Paul Y C Tsui	52	2,102	1,169	12	–	3,335	2,647
Independent Non-executive Directors							
Alexander S K Au	69*	–	–	–	–	69	65
B M Chang	69*	–	–	–	–	69	65
Kenneth W S Ting	54*	–	–	–	–	54	50
Past Directors							
William Turnbull	63*	–	–	–	–	63	65
David J Lawrence	–	–	–	–	–	–	6,505
	537	6,182	5,169	24	–	11,912	17,690
Total for 2006	538	10,106	6,993	53	–	–	17,690

* *Includes Audit Committee Member's fee in a total amount of HK$48,479 (2006: HK$45,000) receivable by relevant Directors.*

d) *Five highest paid employees*

Set out below are analyses of the emoluments (excluding amounts paid or payable by way of commissions on sales generated by the employees concerned) for the year ended 31 March 2007 of four employees (2006: three) of the Group who, not being Directors of the Company, were among the top five highest paid individuals (including persons who held the office of Directors of the Company at any time during the year as well as other employees of the Group) employed by the Group.

(i) Aggregate emoluments

	2007 HK$ Million	2006 HK$ Million
Basic salaries, housing and other allowances, and benefits in kind	16	11
Deemed profit on share option exercise	–	–
Pension scheme contributions	–	1
Discretionary bonuses and/or performance-related bonuses	49	–
Compensation for loss of office/inducement for joining the Group	–	3
	65	15

(ii) Bandings

	2007 Number	2006 Number
Bands (in HK$)		
$3,500,001 – $4,000,000	–	1
$4,000,001 – $4,500,000	1	1
$6,500,001 – $7,000,000	–	1
$8,000,001 – $8,500,000	1	–
$8,500,001 – $9,000,000	1	–
$43,500,001 – $44,000,000	1	–
	4	3

3. OTHER NET INCOME

	2007 HK$ Million	2006 HK$ Million
Continuing operations		
Net profit on disposal of available-for-sale investments *	**61**	240
Net profit on disposal of investment properties	**119**	98
Deferred profit realised	**18**	6
Exchange (loss)/gain and others	**(12)**	34
	186	378
Discontinued operation		
Net profit on disposal of available-for-sale investments *	**–**	22
Exchange (loss)/gain and others	**(1)**	1
	(1)	23
	185	401

* *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$193 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 and overdrafts	**254**	235
Other loans repayable within 5 years	**25**	13
Other borrowing costs	**16**	13
	295	261
Less: Amount capitalised	**(81)**	(43)
	214	218
Discontinued operation		
Interest on bank loans and overdrafts	**1**	1
	215	219

The Group's effective borrowing interest rate for the year was approximately 4.2% (2006: 3.4%) per annum.

6. 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.

b) Other overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.

c) Taxation in the consolidated profit and loss account represents:

	2007 HK$ Million	2006 HK$ Million
Continuing operations		
Current tax		
Hong Kong profits tax	**98**	35
Overseas taxation	**53**	29
Over provision in prior years	**(5)**	(23)
	146	41
Deferred tax (Note 22)		
Change in fair value of investment properties	**71**	619
Reversal on disposal of investment properties	**(68)**	(15)
Effect of change in tax rate	**(1)**	–
Origination and reversal of temporary differences	**(8)**	27
Benefit of previously unrecognised tax losses now recognised	**(9)**	–
	(15)	631
	131	672
Discontinued operation (Note 7)		
Current tax		
Overseas taxation	**22**	29
Under provision in prior years	**3**	2
Income tax on gain on disposal of subsidiaries	**122**	–
	147	31
Deferred tax (Note 22)		
Origination and reversal of temporary differences	**(2)**	(1)
	145	30
	276	702

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.

d) Reconciliation between the actual total tax charge and profit before taxation at applicable tax rates

	2007 **HK$ Million**	2006 HK$ Million
Profit before taxation (including profit from a discontinued operation)	**7,441**	12,119
Notional tax on accounting profit calculated at applicable tax rates	**1,254**	2,156
Notional tax on share of profits of associates	**(942)**	(1,202)
Tax effect of non-deductible expenses	**52**	34
Tax effect of non-taxable revenue	**(64)**	(163)
Tax effect of unused tax losses not recognised	**2**	6
Tax effect of prior year's tax losses utilised this year	**(14)**	(108)
Over provision in prior years	**(2)**	(21)
Effect of change in tax rate	**(1)**	–
Benefit of previously unrecognised tax losses now recognised	**(9)**	–
Actual total tax charge	**276**	702
Tax charge attributable to a discontinued operation	**(145)**	(30)
Tax charge attributable to continuing operations	**131**	672

e) None of the current tax payable in the consolidated balance sheet is expected to be settled after more than one year.

f) Share of associates' tax for the year ended 31 March 2007 of HK$1,153 million (2006: HK$1,264 million) is included in the share of profits less losses of associates.

7. 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 22 August 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
Attributable to:		
Shareholders	33	10
Minority interests	25	12
	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 cash inflow/(outflow)	1,122	(283)

8. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

Profit attributable to equity shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$259 million (2006: HK$231 million).

9. DIVIDENDS

a) Dividends payable to equity shareholders of the Company attributable to the year

	2007 HK$ Million	2006 HK$ Million
Interim dividend declared and paid of 2.5 cents (2006: 2.5 cents) per share	**51**	51
Final dividend proposed after the balance sheet date of 10.0 cents (2006: 10.0 cents) per share	**203**	203
	254	254

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

b) Dividends payable to equity shareholders of the Company 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 10.0 cents (2006: 8.5 cents) per share	**203**	173

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to ordinary equity shareholders of the Company for the year of HK$6,310 million (2006: HK$10,316 million) and 2,032 million ordinary shares in issue throughout the year ended 31 March 2007 and the previous year.

Profit for the year is analysed as follows:

	2007 HK$ Million	2006 HK$ Million
Attributable to:		
Continuing operations	**6,009**	10,306
Discontinued operation	**301**	10
	6,310	10,316

11. FIXED ASSETS

Group 2007	Investment properties HK$ Million	Property under construction HK$ Million	Other properties HK$ Million	Other fixed assets HK$ Million	Total HK$ Million
Cost or valuation					
At 1 April 2006	**8,560**	**–**	**53**	**79**	**8,692**
Exchange differences	**161**	**–**	**8**	**7**	**176**
Additions	**45**	**–**	**86**	**24**	**155**
Transfer from development properties	**–**	**560**	**–**	**–**	**560**
Disposals					
Others	**(745)**	**–**	**–**	**(9)**	**(754)**
Through disposal of subsidiaries	**–**	**–**	**(62)**	**(75)**	**(137)**
Revaluation surplus	**380**	**–**	**–**	**–**	**380**
At 31 March 2007	**8,401**	**560**	**85**	**26**	**9,072**
Accumulated depreciation					
At 1 April 2006	**–**	**–**	**–**	**27**	**27**
Exchange differences	**–**	**–**	**–**	**2**	**2**
Charge for the year	**–**	**–**	**1**	**10**	**11**
Written back on disposals					
Others	**–**	**–**	**–**	**(3)**	**(3)**
Through disposal of subsidiaries	**–**	**–**	**–**	**(23)**	**(23)**
At 31 March 2007	**–**	**–**	**1**	**13**	**14**
Net book value					
At 31 March 2007	**8,401**	**560**	**84**	**13**	**9,058**
2006					
Cost or valuation					
At 1 April 2005	5,314	–	–	25	5,339
Exchange differences	(12)	–	(1)	(5)	(18)
Additions					
Through acquisition of subsidiaries	–	–	–	44	44
Others	18	–	54	28	100
Disposals	(189)	–	–	(13)	(202)
Revaluation surplus	3,429	–	–	–	3,429
At 31 March 2006	8,560	–	53	79	8,692
Accumulated depreciation					
At 1 April 2005	–	–	–	13	13
Charge for the year	–	–	–	17	17
Written back on disposals	–	–	–	(3)	(3)
At 31 March 2006	–	–	–	27	27
Net book value					
At 31 March 2006	8,560	–	53	52	8,665

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	**8,401**	**–**	**–**	**–**	**8,401**
At cost	**–**	**560**	**85**	**26**	**671**
	8,401	**560**	**85**	**26**	**9,072**
Balance at 31 March 2006					
2006 valuation	8,560	–	–	–	8,560
At cost	–	–	53	79	132
	8,560	–	53	79	8,692

b) Tenure of title to properties:

	2007 HK$ Million	2006 HK$ Million
Investment properties		
Held in Hong Kong		
Long lease	**5,816**	5,907
Held outside Hong Kong		
Freehold	**–**	493
Long lease	**2,585**	2,160
	8,401	8,560
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 respectively, 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 or deficit arising on revaluation is recognised directly in the consolidated profit and loss account in accordance with the Group's accounting policies.

d) The gross amount of investment properties of the Group held for use in operating leases was HK$8,401 million (2006: HK$8,560 million).

e) The Group leases out properties under operating leases, which generally run for an initial period of one to seven 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	**302**	247
After 1 year but within 5 years	**300**	247
After 5 years	**99**	2
	701	496

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.

12. INTEREST IN SUBSIDIARIES

	Company	
	2007	2006
	HK$ Million	HK$ Million
Unlisted shares, at cost	**3,495**	3,495
Amounts due from subsidiaries	**2,178**	2,960
Amounts due to subsidiaries	**(1,181)**	(1,967)
	4,492	4,488

Details of principal subsidiaries at 31 March 2007 are shown on pages 105 and 106.

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

13. GOODWILL AND OTHER INTANGIBLE ASSETS

Group	**Goodwill on consolidation HK$ Million**	**Trade name HK$ Million**	**Customer relationships HK$ Million**	**Total HK$ Million**
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	**–**	**–**	**–**	**–**

Group	Goodwill on consolidation HK$ Million	Trade name HK$ Million	Customer relationships HK$ Million	Total HK$ Million
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 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.

14. INTEREST IN ASSOCIATES

	Group 2007 HK$ Million	2006 HK$ Million (restated)
Share of net assets	**37,654**	32,776
Amounts due from associates	**82**	122
Amounts due to associates (Note b)	**(319)**	(886)
	37,417	32,012

a) *Analysis of the cost of investments of the above:*

	2007 HK$ Million	2006 HK$ Million
Shares listed in Hong Kong	**11,443**	11,443
Unlisted shares	**–**	5
	11,443	11,448
Market value of listed shares	**35,450**	34,839

b) Included in the amounts due to associates is a loan of HK$308 million (2006: HK$882 million) contributed by an associate in proportion to its equity interest in the Bellagio project. The loan bears interest at rates as determined by the shareholders of the property holding company with reference to the prevailing market rates which were between 4.4% to 5.0% (2006: 4.7% to 4.9%) per annum for the current financial year. Interest expenses in respect of the loan from 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.

c) *Summary financial information on associates*

	2007 Total HK$ Million	2007 Attributable interest HK$ Million	2006 Total HK$ Million	2006 Attributable interest HK$ Million
Balance Sheets				
Assets	**119,817**	**59,726**	105,204	52,363
Liabilities	**(44,267)**	**(22,072)**	(39,300)	(19,587)
Equity	**75,550**	**37,654**	65,904	32,776
Profit and Loss Accounts				
Revenue	**13,802**	**6,765**	13,804	6,433
Profit before taxation	**13,229**	**6,524**	16,565	8,135
Income tax	**(2,338)**	**(1,153)**	(2,567)	(1,264)
Profit after taxation	**10,891**	**5,371**	13,998	6,871

d) The Group has equity accounted for the results and net assets of The Wharf (Holdings) Limited ("Wharf"), the Group's significant listed associate, based on its audited financial statements for the year ended 31 December 2006. Extracts of Wharf's audited consolidated profit and loss account and balance sheet are shown on page 107.

e) Details of principal associates at 31 March 2007 are shown on page 106.

15. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2007	2006
	HK$ Million	HK$ Million
Equity securities, at market value		
Listed in Hong Kong	**76**	69
Listed outside Hong Kong	**4,084**	2,111
	4,160	2,180
Unlisted investments	**7**	7
	4,167	2,187

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.

16. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

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

a) Properties under development for sale and properties held for sale in the amount of HK$230 million (2006: HK$785 million) were carried at net realisable value.

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) Properties under development for sale in the amount of HK$179 million (2006: HK$2,386 million) temporarily held for use in operating leases, which run for a period of one to two years with no option to renew upon expiry.

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 term leases	**639**	1,297
	1,537	2,196
Held outside Hong Kong		
Freehold	**6,201**	5,005
	7,738	7,201

18. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of impairment losses for bad and doubtful debts) with an ageing analysis as at 31 March 2007 as follows:

	Group 2007 HK$ Million	2006 HK$ Million
Current	**137**	567
31 – 60 days	**2**	8
61 – 90 days	**1**	7
Over 90 days	**1**	23
	141	605
Other receivables	**400**	485
	541	1,090

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

19. BANK BALANCES AND DEPOSITS

Included in bank balances and deposits is an amount of HK$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.

20. 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	**266**	230
31 – 60 days	**61**	70
61 – 90 days	**97**	126
Over 90 days	**206**	316
	630	742
Other payables	**362**	406
	992	1,148

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

21. LOANS

	Group 2007 HK$ Million	Group 2006 HK$ Million
Secured bank loans		
Repayable within 1 year	**515**	–
Repayable after 1 year, but within 2 years	**–**	1,211
Repayable after 2 years, but within 5 years	**1,950**	402
	2,465	1,613
Unsecured bank loans		
Repayable within 1 year	**500**	1,976
Repayable after 1 year, but within 2 years	**600**	576
Repayable after 2 years, but within 5 years	**1,571**	2,789
	2,671	5,341
	5,136	6,954
Secured bonds (Note)	**–**	251
Total loans	**5,136**	7,205
Less: Amounts repayable within 1 year	**(1,015)**	(1,976)
Total long-term loans	**4,121**	5,229

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.

22. DEFERRED TAX

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

	Revaluation of investment properties HK$ Million	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	103	–	59	–	(27)	135
Charged to the profit and loss account	604	–	2	–	24	630
Charged to reserves	–	–	–	23	–	23
Through acquisition of subsidiaries	–	–	–	41	(2)	39
Balance at 31 March/ 1 April 2006	**707**	**–**	**61**	**64**	**(5)**	**827**
Exchange differences	**–**	**–**	**3**	**5**	**–**	**8**
Charged/(credited) to the profit and loss account	**2**	**–**	**–**	**–**	**(19)**	**(17)**
Charged to reserves	**–**	**280**	**–**	**–**	**–**	**280**
Through disposal of subsidiaries	**–**	**–**	**–**	**(69)**	**5**	**(64)**
Balance at 31 March 2007	**709**	**280**	**64**	**–**	**(19)**	**1,034**

b) Deferred tax assets unrecognised

The Group has not accounted for deferred tax assets in respect of cumulative tax losses of HK$703 million (2006: HK$685 million) and certain deductible temporary differences of HK$29 million (2006: HK$109 million), with details below.

	Group	
	2007 HK$ Million	2006 HK$ Million
Deductible temporary differences	**5**	22
Future benefits of tax losses	**123**	120
	128	142

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

23. DEFERRED ITEMS

Included in deferred items are deferred profits of HK$425 million (2006: HK$443 million).

Deferred profits represent unrealised profits resulting from transactions between the Group and its associates. The deferred profits will be released to the consolidated profit and loss account when the relevant assets are sold to third parties.

24. SHARE CAPITAL

	2007 No. of shares Million	2006 No. of shares Million	**2007 HK$ Million**	2006 HK$ Million
Authorised				
Ordinary shares of HK$0.50 each	**2,800**	2,800	**1,400**	1,400
Issued and fully paid				
Ordinary shares of HK$0.50 each	**2,032**	2,032	**1,016**	1,016

25. TOTAL EQUITY

	Share capital HK$ Million	Share premium 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	1,016	1,914	19	502	285	16,404	20,140	5,881	26,021
Final dividend approved in respect of the previous year (Note 9b)	–	–	–	–	–	(203)	(203)	–	(203)
Dividend to minority interests	–	–	–	–	–	–	–	(144)	(144)
Revaluation surplus	–	–	–	937	–	–	937	626	1,563
Transferred to the profit and loss account on:									
Disposal of available-for-sale investments	–	–	–	(5)	–	–	(5)	(2)	(7)
Disposal of properties	–	–	–	–	(3)	–	(3)	(1)	(4)
Exchange differences	–	–	–	–	341	–	341	264	605
Disposal of subsidiaries	–	–	–	–	(26)	26	–	(6)	(6)
Transfer	–	–	–	–	4	(4)	–	–	–
Profit for the year retained	–	–	–	–	–	2,059	2,059	703	2,762
Interim dividend declared in respect of the current year (Note 9a)	–	–	–	–	–	(51)	(51)	–	(51)
Balance at 31 March 2007	1,016	1,914	19	1,434	601	18,231	23,215	7,321	30,536
Associates									
Balance at 1 April 2006									
As previously reported	–	–	–	242	52	20,553	20,847	470	21,317
Prior year adjustment for HKAS 19 (Note 30a)	–	–	–	–	–	29	29	1	30
As restated	–	–	–	242	52	20,582	20,876	471	21,347
Revaluation surplus	–	–	–	372	–	–	372	14	386
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	16	16	–	16
Transferred to the profit and loss account on disposal of available-for-sale investments	–	–	–	(1)	–	–	(1)	–	(1)
Exchange differences/others	–	–	–	–	87	–	87	4	91
Profit for the year retained	–	–	–	–	–	4,251	4,251	152	4,403
Balance at 31 March 2007	–	–	–	613	139	24,849	25,601	641	26,242
Total equity at 31 March 2007	1,016	1,914	19	2,047	740	43,080	48,816	7,962	56,778

	Share capital HK$ Million	Share premium 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 2005	1,016	1,914	19	316	211	11,896	15,372	4,927	20,299
Final dividend approved in respect of the previous year (Note 9b)	–	–	–	–	–	(173)	(173)	–	(173)
Dividend to minority interests	–	–	–	–	–	–	–	(837)	(837)
Revaluation surplus	–	–	–	273	30	–	303	124	427
Transferred to the profit and loss account on disposal of available-for-sale investments	–	–	–	(87)	–	–	(87)	(31)	(118)
Rights issue of a subsidiary attributable to minority interests	–	–	–	–	–	–	–	776	776
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(4)	(4)	(33)	(37)
Through acquisition of subsidiaries	–	–	–	–	–	–	–	3	3
Reclassification from associates	–	–	–	–	29	(3)	26	22	48
Exchange differences	–	–	–	–	15	–	15	15	30
Others	–	–	–	–	–	(3)	(3)	(1)	(4)
Profit for the year retained	–	–	–	–	–	4,742	4,742	916	5,658
Interim dividend declared in respect of the current year (Note 9a)	–	–	–	–	–	(51)	(51)	–	(51)
Balance at 31 March 2006	1,016	1,914	19	502	285	16,404	20,140	5,881	26,021
Associates									
Balance at 1 April 2005									
As previously reported	–	–	–	226	199	15,716	16,141	341	16,482
Prior year adjustments for HKAS 19 (Note 30a)	–	–	–	–	–	14	14	1	15
As restated	–	–	–	226	199	15,730	16,155	342	16,497
Revaluation surplus	–	–	–	49	–	–	49	2	51
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	15	15	–	15
Transferred to the profit and loss account on disposal of available-for-sale investments	–	–	–	(33)	–	–	(33)	(3)	(36)
Reclassification to subsidiaries	–	–	–	–	(29)	3	(26)	(22)	(48)
Reserve utilised for acquisition of interests in subsidiaries	–	–	–	–	–	(860)	(860)	(33)	(893)
Transfers	–	–	–	–	(118)	120	2	–	2
Profit for the year retained	–	–	–	–	–	5,574	5,574	185	5,759
Balance at 31 March 2006	–	–	–	242	52	20,582	20,876	471	21,347
Total equity at 31 March 2006	1,016	1,914	19	744	337	36,986	41,016	6,352	47,368

	Share capital HK$ Million	Share premium HK$ Million	Capital redemption reserve HK$ Million	Other capital reserves HK$ Million	Revenue reserves HK$ Million	Total HK$ Million
b) Company						
Shareholders' equity at 1 April 2006	**1,016**	**1,914**	**19**	**77**	**1,457**	**4,483**
Final dividend approved in respect of the previous year (Note 9b)	**–**	**–**	**–**	**–**	**(203)**	**(203)**
Profit for the year	**–**	**–**	**–**	**–**	**259**	**259**
Interim dividend declared in respect of the current year (Note 9a)	**–**	**–**	**–**	**–**	**(51)**	**(51)**
Shareholders' equity at 31 March 2007	**1,016**	**1,914**	**19**	**77**	**1,462**	**4,488**
Shareholders' equity at 1 April 2005	1,016	1,914	19	77	1,450	4,476
Final dividend approved in respect of the previous year (Note 9b)	–	–	–	–	(173)	(173)
Profit for the year	–	–	–	–	231	231
Interim dividend declared in respect of the current year (Note 9a)	–	–	–	–	(51)	(51)
Shareholders' equity at 31 March 2006	1,016	1,914	19	77	1,457	4,483

Reserves of the Company available for distribution to shareholders at 31 March 2007 amounted to HK$1,462 million (2006: HK$1,457 million). The application of the share premium account and the capital redemption reserve account are governed by section 48B and section 49H of the Hong Kong Companies Ordinance respectively. 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 into Singapore Dollars, Japanese Yen and Pounds Sterling. Interest rates on borrowings are determined based on prevailing market rates. The Group does not use derivative financial instruments to hedge interest rate risks.

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

	2007			2006		
Group	**Effective interest rates %**	**Within 1 year HK$ Million**	**After 1 year but within 5 years HK$ Million**	Effective interest rates %	Within 1 year HK$ Million	After 1 year but within 5 years HK$ Million
Financial assets						
Bank balances and deposits	**2.4 – 5.2**	**6,466**	**–**	1.5 – 4.7	4,518	–
Financial liabilities						
Bank loans						
Secured	**3.3 – 4.0**	**(2,465)**	**–**	4.0 – 4.3	(1,613)	–
Unsecured	**3.8 – 4.6**	**(2,671)**	**–**	0.6 – 5.0	(5,341)	–
Secured bonds	**–**	**–**	**–**	1.14	–	(251)
		(5,136)	**–**		(6,954)	(251)
Total		**1,330**	**–**		(2,436)	(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 Dollars, Renminbi, Japanese Yen and Pounds 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 is centralised at the Group level. The non-wholly-owned subsidiaries are responsible for their own cash management, including the short term investment of cash surpluses with creditworthy financial institutions and the raising of loans to cover expected cash demands, in accordance with the established policies and strategies with the concurrence by the Company. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

d) *Credit risk*

The Group's credit risk is primarily attributable to rental, other trade and service receivables. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies in each of its core businesses. 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. Unlisted investments for which fair values cannot be reliably measured are stated at cost.

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

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

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2007 and 31 March 2006. Amounts due from/(to) subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. Given these terms, it is not meaningful to disclose fair values.

27. CONTINGENT LIABILITIES

	Group		Company	
	2007 HK$ Million	2006 HK$ Million	**2007 HK$ Million**	2006 HK$ Million
Guarantee given in respect of banking facilities available to subsidiaries	**–**	–	**5,270**	6,170

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

a) Acquisition of and future development expenditure relating to properties

	Group	
	2007	2006
	HK$ Million	HK$ Million
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. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transactions during the year ended 31 March 2007:

Included in interest in associates is a loan of HK$308 million (2006: HK$882 million) contributed by an associate in proportion to its equity interest in the Bellagio property development project. The loan bears interest at a rate as determined by the shareholders of the property holding company 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 expenses in respect of the loan from 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. This transaction did not constitute a connected transaction of the Company under the Listing Rules.

30. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants 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 89 to 104 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).

a) *HKAS 19 "Employee benefits"*

In prior years, the associate of the Group in calculating its obligation in respect of a defined benefit pension scheme, if any cumulative unrecognised actuarial gain or loss exceeded 10% of the greater of the present value of the defined benefit obligation and the fair value of scheme assets, that portion was recognised in the consolidated profit and loss account over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss was not recognised.

With effect from 1 January 2006, the associate adopted retrospectively the alternative recognition policy in the amendment to HKAS 19 under which all actuarial gain or loss of all defined benefit pension schemes can be recognised outside profit or loss. As a result of this change, the Group's shareholders' equity and minority interests as at 1 April 2006 increased by HK$29 million and HK$1 million (1 April 2005: HK$14 million and HK$1 million) respectively.

b) ***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 the 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

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

b) On 1 June 2007, the Company issued an announcement in relation to its proposed acquisition of additional equity interest in The Wharf (Holdings) Limited (the "Proposed Transaction"). The Proposed Transaction required shareholders' approval from the Company which is scheduled in August 2007.

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. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 14 June 2007.

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 ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("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 the 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 the 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 management, based on prevailing market conditions. Costs of completed properties held for sale comprises 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 the 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 the 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 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 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 provisions 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 and 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 combinations 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 assets may not be recoverable. Management assesses 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 require 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.

At 31 March 2007

Subsidiaries	Place of incorporation/ operation	Issued & fully paid up share capital (all being ordinary shares except otherwise stated)	Percentage of equity attributable to the Group	Principal activities
Actbilt Pte Limited	Singapore	1,000,000 S$1 shares	56	Property
Belgravia Properties Pte. Ltd.	Singapore	1,000,000 S$1 shares	56	Property
Bestbilt Pte. Ltd.	Singapore	1,000,000 S$1 shares	56	Property
Botanica Pte. Ltd.	Singapore	1,000,000 S$1 shares	56	Property
Everbilt Developers Pte Ltd	Singapore	160,000,000 S$1 shares	56	Property
Harriman Property Management Limited	Hong Kong	198 HK$100 shares	100	Property management
Harriman Leasing Limited	Hong Kong	100,049 HK$10 shares 50 non-voting HK$10 shares	50 100	Letting agent
Janeworth Company Limited	Hong Kong	550,000,000 HK$1 shares	74	Property
Kowloon Properties Company Limited	Hong Kong	10,000 HK$1 shares	66	Property
Marnav Holdings Limited	Hong Kong	1,000,000 HK$1 shares	74	Property
Mer Vue Developments Pte. Ltd.	Singapore	1,000,000 S$1 shares	56	Property
NART Finance Limited	Hong Kong	3 HK$10 shares	74	Finance
Nassim Developments Pte. Ltd.	Singapore	2 S$1 shares	56	Investment
Pizzicato Limited	Hong Kong	2 HK$10 shares	74	Property
Realty Development Corporation Limited	Hong Kong	1,151,389,640 HK$0.2 shares	74	Holding company
Ridge Limited	Hong Kong	2 HK$1 shares	100	Property
Salisburgh Company Limited	Hong Kong	2 HK$1 shares	74	Property
Samover Company Limited	Hong Kong	2 HK$1 shares	74	Property

At 31 March 2007

Subsidiaries	Place of incorporation/ operation	Issued & fully paid up share capital (all being ordinary shares except otherwise stated)	Percentage of equity attributable to the Group	Principal activities
Sandsprings Limited	Hong Kong	2 HK$10 shares	74	Property
Titano Limited	Hong Kong	2 HK$1 shares	74	Property
Wheelock Corporate Services Limited (held directly)	Hong Kong	10,000,000 HK$1 shares	100	Commercial services
Wheelock Finance Limited	Hong Kong	2 HK$1 shares	100	Finance
Wheelock Properties Limited	Hong Kong	2,069,637,125 HK$0.2 shares	74	Holding company
Wheelock Properties (Singapore) Limited	Singapore	398,853,292 S$1 shares & 797,706,584 shares issued at S$0.825 per share	56	Holding company/ Property
Wheelock Properties (Hong Kong) Limited (held directly)	Hong Kong	10 HK$100 shares	100	Property services and management
Wheelock Properties (China) Limited	Hong Kong/ China	2 HK$10 shares	100	Property development in China
Wheelock Travel Limited	Hong Kong	50,000 HK$10 shares	100	Travel agency

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
Dramstar Company Limited (Note 1)	Hong Kong	100 ("B" shares)	33	Property
Grace Sign Limited (Note 1)	Hong Kong	20 (ordinary shares)	15	Property
The Wharf (Holdings) Limited	Hong Kong	49.9 (ordinary shares)	48	Holding company

Notes
1) The financial statements of these associates have been audited by a firm of accountants other than KPMG.
2) Unless otherwise stated, the subsidiaries and associates were held indirectly by the Company.
3) The above list gives the principal subsidiaries and associates of the Group which, in the opinion of the Directors, principally affect the profit and assets of the Group.
4) All associates are corporate entities.

THE WHARF (HOLDINGS) LIMITED

Accounts for the year ended 31 December 2006

Consolidated Profit and Loss Account	**Year ended 31/12/2006 HK$ Million**	Year ended 31/12/2005 HK$ Million
Turnover	**13,364**	12,543
Group profit attributable to shareholders	**10,757**	13,888
Dividends attributable to the year	**1,958**	1,958

Consolidated Balance Sheet	**31/12/2006 HK$ Million**	31/12/2005 HK$ Million (restated)
Fixed assets	**102,198**	90,658
Goodwill and other intangible assets	**306**	297
Associates	**781**	1,638
Jointly controlled entity	**788**	896
Available-for-sale investments	**2,921**	1,677
Long-term receivables	**371**	410
Programming library	**186**	143
Defined benefit pension scheme assets	**230**	150
Deferred tax assets	**429**	468
Derivative financial assets	**17**	54
Current assets	**11,050**	8,101
Current liabilities	**(9,986)**	(9,873)
Long-term loans	**(16,003)**	(14,155)
Deferred tax liabilities	**(13,116)**	(11,672)
Other deferred liabilities	**(254)**	(263)
Derivative financial liabilities	**–**	(3)
	79,918	68,526
Capital and reserves		
Share capital	**2,448**	2,448
Reserves	**72,714**	62,926
Shareholders' equity	**75,162**	65,374
Minority interests	**4,756**	3,152
	79,918	68,526

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						
Crawford House, 70 Queen's Road Central, Central	IL7 R.P. & IL45 Sec.A R.P.	2842	189,200	100	1977	Office & shops
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	74	1984	Office
Fitfort, Basement – 3/F, Healthy Gardens Podium, 560 King's Road, North Point	IL 3546	2086	125,400 & 353 car parks	74	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	74	1960s & 70s	Shops
Wheelock Place, 501 Orchard Road, Singapore	–	2089	465,000	56	1993	Office & shopping arcade
Other properties held for own use						
34 Grosvenor Square, London, England	–	2057	5,900	56	–	Office

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	74	2009	Residential	Foundation work in progress
2 Heung Yip Road, Wong Chuk Hang, Aberdeen	AIL 374	49,000	735,000	74	2009	Industrial/ Office	Demolition completed
The Sea View, Amber Close, Singapore	–	381,803	796,100 (all units pre-sold)	56	2007	Residential	Superstructure in progress
The Cosmopolitan, 390 Kim Seng Road, Singapore	–	112,862	316,000 (all units pre-sold)	56	2007	Residential	Superstructure in progress
Orchard View, 29 Anguilla Park, Singapore	–	29,078	89,600	56	2008	Residential	Superstructure in progress
Ardmore II, 1 & 2 Ardmore Park, Singapore	–	89,630	238,700 (224,600 s.f. pre-sold)	56	2009	Residential	Foundation work in progress
Scotts Square, 6 Scotts Road, Singapore	–	71,145	373,300	56	2010	Residential & Commercial	Demolition in progress
Ardmore III, 3 Ardmore Park, Singapore	–	54,981	169,300	56	2011	Residential	Planning

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
Completed properties for sale							
Various units of Bellagio, 33 Castle Peak Road, Sham Tseng	Lot No. 269 R.P. in DD 390	566,090	224,400	74	–	Residential	Completed
Various units of World Tech Centre, 95 How Ming Street, Kwun Tong	KTIL 195 R.P.	37,341	52,800	74	–	Industrial	Completed
Various units of My Loft, 9 Hoi Wing Road, Tuen Mun	TMTL 379	40,946	29,500	74	–	Godown	Completed
4/F South Seas Centre, Tower 1, 75 Mody Road, Tsimshatsui	KIL 10549	–	14,500	74	–	Office	Completed
12/F Wing On Plaza, 62 Mody Road, Tsimshatsui	KIL 10586	–	19,900	74	–	Office	Completed
Various units of Parc Palais, 18 Wylie Road, King's Park, Homantin	KIL 11118	387,569	50,700	15	–	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.

HK$ Million Financial year ended 31 March	2003 (restated)	2004	2005 (restated)	2006 (restated)	2007
Consolidated Profit and Loss Account					
Turnover	9,868	7,116	4,521	4,235	**3,223**
Group profit attributable to shareholders	64	2,303	4,167	10,316	**6,310**
Prior year adjustments (Notes 1 & 2)	(29)	–	4,170	–	**–**
Restated amount	35	2,303	8,337	10,316	**6,310**
Dividends attributable to the year	152	183	224	254	**254**
Consolidated Balance Sheet					
Fixed assets	3,886	4,011	5,326	8,665	**9,058**
Goodwill and other intangible assets	–	–	–	306	**–**
Interest in associates (Notes 1 to 3)	20,488	24,528	26,562	32,012	**37,417**
Available-for-sale investments	753	1,167	1,488	2,187	**4,167**
Deferred debtors	385	496	371	231	**127**
Current assets (Note 2)	16,490	10,677	15,008	14,777	**16,609**
Current liabilities	(5,192)	(3,830)	(4,072)	(4,311)	**(5,020)**
Long-term loans	(10,036)	(5,864)	(7,415)	(5,229)	**(4,121)**
Deferred tax (Notes 1 & 2)	(54)	(72)	(135)	(827)	**(1,034)**
Deferred items	(517)	(476)	(467)	(443)	**(425)**
	26,203	30,637	36,666	47,368	**56,778**
Share capital	1,016	1,016	1,016	1,016	**1,016**
Reserves (Notes 1 to 3)	21,774	25,528	30,419	40,000	**47,800**
Shareholders' equity	22,790	26,544	31,435	41,016	**48,816**
Minority interests (Notes 1 to 3)	3,413	4,093	5,231	6,352	**7,962**
Total equity	26,203	30,637	36,666	47,368	**56,778**

Notes:
Pursuant to the adoption of the Hong Kong Accounting Standard 19 ("HKAS 19") "Employee benefits – Actuarial gains and losses, group plans and disclosures" in 2007, all applicable 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 (revised) 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 10 to the 2006 financial statements. Figures for 2004 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefit to shareholders.
3) These figures for the year 2006 have been restated pursuant to the adoption of HKAS 19 by the Group's associate as explained in note 30 to the 2007 financial statements. Figures for 2005 and prior years have not been restated as it would involve delay and expenses out of proportion to the benefit to shareholders.

A Chinese version of this Annual Report is available from the Company upon request.
如有需要，可向本公司索取本年報之中文版本。

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