# WINSOR PROPERTIES HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability

# 南 聯 地 產 控 股 有 限 公 司

開曼群島註冊成立之有限公司

Stock Code 股份代號：1036

## Annual Report 2006 - 2007

## 二零零六-二零零七年報

**WINSOR PROPERTIES HOLDINGS LIMITED**
*(Incorporated under the laws of the Cayman Islands with limited liability)*

**南聯地產控股有限公司**
*(根據開曼群島法例註冊成立之有限公司)*

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**WINSOR PROPERTIES HOLDINGS LIMITED**
*(Incorporated under the laws of the Cayman Islands with limited liability)*

# Corporate Information

## Board of Directors

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|---|---|
| CHENG Wai Chee, Christopher, GBS, JP ☆# | *Chairman* |
| CHOW Wai Wai, John | *Managing Director* |
| Lord SANDBERG, CBE ★ | |
| Christopher Patrick LANGLEY, OBE ★ | |
| HO Fook Hong, Ferdinand ★ | |
| LO Ka Shui, GBS, JP ★ | |
| Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP ★ | |
| CHENG Wai Sun, Edward, SBS, JP ☆# | |
| TANG Ming Chien, Manning ☆ | |
| LAM Woon Bun | |
| CHEN CHOU Mei Mei, Vivien | |
| CHUNG Hon Sing, John | |

★ *Independent Non-Executive Director*
☆ *Non-Executive Director*
# *Alternate: AU Hing Lun, Dennis*

## Audit Committee

| | |
|---|---|
| Christopher Patrick LANGLEY, OBE | *Chairman* |
| HO Fook Hong, Ferdinand | |
| CHENG Wai Chee, Christopher, GBS, JP # | |

# *Alternate: AU Hing Lun, Dennis*

## Remuneration Committee

| | |
|---|---|
| Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP | *Chairman* |
| Christopher Patrick LANGLEY, OBE | |
| CHOW Wai Wai, John | |

## Nomination Committee

| | |
|---|---|
| LO Ka Shui, GBS, JP | *Chairman* |
| Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP ▲ | |
| CHENG Wai Chee, Christopher, GBS, JP | |

▲ *Alternate: Christopher Patrick LANGLEY, OBE*

## Company Secretary and Group Legal Counsel

TAM Chong Cheong, Aaron

## Auditor

PricewaterhouseCoopers

## Solicitors

Knight & Ho

## Bankers

The Hongkong and Shanghai Banking Corporation Limited

## Registered Office

P. O. Box 309, Ugland House, South Church Street,
George Town, Grand Cayman, Cayman Islands.

## Principal Place of Business

2nd Floor, East Ocean Centre, 98 Granville Road,
Tsimshatsui East, Kowloon, Hong Kong.
Telephone: (852) 2731 1777
Fax: (852) 2810 1199
Website: http://www.winsorprop.com

## Hong Kong Share Registrars and Transfer Office

Computershare Hong Kong Investor Services Limited,
46th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong.
Telephone: (852) 2862 8628
Fax: (852) 2529 6087
Website: http://www.computershare.com

# Directors' Profile

## Executive Directors:

**Mr. CHOW Wai Wai, John**, aged 58, was appointed Director of the Company in October 1996 and appointed Managing Director of the Company in August 2001. He is also a member of the Remuneration Committee of the Board of Directors and a director of certain subsidiaries of the Company. He graduated with a Bachelor of Arts (Economics) degree from the University of British Columbia. He is also a non-executive director of Dah Sing Financial Holdings Limited and ARA Trust Management (Suntec) Limited (Manager of the Singapore-listed Suntec Real Estate Investment Trust). He has over 30 years of experience in the property, textile and clothing businesses, and has served as Chairman of the Hong Kong Garment Manufacturers Association and a member of the Textile Advisory Board of the Hong Kong Government. He is the brother of the late Mr. Chow Wei Lin.

**Mr. LAM Woon Bun,** aged 56, was appointed Director of the Company in September 1996. He is also a director of certain subsidiaries of the Company. He graduated with a Bachelor of Social Sciences degree from the University of Hong Kong and is a fellow of The Hong Kong Institute of Chartered Secretaries and of the Institute of Chartered Secretaries and Administrators. He has over 30 years of experience in accounting and finance.

**Mrs. CHEN CHOU Mei Mei, Vivien,** aged 58, was appointed Director of the Company in October 1996. She is also a director of certain subsidiaries of the Company. She graduated with a Bachelor of Arts degree from the University of Colorado in the US and has over 30 years' experience in investments, in particular, property related investments. She is also a director of a number of companies in Hong Kong and abroad.

**Mr. CHUNG Hon Sing, John,** aged 66, was appointed Director of the Company in October 1996. He is also a director of certain subsidiaries of the Company. He graduated from the University of Hong Kong with a Bachelor of Arts degree and later from the Michigan State University in the US with a Master degree in Business Administration. Mr. Chung has been involved in property development in both Hong Kong and Mainland China since the 1970's.

**Mr. CHOW Wei Lin,** joined the Group in 1996 and was appointed Director of the Company in August 2001. He was responsible for the Group's leasing and estate management operations in Hong Kong. He was the brother of Mr. Chow Wai Wai, John. Mr. Chow passed away on 27 February 2007 at the age of 41.

## Independent Non-Executive Directors:

**Lord SANDBERG,** CBE, aged 80, was appointed Independent Non-Executive Director of the Company in October 1996. He is a former Chairman of The Hongkong and Shanghai Banking Corporation Limited and has served as a member of the Executive Council of the Hong Kong Government and on various public bodies in Hong Kong. He also holds directorships in a number of listed and public companies in Hong Kong and the US.

**Mr. Christopher Patrick LANGLEY,** OBE, aged 62, was appointed Independent Non-Executive Director of the Company in October 1996. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee of the Board of Directors of the Company. Mr. Langley was an Executive Director of The Hongkong and Shanghai Banking Corporation Limited and holds directorships in several listed companies in Hong Kong.

**Mr. HO Fook Hong, Ferdinand,** aged 59, was appointed Independent Non-Executive Director of the Company in December 1998. He is also a member of the Audit Committee of the Board of Directors of the Company. He holds a Bachelor of Science degree and a Master of Business Administration degree from the University of Hong Kong and has been admitted as a solicitor in Hong Kong, England and Wales and Singapore.

**Dr. LO Ka Shui,** GBS, JP, aged 60, was appointed Independent Non-Executive Director of the Company in January 2003. He is also the Chairman of the Nomination Committee of the Board of Directors of the Company. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited, the non-executive Chairman of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust) and a non-executive director of The Hongkong and Shanghai Banking Corporation Limited, Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited and China Mobile Limited and some other publicly listed companies in Hong Kong. He is also a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research and a Board Member of the Airport Authority. Dr. Lo graduated with a Bachelor of Science degree from McGill University and a M.D. degree from Cornell University. He is certified in cardiology. He has more than 27 years' experience in property and hotel development and investment both in Hong Kong and overseas.

# Directors' Profile *(continued)*

**Mr. Haider Hatam Tyebjee BARMA,** GBS, CBE, ISO, JP, aged 63, was appointed Independent Non-Executive Director of the Company in May 2005. He is also the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Board of Directors of the Company. He graduated with a Bachelor of Arts degree from the University of Hong Kong and worked in the Government of Hong Kong for 30 years. After retiring from the civil service in 1996, he has served as Chairman of the Public Service Commission from August 1996 to April 2005 and now he is the Chief Executive Officer of The Hong Kong Research Institute of Textiles and Apparel.

## Non-Executive Directors:

**Mr. CHENG Wai Chee, Christopher,** GBS, JP, aged 59, was appointed Non-Executive Director of the Company in May 1997 and appointed Chairman in August 2001. He is also a member of the Audit Committee and the Nomination Committee of the Board of Directors of the Company. He is the Chairman of USI Holdings Limited and an independent non-executive director of several listed and unlisted companies including NWS Holdings Limited, New World China Land Limited, PICC Property and Casualty Company Limited, DBS Group Holdings Limited, and Temasek Foundation CLG Limited. Mr. Cheng plays an active role in public service, particularly noteworthy are his efforts in promoting the development of Hong Kong as an international trade, commercial and financial center. He currently serves as a non-executive director on the Board of the Hong Kong Securities and Futures Commission and a member of the Exchange Fund Advisory Committee. He is a former Chairman of the Hong Kong General Chamber of Commerce. Mr. Cheng has a keen interest in management of the public service. He is the Chairman of the Standing Committee on Judicial Salaries and Conditions of Service. As a long-serving former member of the Public Service Commission, he provided advice to the Government on the formulation of human resources management policies and practices for the civil service. Mr. Cheng is also a Steward of the Hong Kong Jockey Club and a Council member of the University of Hong Kong. Mr. Cheng holds a BBA degree from the University of Notre Dame, Indiana, USA, and a MBA degree from Columbia University, New York. Mr. Cheng is a brother of Mr. Cheng Wai Sun, Edward.

**Mr. CHENG Wai Sun, Edward,** SBS, JP, aged 52, was appointed Non-Executive Director of the Company in December 1999. He is the Deputy Chairman and Chief Executive of USI Holdings Limited, a listed company in Hong Kong and an independent non-executive director of Television Broadcasts Limited. Mr. Cheng has a master degree from Oxford University. He was admitted as a solicitor in England and Wales as well as in Hong Kong. Mr. Cheng is a member of the Hong Kong SAR Government's Steering Committee on Innovation & Technology, the Advisory Committee on Corruption of the Independent Commission Against Corruption, the Council of the Hong Kong Polytechnic University and the Council of the City University of Hong Kong. Mr. Cheng is a brother of Mr. Cheng Wai Chee, Christopher.

**Mr. AU Hing Lun, Dennis,** aged 47, was appointed alternate to Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward in December 1998 and December 1999 respectively. He is an Executive Director of USI Holdings Limited, a listed company in Hong Kong. Mr. Au holds a Master of Business Administration and a Bachelor of Science degrees. He is also a fellow of The Association of Chartered Certified Accountants.

**Mr. TANG Ming Chien, Manning,** aged 56, was appointed Non-Executive Director of the Company in August 2001. He also serves as an executive director of Winsor Industrial Corporation, Limited since December 1996. He graduated with a Master degree in Fibre Science and Technology from Leeds University in U. K. and has over 20 years of experience in the woollen knitwear business.

# Chairman's Statement

Investments by the Group over the past few years in property development joint ventures are now reaping profit, starting from the recognition of the profit attributable to the Group's 10% interest in *The Grandville* luxury residential development in Shatin which was completed in July 2006. The initial profit from *The Grandville* recognised by the Group was HK$147.9 million after tax, a healthy supplement to the Group's results for the year ended 31 March 2007 in which sales of investment properties by the Group did not rival the sales in the prior year and the special distributions received from Suntec City Development Pte. Ltd., Singapore in the prior year was also not repeated.

The Group's revenue for the year ended 31 March 2007 was HK$304.1 million, as compared to HK$933.2 million for the previous year. The decrease was mainly attributable to the sale of the lower portion of Global Gateway (Hong Kong) in Tsuen Wan for HK$750 million on 31 August 2005 and the rental income of the said property for the 5 months then ended.

In the preceding year, the Group changed certain accounting policies to comply with the Hong Kong Financial Reporting Standards and the increase in fair value of investment properties as at 31 March 2006 in the sum of HK$672.5 million was recognised as a gain in the Group's income statement. The Group's investment properties continued to report an increase in fair value, but the gain was reduced to HK$608.3 million this year. Investment properties held by an associated company also reported a fair value increase this year. Profit for the year attributable to shareholders of the Company after taking such fair value gains and the related deferred taxation into account was therefore HK$803.6 million, a small decrease of 1.6% compared to HK$816.6 million for the previous year. Earnings per share for this year was HK$3.09, compared to HK$3.14 for the previous year. The profit components are quite different for the two years in comparison and are analysed below.

## BUSINESS REVIEW

### Sale of Properties

The 9th floor of Office Tower 2 in Suntec City, Singapore with a gross floor area of about 17,100 sq.ft. and certain units at the Regent Centre in Kwai Chung, Hong Kong with an aggregate gross floor area of about 44,300 sq.ft. were sold during this year. These sales generated revenue of HK$152.5 million and a segment profit of HK$32.4 million.

In comparison, sale of the lower portion of Global Gateway (Hong Kong) in Tsuen Wan, Hong Kong and other units at the Regent Centre aggregating about 593,000 sq.ft. in gross floor area in the previous year resulted in revenue of HK$772.1 million, and a segment profit of HK$93.6 million.

### Rental and Property Management

Revenue and segment profit (excluding the increase in fair value of investment properties) of the rental and property management segment for the year were HK$116.0 million and HK$87.1 million respectively. The corresponding revenue and segment profit for the previous year in the respective sums of HK$129.6 million and HK$93.3 million included contribution from the lower portion of Global Gateway (Hong Kong) for 5 months before it was sold at the end of August 2005. Segregating this effect, the revenue and segment profit of this segment have improved by 9.3% and 16.6% respectively year on year. As at 31 March 2007, the overall occupancy rate of the Group's investment properties was 95.1%.

### Warehousing

Both the Group's warehousing operation in Hong Kong and the cold storage operation in Shekou reported satisfactory results this year. The combined revenue was HK$35.6 million, an improvement of 13.2%, and segment result improved by 29.2% to HK$7.8 million.

### Investments

The segment profit for the year of the Group's investment activities was HK$13.3 million, compared to HK$78.7 million for the previous year. The special dividends aggregating HK$72.4 million recognised in the preceding year in respect of the Group's 5.14% interest in Suntec City Development Pte. Ltd., Singapore were not repeated. On the other hand, unit distribution of the Suntec REIT has been improving continuously and the Group further increased its holding therein by 8 million units in October 2006 to about 31.5 million units. Total income received from the Group's investment in the Suntec REIT therefore increased from HK$7.0 million to HK$8.4 million this year. Investments under the Group's treasury activities also contributed realized and unrealized gains aggregating HK$5.0 million in this year.

### Valuation of investment properties

The aggregate professional valuation of the Group's investment properties at 31 March 2007 was HK$4,665.3 million, of which about 70% was attributable to the office development at 102 How Ming Street, Kowloon East now known as *Landmark East*. The resulting total valuation increase of HK$608.3 million and the related deferred taxation in the sum of HK$106.5 million have been recognised in the Group's income statement in accordance with Hong Kong Accounting Standard 40. The comparable amounts recognised in the preceding year were higher at HK$672.5 million and HK$117.7 million respectively.

**Finance income and finance costs**

The Group has been maintaining a net cash surplus since the end of August 2005. Finance income (not including interest income on loans to related parties) less finance costs of the Group this year was a net income of HK$19.2 million, compared to a net income of HK$10.3 million for the previous year. In respect of interest rate swap contracts held by the Group, fair value loss and realized loss aggregating HK$5.6 million were charged to the income statement for this year.

The Group also earned interest income on loans to associated companies and an investee company. The income recognised during the year was HK$13.7 million, compared to HK$8.7 million for the previous year.

**Contribution of Associated Companies**

For this year, the Group's share of profits less losses after tax of the associated companies was a profit of HK$173.8 million, compared to the Group's share of profit of HK$1.0 million for the previous year. The Group's share of profit in this year was mainly contributed by the 20% owned Universal Plus Ltd. through which the Group's 10% interest in *The Grandville* development is held. The remaining increase is mainly attributable to the Group's share of the fair value (net of tax) of investment properties held by an associated company.

**Change in Group Structure**

Apart from the acquisition of two shelf companies in Hong Kong to serve as the Group's investment vehicles for future projects, there were no other changes to the Group's structure during this year.

## PROJECT PROGRESS

**"Landmark East", Hong Kong**

This twin-tower office development will provide about 1.2 million sq.ft. of grade A office space upon its scheduled completion in the second half of the year 2008. Construction of the super-structure has reached the 11th floor as at the date of this statement. It is the Group's intention to hold the developed property for rental income upon completion. Marketing was launched in March 2007.

**"The Grandville", Hong Kong**

The Group has a 10% indirect interest in this luxurious residential development at No. 2 Lok Kwai Path, Shatin. The certificate of compliance for this project was issued in July 2006. Recognition of profit on those units sold by 31 March 2007 has been stated above. Those units remaining unsold as at 31 March 2007 and having an aggregate gross floor area of about 27,000 sq.ft. have all been sold in April 2007.

**No. 157 Argyle Street, Hong Kong**

The Group has a 20% interest in this residential development located in Kowloon's traditional luxury residential area. After extensive negotiations, the joint venture company accepted Government's revised offer of the premium for a lease modification in January 2007 to allow a high-rise residential development providing a total gross floor area of about 90,000 sq.ft. Project financing is in place, and site planning and building approval submissions are underway.

**Nos. 314-324 Hennessy Road, Hong Kong**

The Group has a 30% interest in this commercial/office building with a total gross floor area of about 114,000 sq.ft. The joint venture company is renovating the building to create a new landmark in the area providing both grade A office and upscale retail space. Renovation is expected to be completed towards the end of 2007.

**"Draycott 8", Singapore**

The Group has a 15% interest in this prime residential development having a total saleable floor area of about 334,000 sq.ft. over 136 units, each having a saleable floor area ranging from 1,200 sq.ft. to 4,200 sq.ft. approximately. The development was fully sold by May 2007. The profit from this development project is better than expected and the Group is expecting to recognize profit in the coming year depending on the distributions actually received from the joint venture company.

**"Kovan Melody", Singapore**

The Group has a 12% indirect interest in this condominium apartment development with a total saleable floor area of about 957,000 sq.ft. The development was also fully sold by May 2007. Profit attributable to the Group will be recognised according to completion of the relevant sale and purchase contracts commencing from April 2007.

**Former "Belle Vue" site, Singapore**

The Group has a 30% interest in this luxury residential development at the former *Belle Vue* site at 15-23 Oxley Walk, Singapore, having a site area of about 244,000 sq.ft. and a maximum allowable gross floor area of about 341,000 sq.ft. Building approval submissions are in progress and completion is now scheduled for the first half of the year 2010.

## EMPLOYEES

As at 31 March 2007, the Group employed a total of 194 employees of which 54 were based in Mainland China. Most of the employees in Hong Kong are engaged in estate management. All eligible employees in Hong Kong are enrolled to a defined contribution mandatory provident fund scheme. Other benefits are awarded at the discretion of the Group. Staff training is provided as and when required.

## FINANCIAL REVIEW

All the Group's financing and treasury operations are centrally managed and controlled at the corporate level.

### Liquidity

During this year, investment returns exceeded investment outlays and the Group's liquidity and financial position have been further strengthened. As at 31 March 2007, the Group carried a net cash surplus of HK$465.8 million, after netting off total debts of HK$135.8 million from the bank balances and cash of HK$601.6 million. As part of the Group's treasury operations, the Group also carried short term investments with a fair value of HK$35.7 million as at 31 March 2007. In comparison, the Group held a net cash surplus of HK$354.8 million and did not hold any short term investments as at 31March 2006.

### Bank Borrowings

The term loan having an outstanding balance of HK$39.5 million as at 31 March 2006 was repaid in full during the year upon sale of the 9th floor of Office Tower 2 in Suntec City, Singapore. Total bank borrowings as at 31 March 2007 comprised a small overdraft balance and an amount of HK$100.4 million drawn down by that date under the construction loan facility for the *Landmark East* development.

The Group's bank borrowings and other unutilized banking facilities are secured by certain investment properties and listed securities with a total carrying amount of HK$4,684.3 million as at 31 March 2007. Interest of the bank borrowings is calculated on a floating rate basis. Interest rate swap contracts for an aggregate notional principal amount of HK$1,050 million were in effect as at 31 March 2007. Apart from a contract for HK$50 million carried forward from prior years, the other contracts were all forward-start contracts expiring in years 2014 and 2015 entered into during this year in respect of the projected borrowings for the construction costs of *Landmark East*. According to Hong Kong Financial Reporting Standards, these contracts are carried as derivative financial instruments at fair value in the Group's balance sheet. The net carrying amount as at 31 March 2007 was HK$4.0 million under current liabilities, and a net expense of HK$5.6 million was charged to the Group's income statement for this year.

### Other Borrowings

he Group also carried other long term loans amounting to HK$35.3 million at 31 March 2007, being unsecured interest-free loans with no fixed terms of repayment from minority shareholders of two subsidiaries. A sum of HK$70,000 was repaid during the year.

### Capital Commitments

The Group's capital commitments in respect of investment properties amounted to HK$1,429.2 million as at 31 March 2007 and were all in relation to the *Landmark East* development.

The Group's capital commitments in respect of investments in associated companies aggregated HK$679.0 million as at 31 March 2007. Such amount was calculated as the Group's attributable share of the acquisition costs and development costs committed by the relevant associated companies in relation to the *157 Argyle Street*, *Nos. 314-324 Hennessy Road* and the former *Belle Vue* site projects respectively, less amounts already paid by the Group. Since these associated companies have all arranged bank facilities to finance those parts of the said costs not funded by their shareholders, it is not expected that the Group will be called up on these capital commitments to any significant extent during the subsistence of the bank facilities.

### Financial Guarantees

The face value of financial guarantees issued by the Group as at 31 March 2007 amounted to HK$651.5 million, being the aggregate amount of guarantees, completion undertakings and indemnities provided by the Group on a several basis and in proportion to the Group's respective equity interest to secure bank facilities granted towards the *Nos. 314-324 Hennessy Road*, *Kovan Melody* and the former *Belle Vue* site projects. In April 2007, financial guarantees to the extent of HK$116.4 million were also issued by the Group in respect of bank facilities granted to the *157 Argyle Street* project.

## OUTLOOK

Sale of investment properties by the Group is initiated by interested buyers and can not be predicted. There have been no sales for the coming year to date. Supported by the economic outlook, the results of the Group's rental segment in the coming year should at least be maintained. Results of the cold storage operation in Shekou may be adversely affected by the recent food shortage in the Mainland. The remaining contribution from *The Grandville* and returns from *Draycott 8* and *Kovan Melody* in the coming year, together, should match the initial contribution from *The Grandville* recognised in this year. *Nos. 314-324 Hennessy Road* is also expected to provide income as from the year 2008. Although presale of the former *Belle Vue* site redevelopment is expected to commence in the coming year, its contribution, as well as the contribution from *No. 157 Argyle Street*, will only be recognised upon delivery of the completed units to purchasers.

While focusing resources on the *Landmark East* development, the Group is continuing its search for investment opportunities both in and outside Hong Kong. With the oncoming completion of the *Landmark East* and in view of its asset size and income base, the Group is in a position to widen its investment criteria. Barring unforeseen circumstances, the Directors are cautiously optimistic in respect of the Group's prospects.

## DIVIDEND

The Directors have recommended a final dividend of HK$0.30 per share for the year ended 31 March 2007, compared with HK$0.19 per share for the previous year. Subject to approval of the Annual General Meeting to be held on 23 August 2007, total dividend for the year ended 31 March 2007 will amount to HK$0.40 per share, compared with HK$0.28 per share for the previous year. The final dividend will be payable on 5 September 2007 to all shareholders on register as at 23 August 2007.

## TRIBUTE

Mr. Ho Fook Hong, Ferdinand has served as Independent Non-Executive Director and a member of the Audit Committee of the Board of Directors of the Company since December 1998. He will not stand for re-election after retiring at the Annual General Meeting of the Company to be held on 23 August 2007. The Board is most grateful to Mr. Ho for his invaluable service and wise counsel and wishes him happy retirement.

The Board also wishes to record its thanks to the Group's management and staff for their contribution in the year under review, and looks forward to their continued efforts in the year ahead.

**Cheng Wai Chee, Christopher**
Chairman

Hong Kong, 19 July 2007

# Report of the Directors

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 March 2007.

## Principal Activities

The principal activity of the Company is investment holding. The names, particulars and principal activities of its subsidiaries and associated companies are set out on pages 57 to 58.

## Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 22.

An analysis of the Group's revenue, results, assets and liabilities by business and geographical segments is set out in note 5 to the financial statements.

A summary of the results and of the assets and liabilities of the Group for the last 5 years is set out on page 61.

An interim dividend of HK$0.10 per share, totalling HK$25,969,000, was paid on 8 February 2007. The Directors have recommended a final dividend of HK$0.30 per share, totalling HK$77,905,000, payable on 5 September 2007.

## Pre-emptive Rights

No pre-emptive rights exist in the Cayman Islands being the jurisdiction in which the Company was incorporated.

## Share Capital

There was no movement in the share capital of the Company during the year.

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

## Distributable Reserves

Under the Cayman Islands Companies Law, contributed surplus is distributable. Accordingly, total distributable reserves of the Company as at 31 March 2007 amounted to HK$3,175,192,000 *(2006: HK$2,758,702,000)*.

## Donations

Charitable and other donations made by the Group during the year amounted to HK$1,055,000 *(2006: HK$55,000)*.

## Property, Plant and Equipment and Investment Properties

Movements in property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements respectively.

## Principal Properties

Details of the principal properties held by the Group are set out on page 59.

## Management Contracts

No contracts concerning the management and administration of the Company were entered into or existed during the year.

## Directors

The Board of Directors as now constituted is listed on page 2. The brief biographical details of the Directors are set out on pages 3 to 4.

Mr. Chow Wei Lin passed away on 27 February 2007.

Lord Sandberg, Mr. Ho Fook Hong, Ferdinand, Mr. Haider Hatam Tyebjee Barma and Mrs. Chen Chou Mei Mei, Vivien retire by rotation under the provisions of Article 116 at the forthcoming annual general meeting. Due to personal commitments, Mr. Ho Fook Hong, Ferdinand will not stand for re-election. All the other retiring Directors, being eligible, offer themselves for re-election.

None of the Directors has a service contract with the Company.

## Directors' Interests in Contracts

Save and except as disclosed in the section "Connected Transactions", no contracts of significance in relation to the Group's businesses to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# Report of the Directors *(continued)*

## Directors' Interests in Equity or Debt Securities

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

The interests of the Directors at 31 March 2007 in the issued share capital of the Company as recorded in the register kept under section 352 of the Securities and Futures Ordinance ("SFO") are set out below :-

| | Nature of interests and capacity in which interests are held | | | | | |
|---|---|---|---|---|---|---|
| **Name of Director** | **Interests held as beneficial owner** | **Interests held by spouse** | **Interests held by controlled corporation** | **Other Interests** | **Total number of ordinary shares held** | **Percentage of issued share capital** |
| Mr. Cheng Wai Chee, Christopher *(Note)* | — | 27,000 | — | 71,790,500 | 71,817,500 | 27.66% |
| Mr. Chow Wai Wai, John | 3,713,000 | — | — | — | 3,713,000 | 1.43% |
| Mr. Cheng Wai Sun, Edward *(Note)* | — | — | — | 71,790,500 | 71,790,500 | 27.65% |
| Mr. Tang Ming Chien, Manning | 600,000 | — | — | — | 600,000 | 0.23% |
| Mr. Lam Woon Bun | 50,000 | 10,000 | — | — | 60,000 | 0.02% |
| Mrs. Chen Chou Mei Mei, Vivien | 70,000 | — | — | — | 70,000 | 0.03% |

*Note:*

*Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward are both beneficiaries of a family trust, the assets of which include indirect interests in 71,790,500 shares in the Company in which Wing Tai Holdings Limited ("Wing Tai") is deemed to be interested, as set out in Note 1 to the section "Substantial shareholders".*

Save as disclosed herein, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) at 31 March 2007.

## Directors' Interests in Competing Businesses

Set out below is information disclosed pursuant to rule 8.10(2) of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"):-

Three Executive Directors, namely Mr. Chow Wai Wai, John, Mr. Lam Woon Bun and Mr. Chung Hon Sing, John and a Non-Executive Director, namely Mr. Tang Ming Chien, Manning, being also directors of Winsor Industrial Corporation, Limited ("WICL") and/or its subsidiaries, are considered as interested in WICL under rule 8.10(2) of the Listing Rules.

Ownership of certain car parking spaces in Kwun Tong for letting by a subsidiary of WICL constitutes competing business to the Group. In view of the Group's experience and expertise in industrial property (inclusive of car parking spaces) letting and management, the WICL subsidiary has appointed a subsidiary of the Company as agent for letting of the said car parking spaces.

Since the WICL Group car parking spaces are targeted at different customers and/or are situated in a different area compared to the Group's own car parking spaces, the Group considers that its interest in the business of owning and letting of car parking spaces is adequately safeguarded.

Two Non-Executive Directors, namely Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, and their alternate director, Mr. Au Hing Lun, Dennis, being also executive directors of USI Holdings Limited ("USI") and having equity interests therein, are considered as having interests in USI under rule 8.10(2) of the Listing Rules.

The letting of industrial buildings by USI constitutes competing business to the Group. As Non-Executive Directors, Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward are not participating in the routine business of letting of industrial buildings by the Group, neither is their alternate, Mr. Au Hing Lun, Dennis.

USI is a company listed in Hong Kong with an independent management team and administration which are separate from those of the Group and the properties let by USI and the Group are targeting at different customer bases and different market segments. In this respect, coupled with the diligence of the Company's Independent Non-Executive Directors and the members of its Audit Committee, the Group is capable of carrying on its businesses at arm's length and independently of such competing business.

Although the disclosure requirements under rule 8.10(2) of the Listing Rules do not apply to Independent Non-Executive Directors, Dr. Lo Ka Shui nevertheless decided to disclose for the sake of transparency that, being the Chairman and Managing Director of Great Eagle Holdings Limited ("GEHL") and having equity interests therein, he is considered as having interests in GEHL under rule 8.10(2) of the Listing Rules. Businesses of GEHL consist of property and hotel investments and in this respect constitute potential competing businesses to the Group.

GEHL is a company listed in Hong Kong with an independent management team and administration which are separate from those of the Group and the properties let and managed by GEHL and the Group are targeting at different customer bases and different market segments. In this respect, coupled with the diligence of its other Independent Non-Executive Directors and the members of its Audit Committee, the Group is capable of carrying on its businesses at arm's length and independently of such competing businesses.

## Share Options

The Company adopted a 10 year share option scheme ("the Scheme") by resolutions of shareholders passed on 11 October 1996 for the purpose of providing incentives to employees. No option has been granted by the Company under the Scheme since its adoption.

The Scheme has expired on 10 October 2006. The Directors do not have a present plan for the granting of share options and will seek shareholders' approval of a new scheme when the need arises.

## Substantial Shareholders

Apart from the interests of the Directors in the issued share capital of the Company as disclosed in the section "**Directors' Interests in Equity or Debt Securities**", the register kept under section 336 of the SFO shows that at 31 March 2007 the Company has been notified of the following interests in the issued share capital of the Company:-

| Name of substantial shareholder | | Nature of interests and capacity in which interests are held: Interests held as beneficial owner | Interests held by spouse | Interests held by controlled corporation | Total number of ordinary shares held | Percentage of issued share capital |
|---|---|---|---|---|---|---|
| Crossbrook Group Limited | | 71,790,500 | — | — | 71,790,500 | 27.65% |
| Wing Tai Holdings Limited | *(Note 1)* | — | — | 71,790,500 | 71,790,500 | 27.65% |
| Mr. Chou Wen Hsien | *(Notes 2 & 3)* | 10,233,875 | 2,736,088 | 26,968,000 | 39,937,963 | 15.38% |
| Mrs. Chou Yim Wan Chun, Ina | *(Note 3)* | 2,736,088 | 37,201,875 | — | 39,937,963 | 15.38% |
| Mr. Chow Chung Kai | *(Notes 2 & 4)* | 12,864,665 | 9,000 | 26,968,000 | 39,841,665 | 15.34% |
| Mrs. Chow Yu Yue Chen | *(Note 4)* | 9,000 | 39,832,665 | — | 39,841,665 | 15.34% |
| Twin Dragon Investments Limited | | 41,900,887 | — | — | 41,900,887 | 16.14% |
| USI Holdings (B.V.I.) Limited | *(Note 5)* | — | — | 41,991,387 | 41,991,387 | 16.17% |
| USI Holdings Limited | *(Note 5)* | — | — | 41,991,387 | 41,991,387 | 16.17% |
| Gala Land Investment Co. Limited | | 26,968,000 | — | — | 26,968,000 | 10.38% |
| Farnham Group Limited | *(Note 2)* | — | — | 26,968,000 | 26,968,000 | 10.38% |

*Notes:*

*(1) Crossbrook Group Limited is a wholly-owned subsidiary of Wing Tai. Under Part XV of the SFO, Wing Tai is deemed to be interested in all the shares in the Company beneficially owned by Crossbrook Group Limited.*

*(2) Gala Land Investment Co. Limited is a wholly-owned subsidiary of Farnham Group Limited ("Farnham"). Mr. Chou Wen Hsien and Mr. Chow Chung Kai are each entitled to exercise 50% of the voting power at general meetings of Farnham. Under Part XV of the SFO, each of Farnham, Mr. Chou Wen Hsien and Mr. Chow Chung Kai are deemed to be interested in all the shares in the Company beneficially owned by Gala Land Investment Co. Limited.*

*(3) Under Part XV of the SFO, Mr. Chou Wen Hsien is deemed to be interested in all the shares in the Company in which Mrs. Chou Yim Wan Chun, Ina, his spouse, is interested and vice versa.*

*(4) Under Part XV of the SFO, Mr. Chow Chung Kai is deemed to be interested in all the shares in the Company in which Mrs. Chow Yu Yue Chen, his spouse, is interested and vice versa.*

*(5) As regards these 41,991,387 shares in the Company, 41,900,887 shares are beneficially owned by Twin Dragon Investments Limited and the remaining 90,500 shares are beneficially owned by Shui Hing Textiles International Limited. Both corporations are wholly-owned subsidiaries of USI Holdings (B.V.I.) Limited which in turn is a wholly-owned subsidiary of USI. Under Part XV of the SFO, USI Holdings (B.V.I.) Limited is deemed to be interested in all the shares in the Company beneficially owned by Twin Dragon Investments Limited and Shui Hing Textiles International Limited, and USI is deemed to be interested in all the shares in the Company in which USI Holdings (B.V.I.) Limited is interested.*

Save as disclosed herein, as at 31 March 2007 the Company had not been notified by any person of any interests or short positions in the shares or underlying shares of the Company which are notifiable to the Company under Divisions 2 and 3 of Part XV of the SFO.

## Sufficiency of Public Float

Based on information that was publicly available to the Company and within the knowledge of the Directors, about 19.27% of the Company's issued shares were in public hands as at 13 July 2007. The Company has applied to the Stock Exchange for a temporary waiver from strict compliance with the "public float" requirement under Listing Rule 8.08(1)(a) for a period of 3 months commencing 16 July 2007.

## Connected Transactions

The following is a summary of the Group's connected transactions (as defined in the Listing Rules) during the year : –

(a) During the year WICL was an associate (within the meaning of the Listing Rules) of 2 substantial shareholders of the Company and therefore a connected person of the Company under the Listing Rules.

Rental and storage income and selling and leasing agency fees received from, rental expenses paid to, and sharing of administrative expenses with the WICL Group on normal commercial terms in the ordinary and usual course of the Group's business during the year constituted continuing connected transactions and are exempted under rule 14A.33 of the Listing Rules for being *de minimis* transactions.

Mr. Chow Wai Wai, John, Mr. Lam Woon Bun and Mr. Chung Hon Sing, John, Executive Directors, and Mr. Tang Ming Chien, Manning, a Non-Executive Director, are also directors of WICL and/or its subsidiaries.

(b) During the year USI was deemed a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules.

On 18 April 2002, Allied Effort Limited ("AEL"), a wholly-owned subsidiary of the Company, and USI Properties International Limited, a wholly-owned subsidiary of USI, formed a 20:80 joint venture company in the name of Universal Plus Limited ("UPL") for the sole purpose of investing in 50% of the issued share capital of Landyork Investment Limited ("Landyork"). The other 50% of the issued share capital of Landyork is held by an independent third party.

Landyork is the developer of the residential development known as *The Granville* at No. 2 Lok Kwai Path, Sha Tin, New Territories, Hong Kong. Using the sale proceeds of *The Granville*, Landyork has advanced its surplus cash to its shareholders free of interest on a proportionate basis. In turn, UPL has advanced its surplus cash to its shareholders free of interest on a proportionate basis. During the year, an aggregate sum of about HK$40.5 million was advanced by UPL to AEL accordingly.

Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, Non-Executive Directors, and their alternate director, Mr. Au Hing Lun, Dennis, are also executive directors of USI.

(c) During the year Wing Tai was deemed a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules.

On 21 June 2002, Winprop Pte. Ltd. ("Winprop"), a wholly-owned subsidiary of the Company, entered into a subscription agreement with Winworth Investment Pte Ltd ("Winworth"), Singapore pursuant to which Winprop subscribed for 15% of the enlarged share capital of Winworth and advanced a sum of S$30 million to Winworth. The other 85% of the issued share capital of Winworth is held by Wing Tai Land Pte. Ltd. ("WTL"), a wholly-owned subsidiary of Wing Tai. On 26 June 2002, Winprop and WTL entered into a joint venture agreement to regulate, amongst other things, their relationship as shareholders of Winworth. For a nominal consideration Winprop also acquired from WTL a portion of the loan previously advanced by WTL to Winworth such that the loans owing by Winworth to Winprop and WTL respectively are always in the proportion of 15:85.

Winworth is the developer of the residential development known as *Draycott 8* at Draycott Drive, Singapore. During the year, an aggregate sum of about HK$156.2 million, being loan repayment and interest payment, was received by Winprop from Winworth.

Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, Non-Executive Directors, are both beneficiaries of a family trust, the assets of which included indirect interests in 38.81% of Wing Tai's issued share capital.

# Report of the Directors *(continued)*

Mr. Christopher Patrick Langley, an Independent Non-Executive Director, was also an independent non-executive director of Wing Tai before he retired from that position on 26 October 2006.

(d) On 20 November 2003, Winprop, WTL and Kosheen Investments Limited, a wholly-owned subsidiary of USI, formed a 20:60:20 joint venture company in the name of Winwill Investment Pte Ltd ("Winwill"). Winwill is an investment vehicle and its sole business is to invest in 60% of the issued share capital of Winhome Investment Pte Ltd ("Winhome"). The other 2 shareholders of Winhome each holding 20% of Winhome's issued share capital are independent third parties.

Winhome is the developer of the residential development known as *Kovan Melody* at Flower Road/Kovan Road, Singapore. Loans advanced by Winprop to Winhome through Winwill in previous years were in proportion to Winprop's effective interest in Winhome. During the year, interest receivable by Winprop from Winhome through Winwill amounted to about HK$2.1 million.

(e) Winsor Estate Management Limited ("WEML"), a wholly-owned subsidiary of the Company, acted as estate manager of two properties owned by the USI Group during the period from 1 April 2006 to 16 June 2006 and of one property for the rest of the financial year. Such services provided on normal commercial terms in the ordinary and usual course of WEML's business constituted continuing connected transactions and are exempted under rule 14A.33 of the Listing Rules for being *de minimis* transactions.

(f) On 3 December 2004, Begin Land Limited ("BLL"), a wholly-owned subsidiary of the Company, appointed USI Property Management Limited ("USIPML"), a wholly-owned subsidiary of USI, as the project manager of BLL's office development at 102 How Ming Street, Kwun Tong, Hong Kong now known as *Landmark East*. The term of USIPML's appointment is estimated to be for a period of approximately 70 months commencing on 1 December 2004, and the total fee payable by BLL to USIPML is estimated to be about HK$7.9 million of which HK$1.8 million was paid during the year.

(g) On 14 March 2005, the Company and USI entered into a memorandum of agreement whereby the Company and USI agreed to form a 20:80 joint venture in the name of Pangold Development Limited ("Pangold") for the investment in and development of the property situated at No. 157 Argyle Street, Kowloon, Hong Kong.

The Company nominated AEL to hold the Group's 20% interest in Pangold and a shareholder's agreement of Pangold was entered into on 14 July 2005. During the year, an aggregate sum of about HK$0.8 million was advanced by AEL to Pangold and interest receivable by AEL from Pangold amounted to about HK$2.5 million.

(h) On 30 September 2005, the Company and USI entered into a memorandum of agreement whereby the Company and USI agreed to form a 30:70 joint venture in the name of Winnion Limited ("Winnion") in respect of the property situated at Nos. 314-324 Hennessy Road, Wanchai, Hong Kong.

The Company nominated AEL to hold the Group's 30% interest in Winnion and a shareholder's agreement of Winnion was entered into on 28 November 2005. During the year, an aggregate sum of about HK$103.7 million was repaid by Winnion to AEL proportionately using bank borrowings and interest receivable by AEL from Winnion amounted to about HK$4.2 million.

(i) On 20 December 2005, Winprop and WTL entered into a memorandum of agreement whereby Winprop and WTL agreed to form a 30:70 joint venture in the name of Winquest Investment Pte. Ltd. ("Winquest") in respect of the residential development at the former *Belle Vue* site at 15-23 Oxley Walk, Singapore.

WTL subsequently sold 10% of Winquest to an independent third party, and a shareholders' agreement of Winquest was entered into on 28 February 2006. During the year, an aggregate sum of about HK$124.5 million was advanced by Winprop to Winquest and interest receivable by Winprop from Winquest amounted to about HK$4.4 million.

## Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

## Major Customers and Suppliers

The percentages of the Group's sales for the year attributable to major customers are as follows:

| | |
|---|---|
| Percentage of sales attributable to the Group's largest customer | 30.59% |
| Percentage of sales attributable to the Group's five largest customers | 47.27% |

The largest customer disclosed above is a real estate investment trust listed in Singapore and the underlying sale was in respect of a property in Singapore. Mr. Chow Wai Wai, John, an Executive Director of the Company, is interested in 0.14% of the issued units of that real estate investment trust. Saved as disclosed herein, none of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in the customers disclosed above.

During the year, less than 30% of the Group's purchases was attributable to its five largest suppliers.

## Auditor

The financial statements have been audited by PricewaterhouseCoopers who offer themselves for re-appointment at a fee to be agreed.

On behalf of the Board

**CHENG Wai Chee, Christopher**
*Chairman*

Hong Kong, 19 July 2007

# Corporate Governance Report

## Compliance with the Code on Corporate Governance Practices

The Company is committed to maintaining a high standard of corporate governance in the conduct of its business. The Company has observed the principles and complied with all code provisions and, to the extent possible having regard to circumstances pertaining to the Company, the recommended best practices of the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout the year ended 31 March 2007.

## Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ( "Model Code") as its own code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors and received confirmation from all Directors that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

## Board of Directors

The Board of Directors of the Company ("the Board") is responsible for determining the overall strategies and policies and approving the business plan of the Group, and ensuring the Group's business operations are properly planned, authorised, undertaken and monitored. The implementation of strategies and policies and day-to-day operations of the Group's business are delegated to the management led by the Managing Director. All policy matters of the Group, material transactions or transactions where there is conflict of interests are reserved for the Board's decision. The principal functions of the Board are:

- to determine the overall objectives, strategies, policies and business plan of the Group;
- to monitor and control operating and financial performance;
- to approve major funding, investment and divestment proposals;
- to oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- to approve the nominations of directors and appointment of key personnel; and
- to assume responsibility for corporate governance.

**Board Composition:** The Board as now constituted comprises 4 Executive Directors, 3 Non-Executive Directors and 5 Independent Non-Executive Directors. The names and biographical details of the Directors, and the relationship (if any) among them, are set out on pages 3 to 4 of the Annual Report.

In accordance with rule 3.13 of the Listing Rules, each of the Independent Non-Executive Directors had confirmed his independence with the Stock Exchange and has provided an annual confirmation of his independence to the Company. The Company considers that all the existing Independent Non-Executive Directors are independent.

**Board Meetings:** Regular meetings are scheduled in advance to facilitate the maximum attendance. 5 Board meetings were held during the year ended 31 March 2007 and the attendance of each Director is set out in the section "Attendance to Meetings" of this report.

## Chairman and Chief Executive Officer

Mr. Cheng Wai Chee, Christopher is the Non-Executive Chairman of the Board. Mr. Chow Wai Wai, John, Managing Director, is the Chief Executive Officer of the Group. Their roles are segregated.

The Chairman of the Board is responsible for :

- providing leadership for the Board;
- ensuring that the Board functions effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely and constructive manner;
- ensuring the provision of adequate information, which must be complete and reliable, to Directors in a timely manner;
- ensuring that good corporate governance practices and procedures are established;
- facilitating the effective contribution of Non-Executive Directors and ensure constructive relations between Executive and Non-Executive Directors; and
- ensuring effective communication with shareholders.

The Chief Executive Officer is responsible, under delegated authority from the Board, for the day-to-day management and running of the Group's business and implementation of the strategies and policies set by the Board.

## Non-Executive Directors

All Non-Executive Directors, including Independent Non-Executive Directors, are appointed for an initial term expiring at the first annual general meeting of the Company after their respective appointment. In accordance with the Articles of Association of the Company, they shall then be eligible for re-election, and thereafter are subject to retirement by rotation at least once in every three years.

## Remuneration of Directors

Details of the remuneration of Directors are set out in note 9(b) to the audited financial statements for the year ended 31 March 2007.

**Principles of Remuneration Policy:** The major principles of the Group's remuneration policy are:

- no individual is involved in determining his own remuneration;
- remuneration should align with those offered for comparable position by comparable companies of similar size and business scope in the market; and
- remuneration should reflect work complexity, time commitment, responsibility and performance (both financial and qualitative) with a view to attracting, motivating and retaining high performing individuals.

**Directors' Fees:** The Directors' Fees of both Executive and Non-Executive Directors are recommended by the management, reviewed by the Remuneration Committee and approved by the Board on an annual basis.

**Remuneration of Executive Directors:** The structure of the remuneration of the Executive Directors is made up of base salary, performance incentive in the form of cash bonus, and retirement benefits. The specific remuneration packages and performance incentives of the Executive Directors are determined annually by the Remuneration Committee taking into consideration the competitive market position, market practice, responsibilities and individual performance of the Executive Directors, corporate goals and financial results of the Group.

**Remuneration of Board Committees:** The remuneration of the Non-Executive Directors serving on Board committees are recommended by the management and reviewed by the Remuneration Committee for approval by the Board on an annual basis. In accordance with the Articles of Association of the Company, consent of the Company in general meeting will be sought on any change to such remuneration.

**Remuneration Committee:** Pursuant to the CG Code, the Board established a Remuneration Committee with written terms of reference on 1 April 2005. The present Remuneration Committee comprises 2 Independent Non-Executive Directors, namely Mr. Haider Hatam Tyebjee Barma and Mr. Christopher Patrick Langley, and the Managing Director, Mr. Chow Wai Wai, John. Mr. Barma is the Chairman of the Remuneration Committee.

The principal duties and functions of the Remuneration Committee are:

- to make recommendations to the Board regarding the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- to determine the specific remuneration packages of all Executive Directors and senior management;
- to make recommendations to the Board of the remuneration of Non-Executive Directors; and
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The terms of references of the Remuneration Committee are posted on the website of the Company.

During the year, the Remuneration Committee held 2 meetings and:

- reviewed the discretionary payments for the year 2006 and salary adjustments for the year 2007 effected for the Group's staff and workers other than the Directors of the Company;
- reviewed and endorsed the management's proposal of maintaining the remuneration of Non-Executive Directors; and
- approved the specific remuneration packages of all Executive Directors for the year ended 31 March 2007 and their annual base pay for the year ending 31 March 2008,

it being noted that the Group's senior management comprised the Executive Directors.

The attendance of each member of the Remuneration Committee to its meetings is set out in the section "Attendance to Meetings" of this report.

## Nomination of Directors

The Board reviews its structure, size and composition from time to time to ensure that it has the balance of skills and experience and independent element appropriate for the requirement of the Group's business. All Directors newly appointed by the Board are appointed for an initial term expiring at the first annual general meeting of the Company after their respective appointment. In accordance with the Articles of Association of the Company, they shall then be eligible for re-election, and thereafter are subject to retirement by rotation at least once in every three years.

**Nomination Committee:** The Company established a Nomination Committee with written terms of reference on 29 March 2007. The present Nomination Committee comprises 2 Independent Non-Executive Directors, namely Dr. Lo Ka Shui and Mr. Haider Hatam Tyebjee Barma and 1 Non-Executive Director, Mr. Cheng Wai Chee, Christopher. Dr. Lo is the Chairman of the Nomination Committee.

The principal duties and functions of the Nomination Committee are:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board regarding any proposed changes as and when necessary;
- to identify and nominate qualified individuals to the Board for appointment as additional Directors or to fill Board vacancies as and when they arise;
- to assess the independence of Independent Non-Executive Directors; and
- to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Managing Director.

The terms of references of the Nomination Committee are posted on the website of the Company.

The first meeting of the Nomination Committee was held on 11 July 2007.

## Accountability and Audit

**Financial Reporting:** The Directors acknowledge their responsibilities for the preparation of financial statements which give a true and fair view, and to ensure that appropriate accounting policies are selected and applied consistently. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The external auditor of the Company has included a statement of its reporting responsibilities on the Group's financial statements in its Independent Auditor's Report on page 21 of the Annual Report.

**Internal Control:** The Board is responsible for maintaining sound and effective internal controls to safeguard the Group's assets. The Group's system of internal control is designed to provide reasonable assurance regarding risk management and the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting; and
- compliance with applicable laws and regulations.

During the year, the Board, through the Audit Committee, has set down the process for reviewing the effectiveness of the Group's system of internal control. The publication "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants in June 2005 was used as the main reference. The process, which is fully documented, requires the heads of each functional division of the Group to perform an annual self-assessment of the risks in the operations of their divisions and the adequacy of the control techniques and activities in place before completing an assessment checklist in respect of the 5 components of internal control:

- control environment;
- risk assessment;
- control activities;
- information and communication; and
- monitoring.

These assessments will be completed by a cascade of compliance certificates whereby non-compliances or weaknesses in the Group's internal controls, if any, will be identified and reported to the Board.

The Group's internal audit function independently reviews the effectiveness of the Group's system of internal control on a continuing basis, and aims to cover all major operations of the Group by rotation. The annual internal audit plan is approved by the Audit Committee at the beginning of each financial year, based on the Audit Committee's strategic plan and taking into account input from management. The internal audit function reports its findings and recommendations to the Audit Committee at its meetings and ensures implementation of the recommendations.

The Board is satisfied that the Group has maintained sound and effective internal controls for the year ended 31 March 2007.

**Audit Committee:** The Company established an Audit Committee with written terms of reference on 18 December 1998. The present Audit Committee comprises 2 Independent Non-Executive Directors, namely Mr. Christopher Patrick Langley and Mr. Ho Fook Hong, Ferdinand and 1 Non-Executive Director, Mr. Cheng Wai Chee, Christopher. Mr. Langley is the Chairman of the Audit Committee.

The principal duties and functions of the Audit Committee are:

- to review the Group's financial statements;
- to review the effectiveness of both the external and internal audits and of internal controls and risk evaluation;
- to consider the appointment and remuneration of the external auditor; and
- to consider external and internal audit plans and findings.

The terms of reference of the Audit Committee are posted on the website of the Company.

During the year, the Audit Committee held 4 meetings:

- to review the interim and annual financial statements and the accounting policies and practices adopted by the Group with management and the external auditor;
- to consider the independence and remuneration of the external auditor;
- to discuss the external auditor's audit plan and findings;
- to review the system of internal controls of the Group; and
- to discuss the internal auditor's audit plan and findings.

The attendance of each member of the Audit Committee to its meetings is set out in the section "Attendance to Meetings" of this report.

## Auditor's Remuneration

Remuneration in respect of audit and non-audit services provided during the year by the Company's external auditor, PricewaterhouseCoopers, is analysed as follows:

| Services rendered | Remuneration |
|---|---|
| | HK$'000 |
| Audit services | 800 |
| Non-audit services | 402 |

## Independent Board Committee

At the request of the Company, trading in the shares of the Company was suspended from 26 March 2007 to 10 April 2007 pending the release of a joint announcement by the Company and USI Holdings Limited ("USI") of a voluntary conditional securities exchange offer by USI to acquire all the issued shares in the capital of the Company (other than those already held by USI or its subsidiaries) (the "Offer").

Pursuant to Rule 2.1 of the Hong Kong Code on Takeovers and Mergers, an independent Board committee (the "IBC") was established by the Board on 29 March 2007 to make recommendation to independent shareholders of the Company in respect of the Offer. Pursuant to Code A.1.8 of the CG Code, the IBC initially comprised 4 Independent Non-Executive Directors, namely Mr. Christopher Patrick Langley, Mr. Ho Fook Hong, Ferdinand, Dr. Lo Ka Shui and Mr. Haider Hatam Tyebjee Barma. A Non-Executive Director, Mr. Tang Ming Chien, Manning was also appointed to the IBC on 10 April 2007. Mr. Langley was the Chairman of the IBC.

The IBC held a meeting in March 2007 and another meeting in May 2007. Both meetings were attended by all members of the IBC at the material time. The IBC appointed Somerley Limited as its independent financial adviser in respect of the Offer. A letter of recommendation to the independent shareholders of the Company was issued by the IBC on 21 May 2007, forming part of the composite offer and response document dated 21 May 2007 issued jointly by USI and the Company to shareholders of the Company in connection with the Offer.

## Corporate Communication

The Company maintains various communication channels with its shareholders and investors through the publication of notices and announcements in newspapers, dispatch of circulars, annual reports and interim reports to shareholders, and publication of all the above on the Stock Exchange's website at www.hkex.com.hk.

The Company's website at www.winsorprop.com also provides access for shareholders and investors to the Company's corporate, financial and other information updated from time to time.

## Voting by Poll

Separate resolutions are proposed at the general meeting on each substantially separate issue. Details of the procedures for voting by poll and the rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the notice of the general meeting.

# Corporate Governance Report *(continued)*

## Attendance to Meetings

The attendance of individual Directors to Board and Committee meetings during the year ended 31 March 2007 is set out below:

| Name of Director | Board Meetings | Remuneration Committee Meetings | Audit Committee Meetings | Independent Board Committee Meeting |
|---|---|---|---|---|
| **Executive Directors:** | | | | |
| Mr. Chow Wai Wai, John *(Managing Director)* | 5/5 | 2/2 | NA | NA |
| Mr. Lam Woon Bun | 5/5 | NA | NA | NA |
| Mrs. Chen Chou Mei Mei, Vivien | 5/5 | NA | NA | NA |
| Mr. Chung Hon Sing, John | 5/5 | NA | NA | NA |
| Mr. Chow Wei Lin *(passed away on 27 February 2007)* | 2/3 | NA | NA | NA |
| **Non-Executive Directors:** | | | | |
| Mr. Cheng Wai Chee, Christopher *(Chairman of the Board)* | 5/5 | NA | 4/4 | NA |
| Mr. Cheng Wai Sun, Edward | 5/5 | NA | NA | NA |
| Mr. Tang Ming Chien, Manning | 5/5 | NA | NA | NA |
| **Independent Non-Executive Directors:** | | | | |
| Lord Sandberg | 1/5 | NA | NA | NA |
| Mr. Christopher Patrick Langley | 5/5 | 2/2 | 4/4 | 1/1 |
| Mr. Ho Fook Hong, Ferdinand | 5/5 | NA | 4/4 | 1/1 |
| Dr. Lo Ka Shui | 5/5 | NA | NA | 1/1 |
| Mr. Haider Hatam Tyebjee Barma | 5/5 | 2/2 | NA | 1/1 |

# Independent Auditor's Report

## To the Shareholders of
## Winsor Properties Holdings Limited

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements of Winsor Properties Holdings Limited (the "Company") set out on pages 22 to 58, which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, 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 disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, 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 judgment, 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 financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2007 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 19 July 2007

# Consolidated Income Statement

For the year ended 31 March 2007

| | Note | **2007** **HK$'000** | 2006 HK$'000 |
|---|---|---|---|
| **Revenue** | *5* | **304,103** | 933,163 |
| Cost of sales | | **(167,229)** | (728,458) |
| Gross profit | | **136,874** | 204,705 |
| Other income | *5* | **23,814** | 94,617 |
| Selling expenses | | **(3,119)** | (7,616) |
| Administrative expenses | | **(34,122)** | (34,741) |
| Increase in fair value of investment properties | | **608,344** | 672,460 |
| Other gains, net | *7* | **10,051** | 5,367 |
| Other operating expenses | | **(1,444)** | (2,952) |
| | | **740,398** | 931,840 |
| Finance income | *8* | **23,451** | 14,361 |
| Finance costs | *8* | **(4,225)** | (4,033) |
| **Operating profit** | *6* | **759,624** | 942,168 |
| Share of profits less losses of associated companies | | **173,822** | 993 |
| **Profit before taxation** | | **933,446** | 943,161 |
| Taxation | *10* | **(116,689)** | (124,103) |
| **Profit for the year** | | **816,757** | 819,058 |
| **Attributable to:** | | | |
| Shareholders of the Company | *11* | **803,636** | 816,627 |
| Minority interests | | **13,121** | 2,431 |
| | | **816,757** | 819,058 |
| | | **HK$** | HK$ |
| **Earnings per share** | *12* | **3.09** | 3.14 |
| | | **HK$'000** | HK$'000 |
| **Dividends** | *13* | **103,874** | 72,712 |

The accompanying notes on pages 27 to 58 are an integral part of these financial statements.

**WINSOR PROPERTIES HOLDINGS LIMITED**
*(Incorporated under the laws of the Cayman Islands with limited liability)*

# Consolidated Balance Sheet

At 31 March 2007

| | Note | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *15* | **31,638** | 32,091 |
| Investment properties | *16* | **4,665,300** | 4,023,360 |
| Associated companies | *18* | **409,821** | 240,426 |
| Available-for-sale financial assets | *19* | **490,448** | 213,926 |
| Loans and receivables | *20* | **16** | 155,313 |
| Deferred tax assets | *29* | **1,597** | 3,191 |
| | | **5,598,820** | 4,668,307 |
| **Current assets** | | | |
| Trade and other receivables | *21* | **13,726** | 15,506 |
| Financial assets at fair value through profit or loss | *22* | **35,743** | — |
| Derivative financial instruments | *23* | **—** | 1,863 |
| Bank balances and cash | *24* | **601,627** | 429,790 |
| | | **651,096** | 447,159 |
| **Current liabilities** | | | |
| Trade and other payables and accruals | *25* | **66,687** | 35,162 |
| Derivative financial instruments | *23* | **3,983** | — |
| Bank loans and overdrafts | *26* | **171** | 2,409 |
| Tax payable | | **40,638** | 59,982 |
| | | **111,479** | 97,553 |
| **Net current assets** | | **539,617** | 349,606 |
| **Total assets less current liabilities** | | **6,138,437** | 5,017,913 |
| **Non-current liabilities** | | | |
| Long term bank loans | *27* | **100,381** | 37,154 |
| Other long term loans | *28* | **35,308** | 35,378 |
| Deferred tax liabilities | *29* | **629,475** | 524,435 |
| | | **765,164** | 596,967 |
| **Net assets** | | **5,373,273** | 4,420,946 |
| Share capital | *30* | **2,596** | 2,596 |
| Other reserves | *31* | **1,126,133** | 914,233 |
| Retained earnings | *31* | **4,152,108** | 3,452,346 |
| Proposed final dividend | *31* | **77,905** | 49,340 |
| **Equity attributable to shareholders of the Company** | | **5,358,742** | 4,418,515 |
| Minority interests | *36(b)* | **14,531** | 2,431 |
| **Total equity** | | **5,373,273** | 4,420,946 |

The accompanying notes on pages 27 to 58 are an integral part of these financial statements.

**CHENG Wai Chee, Christopher**
*Director*

**CHOW Wai Wai, John**
*Director*

*(Incorporated under the laws of the Cayman Islands with limited liability)*

# Balance Sheet

At 31 March 2007

| | Note | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|---|
| **Subsidiaries** | *17* | **3,177,844** | 2,761,274 |
| **Current assets** | | | |
| Other receivables | *21* | **240** | 226 |
| Bank balances and cash | *24* | **26** | 34 |
| | | **266** | 260 |
| **Current liabilities** | | | |
| Other payables and accruals | *25* | **322** | 236 |
| **Net current (liabilities)/assets** | | **(56)** | 24 |
| **Total assets less current liabilities** | | **3,177,788** | 2,761,298 |
| Share capital | *30* | **2,596** | 2,596 |
| Other reserves | *31* | **2,849,582** | 2,607,867 |
| Retained earnings | *31* | **247,705** | 101,495 |
| Proposed final dividend | *31* | **77,905** | 49,340 |
| **Total equity** | | **3,177,788** | 2,761,298 |

The accompanying notes on pages 27 to 58 are an integral part of these financial statements.

**CHENG Wai Chee, Christopher**
*Director*

**CHOW Wai Wai, John**
*Director*

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# Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

| | Share capital HK$'000 | Other reserves HK$'000 | Retained earnings HK$'000 | Shareholders HK$'000 | Minority interests HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 April 2006 | **2,596** | **914,233** | **3,501,686** | **4,418,515** | **2,431** | **4,420,946** |
| Exchange translation differences | **—** | **16,490** | **—** | **16,490** | **55** | **16,545** |
| Fair value gain on available-for-sale financial assets | **—** | **195,297** | **—** | **195,297** | **229** | **195,526** |
| Share of reserve of an associate | **—** | **113** | **—** | **113** | **—** | **113** |
| Net gains recognised directly in equity | **—** | **211,900** | **—** | **211,900** | **284** | **212,184** |
| | **2,596** | **1,126,133** | **3,501,686** | **4,630,415** | **2,715** | **4,633,130** |
| Profit for the year | **—** | **—** | **803,636** | **803,636** | **13,121** | **816,757** |
| Dividends paid | **—** | **—** | **(75,309)** | **(75,309)** | **(1,305)** | **(76,614)** |
| **At 31 March 2007** | **2,596** | **1,126,133** | **4,230,013** | **5,358,742** | **14,531** | **5,373,273** |
| | | | | | | |
| At 1 April 2005 | 2,596 | 1,074,835 | 2,656,078 | 3,733,509 | (20) | 3,733,489 |
| Exchange translation differences | — | 869 | — | 869 | 20 | 889 |
| Transferred upon disposal of properties for sale | — | (28,981) | 28,981 | — | — | — |
| Fair value gain on available-for-sale financial assets | — | 10,061 | — | 10,061 | — | 10,061 |
| Realised on distribution by an unlisted investment | — | (72,436) | — | (72,436) | — | (72,436) |
| Net (losses)/gains recognised directly in equity | — | (90,487) | 28,981 | (61,506) | 20 | (61,486) |
| | 2,596 | 984,348 | 2,685,059 | 3,672,003 | — | 3,672,003 |
| Profit for the year | — | — | 816,627 | 816,627 | 2,431 | 819,058 |
| Dividends paid | — | (70,115) | — | (70,115) | — | (70,115) |
| At 31 March 2006 | 2,596 | 914,233 | 3,501,686 | 4,418,515 | 2,431 | 4,420,946 |

The accompanying notes on pages 27 to 58 are an integral part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 March 2007

| | Note | 2007<br>HK$'000 | 2006<br>HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Net cash generated from operations | *36(a)* | **45,771** | 71,802 |
| Interest paid | | **(4,820)** | (5,957) |
| Purchase of tax reserve certificates | | **(16,045)** | — |
| Hong Kong profits tax paid | | **(12,650)** | (12,712) |
| Overseas tax paid | | **(704)** | (52) |
| **Net cash from operating activities** | | **11,552** | 53,081 |
| **Investing activities** | | | |
| Purchase of plant and equipment | | **(1,914)** | (2,659) |
| Development expenditure on investment properties | | **(115,295)** | (67,086) |
| Proceeds from disposal of plant and equipment, investment properties and properties for sale | | **154,071** | 768,052 |
| Interest received | | **24,578** | 13,339 |
| Dividends received | | **8,437** | 79,483 |
| Capital or loan contributions to associated companies | | **(132,455)** | (238,646) |
| Amounts repaid and advanced by associated companies | | **151,331** | 25,623 |
| Acquisitions of available-for-sale financial assets | | **(79,203)** | — |
| Loans/amounts advanced to an investee company | | **—** | (15,461) |
| Distribution by an investee company | | **—** | 24,280 |
| Loans/amounts repaid by an investee company | | **155,987** | — |
| **Net cash from investing activities** | | **165,537** | 586,925 |
| **Financing activities** | *36(b)* | | |
| New long term bank loans | | **100,381** | 295,000 |
| New short term bank loans | | **406,642** | — |
| Repayment of long term bank loans | | **(39,551)** | (509,661) |
| Repayment of short term bank loans | | **(406,642)** | — |
| Repayment of other long term loans | | **(70)** | (42) |
| Dividends paid | | **(75,309)** | (70,115) |
| Dividends paid to minority interests | | **(1,305)** | — |
| **Net cash used in financing activities** | | **(15,854)** | (284,818) |
| **Effect of foreign exchange rate changes** | | **10,443** | (1,632) |
| **Net increase in cash and cash equivalents** | | **171,678** | 353,556 |
| Cash and cash equivalents at beginning of the year | | **429,778** | 76,222 |
| **Cash and cash equivalents at end of the year** | | **601,456** | 429,778 |
| **Analysis of the balances of cash and cash equivalents** | | | |
| Bank deposits balances and cash | | **601,627** | 429,790 |
| Bank overdrafts | | **(171)** | (12) |
| | | **601,456** | 429,778 |

The accompanying notes on pages 27 to 58 are an integral part of these financial statements.

# Notes to the Financial Statements

## 1. General information

Winsor Properties Holdings Limited (the "Company") is a limited liability company incorporated under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands and the address of its principal office in Hong Kong is 2nd Floor, East Ocean Centre, 98 Granville Road, Tsimshatsui, East, Kowloon, Hong Kong.

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

These financial statements have been approved by the Board of Directors of the Company on 19 July 2007.

## 2. Basis of preparation and summary of significant accounting policies

### (a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") under the historical cost convention except that, as disclosed in the accounting policies below, investment properties, available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instruments are carried at fair values and certain buildings are carried at valuation as at 31 March 2005 (the "2005 valuation") less accumulated depreciation and impairment losses.

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

### (b) Adoption of new and revised HKFRSs

The HKICPA has issued certain new and revised HKFRSs which are mandatory for the Group's accounting periods beginning on or after 1 April 2006 (the "New HKFRSs"). Except for the change in the accounting policy in respect of financial guarantees, the adoption of the New HKFRSs in this year did not result in any significant changes to the Group's significant accounting policies and the presentation of the Group's financial statements. Details of the change in the accounting policy in respect of financial guarantees are as follows:

In prior years, financial guarantees issued by the Group or the Company were only disclosed as contingent liabilities and no provisions were made in respect of these guarantees unless it was more likely than not that the guarantees would be called upon. Upon the adoption of the Amendments to Hong Kong Accounting Standard ("HKAS") 39 and HKFRS 4 "Financial Guarantee Contracts" (the "Amendments"), financial guarantees are accounted for as financial liabilities under HKAS 39 "Financial Instruments: Recognition and Measurement" and measured initially at fair value and subsequently stated at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount of the provision, if any, that should be recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The adoption of the Amendments did not have any material impact on the Group's financial statements for the years ended 31 March 2007 and 2006.

New or revised HKFRSs and interpretations that are not yet effective

The HKICPA has also issued the following new or revised HKFRSs and interpretations which are not yet effective for the year ended 31 March 2007 and may be relevant to the Group's operations:

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| HKFRS 7 | Financial Instruments: Disclosures | 1 January 2007 |
| HKAS 1 (Amendment) | Presentation of Financial Statements: Capital Disclosures | 1 January 2007 |
| HKIFRIC-Int 8 | Scope of HKFRS 2 | 1 May 2006 |
| HKIFRIC-Int 9 | Reassessment of Embedded Derivatives | 1 June 2006 |
| HKIFRIC-Int 10 | Interim Financial Reporting and Impairment | 1 November 2006 |

**(b) Adoption of new and revised HKFRSs** *(continued)*

The Group will adopt the above new or revised HKFRSs and interpretations from 1 April 2007, but the adoption of which is not expected to have any significant financial impact on the Group's financial statements except that additional disclosures in the financial statements will be required.

**(c) Group accounting**

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

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

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

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

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

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

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

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

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

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

**(d) Property, plant and equipment**

Property, plant and equipment are stated at cost or 2005 valuation less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

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

**(d) Property, plant and equipment** *(continued)*

Effective from 1 April 2005, no further revaluations of the Group's buildings have been carried out. In accordance with paragraph 80A of HKAS 16 "Property, Plant and Equipment", the Group is not required to make regular revaluation of such assets.

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

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

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

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

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

**(e) Investment properties**

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

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

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

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

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

**(f) Assets under leases**

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

(i) Leases - where the Group is the lessee

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

(ii) Leases - where the Group is the lessor

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

**(g) Investments**

The Group classifies its investments in the categories of financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Management determines the classification of its investments at initial recognition depending on the purpose for which the investments were acquired and re-evaluates this designation at every balance sheet date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is categorised in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

# Notes to the Financial Statements

**(g) Investments** *(continued)*

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment terms that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date which are classified as non-current assets.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Regular way purchases and sales of investments are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement as other gains/losses in the financial period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as other gains/losses.

Dividend income from financial assets at fair value through profit or loss and available-for-sale financial assets are recognised in the income statement as other income.

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

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

**(h) Properties for sale**

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

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

**(i) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against other operating income in the income statement.

**(j) Derivative financial instruments**

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

**(k) Cash and cash equivalents**

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

**(l) Provisions**

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

**(m) Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**(n) Financial guarantee contracts**

Financial guarantee contracts 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.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

**(o) Contingent liabilities and contingent assets**

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

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

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

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

**(p) Deferred taxation**

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

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

# Notes to the Financial Statements

**(p) Deferred taxation** *(continued)*

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

**(q) Translation of foreign currencies**

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Transaction difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the investment revaluation reserve in equity.

(iii) Group companies

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

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) all resulting exchange differences are recognised as a separate component of equity.

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

**(r) Recognition of revenue and income**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

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

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

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

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

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

**(s) Employee benefits**

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

**(s) Employee benefits** *(continued)*

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

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

**(t) Borrowings and borrowing costs**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed in the financial period in which they are incurred.

**(u) Segment reporting**

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

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

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

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

**(v) Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the financial period in which the dividends become present legal and constructive obligations of the Company.

**(w) Comparative figures**

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

## 3. Financial risk management

**(a) Financial risk factors**

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

(i) Foreign exchange risk

The majority of the Group's assets are located and operated in Hong Kong, and the related revenue generated from these assets is denominated in Hong Kong dollar. At 31 March 2007, all of the Group's borrowings were denominated in Hong Kong dollar.

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

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

# Notes to the Financial Statements

## 3. Financial risk management *(continued)*

(ii) Price risk

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

(iii) Credit risk

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

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

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

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

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

(iv) Liquidity risk

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

(v) Interest rate risk

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

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

**(b) Fair value estimation**

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

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

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

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

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

## 4. Critical accounting estimates and judgements

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

***Critical accounting estimates and assumptions***

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

(i) Fair value of investment properties

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

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

***Critical judgement in applying the Group's accounting policies***

(i) Income tax

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

(ii) Classification of investment properties

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

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

# Notes to the Financial Statements

## 5. Revenue, income and segment information

Revenue (representing turnover of the Group) and other income recognised during the year are as follows:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Revenue | | |
| Sale of investment properties and properties for sale | **152,473** | 772,116 |
| Rental and property management | **116,031** | 129,605 |
| Warehousing | **35,599** | 31,442 |
| | **304,103** | 933,163 |
| Other income | | |
| Dividend income from | | |
| – an unlisted investment | **—** | 72,436 |
| – a listed real estate investment trust | **8,437** | 7,047 |
| Interest income on loans to | | |
| – an investee company | **196** | 2,192 |
| – associated companies | **13,541** | 6,479 |
| Others | **1,640** | 6,463 |
| | **23,814** | 94,617 |
| | **327,917** | 1,027,780 |

## 5. Revenue, income and segment information *(continued)*

**Primary reporting format – business segments**

| | Sale of properties HK$'000 | Rental and property management HK$'000 | Warehousing HK$'000 | Investment HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 March 2007** | | | | | |
| Revenue | 152,473 | 116,031 | 35,599 | — | 304,103 |
| Segment results before change in fair value of investment properties | 32,447 | 87,112 | 7,825 | 13,255 | 140,639 |
| Increase in fair value of investment properties | — | 608,344 | — | — | 608,344 |
| Segment results | 32,447 | 695,456 | 7,825 | 13,255 | 748,983 |
| Unallocated income less expenses | | | | | (8,585) |
| Operating profit before finance income and costs | | | | | 740,398 |
| Finance income | | | | | 23,451 |
| Finance costs | | | | | (4,225) |
| Operating profit | | | | | 759,624 |
| Share of profits less losses of associated companies | 147,837 | 25,985 | — | — | 173,822 |
| Profit before taxation | | | | | 933,446 |
| Taxation | | | | | (116,689) |
| Profit for the year | | | | | 816,757 |
| Capital expenditure | — | 150,835 | 875 | — | 151,710 |
| Depreciation | — | 696 | 2,833 | — | 3,529 |
| **As at 31 March 2007** | | | | | |
| Segment assets | — | 4,976,486 | 70,882 | 791,130 | 5,838,498 |
| Associated companies | 291,228 | 118,593 | — | — | 409,821 |
| Unallocated assets | | | | | 1,597 |
| Total assets | | | | | 6,249,916 |
| Segment liabilities | — | 94,458 | 5,435 | 1,946 | 101,839 |
| Unallocated liabilities | | | | | 774,804 |
| Total liabilities | | | | | 876,643 |

## 5. Revenue, income and segment information *(continued)*

**Primary reporting format – business segments** *(continued)*

| | Sale of properties HK$'000 | Rental and property management HK$'000 | Warehousing HK$'000 | Investment HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Year ended 31 March 2006 | | | | | |
| Revenue | 772,116 | 129,605 | 31,442 | — | 933,163 |
| Segment results before change in fair value of investment properties | 93,640 | 93,326 | 6,055 | 78,717 | 271,738 |
| Increase in fair value of investment properties | — | 672,460 | — | — | 672,460 |
| Segment results | 93,640 | 765,786 | 6,055 | 78,717 | 944,198 |
| Unallocated income less expenses | | | | | (12,358) |
| Operating profit before finance income and costs | | | | | 931,840 |
| Finance income | | | | | 14,361 |
| Finance costs | | | | | (4,033) |
| Operating profit | | | | | 942,168 |
| Share of profits less losses of associated companies | (651) | 1,644 | — | — | 993 |
| Profit before taxation | | | | | 943,161 |
| Taxation | | | | | (124,103) |
| Profit for the year | | | | | 819,058 |
| Capital expenditure | — | 68,340 | 2,167 | — | 70,507 |
| Depreciation | — | 768 | 2,644 | — | 3,412 |
| Non-cash expenses other than depreciation | — | — | — | 1,711 | 1,711 |
| As at 31 March 2006 | | | | | |
| Segment assets | — | 4,294,807 | 65,038 | 510,141 | 4,869,986 |
| Associated companies | 48,630 | 191,796 | — | — | 240,426 |
| Unallocated assets | | | | | 5,054 |
| Total assets | | | | | 5,115,466 |
| Segment liabilities | — | 60,585 | 6,141 | 3,231 | 69,957 |
| Unallocated liabilities | | | | | 624,563 |
| Total liabilities | | | | | 694,520 |

## 5. Revenue, income and segment information *(continued)*

**Secondary reporting format – geographical segments**

| | Year ended 31 March | | | | | | As at 31 March | |
|---|---|---|---|---|---|---|---|---|
| | **Revenue** | | **Segment results** | | **Capital expenditure** | | **Total assets** | |
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Hong Kong | **188,510** | 913,113 | **715,630** | 857,967 | **150,326** | 68,628 | **5,299,565** | 4,364,380 |
| Singapore | **96,455** | 3,180 | **25,751** | 81,883 | **892** | 6 | **464,867** | 443,302 |
| Mainland China | **19,138** | 16,870 | **7,602** | 4,348 | **492** | 1,873 | **74,066** | 62,304 |
| | **304,103** | 933,163 | **748,983** | 944,198 | **151,710** | 70,507 | **5,838,498** | 4,869,986 |
| Unallocated income less expenses | | | **(8,585)** | (12,358) | | | | |
| Operating profit before finance income and costs | | | **740,398** | 931,840 | | | | |
| Finance income | | | **23,451** | 14,361 | | | | |
| Finance costs | | | **(4,225)** | (4,033) | | | | |
| Operating profit | | | **759,624** | 942,168 | | | | |
| Associated companies | | | | | | | **409,821** | 240,426 |
| Unallocated assets | | | | | | | **1,597** | 5,054 |
| Total assets | | | | | | | **6,249,916** | 5,115,466 |

## 6. Operating profit

Operating profit is stated after crediting and charging the following:

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Crediting:** | | |
| Gross rental income from investment properties | **109,882** | 123,078 |
| Net gain on disposal of investment properties and properties for sale | **32,447** | 93,640 |
| **Charging:** | | |
| Auditor's remuneration | **845** | 762 |
| Depreciation of property, plant and equipment | **3,529** | 3,412 |
| Outgoings in respect of investment properties | **26,877** | 35,439 |
| Operating lease rentals in respect of land and buildings | **6,908** | 6,465 |
| Provision for impairment of | | |
| – trade receivables | **367** | — |
| – available-for-sale financial assets | — | 70 |
| Staff costs (including Directors' emoluments) *(Note 9)* | **32,961** | 34,744 |

# Notes to the Financial Statements

## 7. Other gains, net

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Financial assets at fair value through profit or loss *(Note 22)* | | |
| – realised gains | **4,700** | 446 |
| – fair value gains | **331** | — |
| Net foreign exchange gain | **8,517** | 1,981 |
| Derivative financial instruments *(Note 23)* | | |
| – realised loss | **(262)** | — |
| – fair value (loss)/gain | **(5,383)** | 3,230 |
| Gain on disposal of plant and equipment | **271** | 50 |
| Others | **1,877** | (340) |
| | **10,051** | 5,367 |

## 8. Finance income and costs

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Finance income | | |
| Interest income on bank deposits and balances | **23,451** | 14,361 |
| Finance costs | | |
| Interest expenses on bank loans and overdrafts | **(4,621)** | (4,033) |
| Less: amount capitalised in investment properties | **396** | — |
| | **(4,225)** | (4,033) |
| Finance income, net | **19,226** | 10,328 |

## 9. Staff costs (including Directors' emoluments)

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Salaries, wages and other benefits | **31,773** | 30,915 |
| Retirement benefits | **1,188** | 3,829 |
| | **32,961** | 34,744 |

### (a) Pensions – defined contribution plans

The Group contributes to a defined contribution mandatory provident fund scheme for those employees in Hong Kong under the age of 65. Two subsidiaries operate in a country which has a central government administrated retirement scheme. Contributions are made by the Group as a percentage of employees' relevant salaries. The retirement benefit costs charged to the income statement represent contributions paid and payable by the Group in respect of the above retirement schemes.

Contributions totalling HK$115,000 *(2006: HK$72,000)* were payable to the schemes at the balance sheet date and are included in trade and other payables and accruals.

**(b) Directors' emoluments**

| | Fees HK$'000 | Salaries and allowances HK$'000 | Discretionary bonuses HK$'000 | Employer's contribution to pension scheme HK$'000 | Total 2007 HK$'000 | Total 2006 HK$'000 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Mr. Chow Wai Wai, John | 40 | 2,236 | 1,230 | 225 | 3,731 | 4,903 |
| Mr. Lam Woon Bun | 40 | 1,587 | 536 | 157 | 2,320 | 3,334 |
| Mrs. Chen Chou Mei Mei, Vivien | 40 | 390 | — | 22 | 452 | 457 |
| Mr. Chung Hon Sing, John | 40 | 697 | 102 | — | 839 | 720 |
| Mr. Chow Wei Lin *(passed away on 27 February 2007)* | 36 | 944 | — | 50 | 1,030 | 1,534 |
| | **196** | **5,854** | **1,868** | **454** | **8,372** | 10,948 |
| **Non-Executive Directors** | | | | | | |
| Mr. Cheng Wai Chee, Christopher | 1,800 | — | — | — | 1,800 | 1,800 |
| Mr. Cheng Wai Sun, Edward | 40 | — | — | — | 40 | 20 |
| Mr. Tang Ming Chien, Manning | 40 | — | — | — | 40 | 20 |
| | **1,880** | — | — | — | **1,880** | 1,840 |
| **Independent Non-Executive Directors** | | | | | | |
| Lord Sandberg | 40 | — | — | — | 40 | 20 |
| Mr. Christopher Patrick Langley | 213 | — | — | — | 213 | 160 |
| Mr. Ho Fook Hong, Ferdinand | 90 | — | — | — | 90 | 40 |
| Dr. Lo Ka Shui | 70 | — | — | — | 70 | 20 |
| Mr. Haider Hatam Tyebjee Barma | 140 | — | — | — | 140 | 117 |
| | **553** | — | — | — | **553** | 357 |
| **Total** | **2,629** | **5,854** | **1,868** | **454** | **10,805** | 13,145 |

**(c) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include four *(2006: four)* Directors whose emoluments are reflected in Note 9(b). The emoluments payable to the remaining one *(2006: one)* individual during the year are as follows:

| | **2007 HK$'000** | 2006 HK$'000 |
|---|---|---|
| Salaries and allowances | **901** | 845 |
| Discretionary bonuses | **460** | 433 |
| Employer's contribution to pension scheme | **40** | 12 |
| | **1,401** | 1,290 |

# Notes to the Financial Statements

## 10. Taxation

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Current taxation | | |
| Hong Kong profits tax | **(9,836)** | (54,525) |
| Overseas taxation | **(414)** | (698) |
| Over/(under) provisions in prior years | **195** | (5,654) |
| | **(10,055)** | (60,877) |
| Deferred taxation *(Note 29)* | **(106,634)** | (63,226) |
| Taxation charges | **(116,689)** | (124,103) |

Hong Kong profits tax has been provided at the rate of 17.5% *(2006: 17.5%)* on the estimated assessable profits for the year. Overseas taxation has been provided on the estimated assessable profits at rates prevailing in the countries in which the subsidiaries operate.

The Group's share of taxation of associated companies of HK$6,121,000 *(2006: HK$1,067,000)* has been netted off against the Group's share of profits less losses of associated companies as presented in the consolidated income statement.

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

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Operating profit | **759,624** | 942,168 |
| Calculated at a taxation rate of 17.5% *(2006: 17.5%)* | **(132,934)** | (164,879) |
| Effect of different taxation rates in other countries | **69** | (85) |
| Income not subject to taxation | **16,123** | 42,180 |
| Expenses not deductible for taxation purposes | **(1,033)** | (177) |
| Utilisation of previously unrecognised tax losses | — | 3,029 |
| Recognition of previously unrecognised tax losses | — | 706 |
| Over/(under) provisions in prior years | **195** | (5,654) |
| Others | **891** | 777 |
| Taxation charges | **(116,689)** | (124,103) |

## 11. Profit attributable to shareholders of the Company

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$491,799,000 *(2006: HK$179,143,000)*.

## 12. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of the Company of HK$803,636,000 *(2006: HK$816,627,000)* and 259,685,288 *(2006: 259,685,288)* shares in issue during the year.

Diluted earnings per share equals to the basic earnings per share as the Company had no dilutive potential shares in issue during both years.

## 13. Dividends

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Interim dividend, paid, of HK$0.10 per share *(2006: HK$0.09 per share)* | **25,969** | 23,372 |
| Final dividend, proposed, of HK$0.30 per share *(2006: HK$0.19 per share)* | **77,905** | 49,340 |
| | **103,874** | 72,712 |

At a meeting held on 19 July 2007, the Directors recommended a final dividend of HK$0.30 per share. This proposed dividend is not reflected as a dividend payable in the Group's financial statements until it has been approved by shareholders of the Company, and will be reflected as an appropriation of reserves in the coming year.

## 14. Significant related party transactions

In addition to those disclosed elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

**(a) Transactions with related parties**

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Management fee income from related companies *(Note i)* | **239** | 274 |
| Interest income from | | |
| – an investee company *(Note 20)* | **196** | 2,192 |
| – associated companies *(Note 18(a))* | **13,541** | 6,479 |
| Project management fee to a related company and capitalised in investment properties *(Note ii)* | **(1,800)** | (1,800) |

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

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

**(b) Balances with related parties are at balance sheet date:**

| | 2007 HK$'000 | 2006 HK$'000 |
|---|---|---|
| Amounts and loans due from associated companies *(Note 18)* | **346,583** | 311,312 |
| Amounts and loans due to associated companies *(Note 18)* | **(118,416)** | (77,915) |
| Amounts and loans due from an investee company *(Note 20)* | **16** | 155,313 |

**(c) Compensation of key management personnel**

Members of key management of the Group are the Executive Directors of the Company. Their remuneration for the year is set out in Note 9(b).

## 15. Property, plant and equipment

| | Group | | |
|---|---|---|---|
| | **Buildings HK$'000** | **Others HK$'000** | **Total HK$'000** |
| At cost or valuation | | | |
| At 1 April 2006 | **32,646** | **40,221** | **72,867** |
| Translation differences | **2,121** | **1,278** | **3,399** |
| Additions | **—** | **1,914** | **1,914** |
| Disposals | **—** | **(1,740)** | **(1,740)** |
| **At 31 March 2007** | **34,767** | **41,673** | **76,440** |
| Accumulated depreciation | | | |
| At 1 April 2006 | **6,903** | **33,873** | **40,776** |
| Translation differences | **875** | **1,081** | **1,956** |
| Charge for the year | **1,901** | **1,628** | **3,529** |
| Disposals | **—** | **(1,459)** | **(1,459)** |
| **At 31 March 2007** | **9,679** | **35,123** | **44,802** |
| Net book value | | | |
| **At 31 March 2007** | **25,088** | **6,550** | **31,638** |
| Analysis of cost or valuation: | | | |
| At 2005 valuation | **34,767** | **—** | **34,767** |
| At cost | **—** | **41,673** | **41,673** |
| | **34,767** | **41,673** | **76,440** |

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

Buildings are held in Mainland China on short term renewable leases and are stated at Directors' valuations in 2005 which was carried out on the depreciated replacement cost basis.

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

## 16. Investment properties

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Beginning of the year | **4,023,360** | 3,828,039 |
| Translation differences | **2,700** | 963 |
| Additions | **149,796** | 67,848 |
| Disposals | **(118,900)** | (545,950) |
| Fair value gain | **608,344** | 672,460 |
| End of the year | **4,665,300** | 4,023,360 |

The carrying amounts of investment properties are analysed as follows:

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Held in Hong Kong: | | |
| On medium term leases | **4,665,300** | 3,951,450 |
| Held outside Hong Kong: | | |
| On long term leases | **—** | 71,910 |
| | **4,665,300** | 4,023,360 |

(a) Investment properties (other than agricultural lots) held in Hong Kong were revalued at 31 March 2007 by Jones Lang LaSalle Limited. The agricultural lots held in Hong Kong were revalued at 31 March 2007 by B. I. Appraisals Limited. Both valuers are independent and their valuations were carried out on the open market value basis. The valuations have made reference to current prices in an active market.

(b) Certain investment properties with carrying amount of HK$4,444,800,000 *(2006: HK$1,150,900,000)* have been mortgaged to secure the Group's banking facilities.

## 17. Subsidiaries

| | Company | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Unlisted shares – at cost | **1** | 1 |
| Loans and amounts due from subsidiaries | **3,507,919** | 3,333,064 |
| Less: Provision | **(330,076)** | (571,791) |
| | **3,177,844** | 2,761,274 |

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

(b) Particulars of the subsidiaries are set out on page 57.

# Notes to the Financial Statements

## 18. Associated companies

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Share of net assets | **181,654** | 7,029 |
| Amounts and loans due from associated companies *(Note a)* | **346,583** | 311,312 |
| Amounts and loans due to associated companies *(Note b)* | **(118,416)** | (77,915) |
| | **409,821** | 240,426 |
| Investments at cost – unlisted shares | **11,308** | 11,308 |

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

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| As at 31 March | | |
| Non-current assets | **1,020,490** | 519,477 |
| Current assets | **128,776** | 38,682 |
| Current liabilities | **(65,176)** | (37,122) |
| Non-current liabilities | **(902,436)** | (514,008) |
| | **181,654** | 7,029 |
| For the year ended 31 March | | |
| Revenue | **3,489** | 6,318 |
| Profits less losses after taxation | **173,822** | 993 |

(a) The amounts and loans due from associated companies are unsecured and have no fixed terms of repayment. Except for an aggregate amount of HK$9,019,000 *(2006: HK$9,019,000)* which is interest free, the amounts and loans due from associated companies carry interests at prevailing market interest rates or at fixed rates as agreed between the mutual parties.

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

(c) Particulars of the associated companies are set out on page 58.

## 19. Available-for-sale financial assets

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Beginning of the year | **213,926** | 300,651 |
| Additions | **79,203** | — |
| Distribution by an investee company | **—** | (96,716) |
| Provision for impairment | **—** | (70) |
| Increase in fair value transferred to equity | **195,526** | 10,061 |
| Others | **1,793** | — |
| End of the year | **490,448** | 213,926 |
| Available-for-sale financial assets include the following: | | |
| Investment in a real estate investment trust listed outside Hong Kong | **321,071** | 148,588 |
| Unlisted equity investments | **147,585** | 65,338 |
| Managed funds | **21,792** | — |
| | **490,448** | 213,926 |

Available-for-sale financial assets are primarily denominated in Singapore dollar. Certain investment in a real estate investment trust with carrying amount of HK$239,479,000 *(2006: HK$148,588,000)* has been pledged to secure the Group's banking facilities.

## 20. Loans and receivables

| | Group 2007 HK$'000 | Group 2006 HK$'000 |
|---|---|---|
| Beginning of the year | **155,313** | 137,381 |
| Addition | **887** | 17,932 |
| Repayment | **(156,184)** | — |
| End of the year | **16** | 155,313 |

The loans and receivables are due from an investee company, denominated in Singapore dollar, unsecured, have no fixed terms of repayment and interest free except that an amount of *HK$18,398,000* as at 31 March 2006 bore interest at 6.25% per annum. The amounts as at 31 March 2006 were subordinated to the bank borrowings of the investee company.

## 21. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade receivables, net of provisions | **6,280** | 7,103 | **—** | — |
| Other receivables | **2,458** | 3,785 | **—** | — |
| Deposits | **3,537** | 3,261 | **—** | — |
| Prepayments | **1,451** | 1,357 | **240** | 226 |
| | **13,726** | 15,506 | **240** | 226 |

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

| | Group 2007 HK$'000 | Group 2006 HK$'000 |
|---|---|---|
| Current – 45 days | **4,828** | 4,826 |
| 46 – 90 days | **1,046** | 1,541 |
| Over 90 days | **406** | 736 |
| | **6,280** | 7,103 |

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

| | Group 2007 HK$'000 | Group 2006 HK$'000 |
|---|---|---|
| Hong Kong dollar | **9,434** | 11,274 |
| Singapore dollar | **1,048** | 326 |
| Renminbi | **3,244** | 3,906 |
| | **13,726** | 15,506 |

## 22. Financial assets at fair value through profit or loss

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Equity linked notes | **31,303** | — |
| A real estate investment trust listed in Hong Kong | **4,440** | — |
| | **35,743** | — |

The equity linked notes and the real estate investment trust are denominated in US dollar and Hong Kong dollar respectively.

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of the changes in working capital in the consolidated cash flow statement *(Note 36(a))*. Changes in fair values of financial assets at fair value through profit or loss are recorded in other gains – net *(Note 7)*.

## 23. Derivative financial instruments

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Derivative financial (liabilities)/assets, net | | |
| – interest rate swap contracts | **(3,983)** | 1,863 |

(a) The aggregate notional principal amount of the interest rate swap contracts is HK$1,050,000,000 *(2006: HK$380,000,000)*.

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

## 24. Bank balances and cash

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash at bank and in hand | **12,984** | 8,402 | **26** | 34 |
| Short term bank deposits | **588,643** | 421,388 | **—** | — |
| | **601,627** | 429,790 | **26** | 34 |

Short term bank deposits have an average effective interest rate of 4.0% *(2006: 3.8%)* per annum and an average maturity of 32 days *(2006: 32 days)*.

## 25. Trade and other payables and accruals

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade payables | **36,377** | 1,657 | **—** | — |
| Other payables | **5,452** | 7,591 | **—** | 11 |
| Deposits received | **21,549** | 20,789 | **—** | — |
| Accruals | **3,309** | 5,125 | **322** | 225 |
| | **66,687** | 35,162 | **322** | 236 |

The ageing analysis of trade payables is as follows:

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Current – 45 days | **35,950** | 1,514 |
| 46 – 90 days | **427** | 143 |
| | **36,377** | 1,657 |

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

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Hong Kong dollar | **61,103** | 29,367 |
| Singapore dollar | **4,808** | 4,140 |
| Renminbi | **776** | 1,655 |
| | **66,687** | 35,162 |

## 26. Bank loans and overdrafts

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Bank overdrafts | **171** | 12 |
| Current portion of long term bank loans *(Note 27)* | **—** | 2,397 |
| | **171** | 2,409 |

## 27. Long term bank loans

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Bank loans – secured | **100,381** | 39,551 |
| Less: Amount repayable within one year included under current liabilities *(Note 26)* | **—** | (2,397) |
| | **100,381** | 37,154 |
| The long term bank loans are repayable as follows: | | |
| Within one year | **—** | 2,397 |
| In the second year | **—** | 37,154 |
| In the third to fifth years inclusive | **60,228** | — |
| After the fifth year | **40,153** | — |
| | **100,381** | 39,551 |

The long term bank loans are denominated in Hong Kong dollar. Certain investment properties with a carrying amount of HK$4,444,800,000 *(2006: HK$1,150,900,000)* have been mortgaged to secure the Group's long term bank loans.

The bank loans have an average effective interest rate of 4.64% *(2006: 4.69%)* per annum. The carrying values of bank loans approximate their fair values.

## 28. Other long term loans

| | Group | |
|---|---|---|
| | **2007** | 2006 |
| | **HK$'000** | HK$'000 |
| Amounts due to minority shareholders of subsidiaries | **35,308** | 35,378 |

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

The fair value of the other long term loans is approximately HK$33,869,000 *(2006: HK$33,784,000)*.

## 29. Deferred taxation

| | Group 2007 HK$'000 | Group 2006 HK$'000 |
|---|---|---|
| Beginning of the year | **521,244** | 458,018 |
| Charged to consolidated income statement *(Note 10)* | **106,634** | 63,226 |
| End of the year | **627,878** | 521,244 |

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% *(2006: 17.5%)*.

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits are probable. As at 31 March 2007, the Group has no unrecognised tax losses to carry forward against future taxable income *(2006: Nil)*.

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

**Deferred tax assets**

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **Tax losses** | | **Provision** | | **Total** | |
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Beginning of the year | **11,007** | 10,341 | **18** | — | **11,025** | 10,341 |
| (Charged)/credited to consolidated income statement | **(973)** | 666 | **16** | 18 | **(957)** | 684 |
| End of the year | **10,034** | 11,007 | **34** | 18 | **10,068** | 11,025 |

**Deferred tax liabilities**

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **Accelerated depreciation** | | **Revaluation of properties** | | **Total** | |
| | **2007** | 2006 | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Beginning of the year | **30,909** | 29,258 | **501,360** | 439,101 | **532,269** | 468,359 |
| Charged to consolidated income statement | **1,651** | 1,651 | **104,026** | 62,259 | **105,677** | 63,910 |
| End of the year | **32,560** | 30,909 | **605,386** | 501,360 | **637,946** | 532,269 |

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

| | Group 2007 HK$'000 | Group 2006 HK$'000 |
|---|---|---|
| Deferred tax assets | **(1,597)** | (3,191) |
| Deferred tax liabilities | **629,475** | 524,435 |
| | **627,878** | 521,244 |

# Notes to the Financial Statements

## 30. Share capital

| | Ordinary shares of HK$0.01 each | |
|---|---|---|
| | **No. of shares** | **HK$'000** |
| **Authorised:** | | |
| At 31 March 2007 and 2006 | **750,000,000** | **7,500** |
| **Issued and fully paid:** | | |
| At 31 March 2007 and 2006 | **259,685,288** | **2,596** |

## 31. Reserves

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **Contributed surplus HK$'000** | **Investment revaluation reserve HK$'000** | **Exchange fluctuation account HK$'000** | **Other reserve HK$'000** | **Retained earnings HK$'000** | **Total HK$'000** |
| At 1 April 2006 | **769,080** | **166,118** | **(20,965)** | **—** | **3,501,686** | **4,415,919** |
| Exchange translation differences | **—** | **—** | **16,490** | **—** | **—** | **16,490** |
| Fair value gain on available-for-sale financial assets | **—** | **195,297** | **—** | **—** | **—** | **195,297** |
| Share of reserves of an associate | **—** | **—** | **—** | **113** | **—** | **113** |
| Profit for the year | **—** | **—** | **—** | **—** | **803,636** | **803,636** |
| Prior year final dividend paid | **—** | **—** | **—** | **—** | **(49,340)** | **(49,340)** |
| Interim dividend paid *(Note 13)* | **—** | **—** | **—** | | **(25,969)** | **(25,969)** |
| | **—** | **195,297** | **16,490** | **113** | **728,327** | **940,227** |
| **At 31 March 2007** | **769,080** | **361,415** | **(4,475)** | **113** | **4,230,013** | **5,356,146** |
| Representing: | | | | | | |
| Final dividend proposed *(Note 13)* | **—** | **—** | **—** | **—** | **77,905** | **77,905** |
| Others | **769,080** | **361,415** | **(4,475)** | **113** | **4,152,108** | **5,278,241** |
| **At 31 March 2007** | **769,080** | **361,415** | **(4,475)** | **113** | **4,230,013** | **5,356,146** |

## 31. Reserves *(continued)*

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Contributed surplus HK$'000 | Land and buildings revaluation reserve HK$'000 | Investment revaluation reserve HK$'000 | Exchange fluctuation account HK$'000 | Retained earnings HK$'000 | Total HK$'000 |
| At 1 April 2005 | 839,195 | 28,981 | 228,493 | (21,834) | 2,656,078 | 3,730,913 |
| Exchange translation differences | — | — | — | 869 | — | 869 |
| Transferred upon disposal of properties for sale | — | (28,981) | — | — | 28,981 | — |
| Fair value gain on available-for-sale financial assets | — | — | 10,061 | — | — | 10,061 |
| Realised on distribution by an unlisted investment | — | — | (72,436) | — | — | (72,436) |
| Profit for the year | — | — | — | — | 816,627 | 816,627 |
| Prior year final dividend paid | (46,743) | — | — | — | — | (46,743) |
| Interim dividend paid *(Note 13)* | (23,372) | — | — | — | — | (23,372) |
| | (70,115) | (28,981) | (62,375) | 869 | 845,608 | 685,006 |
| At 31 March 2006 | 769,080 | — | 166,118 | (20,965) | 3,501,686 | 4,415,919 |
| Representing: | | | | | | |
| Final dividend proposed *(Note 13)* | — | — | — | — | 49,340 | 49,340 |
| Others | 769,080 | — | 166,118 | (20,965) | 3,452,346 | 4,366,579 |
| At 31 March 2006 | 769,080 | — | 166,118 | (20,965) | 3,501,686 | 4,415,919 |

## 31. Reserves *(continued)*

| | Company | | |
|---|---|---|---|
| | **Contributed surplus HK$'000** | **Retained earnings HK$'000** | **Total HK$'000** |
| At 31 March 2006 | **2,607,867** | **150,835** | **2,758,702** |
| Profit for the year | **—** | **491,799** | **491,799** |
| Transfer | **241,715** | **(241,715)** | **—** |
| Prior year final dividend paid | **—** | **(49,340)** | **(49,340)** |
| Interim dividend paid *(Note 13)* | **—** | **(25,969)** | **(25,969)** |
| **At 31 March 2007** | **2,849,582** | **325,610** | **3,175,192** |
| Representing: | | | |
| Final dividend proposed *(Note 13)* | **—** | **77,905** | **77,905** |
| Others | **2,849,582** | **247,705** | **3,097,287** |
| **At 31 March 2007** | **2,849,582** | **325,610** | **3,175,192** |
| At 31 March 2005 | 2,631,915 | 17,759 | 2,649,674 |
| Profit for the year | — | 179,143 | 179,143 |
| Transfer | 46,067 | (46,067) | — |
| Prior year final dividend paid | (46,743) | — | (46,743) |
| Interim dividend paid *(Note 13)* | (23,372) | — | (23,372) |
| At 31 March 2006 | 2,607,867 | 150,835 | 2,758,702 |
| Representing: | | | |
| Final dividend proposed *(Note 13)* | — | 49,340 | 49,340 |
| Others | 2,607,867 | 101,495 | 2,709,362 |
| At 31 March 2006 | 2,607,867 | 150,835 | 2,758,702 |

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

## 32.Future lease receipts

Future minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

| | Group | |
|---|---|---|
| | **2007 HK$'000** | 2006 HK$'000 |
| Not later than one year | **88,778** | 78,495 |
| Later than one year and not later than five years | **40,289** | 40,664 |
| | **129,067** | 119,159 |

## 33. Capital commitments

| | Group 2007 HK$'000 | Group 2006 HK$'000 |
|---|---|---|
| **Investment properties** | | |
| Contracted but not provided for | **1,429,151** | 98,499 |
| **Investments in associated companies** | | |
| Contracted but not provided for | **679,030** | 544,351 |
| | **2,108,181** | 642,850 |

## 34. Lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

| | Group 2007 HK$'000 | Group 2006 HK$'000 |
|---|---|---|
| Not later than one year | **11,776** | 6,418 |
| Later than one year and not later than five years | **1,715** | 5,200 |
| | **13,491** | 11,618 |

## 35. Financial guarantee contracts

The face value of the financial guarantees issued by the Group and the Company is analysed as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2007 HK$'000** | 2006 HK$'000 | **2007 HK$'000** | 2006 HK$'000 |
| Guarantees given in respect of banking facilities granted to subsidiaries *(Note (ii))* | — | — | **1,988,500** | 1,129,283 |
| Guarantees and completion undertakings given in respect of banking facilities granted to associated companies in proportion to the Group's shareholdings *(Note (iii))* | **527,883** | — | **527,883** | — |
| Indemnity given in respect of banking facilities granted to an investee company in proportion to the Group's shareholding *(Note (iii))* | **123,624** | 115,056 | — | — |
| | **651,507** | 115,056 | **2,516,383** | 1,129,283 |

(i) The Directors of the Company consider that it is not probable for a claim to be made against the Group and the Company under any of these guarantees as at the balance sheet date. All of the financial guarantee contracts as disclosed above have not been recognised in the financial statements of the Group and the Company as the Directors of the Company consider that the fair values of these contracts are not significant to the Group.

(ii) The Company has executed guarantees in favour of banks in respect of facilities granted to subsidiaries amounting to HK$1,988,500,000 *(2006: HK$1,129,283,000)*, of which HK$100,381,000 *(2006: HK$39,551,000)* have been utilised by the subsidiaries.

(iii) The Group has executed guarantees in favour of banks in respect of facilities granted to associated companies and an investee company of HK$527,883,000 *(2006: Nil)* (wholly executed by the Company) and HK$123,624,000 *(2006: HK$115,056,000)* respectively. The amount of facilities utilised by the associated companies and investee company amounted to HK$341,324,000 *(2006: Nil)* and HK$86,537,000 *(2006: HK$90,319,000)* respectively.

# Notes to the Financial Statements

## 36. Notes to the consolidated cash flow statement

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

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Operating profit | **759,624** | 942,168 |
| Increase in fair value of investment properties | **(608,344)** | (672,460) |
| Depreciation of property, plant and equipment | **3,529** | 3,412 |
| Gain on disposal of investment properties, properties for sale and plant and equipment | **(32,718)** | (93,690) |
| Provision for available-for-sale financial assets | **—** | 70 |
| Fair value and realised loss/(gain) on derivative financial instruments | **5,645** | (3,230) |
| Interest income | **(37,188)** | (23,032) |
| Interest expenses | **4,225** | 4,033 |
| Dividend income | **(8,437)** | (79,483) |
| Operating profit before working capital changes | **86,336** | 77,788 |
| Decrease in trade and other receivables | **1,531** | 368 |
| Increase in financial assets at fair value through profit or loss | **(35,743)** | — |
| Decrease in trade and other payables and accruals | **(6,353)** | (6,354) |
| Net cash generated from operations | **45,771** | 71,802 |

### (b) Analysis of changes in financing

| | **Minority interests** | | **Bank and other loans** | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Beginning of the year | **2,431** | (20) | **74,929** | 289,632 |
| Exchange differences | **55** | 20 | **—** | — |
| Minority interests in share of profit and reserves | **13,350** | 2,431 | **—** | — |
| Dividend paid to a minority shareholder | **(1,305)** | — | **—** | — |
| Net cash inflow/(outflow) from financing | **—** | — | **60,760** | (214,703) |
| End of the year | **14,531** | 2,431 | **135,689** | 74,929 |

### (c) Analysis of bank and other loans

| | **2007** | 2006 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Long term bank loans *(Note 27)* | **100,381** | 39,551 |
| Other long term loans *(Note 28)* | **35,308** | 35,378 |
| | **135,689** | 74,929 |

# Subsidiaries and Associated Companies

| Subsidiaries | Issued Share Capital | | | Effective % shareholding held at 31 March 2007 Group | Company | Principal Activities | *Notes* |
|---|---|---|---|---|---|---|---|
| **Winsor Properties Finance Ltd.** | Ordinary | HK$ | 2 | 100 | 100 | Group Finance Company | |
| **Winsor Properties (Hong Kong) Ltd., B.V.I.** | Ordinary | US$ | 1 | 100 | 100 | Investment Holding | |
| Adam Knitters Ltd. | Ordinary | HK$ | 1,000 | 100 | — | Property Investment | |
| | Deferred | HK$ | 200,000 | — | — | | *4* |
| Allied Effort Ltd., B.V.I. | Ordinary | US$ | 1 | 100 | — | Investment Holding | |
| Baudinet Investment Ltd. | Ordinary | HK$ | 18 | 100 | — | Property Investment | |
| | Deferred | HK$ | 2 | — | — | | *4* |
| Begin Land Ltd. | Ordinary | HK$ | 90,000 | 100 | — | Property Investment | |
| | Deferred | HK$ | 10,000 | — | — | | *4* |
| Congenial Investments Ltd., B.V.I. | Ordinary | US$ | 1 | 100 | — | Investment | *3* |
| East Sun Estate Management Company Ltd. | Ordinary | HK$ | 200 | 100 | — | Property Management | |
| East Sun Textile Company, Ltd. | Ordinary | HK$ | 20 | 100 | — | Dormant | |
| | Deferred | HK$ | 15,000,000 | — | — | | *4* |
| Grandwick Investment Limited | Ordinary | HK$ | 1 | 100 | — | Dormant | |
| Hilwin Properties Ltd. | Ordinary | HK$ | 450,000 | 100 | — | Investment Holding | |
| | Deferred | HK$ | 50,000 | — | — | | *4* |
| Hanbury Development Company Ltd. | Ordinary | HK$ | 10,000 | 100 | — | Dormant | |
| Libro Estates Ltd. | Ordinary | HK$ | 90,000 | 100 | — | Property Investment | |
| | Deferred | HK$ | 10,000 | — | — | | *4* |
| Winner Godown Ltd. | Ordinary | HK$ | 1,500,000 | 70 | — | Godown Operation | |
| Winsor Air Cargo Centre Ltd. | Ordinary | HK$ | 20 | 100 | — | Dormant | |
| Winsor Billion Management Ltd. | Ordinary | HK$ | 1 | 100 | — | Property Management | |
| Winsor Estate Agents Ltd. | Ordinary | HK$ | 20 | 100 | — | Property Agent | |
| Winsor Estate Management Ltd. | Ordinary | HK$ | 2 | 100 | — | Property Management | |
| Winsor Parking Ltd. | Ordinary | HK$ | 18,000,000 | 100 | — | Property Investment | |
| | Deferred | HK$ | 2,000,000 | — | — | | *4* |
| Winsor Properties Financial Services Ltd. | Ordinary | HK$ | 840 | 95.24 | — | Investment Holding and Property Investment | |
| Chericourt Company Ltd. | Ordinary | HK$ | 1,000,000 | 95.24 | — | Property Investment | |
| Zofka Properties Ltd. | Ordinary | HK$ | 90,000 | 100 | — | Property Investment | |
| | Deferred | HK$ | 10,000 | | | | *4* |
| **Winsor Properties (Overseas) Ltd., B.V.I.** | Ordinary | US$ | 1 | 100 | 100 | Investment Holding | *3* |
| Zak Holdings Ltd., B.V.I. | Ordinary | US$ | 1 | 100 | — | Investment Holding | *3* |
| Winwin Investment Pte. Ltd., Singapore | Ordinary | SGD | 2 | 100 | — | Property Investment | |
| Curlew International Ltd., B.V.I. | Ordinary | US$ | 1 | 100 | — | Investment Holding | *3* |
| Winprop Pte. Ltd., Singapore | Ordinary | SGD | 2 | 100 | — | Investment Holding | *2* |
| Winance Investment Pte. Ltd., Singapore | Ordinary | SGD | 2 | 100 | — | Dormant | *2* |
| **Winsor Properties (China) Ltd., B.V.I.** | Ordinary | US$ | 1 | 100 | 100 | Investment Holding | *3* |
| Dhandia Ltd. | Ordinary | HK$ | 1,000 | 100 | — | Investment Holding | |
| Tat Yeung Properties Investment Ltd., B.V.I. | Ordinary | US$ | 1,000 | 100 | — | Investment Holding | *3* |
| Winsor Health Godown Ltd., B.V.I. | Ordinary | US$ | 1,000 | 95 | — | Investment Holding | *3* |
| South-China Cold Storage & Ice Co., Ltd., Mainland China (foreign wholly-owned enterprise) | Ordinary | US$ | 5,000,000 | 95 | — | Cold Storage | *2* |

# Subsidiaries and Associated Companies *(continued)*

| Associated companies | Issued Share Capital | | | Effective % shareholding held at 31 March 2007 Group | Company | Principal Activities | *Notes* |
|---|---|---|---|---|---|---|---|
| Javary Ltd. | Ordinary | HK$ | 300 | 33.3 | — | Property Investment | *2* |
| Pangold Development Ltd. | Ordinary | HK$ | 100 | 20 | — | Property Development | |
| Suzhou World Trade Centre, Mainland China | Ordinary | US$ | 6,500,000 | 24.8 | — | Property Investment and Development | *2* |
| Tat Yeung Trading Company Ltd., B.V.I. | Ordinary | US$ | 2 | 50 | — | Investment Holding | *3* |
| Universal Plus Ltd., B.V.I. | Ordinary | US$ | 100 | 20 | — | Investment Holding | *2* |
| Winnion Ltd. | Ordinary | HK$ | 100 | 30 | — | Property Investment | |
| Winquest Investment Pte. Ltd., Singapore | Ordinary | SGD | 1,000,000 | 30 | — | Property Investment | |
| Winwill Investment Pte Ltd, Singapore | Ordinary | SGD | 10 | 20 | — | Investment Holding | |

1. Unless otherwise stated, all companies are incorporated in Hong Kong. Those companies incorporated in Mainland China and Singapore operate in their country of incorporation. Other companies operate principally in Hong Kong. None of the subsidiaries have issued any debt securities.

2. The financial statements of these companies are audited by firms other than PricewaterhouseCoopers. The aggregate net assets and profit after taxation of these companies attributable to the Group amounted to HK$125,365,000 *(2006: HK70,392,000)* and HK$159,074,000 *(2006: HK$9,483,000)* respectively.

3. The financial statements of these companies are not audited. The aggregate net liabilities and loss after taxation of these companies attributable to the Group amounted to HK$2,620,000 *(2006: HK$2,375,000)* and HK$20,000 *(2006: HK$903,000)* respectively.

4. The deferred shares, which are held by Winsor Industrial Corporation, Limited and/or its subsidiaries, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up unless the assets of the respective companies to be returned on winding up exceed the value of HK$100,000,000,000.

# Schedule of Properties

| Location | Lease Expiry | Site Area *(sq. ft.)* | Gross Floor Area *(sq. ft.)* | Stage of Completion | Type | Effective Interest |
|---|---|---|---|---|---|---|
| **Investment Properties:** | | | | | | |
| Regent Centre, 63-73 Wo Yi Hop Road, Lot No. 299 in D. D. 444, Kwai Chung, New Territories, HONG KONG. | 2047 | 103,500 | 658,413 (remaining portion) | Completed | Industrial/ Godown | 95.24% |
| Winner Godown Building, 503-515 Castle Peak Road and 1-9 Sha Tsui Road, R.P. of Tsuen Wan Inland Lot No. 28, Tsuen Wan, New Territories, HONG KONG. | 2047 | 50,804 | 497,140 | Completed | Industrial/ Godown | 100% |
| Lucky Industrial Building, 18-24 Kwai Hei Street and 13-19 Kwai Lok Street, Kwai Chung Town Lot No. 342, Kwai Chung, New Territories, HONG KONG. | 2047 | 30,713 | 292,520 | Completed | Industrial/ Godown | 100% |
| Landmark East, 102 How Ming Street, Section A and The Remaining Portion of Kwun Tong Inland Lot No. 242, Kwun Tong, Kowloon, HONG KONG. | 2047 | 95,940 | 1,151,000 (approximately) | Completion is scheduled for the second half of the year 2008. | Office | 100% |
| 161 agricultural lots, Lantau and Peng Chau, New Territories, HONG KONG. | 2047 | 540,167 | — | Vacant | Agricultural | 100% |
| **Properties held for operation:** | | | | | | |
| South-China Cold Storage Complex, Nan Gang Main Road, Shekou Industrial Zone, Shenzhen, Guangdong Province, People’s Republic of China. | 2015 | 215,720 | 381,699 | Completed | Cold Storage | 95% |

# Financial Assistance and Guarantees provided to Entities and Affiliated Companies

At 31 March 2007

### Relevant advances to entities

As at 31 March 2007, there were no relevant advances made by the Group to entities which exceeded 8% of the Group's total assets as at 31 March 2007 of approximately HK$6,249,916,000. The disclosure requirements under rule 13.20 of the Rules Governing the Listing of Securities (" Listing Rules") on The Stock Exchange of Hong Kong Limited were therefore not applicable to the Company as at that date.

### Combined balance sheet of affiliated companies

Loans advanced to and guarantees provided by the Group for the benefit of the Group's affiliated companies (as such term is defined in Chapter 13 of the Listing Rules and means associated companies in the context of the Group) as at 31 March 2007 in aggregate exceeded 8% of the Group's total assets as at 31 March 2007. In accordance with rule 13.22 of the Listing Rules, the combined balance sheet of the Group's affiliated companies as at 31 March 2007 and the Group's attributable interest therein are set out below:

| | **Combined balance sheet HK$'000** | **Group's attributable interest HK$'000** |
|---|---|---|
| Investment properties | **728,074** | 218,754 |
| Leasehold land | **255,484** | 51,097 |
| Other property, plant and equipment | **43,668** | 10,830 |
| Properties under development | **2,331,891** | 593,730 |
| Associated companies | **138,315** | 27,663 |
| Net current assets | **369,047** | 63,601 |
| Minority interests | **(67,434)** | (13,487) |
| Long term bank loans | **(1,858,888)** | (485,553) |
| Other long term loans | **(212,788)** | (42,558) |
| Deferred tax liabilities | **(62,108)** | (14,257) |
| Amounts and loans due to shareholders | **(1,400,045)** | (346,582) |
| Amounts and loans due from shareholders | **603,920** | 118,416 |
| | **869,136** | 181,654 |

# Five Year Financial Summary

| | 2007 HK$'000 | 2006 HK$'000 | 2005 HK$'000 | 2004 HK$'000 | 2003 HK$'000 |
|---|---|---|---|---|---|
| **Group results** | | | | | |
| **For the year ended 31 March** | | | | | |
| **Revenue** | **304,103** | 933,163 | 508,936 | 220,813 | 312,124 |
| **Profit attributable to shareholders of the Company** | **803,636** | 816,627 | 459,809 | 99,342 | 115,812 |

## Summary consolidated balance sheet

**As at 31 March**

| | 2007 HK$'000 | 2006 HK$'000 | 2005 HK$'000 | 2004 HK$'000 | 2003 HK$'000 |
|---|---|---|---|---|---|
| Property, plant and equipment | **31,638** | 32,091 | 2,231,990 | 926,849 | 500,168 |
| Investment properties | **4,665,300** | 4,023,360 | 1,628,039 | 1,750,711 | 1,678,096 |
| Associated companies | **409,821** | 240,426 | 19,558 | 106,911 | 54,687 |
| Available-for-sale financial assets | **490,448** | 213,926 | — | — | — |
| Loans and receivables | **16** | 155,313 | — | — | — |
| Other investments | **—** | — | 438,176 | 582,155 | 607,316 |
| Deferred tax assets | **1,597** | 3,191 | 5,675 | 6,766 | 2,299 |
| Net current assets | **539,617** | 349,606 | 83,523 | 48,885 | 17,750 |
| **Total assets less current liabilities** | **6,138,437** | 5,017,913 | 4,406,961 | 3,422,277 | 2,860,316 |
| | | | | | |
| Share capital | **2,596** | 2,596 | 2,596 | 2,596 | 2,596 |
| Other reserves | **1,126,133** | 914,233 | 3,025,071 | 2,174,879 | 1,785,546 |
| Retained earnings | **4,152,108** | 3,452,346 | 660,610 | 200,801 | 129,280 |
| Proposed final dividend | **77,905** | 49,340 | 46,743 | 18,178 | 12,984 |
| **Equity attributable to shareholders of the Company** | **5,358,742** | 4,418,515 | 3,735,020 | 2,396,454 | 1,930,406 |
| Minority interests | **14,531** | 2,431 | (20) | (11,381) | (24,933) |
| **Total equity** | **5,373,273** | 4,420,946 | 3,735,000 | 2,385,073 | 1,905,473 |
| Long term bank loans | **100,381** | 37,154 | 172,848 | 645,633 | 643,955 |
| Other long term loans | **35,308** | 35,378 | 35,420 | 145,496 | 155,717 |
| Deferred tax liabilities | **629,475** | 524,435 | 463,693 | 246,075 | 155,171 |
| **Funds employed** | **6,138,437** | 5,017,913 | 4,406,961 | 3,422,277 | 2,860,316 |