

Notes to the Accounts

1. Principal Accounting Policies

The principal accounting policies adopted in the preparation of the accounts are set out below:

(a) Basis of Preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties and investments in associated companies.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005. The group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005. The group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Basis of Consolidation

- (i) The consolidated accounts include the accounts of the company and its subsidiaries for the year ended 31st March 2005 and the group’s share of results of its associated companies and the relevant share of their post-acquisition reserves. The accounts of the associated companies used for this purpose cover a year ended not more than six months before the company’s year end. Where a significant event occurs between the associates’ year end and that of the group, adjustments are made in the consolidated accounts for the effect of the event.
- (ii) Subsidiaries are those entities in which the group, directly or indirectly, controls more than half of the voting power, has the power to govern the financial and operating policies, to appoint or remove a majority of the members of the board of directors or to cast a majority of votes at the meetings of the board of directors.
- (iii) The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.
- (iv) 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.

Notes to the Accounts

1. Principal Accounting Policies (continued)

(c) Associated Companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

Investments in associated companies are stated in the consolidated balance sheet at the group's share of net assets adjusted to reflect directors' valuation of properties held by the associated companies.

(d) Investment Securities

Investment securities are stated at cost less any provision.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to their fair value. The provision is recognised as an expense in the profit and loss account.

(e) Properties for Sale and under Development

Properties for sale and under development are stated at the lower of cost, which includes interest and financial charges on loans obtained for the development of properties, and estimated net realisable value. Net realisable value is determined by reference to the price ultimately expected to be realised in the ordinary course of business less all anticipated costs.

(f) Investment Properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential.

Investment properties held on leases with unexpired periods greater than twenty years are valued annually by independent valuers. The valuations are on an open market value basis, related to individual properties, and separate values are not ascribed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties valuation reserve; decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are charged to operating profit. Any subsequent increases are credited to operating profit up to the amount previously charged.

Investment properties held on leases with unexpired periods of twenty years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the investment properties valuation reserve realised in respect of previous valuations is transferred from the investment properties valuation reserve to the profit and loss account.

Notes to the Accounts

1. Principal Accounting Policies (continued)

(g) Other Fixed Assets

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Other fixed assets are depreciated at an annual rate of 20% to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised in the profit and loss account to reduce the asset to its recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(h) Mortgage Loans Receivable

Provision is made against mortgage loans receivable to the extent they are considered to be doubtful. Mortgage loans receivable in the balance sheet are stated net of such provision.

(i) 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 accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

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

Notes to the Accounts

1. Principal Accounting Policies (continued)

(j) Revenue Recognition

(i) *Sales of properties*

Revenue on sales of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold. The group considers that the significant risks and rewards of ownership are transferred when the buildings or the portions thereof contracted for sale are completed and the relevant occupation permits have been issued by the authorities.

(ii) *Rental income*

Rental income from letting the group's portfolio of investment properties and other properties is recognised on a straight-line basis over the lease term.

(iii) *Interest income*

Interest income is recognised on a time proportion basis, taking into account of the principal amounts outstanding and the interest rates applicable.

(iv) *Dividend income*

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

(v) *Property management fee*

Property management fee is recognised when the services are rendered.

(k) Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on a straight-line basis over the lease term.

Notes to the Accounts

1. Principal Accounting Policies (continued)

(l) Employee Benefits

(i) *Employee leave entitlements*

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

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

(ii) *Provident fund scheme*

For the non-contributory defined contribution provident fund scheme, regular monthly contributions payable by the group at the rate specified in the trust deed are expensed as incurred. Contributions to the scheme by the group are calculated as a percentage of employee's basic salaries. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions. The assets of the scheme are held separately from those of the group in funds under the control of a professional trustee and are managed by an independent fund manager.

For the mandatory provident fund scheme, the group's contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month, and are expensed as incurred.

(m) Foreign Currencies

Transactions in foreign currencies are translated into Hong Kong dollars at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are included in the determination of operating profit.

The balance sheet of subsidiaries expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as movements in exchange fluctuation reserve.

Notes to the Accounts

1. Principal Accounting Policies (continued)

(n) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(o) 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 as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of properties for sale, properties under development, investment securities, fixed assets, receivables and operating cash excluding taxation. Segment liabilities comprise operating liabilities excluding taxation. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, turnover, operating results, total assets and capital expenditure are based on the country in which the relevant assets are located.

2. Turnover and Segment Information

The group is principally engaged in property investment and development, investment holding and property management. Turnover recognised during the year comprises:

	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Gross proceeds from sales of properties	206.7	81.6
Gross rental income from		
– investment properties	9.4	10.5
– other properties	88.4	84.2
Interest income	0.9	0.2
Property management fees	5.7	6.1
	311.1	182.6

Notes to the Accounts

2. Turnover and Segment Information (continued)

(a) Primary reporting format – business segments

	Property development 2005 <i>HK\$Million</i>	Property leasing 2005 <i>HK\$Million</i>	Property management 2005 <i>HK\$Million</i>	Hotel operation 2005 <i>HK\$Million</i>	Investment holding 2005 <i>HK\$Million</i>	Group 2005 <i>HK\$Million</i>
Turnover	206.7	97.8	5.7	–	0.9	311.1
Segment results						
before provision	21.9	89.5	2.7	–	0.5	114.6
Write-back of provision						
for properties	45.9	0.6	–	–	–	46.5
Provision for						
investment securities	–	–	–	–	(7.0)	(7.0)
Segment results	67.8	90.1	2.7	–	(6.5)	154.1
Unallocated costs						(0.8)
Operating profit						153.3
Finance costs						(1.8)
Share of profits of						
associated companies	0.5	–	–	81.8	–	82.3
Profit before taxation						233.8
Taxation						(23.5)
Profit attributable to						
shareholders						210.3
Segment assets	1,785.0	1,816.4	37.0	–	95.7	3,734.1
Associated companies	11.8	–	–	1,604.5	(2.8)	1,613.5
Unallocated assets						14.7
Total assets						5,362.3
Segment liabilities	374.1	93.2	36.0	–	4.2	507.5
Unallocated liabilities						10.3
Total liabilities						517.8
Capital expenditure	1.3	–	0.1	–	–	1.4
Depreciation	0.4	–	–	–	–	0.4

Notes to the Accounts

2. Turnover and Segment Information (continued)

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

	Property development	Property leasing	Property management	Hotel operation	Investment holding	Group
	2004	2004	2004	2004	2004	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
Turnover	81.6	94.7	6.1	–	0.2	182.6
Segment results						
before provision	(44.2)	85.4	2.2	–	(0.6)	42.8
Write-back of provision						
for properties	16.3	25.3	–	–	–	41.6
Provision for						
investment securities	–	–	–	–	(10.1)	(10.1)
Segment results	(27.9)	110.7	2.2	–	(10.7)	74.3
Unallocated costs						(0.8)
Operating profit						73.5
Finance costs						(2.2)
Share of profits of						
associated companies	0.2	–	–	37.8	–	38.0
Profit before taxation						109.3
Taxation						(7.9)
Profit attributable to						
shareholders						101.4
Segment assets	1,684.2	1,751.1	34.5	–	96.7	3,566.5
Associated companies	48.7	–	–	1,444.1	(2.0)	1,490.8
Unallocated assets						12.8
Total assets						5,070.1
Segment liabilities	470.3	64.6	32.9	–	2.9	570.7
Unallocated liabilities						3.0
Total liabilities						573.7
Capital expenditure	0.2	–	–	–	–	0.2
Depreciation	0.2	–	–	–	–	0.2

Notes to the Accounts

2. Turnover and Segment Information (continued)

(b) Secondary reporting format – geographical segments

	Turnover 2005 <i>HK\$Million</i>	Operating profit 2005 <i>HK\$Million</i>	Total assets 2005 <i>HK\$Million</i>	Capital expenditure 2005 <i>HK\$Million</i>
Hong Kong	225.5	138.4	5,204.0	1.2
United States of America	85.6	14.9	158.3	0.2
	311.1	153.3	5,362.3	1.4

	Turnover 2004 <i>HK\$Million</i>	Operating profit/(loss) 2004 <i>HK\$Million</i>	Total assets 2004 <i>HK\$Million</i>	Capital expenditure 2004 <i>HK\$Million</i>
Hong Kong	182.3	78.8	4,999.8	0.1
United States of America	0.3	(5.3)	70.3	0.1
	182.6	73.5	5,070.1	0.2

3. Operating Profit

	2005 <i>HK\$Million</i>	2004 <i>HK\$Million</i>
Operating profit is stated after charging the following:		
Auditors' remuneration	0.9	0.9
Depreciation	0.4	0.2
Loss on disposal of fixed assets	0.1	–
Operating lease rentals in respect of land and buildings	4.2	5.9
Outgoings in respect of		
– investment properties	3.0	3.2
– other properties	3.2	3.3

Notes to the Accounts

4. Staff Costs

The amount of staff costs (excluding directors' emoluments as disclosed in note 5) charged to the consolidated profit and loss account represents:

	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Salaries and allowances	43.9	40.5
Provident fund contributions less forfeitures (note (a))	2.6	2.7
Less: Recharge of staff costs to building management funds (note (b))	(20.0)	(19.0)
	26.5	24.2

Note:

- (a) Forfeited contributions totalling HK\$0.1 million (2004: Nil) arising from employees leaving the scheme were utilised to offset contributions during the year. At the balance sheet date, there was no forfeited contribution (2004: Nil) which is available to reduce the contributions payable in future years. Contributions payable at the year end was HK\$0.2 million (2004: HK\$0.2 million).
- (b) Recharge of staff costs is reimbursed for property management services rendered.

5. Directors' and Senior Management's Emoluments

(a) Directors' emoluments

	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Fees	0.4	0.2
Salaries and other emoluments	3.7	2.9
Bonuses	0.3	–
Provident fund contributions	0.4	0.3
	4.8	3.4

The emoluments of the directors are analysed as follows:

		Number of directors	
		2005	2004
HK\$Nil	–	4	3
HK\$1,000,001	–	2	1
HK\$2,000,001	–	1	1

Emoluments paid to independent non-executive directors during the year amounted to HK\$127,500 (2004: HK\$60,000).

Notes to the Accounts

5. Directors' and Senior Management's Emoluments (continued)

(b) Five highest paid individuals

The five highest paid individuals of the group included two (2004: two) directors of the company, details of whose emoluments are set out above. The emoluments of the remaining three (2004: three) highest paid employees of the group are as follows:

	2005 <i>HK\$Million</i>	2004 <i>HK\$Million</i>
Salaries and other emoluments	3.2	3.1
Bonuses	0.2	–
Provident fund contributions	0.2	0.2
	3.6	3.3

The above emoluments are analysed as follows:

	Number of employees	
	2005	2004
HK\$1,000,001 – HK\$1,500,000	3	3

6. Finance Costs

	2005 <i>HK\$Million</i>	2004 <i>HK\$Million</i>
Finance costs comprise the following:		
Interest on bank loans and overdrafts wholly repayable within five years	5.2	4.2
Less: Amount capitalised in properties under development	(3.4)	(2.0)
	1.8	2.2

Notes to the Accounts

7. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year.

	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Current taxation		
Hong Kong profits tax	9.8	1.7
Overseas tax	1.1	–
Deferred taxation	(1.6)	(0.6)
Deferred taxation resulting from an increase in taxation rate	–	(0.9)
	9.3	0.2
Share of taxation attributable to associated companies	14.2	7.7
	23.5	7.9

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

	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Profit before taxation	233.8	109.3
Theoretical tax at a taxation rate of 17.5% (2004: 17.5%)	40.9	19.1
Effect of different taxation rate in other country	0.6	–
Expenses not deductible for taxation purposes	1.3	0.9
Utilisation of previously unrecognised tax losses	(19.4)	(15.2)
Tax losses not recognised	0.2	2.1
Increase in opening net deferred tax liabilities resulting from an increase in taxation rate	–	1.0
Other temporary differences	(0.1)	–
Taxation charge	23.5	7.9

Notes to the Accounts

8. Profit Attributable to Shareholders

The profit attributable to shareholders for the year includes a profit of the company to the extent of HK\$40.4 million (2004: HK\$15.3 million).

9. Dividends

	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Interim, paid, of HK 4 cents (2004: HK 2 cents) per ordinary share	24.7	12.4
Final, proposed, of HK 6 cents (2004: HK 3 cents) per ordinary share (note (a))	37.1	18.5
	61.8	30.9

Note:

- (a) At a meeting held on 23rd June 2005, the directors proposed a final dividend of HK 6 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31st March 2006.

10. Earnings Per Share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$210.3 million (2004: HK\$101.4 million) and ordinary shares in issue of 617,531,425 (2004: 617,531,425).

Notes to the Accounts

11. Fixed Assets

Group

	Investment properties, at valuation <i>HK\$Million</i>	Other fixed assets, at cost <i>HK\$Million</i>	Total <i>HK\$Million</i>
Cost or valuation			
At 1st April 2004	156.5	36.0	192.5
Additions	–	1.4	1.4
Disposals	–	(1.9)	(1.9)
Deficit on revaluation (note 20)	(4.4)	–	(4.4)
At 31st March 2005	152.1	35.5	187.6
Accumulated depreciation			
At 1st April 2004	–	34.8	34.8
Charge for the year	–	0.4	0.4
Disposals	–	(1.7)	(1.7)
At 31st March 2005	–	33.5	33.5
Net book value			
At 31st March 2005	152.1	2.0	154.1
At 31st March 2004	156.5	1.2	157.7

Investment properties are held in Hong Kong and their net book values are analysed as follows:

	2005 <i>HK\$Million</i>	2004 <i>HK\$Million</i>
On long term leases of over 50 years	7.1	6.5
On medium term leases of between 20 to 50 years	145.0	150.0
	152.1	156.5

Investment properties were revalued on 31st March 2005 by CB Richard Ellis Limited, an independent firm of professional valuers, on an open market value basis.

Notes to the Accounts

12. Subsidiaries

	Company	
	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Unlisted shares, at cost	2,349.2	2,349.2
Amount due from a subsidiary	546.0	548.4
	2,895.2	2,897.6

The amount due from a subsidiary is unsecured, interest free and has no fixed terms of repayment. Particulars of subsidiaries are shown in note 29 to the accounts.

13. Associated Companies

	Group	
	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Share of net assets	1,603.5	1,440.5
Amounts due from associated companies less provision	10.0	50.3
	1,613.5	1,490.8

The amounts due from associated companies are unsecured, interest free and have no fixed terms of repayment.

Other particulars of associated companies are shown in note 29 to the accounts.

A summary of the financial information of Consolidated Hotels Limited, a significant associated company of the group, is as follows:

Results for the year

	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Turnover	652.4	437.8
Profit after taxation	193.0	85.9

Notes to the Accounts

13. Associated Companies (continued)

Net assets

	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Non-current assets	5,210.0	4,730.0
Current assets	215.1	190.9
Current liabilities	(455.2)	(306.4)
Non-current liabilities	(323.5)	(426.4)
	4,646.4	4,188.1

Consolidated Hotels Limited adopts 31st December as its financial year end date. The above information is based on the audited accounts of Consolidated Hotels Limited for the years ended 31st December 2004 and 2003 and adjusted in accordance with the accounting policy of the group.

A hotel property owned by Consolidated Hotels Limited was revalued by the directors at 31st March 2005 based on a valuation performed by CB Richard Ellis Limited using an existing use basis. The surplus on revaluation of HK\$185.5 million (2004: HK\$297.2 million) was credited to capital reserve (note 20).

14. Investment Securities

	Group	
	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Unlisted equity securities, at cost	123.3	104.9
Less: Provision	(56.1)	(49.1)
	67.2	55.8

15. Mortgage Loans Receivable

Mortgage loans receivable carry interest at 1% over the Hong Kong dollars prime rate with interest free periods of 18 months to 3 years from the respective dates when the mortgage loans were drawn. Repayments will commence after the expiry of the interest free period and will be by instalments over a period of 10 years to 23 years thereafter.

16. Properties for Sale

At 31st March 2005, the carrying amount of properties for sale of the group that are carried at net realisable value amounted to HK\$1,901.6 million (2004: HK\$2,309.3 million).

Notes to the Accounts

17. Debtors, Deposits and Prepayments

	Group	
	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Debtors, aged		
0-3 months	21.1	45.8
Over 3 months	–	2.1
	21.1	47.9
Deposits and prepayments	8.9	10.1
	30.0	58.0

Credit terms given to customers vary and are generally within 3 months.

18. Creditors, Deposits and Accruals

	Group		Company	
	2005	2004	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
Creditors, aged				
0-3 months	5.9	7.6	–	–
Over 3 months	3.2	0.5	–	–
	9.1	8.1	–	–
Deposits and accruals	85.1	78.8	2.8	2.3
	94.2	86.9	2.8	2.3

19. Share Capital

	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Authorised:		
1,000,000,000 (2004: 1,000,000,000) ordinary shares of HK\$0.1 each	100.0	100.0
Issued and fully paid:		
617,531,425 (2004: 617,531,425) ordinary shares of HK\$0.1 each	61.7	61.7

Notes to the Accounts

20. Reserves

	Investment properties valuation reserve <i>HK\$Million</i>	Capital reserve <i>HK\$Million</i>	Exchange fluctuation reserve <i>HK\$Million</i>	Retained profits <i>HK\$Million</i>	Contributed surplus <i>HK\$Million</i>	Total <i>HK\$Million</i>
Group						
At 1st April 2003	3.9	1,040.9	0.8	2,647.7	348.0	4,041.3
Exchange differences	–	–	(0.1)	–	–	(0.1)
Surplus on revaluation of properties						
– Company and subsidiaries	7.3	–	–	–	–	7.3
– Associated companies (note 13)	–	297.2	–	–	–	297.2
Profit for the year	–	–	–	101.4	–	101.4
2004 interim dividend paid	–	–	–	(12.4)	–	(12.4)
At 31st March 2004	11.2	1,338.1	0.7	2,736.7	348.0	4,434.7
Representing:						
2004 final dividend proposed						18.5
Reserves at 31st March 2004						4,416.2
						4,434.7
Company and subsidiaries	11.2	–	0.7	2,675.3	348.0	3,035.2
Associated companies	–	1,338.1	–	61.4	–	1,399.5
	11.2	1,338.1	0.7	2,736.7	348.0	4,434.7
Company						
At 1st April 2003	–	–	–	889.2	1,943.3	2,832.5
Profit for the year	–	–	–	15.3	–	15.3
2004 interim dividend paid	–	–	–	(12.4)	–	(12.4)
At 31st March 2004	–	–	–	892.1	1,943.3	2,835.4
Representing:						
2004 final dividend proposed						18.5
Reserves at 31st March 2004						2,816.9
						2,835.4

Notes to the Accounts

20. Reserves (continued)

	Investment properties valuation reserve <i>HK\$Million</i>	Capital reserve <i>HK\$Million</i>	Exchange fluctuation reserve <i>HK\$Million</i>	Retained profits <i>HK\$Million</i>	Contributed surplus <i>HK\$Million</i>	Total <i>HK\$Million</i>
Group						
At 1st April 2004	11.2	1,338.1	0.7	2,736.7	348.0	4,434.7
Exchange differences	–	–	(0.1)	–	–	(0.1)
(Deficit)/surplus on revaluation of properties						
– Company and subsidiaries (note 11)	(4.4)	–	–	–	–	(4.4)
– Associated companies (note 13)	–	185.5	–	–	–	185.5
Profit for the year	–	–	–	210.3	–	210.3
2004 final dividend paid	–	–	–	(18.5)	–	(18.5)
2005 interim dividend paid	–	–	–	(24.7)	–	(24.7)
At 31st March 2005	6.8	1,523.6	0.6	2,903.8	348.0	4,782.8
Representing:						
2005 final dividend proposed						37.1
Reserves at 31st March 2005						4,745.7
						4,782.8
Company and subsidiaries	6.8	–	0.6	2,865.0	348.0	3,220.4
Associated companies	–	1,523.6	–	38.8	–	1,562.4
	6.8	1,523.6	0.6	2,903.8	348.0	4,782.8
Company						
At 1st April 2004	–	–	–	892.1	1,943.3	2,835.4
Profit for the year	–	–	–	40.4	–	40.4
2004 final dividend paid	–	–	–	(18.5)	–	(18.5)
2005 interim dividend paid	–	–	–	(24.7)	–	(24.7)
At 31st March 2005	–	–	–	889.3	1,943.3	2,832.6
Representing:						
2005 final dividend proposed						37.1
Reserves at 31st March 2005						2,795.5
						2,832.6

Notes to the Accounts

20. Reserves (continued)

The contributed surplus is related to the group's restructuring in prior year. The distributable reserves of the company at 31st March 2005 amounted to HK\$2,832.6 million (2004: HK\$2,835.4 million).

21. Long Term Liabilities

	Group	
	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Secured bank loans wholly repayable within five years	303.4	96.9
<i>Less:</i> Current portion of long term liabilities	(58.9)	(42.0)
	244.5	54.9

The maturity of the group's long term liabilities is as follows:

	Group	
	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Secured bank loans		
Within one year	58.9	42.0
In the second year	4.0	54.9
In the third to fifth years	240.5	–
	303.4	96.9

22. Deferred Tax Assets/(Liabilities)

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%). Movements in the deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Group	
	Tax losses	
	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
At the beginning of the year	12.8	10.8
Credited to profit and loss account	1.9	2.0
At the end of the year	14.7	12.8

Notes to the Accounts

22. Deferred Tax Assets/(Liabilities) (continued)

Deferred tax liabilities

	Group	
	Accelerated depreciation allowances	
	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
At the beginning of the year	1.9	1.4
Charged to profit and loss account	0.3	0.5
At the end of the year	2.2	1.9

Deferred tax assets of HK\$93.5 million (2004: HK\$115.5 million) arising from unused tax losses of HK\$470.5 million (2004: HK\$582.3 million) have not been recognised in the accounts. Included in such unused tax losses are amounts of HK\$403.1 million (2004: HK\$500.0 million) which have no expiry date. The remaining balance will expire at various dates up to and including 2024.

23. Pledge of Assets

Certain properties for sale, properties under development and investment properties of the group with a carrying value of HK\$1,391.6 million (2004: HK\$966.4 million) have been pledged to banks as security for facilities granted to the extent of HK\$648.3 million (2004: HK\$377.5 million) against which HK\$363.3 million (2004: HK\$195.8 million) has been utilised at the balance sheet date.

24. Commitments

	Group	
	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Capital commitment in respect of investment securities	98.0	89.2
Development expenses contracted but not provided for in respect of properties under development	20.3	37.9
	118.3	127.1

Notes to the Accounts

25. Lease Commitments

The group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	Group	
	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Not later than one year	3.0	5.9
Later than one year and not later than five years	11.7	15.0
Later than five years	1.1	0.1
	15.8	21.0

26. Future Operating Lease Receivables

The group had future minimum lease receivables under non-cancellable operating leases in respect of properties as follows:

	Group	
	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Not later than one year	67.9	62.7
Later than one year and not later than five years	59.5	62.1
	127.4	124.8

27. Contingent Liabilities

	Company	
	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Guarantees for credit facilities drawn down by subsidiaries	413.3	258.8

Notes to the Accounts

28. Consolidated Cash Flow Statement

Reconciliation of profit before taxation to cash used in operations:

	2005	2004
	<i>HK\$Million</i>	<i>HK\$Million</i>
Profit before taxation	233.8	109.3
Share of profits of associated companies	(82.3)	(38.0)
Write-back of provision against properties for sale	(46.5)	(41.6)
Provision for investment securities	7.0	10.1
Loss on disposal of fixed assets	0.1	–
Depreciation	0.4	0.2
Interest expenses	1.8	2.2
Interest income	(0.9)	(0.2)
Exchange differences	(0.1)	–
Operating profit before working capital changes	113.3	42.0
(Increase)/decrease in properties for sale	(170.5)	72.5
Decrease/(increase) in properties under development	74.3	(342.6)
Decrease/(increase) in debtors, deposits and prepayments	28.1	(42.4)
Increase in creditors, deposits and accruals	7.3	23.1
(Decrease)/increase in land premium payable	(225.0)	225.0
Cash used in operations	(172.5)	(22.4)

Notes to the Accounts

29. Particulars of Subsidiaries and Associated Companies

Subsidiaries	Principal Activities	Issued ordinary share capital held by Group %	by Company %	Issued ordinary share capital HK\$
Tai Cheung (B.V.I.) Company Limited	Investment holding	100	100	780
Tai Cheung Properties Limited	Investment holding and property development	100	–	386,633,750
Acmax Enterprises Limited (formerly known as Tai Cheung Properties (China) Limited)	Property development	100	–	2
Acura Enterprises Limited	Property development	100	–	2
Alsoic Limited	Property development	100	–	8
Antier Investment Company Limited	Property development	100	–	300
Avanzado Technology Park, Inc.	Property development	100	–	7,999
Buruda Limited	Investment holding	100	–	8
+ Centrax Limited	Property investment	100	–	2
Cosmopolitan Estates Limited	Property investment	100	–	1,000,000
Denmore Limited	Investment holding	100	–	2
Dumex Limited	Investment holding	100	–	3,000,000
Edward Contractors, Inc.	Contracting services	100	–	77,240
Enrich Investments Limited	Property development	100	–	2
Fliutshire Properties Limited	Property development	100	–	2
French Valley Industrial Development, Inc.	Property development	100	–	7,783
Hoi Ka Company Limited	Property development	100	–	1,000,000
Jaco Limited	Property development	100	–	2
Jumbo Realty Limited	Property development	100	–	36,000,000
Junco (Nominees) Limited	Nominee company	100	–	200
Karness Limited	Investment holding	100	–	8
Kenic Properties Limited	Investment holding	100	–	200
Lee May Investments Limited	Property development	100	–	60
Maidstone Construction Company Limited	Construction	100	–	600,000
+ South Land Enterprises Limited	Property development	100	–	2
Sum Lung Investment Company Limited	Property development	100	–	10,000,000
Tai Cheung Capital Limited	Investment holding	100	–	5,000,000
Tai Cheung Construction Company Limited	Property development	100	–	500,000
Tai Cheung Management Company Limited	Property management	100	–	4,500,000
Tai Cheung Secretaries Limited	Corporate secretary	100	–	2
Taico Properties, Inc.	Property development	100	–	109,359,743
Talega Technology Park, Inc.	Property development	100	–	1,879,559
Tareau International Company Limited	Investment holding	100	–	2
Tatrine Development Company Limited	Property development	100	–	20
Turnhouse Limited	Property development	100	–	2
Walsmith Corporation Limited	Investment holding	100	–	2
Wang Yip Construction Company Limited	Construction	100	–	5,000,000
Winfield Investments Limited	Property development	100	–	2
+ Woodmont Investments Limited	Property development	100	–	2
Y Lee Enterprises Limited	Property development	100	–	14,000,000
Yescott International Limited	Investment holding	100	–	2
Zebrine Investments Limited	Property development	100	–	20

Notes to the Accounts

29. Particulars of Subsidiaries and Associated Companies (continued)

Associated Companies	Principal Activities	Issued ordinary share capital held	
		by Group %	by Company %
** Consolidated Hotels Limited	Hotel investment	35	–
* Macfull Limited	Property development	20	–
* Macfull Finance Limited	Investment holding	20	–
** Shepherd Investments Limited	Investment holding	48	–

All subsidiaries and associated companies are incorporated in Hong Kong except Avanzado Technology Park, Inc., Edward Contractors, Inc., French Valley Industrial Development, Inc., Taico Properties, Inc. and Talega Technology Park, Inc. which are incorporated in the U.S.A.; Alsoic Limited, Buruda Limited and Tai Cheung (B.V.I.) Company Limited which are incorporated in the British Virgin Islands, and Karness Limited which is incorporated in the Cook Islands. The principal country of operation is the same as the country of incorporation except for Tai Cheung (B.V.I.) Company Limited, Alsoic Limited, Buruda Limited and Karness Limited which operate internationally.

* The accounts of these associated companies have been audited by firms other than PricewaterhouseCoopers, Hong Kong. The aggregate net liabilities and profit before taxation of these associated companies attributable to the group amounted to HK\$359.8 million (2004: HK\$360.4 million) and HK\$0.5 million (2004: HK\$0.2 million) respectively.

** Associated companies with 31st December year ends.

+ The shares of the subsidiaries have been pledged to banks as security for banking facilities granted to the subsidiaries.