

WHEELOCK_{and} COMPANY LIMITED

ANNUAL REPORT
STOCK CODE: 20

05/06



WHEELOCK

Founded 1857

www.wheelockcompany.com

CONTENTS

2	Corporate Information
3	Chairman's Statement
6	Financial Highlights
7	Group Profit and Assets Composition
8	Investment Review
13	Financial Review
21	Corporate Governance Report
29	Report of the Directors
41	Report of the Auditors
42	Consolidated Profit and Loss Account
43	Consolidated Balance Sheet
44	Company Balance Sheet
45	Consolidated Statement of Changes in Equity
47	Consolidated Cash Flow Statement
50	Notes to the Financial Statements
92	Principal Accounting Policies
107	Principal Subsidiaries and Associates
109	Schedule of Principal Properties
111	The Wharf (Holdings) Limited Extracts from the Published Financial Statements
112	Five-year Financial Summary

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent Non-executive Directors

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

* *Members of the Audit Committee*

SECRETARY

Wilson W S Chan, FCIS

REGISTRARS

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

REGISTERED OFFICE

23rd Floor, Wheelock House
20 Pedder Street
Hong Kong
Telephone: (852) 2118 2118
Fax: (852) 2118 2018
Website: www.wheelockcompany.com

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

KPMG

CHAIRMAN'S STATEMENT

Hong Kong had a prosperous year in 2005. Robust exports and rising consumer and investment spending propelled the economy to grow at a better-than-expected annual rate of 7.3% in calendar year 2005, and 8.2% in the first quarter of 2006. Consumer Price Index, rising at 1.6% per annum, remained healthy and benign. The booming tourism, as well as the steady rise in employment and wage rates, further improved local sentiments. This backdrop was achieved despite the runaway oil price and rising interest rate.

The gradual roll-out of the Individual Traveller Scheme brought more Mainland tourists to Hong Kong. Tourist arrival exceeded 23 million in 2005 to set a new record, and total tourism receipts exceeded HK\$100 billion. This nourished the local retail sector, which benefited the Group's retail properties. Office rentals rose in the wake of the better economy and tight Grade A supply. Residential prices also rose considerably during the first half of 2005, in particular in the luxury segment, but have since mildly consolidated to sustain a healthy marketplace.

Overseas, Singapore saw a robust 6.4% GDP growth in 2005, and 10.6% in the first quarter of 2006. Retail sales were strong and property prices steadily rose as a result. Japan's economy grew by 2.3% in 2005 and saw an end to the continual price deflation over a period of more than 10 years, which paves the way for renewed economic growth.

The Group benefited from the favourable macro economic environment and performed well during the financial year under review.

Group profit rose by 24% to HK\$10,316 million for the year ended 31 March 2006 (2005: HK\$8,337 million). Earnings per share were HK\$5.08 (2005: HK\$4.10). Excluding the unrealised surplus from the revaluation of investment properties to comply with prevailing accounting standards and the property write-back, Group profit rose by 28% to HK\$3,203 million (2005: HK\$2,498 million).

At 31 March 2006, consolidated net asset value per share was HK\$20.17, 30% higher than the HK\$15.47 a year earlier. Net debt decreased to HK\$2.7 billion (2005: HK\$4.5 billion). Gearing ratio was 6.6% (2005: 14.4%).

The Directors have recommended a final dividend of 10.0 cents per share to bring a full year distribution of 12.5 cents per share (2005: 11.0 cents per share). Total dividend received in cash from the publicly-listed associate Wharf and subsidiary Wheelock Properties amounted to HK\$1,003 million during the financial year (2005: HK\$851 million).

BUSINESS PERFORMANCE

All segments recorded solid performance during the financial year.

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

Properties

Virtually all the units of Sorrento and Towers 6, 7, 8 and 9 of Bellagio have been sold by March 2006. 61% of Towers 1, 2, 3 and 5 of Bellagio have also been sold. The office tower of Lane Crawford House was 92% leased at satisfactory rental rates while a large and reputable international retailer has already committed to lease the majority of the retail podium.

Wheelock Properties Limited

All owned and joint-venture residential projects, including Bellagio, Sorrento and Parc Palais, contributed favourably during the year.

Wheelock Properties (Singapore) Limited

A 21% stake in the listed hotelier and investment company Hotel Properties Limited was purchased in March 2006. The company also acquired The Habitat II, which will be amalgamated with the adjoining Ardmore View site and redeveloped into a prime residential condominium to be known as Ardmore II.

Pre-sales of The Sea View and The Cosmopolitan have made good progress, with 79% and 70% sold respectively by March 2006. All units of Grange Residences have been sold. All rental properties, including Scotts Shopping Centre & The Ascott Singapore and Wheelock Place in Singapore, and the Oakwood Residence Azabujuban in Tokyo, were substantially leased at satisfactory rates.

The Wharf (Holdings) Limited

All three core business segments, Property, China and CME (Communication, Media and Entertainment), achieved solid performance. Rentals firmed across all property sectors with corresponding valuation increases. Expansion continued in China in property investments and developments, as well as in container terminal projects through Modern Terminals. Despite the competitive challenge, the CME sector achieved steady market position, profitability and cash flow.

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

OUTLOOK

Hong Kong's economic fundamentals remain solid, supported by booming external trades and rising domestic demand. The outlook for 2006 is positive.

The Closer Economic Partnership Arrangement provides an ideal platform to facilitate the "going out" policy of Mainland private enterprises, and the "bringing in" policy of international investment and expertise. The ongoing economic integration with Pearl River Delta strengthens Hong Kong's position as the gateway to China. Further, the extension of the Individual Traveller Scheme to additional Mainland cities boosts local tourism.

Despite prevailing risks caused by high oil price and rising US interest rate, Hong Kong is in good shape. The Group is well positioned to benefit from, and grow with, Hong Kong's economy.

Peter K C Woo

Chairman

Hong Kong, 27 June 2006

FINANCIAL HIGHLIGHTS

	2006 HK\$ Million	2005 HK\$ Million (restated)
Results		
Turnover	4,235.4	4,521.0
Operating profit	1,844.6	1,407.6
Profit before attributable revaluation surplus and write-back for properties	3,202.8	2,498.0
Group profit attributable to shareholders	10,316.1	8,337.4
Dividends attributable to the year	254.0	223.5
Earnings per share	HK\$5.08	HK\$4.10
Dividends per share	12.5¢	11.0¢
Dividends from major subsidiary/associate		
Wheelock Properties	123.1	107.7
Wharf	880.0	743.3
Financial position		
Total assets	58,147.6	48,754.2
Net debt	2,687.5	4,520.4
Shareholders' equity	40,986.7	31,434.7
Net assets per share	HK\$20.17	HK\$15.47
Net debt to shareholders' equity	6.6%	14.4%
Net debt to total equity	5.7%	12.3%

Financial year	Group profit/(loss) to Shareholders*		Shareholders' equity HK\$ Million	Earnings/ (loss) per share HK¢	Dividends per share HK¢
	Before property revaluation HK\$ Million	After property revaluation HK\$ Million			
1996/1997	2,535.5	2,535.5	45,820.0	125.5	43.5
1997/1998**	(958.0)	(958.0)	39,920.8	(47.3)	28.0
1998/1999**	808.3	657.4	27,548.2	32.4	7.5
1999/2000**	1,820.5	864.4	27,242.4	42.6	7.5
2000/2001**	1,371.0	523.3	28,419.3	25.8	7.5
2001/2002	1,451.7	546.6	26,485.1	26.9	7.5
2002/2003**	1,600.4	34.7	22,790.3	1.7	7.5
2003/2004	2,275.5	2,302.6	26,544.2	113.3	9.0
2004/2005**	2,498.0	8,337.4	31,434.7	410.3	11.0
2005/2006	3,202.8	10,316.1	40,986.7	507.7	12.5

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

** Restated to conform to new and revised accounting standards effective in 2005/06 and prior years.

GROUP PROFIT AND ASSETS COMPOSITION

	Group Net Profit				Shareholders' Equity			
	2006		2005		2006		2005	
	HK\$ Million	%	HK\$ Million	%	HK\$ Million	%	HK\$ Million	%
			(restated)				(restated)	
Wharf Holdings ⁽¹⁾	2,165.5	68	1,587.2	64	31,398.4	71	26,526.3	73
Wheelock Properties ⁽²⁾	705.3	22	600.5	24	9,899.6	22	7,983.0	22
Other investments	332.0	10	310.3	12	2,969.8	7	1,815.7	5
	3,202.8	100	2,498.0	100	44,267.8	100	36,325.0	100
Corporate items ⁽³⁾	–		–		(3,281.1)		(4,890.3)	
Attributable investment property revaluation surplus ⁽⁴⁾	7,003.6		4,834.6					
Attributable property write-back	109.7		1,004.8					
Attributable to Shareholders	10,316.1		8,337.4		40,986.7		31,434.7	
Per share	HK\$5.08		HK\$4.10		HK\$20.17		HK\$15.47	

Notes:

- 1) Wharf's profit contribution is based on attributable amount to the Group.
- 2) Wheelock Properties' attributable profit contribution and attributable shareholders' equity exclude the dividend income from and its 7% holdings in Wharf, respectively.
- 3) Corporate items represent net debt of the Company and its wholly-owned subsidiaries, respectively.
- 4) The attributable investment property revaluation surplus includes the Group's and its share of Wharf's revaluation surplus of HK\$2,484.3 million (2005: HK\$533.3 million) and HK\$4,519.3 million (2005: HK\$4,301.3 million) respectively.

INVESTMENT REVIEW

PROPERTY

Bellagio (effectively 74%-owned)

Bellagio, in Sham Tseng on the western shore of the New Territories overlooking the Tsing Ma Bridge, is a joint-venture development equally owned by Wheelock, Wheelock Properties ("WPL") and Wharf. Virtually all of the 1,704 units in Towers 6, 7, 8 and 9 have been sold.

Towers 1, 2, 3 and 5 with a total of 1,641 units were completed in early 2006. Cumulative sales have reached 1,048 units (or 61%) by the end of March 2006.

Sorrento (effectively 66%-owned)

Sorrento is a joint-venture project with MTRC above the Kowloon Station, owned by a consortium comprising Wheelock (20%), WPL (40%), Wharf (20%) and Harbour Centre Development (20%). Virtually all of the 854 units in Phase II have been sold by March 2006.

Lane Crawford House (wholly-owned)

The office tower was 92% leased at satisfactory rental rates. The majority of the retail podium has been committed to a large and reputable international retailer on favourable terms and that lease is expected to commence in November.

WHELOCK PROPERTIES LIMITED (A 74%-OWNED LISTED SUBSIDIARY)

Profit for WPL rose by 21% to HK\$2,234 million for the year ended 31 March 2006 (2005: HK\$1,842 million). Excluding the unrealised surplus from the revaluation of investment properties and property write-back, profit rose by 12% to HK\$1,017 million (2005: HK\$912 million).

WPL effectively owns 40% and 33.33% of Sorrento and Bellagio respectively.

Parc Palais, a one-million-square-foot GFA residential development in Homantin, is owned by a five-member consortium comprising WPL (20%), New World Development (30%), Sino Land (30%), Chinese Estates (10%) and Manhattan Garments (10%). 92% of the 700 units (652 units) have been sold by March 2006.

Wheelock House and Fitfort were 94% and 90% leased respectively at satisfactory rental rates.

During the year, the Group received a cash dividend of HK\$123 million (2005: HK\$108 million) from WPL.

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

Profit for Wheelock Properties (Singapore) Limited ("WPSL") declined by 7.3% to S\$183.7 million (HK\$859 million) for the financial year under review (2005: S\$198.1 million or HK\$925 million) as a result of lower contribution from development properties.

In March 2006, WPSL acquired a 21% equity interest in the Singapore listed hotelier and investment company Hotel Properties Limited at a consideration of S\$171.4 million (HK\$823 million).

Development Properties

The remaining 11 units of Grange Residences, a 164-unit residential condominium development, were sold during the year. 92 units were sold in 2005.

Pre-sales of the residential condominium developments The Sea View (546 units) and The Cosmopolitan (228 units) have reached 79% and 70% respectively by March 2006.

WPSL acquired in March 2006 The Habitat II for S\$103.9 million (HK\$499 million), which will be amalgamated with the adjoining Ardmore View site and redeveloped into a prime residential condominium development for sale, to be known as Ardmore II. Planning of the sales gallery and show flat is underway, with target completion by September 2006.

Demolition of Orchard View (formerly known as Angullia View) was completed and development is underway.

The Scotts Shopping Centre and serviced apartment The Ascott Singapore were 97% and 87% leased respectively during the year at satisfactory rental rates. The property will be demolished and redeveloped into a residential and commercial complex in the first half of 2007.

Investment Properties

Wheelock Place, a commercial development in Singapore, and Oakwood Residence Azabujuban, a serviced apartment development in Tokyo, were 95% and 93% leased respectively at satisfactory rental rates.

Property Agency

Hamptons, the UK-based estate agency, became a wholly-owned subsidiary of WPSL in April 2005. Hamptons, whose principal activities include residential agency, lettings and management, investment and development sales, generated revenue of £58.8 million or HK\$800 million during the year (2005: £55.8 million or HK\$756 million) and profit of £3.2 million or HK\$43 million (2005: £4.0 million or HK\$54 million).

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

Wharf reported a profit attributable to shareholders of HK\$13,888 million for its financial year ended 31 December 2005 (2004: HK\$12,677 million). Excluding the unrealised surplus from the revaluation of investment properties, profit rose by 20% to HK\$4,499 million (2004: HK\$3,740 million).

Harbour City (wholly-owned by Wharf)

Harbour City, the core investment property asset of Wharf, turned over HK\$3,332 million during 2005, an increase of 9% over 2004.

Improved local sentiment and rising tourist arrivals improved retail rental by 8% to HK\$1,287 million. Average retail occupancy was maintained at 99% throughout 2005 with favourable rental growth. Driven by the on-going trade-mix enhancement and powerful marketing and promotions, tenants at Harbour City reported a 17% increase in average sales per square foot during the year and a record high in December 2005 to exceed HK\$1,200.

The office sector reported turnover growth of 6% to HK\$1,002 million, underpinned by strong rental reversion. Average office occupancy climbed steadily to 97% in 2005. Office rentals improved considerably on the back of an upbeat business environment and a shortage of new supply in Grade A offices.

Turnover for the serviced apartments sector registered an increase of 14% to HK\$220 million with higher occupancy and considerable rental growth. The three hotels at Harbour City performed well during the year, with consolidated occupancy of 89% and a healthy 20% growth in average room rate.

Times Square (wholly-owned by Wharf)

Times Square, another core asset of Wharf, turned over HK\$886 million in 2005 for an increase of 6% over 2004.

Aided by robust retail spending and encouraging visitor arrivals, the retail sector recorded a revenue growth of 5% to reach HK\$630 million. Average retail occupancy was maintained at 99% with substantial rental growth recorded for new leases and renewals.

The office sector registered turnover growth of 8% to HK\$256 million, resulting from significant improvement in reversionary rentals and higher occupancy. Occupancy grew to 96% at the end of 2005.

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

Revenue and operating profit of Modern Terminals increased by 6% and 5% respectively during 2005, boosted by significant throughput growth.

Throughput grew by 16% to 5.04 million TEUs, driven by feeder, trans-shipment and intra-Asia volume. At the end of 2005, Modern Terminals' market share in Kwai Chung improved to 35.3% from 32.5% in 2004. Upgrading of facilities at CT1, 2 and 5 during the year continued to enhance operational efficiency and handling capacity.

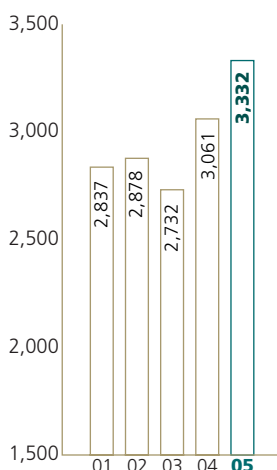
In China, Chiwan Container Terminals and Shekou Container Terminals handled 2.8 million TEUs and 2.2 million TEUs respectively during 2005. Phase I of Taicang (51%-owned by Modern Terminals) handled 251,000 TEUs in 2005. Phase II of Taicang (70%-owned by Modern Terminals) will commence operation in the second half of 2006. Phase I of Dachan Bay in Shenzhen West (65%-owned by Modern Terminals) will commence operation by the end of 2007.

i-CABLE (a 73%-owned listed subsidiary of Wharf)

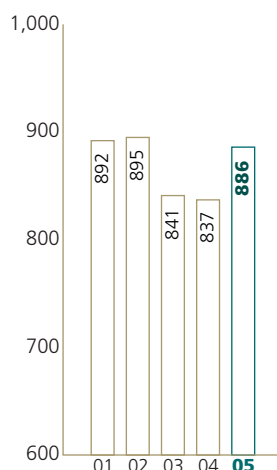
Turnover rose by 3% to HK\$2,441 million and operating profit declined by 5% to HK\$282 million.

Revenue from the Pay TV segment was virtually unchanged at HK\$1,884 million for the year under review, in the face of keener competition in the marketplace. Operating profit fell by 28% to HK\$337 million. CABLE TV reported a year-on-year subscription growth of 5% to 738,000 at the end of 2005 despite aggressive competition. Content differentiation, particularly fresh and local production, has been the key to success in the Pay TV sector.

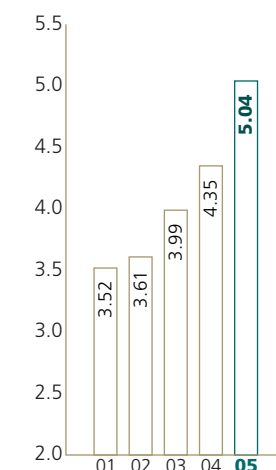
**Harbour City:
Gross Revenue**
(HK\$ Million)



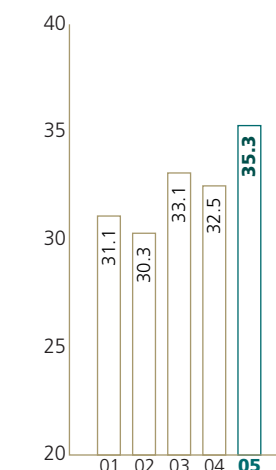
**Times Square:
Gross Revenue**
(HK\$ Million)



**Modern Terminals:
Throughput**
(Million TEUs)



**Modern Terminals:
Market Share**
(%)



Internet & Multimedia segment achieved solid performance with turnover rose by 16% to HK\$558 million during 2005. Operating profit improved by a remarkable HK\$122 million to HK\$78 million. Broadband subscriber base grew by 10% to 320,000 at the end of 2005. To benefit from the triple-play bundling, closer co-operation was developed with fellow subsidiary Wharf T&T in both marketing and operation of voice lines provided over i-CABLE's network infrastructure, installed base more than quadrupled in 2005 to 120,000 versus 29,000 as at the end of 2004.

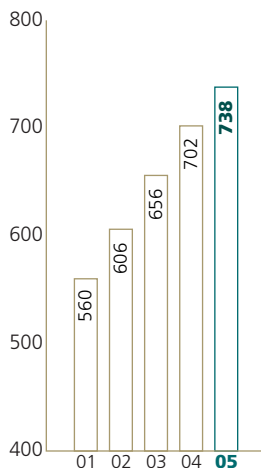
Wharf T&T (wholly-owned by Wharf)

Wharf T&T group, including COL and EC Telecom, increased its total revenue by 2% to HK\$1,478 million during 2005, with operating profit grew by 89% to HK\$104 million. Free cashflow rose by 511% to HK\$94 million.

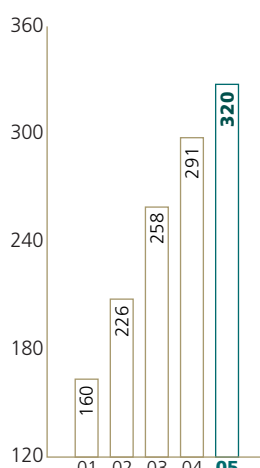
The fixed line installed base grew by 48,000 or 10% to reach 523,000, representing an overall market share of 13%. Total outgoing IDD volume grew by 11% in 2005 to 558 million minutes. In the residential sector, the fixed line business was transferred to i-CABLE Telecom Limited, with a view to facilitating the bundling of voice with broadband service. In the business sector, COL was made a wholly-owned subsidiary of Wharf T&T, enabling the companies to be positioned as an integrated IT and Telecom solution and services provider.

For the financial year under review, total cash dividends received by the Group from Wharf amounted to HK\$880 million (2005: HK\$743 million).

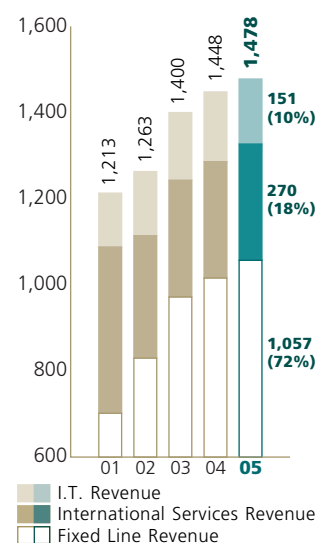
**i-CABLE:
Pay TV Subscribers**
(in thousands)



**i-CABLE:
Broadband Subscribers**
(in thousands)



**Wharf T&T:
Gross Revenue**
(HK\$ Million)



RESULTS REVIEW

In preparing the financial statements for the year ended 31 March 2006, the Group has adopted the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), including all Hong Kong Accounting Standards (“HKASs”) and relevant Interpretations, which took effect on 1 January 2005. Applicable prior year adjustments have also been made to 2004/05’s financial statements. The resulting effects of the changes in accounting treatment and presentation are detailed in Note 10 to the Financial Statements.

Profit attributable to shareholders

The Group reported a profit attributable to Shareholders of HK\$10,316.1 million for the year ended 31 March 2006, representing an increase of HK\$1,978.7 million or 23.7% from the HK\$8,337.4 million for the previous year. Earnings per share were HK\$5.08 (2005: HK\$4.10).

In accordance with the new HKFRSs, the Group and its associates revalued their investment properties as at 31 March 2006 and 31 December 2005, respectively. This accounted for a total attributable surplus of HK\$7,003.6 million (2005: HK\$4,834.6 million) in the profit and loss account. This total attributable surplus included the Group’s revaluation surplus of HK\$3,428.9 million (2005: HK\$885.8 million) less related deferred tax and minority interests of HK\$944.6 million (2005: HK\$352.5 million) and the net surplus of HK\$4,519.3 million (2005: HK\$4,301.3 million) attributable to associates, including principally the Wharf group.

Included in 2005/06’s results was a property write-back of HK\$192.6 million (HK\$109.7 million attributable to the Group) mainly in respect of the Ardmore View development in Singapore, whereas the write-back in the preceding year was HK\$1,352.1 million (HK\$1,004.8 million attributable to the Group), mainly for the Bellagio project.

Excluding the above net revaluation surplus and write-back for properties, the Group’s net profit attributable to Shareholders was HK\$3,202.8 million (2005: HK\$2,498.0 million), for an increase of HK\$704.8 million or 28.2%. This increase was largely attributable to the profits realised from disposal of certain long-term investments and investment properties in the respective amounts of HK\$261.9 million and HK\$98.2 million, and an increase in profit contribution from Wharf. This year also saw a higher development profit realised from the sale of Bellagio units. The favourable results were partially offset by lower development profit from the sale of Grange Residences units in Singapore.

Group turnover

The Group's turnover for the year decreased by HK\$285.6 million or 6.3% to HK\$4,235.4 million (2005: HK\$4,521.0 million). The decrease was mainly attributable to a decrease in revenue from the Property Development segment, partly offset by Hamptons' property agency income which was newly consolidated in the Group's turnover in the year under review.

The Property Development segment recorded total revenue of HK\$2,688.8 million, down by HK\$1,211.6 million or 31.1%. The decrease was mainly attributable to fewer Grange Residences units sold in Singapore, whereas property sales recorded in Hong Kong were not significantly different from 2004/05. According to current HKFRSs, the Group is required to adopt the "completion method" and does not recognise any revenue and profit on pre-sale of properties until the completion of development of the respective properties.

Property Investment segment recorded an increase of HK\$46.3 million to HK\$449.0 million (2005: HK\$402.7 million). The improvement reflected the first full-year rental contribution from the Oakwood Residence Azabujuban serviced apartments in Japan and Scotts Shopping Centre & The Ascott Singapore in Singapore, both acquired in September 2004. This was partly offset by lower rental contribution from Lane Crawford House upon expiry of the lease with Lane Crawford Department Store in June 2005.

During the year under review, Hamptons' property agency income of HK\$800.3 million were consolidated into the Group's results since April 2005 when it became a wholly-owned subsidiary of WPSL. The results of Hamptons were previously equity accounted for as a 32.4%-owned associate.

Operating profit

The Group's operating profit increased by HK\$437.0 million or 31.0% to HK\$1,844.6 million (2005: HK\$1,407.6 million), mainly due to profit realised on sale of long-term investments and investment properties with details below.

The operating profit of the Property Development segment increased by HK\$27.7 million to HK\$888.9 million (2005: HK\$861.2 million), which resulted from an increase in profit from the sale of Bellagio units at a higher profit margin, offset by lower profit contribution from Grange Residences as fewer units were sold.

The Property Investment segment recorded a profit of HK\$278.6 million (2005: HK\$271.8 million), a slight increase of 2.5%. The increase was mainly due to higher rental profit contributed from Singapore but was offset by lower rental from Lane Crawford House as explained above.

For the year under review, the Property Management and Agency segment reported an operating profit of HK\$48.8 million (2005: HK\$28.6 million) of which HK\$19.9 million was Hamptons' contribution.

The Investment and Others segment profit for the year under review grew by HK\$390.1 million or 150.8% to HK\$648.8 million, which included profits of HK\$261.9 million from the sale of certain long-term investments and HK\$98.2 million from the sale of Great Western Plaza units.

Borrowing costs

Borrowing costs charged to the profit and loss account increased to HK\$217.8 million (2005: HK\$90.4 million) as a result of interest rate rises in 2005. Borrowing costs capitalised for properties under development for sale in the year under review amounted to HK\$43.3 million (2005: HK\$20.4 million). The Group's effective borrowing interest rate was approximately 3.4% per annum (2005: 1.4% per annum).

Share of profits less losses of associates

The share of profit of associates, substantially contributed by Wharf, was HK\$6,870.6 million, against HK\$6,191.6 million for the previous year. Included in the share of Wharf's results was an attributable investment property revaluation surplus (net of deferred tax) of HK\$4,519.3 million (2005: HK\$4,301.3 million). Excluding the attributable revaluation surplus in both years for comparison purpose, the share of associates' profits would be HK\$2,351.3 million (2005: HK\$1,890.3 million), representing an increase of HK\$461.0 million mainly due to the growth in Wharf's profit. The profit growth was driven mainly by the solid performance of Wharf's Property Investment segment, which resumed to attain accretive office rental reversion and sustained its continued growth in retail rental income. This also reflects the overall steady growth in the operating profits of its Logistics segment and its Communications, Media and Entertainment segment during 2005. However, this strong operating performance was offset in part by the increase in Wharf's borrowing costs caused mainly by interest rate rises in 2005 and the absence of attributable provision write-back in respect of Bellagio project, which amounted to HK\$442 million in 2004. Wharf's results are discussed in detail under the Investment Review section.

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

Income tax

A taxation charge of HK\$702.4 million (2005: HK\$264.0 million) was reported for the year which included the deferred tax on net revaluation surplus of investment properties of HK\$603.9 million (2005: HK\$178.0 million).

Minority interests

Profit shared by minority interests was HK\$1,100.4 million (2005: HK\$1,145.3 million), which mainly related to WPL.

LIQUIDITY AND FINANCIAL RESOURCES

Equity

At 31 March 2006, the Group's shareholders' equity amounted to HK\$40,986.7 million, representing HK\$20.17 per share, against the restated amount of HK\$31,434.7 million or HK\$15.47 per share at 31 March 2005. The improvement was primarily due to the attributable appreciation in value of the investment properties portfolio of the Group and its associates of HK\$7,003.6 million (net of deferred tax and minority interests).

In compliance with the new and revised HKFRSs, the Group's shareholders' equity as at 31 March 2005 was restated to HK\$31,434.7 million from the HK\$36,279.9 million as previously reported and the Group's net asset value attributable to Shareholders hence dropped by HK\$2.39 to HK\$15.47 per share from HK\$17.86. The reduction resulted mainly from the Group's share of HK\$3,551.9 million in respect of associate's provision for deferred tax on investment property revaluation surplus and of HK\$1,206.6 million in respect of the reversal of revaluation reserve, by restating its hotel properties at cost, and provision for accumulated depreciation for hotel properties by associates. Details of these adjustments are given in Note 10 to the Financial Statements.

As at 31 March 2006, the Group's total equity, including minority interests, was HK\$47,338.0 million (2005: HK\$36,665.6 million).

Supplemental Information on Net Asset Value

To better reflect its underlying net asset value (“NAV”) attributable to its shareholders, Wharf had made certain adjustments on the book NAV that was based on HKFRSs and disclosed as supplemental information in the Financial Review section of its annual report 2005. On the same basis, the adjusted underlying NAV attributable to the Group’s Shareholders is summarised below for additional information:

	Per share HK\$
Book NAV (based on HKFRSs) at 31 March 2006	20.17
Share of Wharf’s adjustments:	5.25
Modern Terminals	1.97
– based on the latest transaction price	
i-CABLE	0.27
– based on market value at 31 December 2005 (@HK\$1.90p.s.)	
Hotel properties	0.80
– based on the valuation conducted by an independent valuer	
Deferred tax on investment properties revaluation surplus	2.21*
Wheelock’s deferred tax on investment property revaluation surplus	0.31*
Adjusted underlying NAV at 31 March 2006	25.73

* As there is no capital gains tax on sales of investment properties in Hong Kong and Singapore, the deferred tax liability (attributable to the Group of HK\$5.1 billion or about HK\$2.52 per share) as provided and included in the consolidated balance sheet of the Group and its associate would not be payable if the above-mentioned investment properties were to be sold at the revalued amounts under the respective current tax regime. Accordingly, such deferred tax as provided under HKAS 40 and HK(SIC)-INT 21 has been excluded for the above calculation in order to provide a better understanding of the NAV attributable to Shareholders.

Net debt and gearing

At 31 March 2006, the ratio of the Group’s net debt to shareholders’ equity and total equity was 6.6% (2005: 14.4%) and 5.7% (2005: 12.3%) respectively.

At 31 March 2006, the Group’s net debt amounted to HK\$2,687.5 million, which was made up of total debts of HK\$7,205.1 million less deposits and cash of HK\$4,517.6 million. This compared favourably against a net debt of HK\$4,520.4 million at 31 March 2005. Net cash generated from the Group’s operating activities was HK\$2,733.1 million, which included net cash inflows from property sales (including sales of Bellagio and Sorrento units in Hong Kong and Grange Residences, The Sea View and The Cosmopolitan units in Singapore) and dividend income from Wharf. The major cash outflow for the year resulted from WPSL’s acquisitions of a 20.97% interest in Hotel Properties Limited, additional interests in Hamptons, and the Orchard View and The Habitat II sites and WPL’s acquisitions of Heung Yip Road property, Babington Path property, and two small office properties in Hong Kong.

Excluding WPL group's net cash of HK\$589.1 million, the Company together with its other subsidiaries had a net debt of HK\$3,276.6 million, reduced by HK\$1,613.4 million from HK\$4,890.0 million as at 31 March 2005. For the year under review, total cash dividends received from Wharf and WPL, being the Group's main sources of recurring cash inflow, totalled HK\$1,003.1 million (2005: HK\$851.0 million). Besides, proceeds from the sale of Bellagio and Sorrento units were distributed by the project companies among their shareholders. The Company's share of such distribution amounted to HK\$600.0 million.

Committed and uncommitted facilities

- (a) The Group's committed and uncommitted loan facilities amounted to HK\$10.8 billion and HK\$1.8 billion, respectively. Listed below is the debt maturity profile of the Group at 31 March 2006:

	2006 HK\$ Million	2005 HK\$ Million
Repayable within 1 year	1,976.1	607.6
Repayable after 1 year, but within 2 years	2,038.7	300.0
Repayable after 2 years, but within 5 years	3,190.3	6,614.9
Repayable after 5 years	–	500.0
	7,205.1	8,022.5
Undrawn facilities	5,400.0	3,700.0

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

	2006 HK\$ Million	2005 HK\$ Million
Investment properties	493.4	474.5
Properties under development for sale	4,014.3	2,284.2
	4,507.7	2,758.7

- (c) At 31 March 2006, the Group's borrowings are primarily denominated in Hong Kong dollars except that WPSL's borrowings for financing its investment in Hamptons and properties in Singapore and Japan were primarily denominated in local currencies, i.e. Pound Sterling, Singapore Dollar and Japanese Yen, respectively. Forward exchange contracts were entered into by WPSL mainly for hedging its net investment in a foreign subsidiary. The Group has no other significant exposure to foreign exchange fluctuation except for its net investments in the Singapore subsidiaries.

Available-for-sale investments

At 31 March 2006, the Group maintained a portfolio of available-for-sale investments with a market value of HK\$2,186.5 million (2005: HK\$1,488.0 million), which primarily comprised blue chip securities.

In accordance with the Group's accounting policies, the long-term investments classified as available-for-sale investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserves until the security is sold. At 31 March 2006, such reserves account had an attributable accumulated surplus of HK\$501.9 million compared to HK\$316.3 million at 31 March 2005. The performance of the portfolio was in line with the stock markets.

CONTINGENT LIABILITIES

At 31 March 2006 and 31 March 2005, there was no guarantee given by the Group in respect of banking facilities available to associates.

ACQUISITION OF PROPERTY/SUBSIDIARY/INVESTMENTS

Properties

2 Heung Yip Road

WPL completed in June 2005 the acquisition of the property known as 2 Heung Yip Road in Hong Kong at a consideration of HK\$455 million.

6D-6E Babington Path

WPL completed in March 2006 the acquisition of the property known as 6D-6E Babington Path, Mid-Levels, Hong Kong at a consideration of HK\$240 million. Redevelopment of the property will commence in 2006/07.

Other properties acquisition in Hong Kong

During the year, WPL acquired some office properties in Hong Kong at a total consideration of HK\$220 million.

Orchard View, Singapore

WPSL completed in April 2005 the acquisition of the Orchard View in Singapore at a consideration of S\$43.8 million (about HK\$209 million). WPSL has planned to redevelop it into a luxury apartment.

The Habitat II, Singapore

WPSL completed in March 2006 the acquisition of The Habitat II, 2 Ardmore Park, Singapore at a consideration of S\$103.9 million (about HK\$499 million). WPSL plans to amalgamate this site with the Ardmore View site for redevelopment into a prime residential condominium known as Ardmore II for sale.

Subsidiary

Hamptons Group Limited ("Hamptons")

WPSL completed in April 2005 the acquisition of the remaining interests of 67.6% in Hamptons at a total consideration of approximately £23.8 million (about HK\$357 million), making Hamptons a 100% owned subsidiary of WPSL. Accordingly, with effect from April 2005, the Group has consolidated Hamptons' results, assets and liabilities.

Available-for-sale investments

Hotel Properties Limited ("HPL") (20.97%)

WPSL acquired 20.97% interest or 95,230,000 shares in HPL for S\$171.4 million (about HK\$823 million) on 21 March 2006. Since the Group does not have significant influence over the financial and operating policy decision of HPL, the 20.97% interest in HPL is accounted for as available-for-sale investment instead of an investment in associate in the financial statements. HPL is a listed company in Singapore and its businesses include hotel operations, development properties, investment properties and restaurants.

HUMAN RESOURCES

The Group has approximately 1,712 employees at 31 March 2006 (2005: 693). The increase of 1,019 employees mainly resulted from the inclusion of Hamptons' employees after it became a subsidiary of the Group in April 2005. Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for the year ended 31 March 2006 amounted to HK\$485.3 million (2005: HK\$148.8 million).

CORPORATE GOVERNANCE REPORT

(A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 March 2006, all those principles as set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Code"), which became applicable to the Company in respect of the year under review, were applied by the Company, and the relevant Code provisions in the Code were met by the Company, with the exception of one deviation as set out under section (D) below. The application of the relevant principles, and the reasons for the abovementioned deviation from a Code provision, are stated in the following sections.

(B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors of the Company who were in office during the financial year ended 31 March 2006, they have confirmed that they have complied with the Model Code during the financial year.

(C) BOARD OF DIRECTORS

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

The Company's Board has a balance of skills and experience and a balance composition of executive and non-executive directors. Four Board meetings were held during the financial year ended 31 March 2006. The composition of the Board and attendance of the Directors are set out below:

Directors	Attendance at Meetings
Chairman	
Peter K C Woo	4
Senior Deputy Chairman	
Gonzaga W J Li	4
Deputy Chairman	
Stephen T H Ng	3
Executive Directors	
Paul Y C Tsui	4
David J Lawrence (<i>resigned on 1 January 2006</i>)	1
Independent Non-executive Directors	
Alexander S K Au	3
B M Chang	2
Kenneth W S Ting	3
William Turnbull	4

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

(ii) Operation of the Board

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

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

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

(E) NON-EXECUTIVE DIRECTORS

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

(F) REMUNERATION OF DIRECTORS

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

One Remuneration Committee meeting was held during the financial year ended 31 March 2006. Attendance of the Members is set out below:

Members	Attendance at Meeting
Peter K C Woo, <i>Chairman</i>	1
Alexander S K Au	1
William Turnbull	1

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

- (a) to consider the Company's policy and structure for all remuneration of Directors and senior management;
- (b) to determine the specific remuneration packages of all executive Directors and senior management;

- (c) to review performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (d) to review the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and
- (e) to review compensation arrangements relating to dismissal or removal of Directors for misconduct.

The work performed by the Remuneration Committee for the financial year ended 31 March 2006 was summarised below:

- (a) review of the Company's policy and structure for all remuneration of Directors and senior management;
- (b) consideration of the emoluments for all Directors and senior management; and
- (c) review of the level of fees for Directors and Audit Committee Members.

The basis of determining the emoluments payable to its Directors and senior management by the Company is by reference to the level of emoluments normally paid by a listed company in Hong Kong to directors and senior executives of comparable calibre and job responsibilities so as to ensure a fair and competitive remuneration package as is fit and appropriate. The basis of determining the Directors' fees, currently at the rate of HK\$50,000 per annum per Director, payable to Directors of the Company, and the Audit Committee Members' fees, currently at the rate of HK\$15,000 per annum per Member, payable to those Directors of the Company who are also Members of the Audit Committee of the Company is by reference to the level of fees of similar nature normally paid by a listed company in Hong Kong to its directors.

(G) NOMINATION OF DIRECTORS

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

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

(H) AUDITORS' REMUNERATION

The fees in relation to the audit and other services provided by KPMG, the external auditors of the Company, amounted to HK\$4.8 million and HK\$1.8 million respectively.

(I) AUDIT COMMITTEE

All the Members of the Audit Committee of the Company are appointed from the independent Non-executive Directors.

All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required. In addition, Mr Alexander S K Au has the appropriate professional qualifications and experience in financial matters.

Five Audit Committee meetings were held during the financial year ended 31 March 2006. Attendance of the Members is set out below:

Members	Attendance at Meetings
Alexander S K Au, <i>Chairman</i>	5
B M Chang	3
William Turnbull	4

- (i) The terms of reference of the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the Audit Committee:
- (a) to consider the appointment of the external auditors and any questions of resignation or dismissal;
 - (b) to discuss with the external auditors before the audit commences, the nature and scope of the audit;
 - (c) to review the half-year and annual financial statements before submission to the Board, focusing particularly on:
 - (1) any changes in accounting policies and practices;
 - (2) major judgmental areas;
 - (3) significant adjustments resulting from the audit;
 - (4) the going concern assumption;
 - (5) compliance with accounting standards; and
 - (6) compliance with stock exchange and legal requirements;
 - (d) to discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary); and
 - (e) to review the audit programme, and ensure co-ordination with external auditors, of the internal audit function.

- (ii) The work performed by the Audit Committee for the financial year ended 31 March 2006 is summarised below:
 - (a) approval of the remuneration and terms of engagement of the external auditors;
 - (b) review of the external auditors' independence and objectivity and the effectiveness of audit process in accordance with applicable standards;
 - (c) review of the half-year and annual financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (i)(c) above regarding the duties of the Audit Committee;
 - (d) discussion with the external auditors before the audit commences, the nature and scope of the audit;
 - (e) review of the audit programme and co-ordination between the external auditors and the internal audit function;
 - (f) review of the Group's financial controls, internal control and risk management systems; and
 - (g) meeting with the external auditors without executive Board members present.

(J) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for the financial year ended 31 March 2006, which give a true and fair view of the affairs of the Company and of the Group and of the Group's results and cash flow for the year then ended and in compliance with the requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the financial statements for the financial year ended 31 March 2006:

- (i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;
- (ii) prudent and reasonable judgements and estimates are made; and
- (iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

(K) COMMUNICATION WITH SHAREHOLDERS

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performances and activities. Annual and interim reports are printed and sent to all Shareholders. Press releases are posted on the Company's corporate website www.wheelockcompany.com. The Company's website provides email address, postal address, fax number and telephone number by which enquiries may be put to the Company's Board. Constantly being updated in a timely manner, the website also contains a wide range of additional information on the Group's business activities. As a standard part of the investor relations programme to maintain a constant dialogue on the Group's performance and objectives, senior executives hold regular briefings and attend conferences with institutional investors and financial analysts.

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

The Company keeps Shareholders informed of the procedure for voting by poll in all circulars to Shareholders which are from time to time despatched to Shareholders together with notices of general meetings of the Company. The Company has taken steps to ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company. Regarding circulars to Shareholders for convening Annual General Meetings, the Company would also state in such circulars that arrangements have been made for the voting of each of the resolutions being put to the Annual General Meetings to be dealt with by means of poll vote. The Board and external auditors attend the Annual General Meetings to answer Shareholders' questions. Poll results are advertised in newspapers on the following business day and are posted on the Company's corporate website shortly after the meetings.

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

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

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 March 2006.

PRINCIPAL ACTIVITIES AND TRADING OPERATIONS

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 107 and 108.

An analysis of the principal activities and geographical locations of trading operations of the Company and its subsidiaries during the financial year is set out in Note 1 to the Financial Statements on pages 50 to 53.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 March 2006 are set out in the Consolidated Profit and Loss Account on page 42.

Appropriations of profits and movements in reserves during the financial year are set out in Note 25 to the Financial Statements on pages 81 to 85.

DIVIDENDS

An interim dividend of 2.5 cents per share was paid on 9 January 2006. The Directors have now recommended for adoption at the Annual General Meeting to be held on Friday, 25 August 2006 the payment on 1 September 2006 to Shareholders on record as at 25 August 2006 of a final dividend of 10.0 cents per share in respect of the financial year ended 31 March 2006. This recommendation has been disclosed in the Financial Statements.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 11 to the Financial Statements on page 67.

DONATIONS

The Group made donations during the financial year totalling HK\$4.0 million.

DIRECTORS

The Directors of the Company during the financial year were Messrs P K C Woo, G W J Li, S T H Ng, P Y C Tsui, D J Lawrence (resigned on 1 January 2006), A S K Au, B M Chang, K W S Ting and W Turnbull.

Messrs P K C Woo, P Y C Tsui, A S K Au and B M Chang are due to retire from the Board at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

AUDITORS

During the financial year, KPMG was appointed Auditors of the Company to fill the vacancy occasioned by the retirement of PricewaterhouseCoopers on 15 August 2005 as Auditors of the Company.

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

By Order of the Board

Wilson W S Chan

Secretary

Hong Kong, 27 June 2006

SUPPLEMENTARY CORPORATE INFORMATION

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

(I) Directors

Peter K C Woo, *GBS, JP, Chairman (Age: 59)*

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

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

Gonzaga W J Li, *Senior Deputy Chairman (Age: 77)*

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

Stephen T H Ng, *Deputy Chairman (Age: 53)*

Mr Ng has been a Director of the Company since 1988 and became the Deputy Chairman in 1995. He is also the deputy chairman and managing director of Wharf, the chairman, president and chief executive officer of both i-CABLE Communications Limited and Wharf T&T Limited as well as a director of Joyce. Mr Ng serves as a member of the General Committee of the Hong Kong General Chamber of Commerce.

Paul Y C Tsui, *Executive Director (Age: 59)*

Mr Tsui has been a Director of the Company since 1998 and became Executive Director in 2003. He is also a director of Joyce, WPL and WPSL. Mr Tsui is a fellow member of the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the Association of Chartered Certified Accountants (“ACCA”) and the Chartered Institute of Management Accountants.

Alexander S K Au, *OBE, Director (Age: 59)*

Mr Au has been an independent Non-executive Director of the Company since 2002. He also serves as a member and the chairman of the Company’s Audit Committee and also a member of the Company’s Remuneration Committee. Mr Au is also an executive director and the chief financial officer of Henderson Land Development Company Limited and a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. He is also a member of the Council of the Hong Kong University of Science and Technology.

Mr Au formerly served as a member of a number of Government advisory bodies and voluntary agencies, including the Exchange Fund Advisory Committee, the Banking Advisory Committee, the Hong Kong Trade Development Council, the City University of Hong Kong and the Community Chest of Hong Kong. He was named Hong Kong Banker of the Year in July 1996 and Hong Kong Business Executive of the Year in December 1996. He is a fellow member of HKICPA, ACCA, The Chartered Institute of Bankers and the Hong Kong Institute of Bankers.

B M Chang, *Director (Age: 77)*

Mr Chang has been a Director of the Company since 1969. He, being an independent Non-executive Director, also serves as a member of the Company’s Audit Committee.

Kenneth W S Ting, JP, Director (Age: 63)

Mr Ting has been an independent Non-executive Director of the Company since 2003. He is also the managing director, chief executive officer of publicly-listed Kader Holdings Company Limited and the chairman of Kader Industrial Company Limited, and a director of New Island Printing Holdings Limited. Mr Ting currently serves as the chairman of the Federation of Hong Kong Industries, the non-executive director of the Mandatory Provident Fund Schemes Authority, the chairman of the Vocational Training Council-Plastics Training Board, the president of the Hong Kong Plastics Manufacturers' Association Limited, the honorary president of the Chinese Manufacturers' Association of Hong Kong and the honorary president of the Toys Manufacturers' Association of Hong Kong Limited.

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

William Turnbull, OBE, JP, Director (Age: 72)

Mr Turnbull has been an independent Non-executive Director of the Company since 2002. He also serves as a member of the Company's Audit Committee and Remuneration Committee. Mr Turnbull is also the non-executive chairman of Hong Kong Standards and Testing Centre Limited and Hong Kong Safety Institute Limited.

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

(II) Senior Managers

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

(B) DIRECTORS' INTERESTS IN SHARES

At 31 March 2006, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, of an associate of the Company, namely, Wharf, and of a subsidiary of the Company, namely, WPL, and the percentages which the relevant shares represented to the issued share capitals of the three companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	Nature of Interest
The Company		
Peter K C Woo	1,204,934,330 (59.3023%)	Personal Interest in 8,847,510 shares, Corporate Interest in 200,865,142 shares and Other Interest in 995,221,678 shares
B M Chang	8,629,575 (0.4247%)	Corporate Interest
G W J Li	1,486,491 (0.0732%)	Personal Interest
S T H Ng	300,000 (0.0148%)	Personal Interest
Wharf		
G W J Li	686,549 (0.0280%)	Personal Interest
S T H Ng	650,057 (0.0266%)	Personal Interest
WPL		
G W J Li	2,900 (0.0001%)	Personal Interest

Notes:

- (1) The 995,221,678 shares of the Company stated above as "Other Interest" against the name of Mr Peter K C Woo represented an interest comprised in certain trust properties in which Mr Woo was taken, under certain provisions in Part XV of the Securities and Futures Ordinance (the "SFO") which are applicable to a director or chief executive of a listed company, to be interested.
- (2) The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were interests of corporations at respective general meetings of which the relevant Directors were respectively either entitled to exercise (or taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.
- (3) The shareholding interests stated above as "Personal Interest" and "Corporate Interest" against the name of Mr Peter K C Woo totalling 209,712,652 shares of the Company represented the same block of shares as that of the shareholding interest of Mrs Bessie P Y Woo stated below in the section headed "Substantial Shareholders' Interests".
- (4) The 995,221,678 shares of the Company as referred to under Note (1) above are entirely duplicated or included in the shareholding interest of HSBC Trustee (Guernsey) Limited stated below under the section headed "Substantial Shareholders' Interests".

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

- (i) there were no interests, both long and short positions, held as at 31 March 2006 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and
- (ii) there existed during the financial year no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

(C) SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s) of the Company, who/which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 31 March 2006, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"), and the percentages which the shares represented to the issued share capital of the Company:

Names	No. of Ordinary Shares (percentage of issued capital)
(i) Mrs Bessie P Y Woo	209,712,652 (10.32%)
(ii) HSBC Trustee (Guernsey) Limited	1,095,300,362 (53.91%)
(iii) JPMorgan Chase & Co.	121,486,100 (5.98%)

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

All the interests stated above represented long positions and as at 31 March 2006, there were no short position interests recorded in the Register.

(D) PENSION SCHEMES

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

(I) Nature of the Pension Scheme

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

(II) Funding of the Pension Scheme

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

(III) Forfeited Contributions

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

(IV) Cost of the Pension Scheme

The employer's cost charged to the profit and loss account during the year ended 31 March 2006 in respect of the Pension Scheme amounted to HK\$3.9 million. During the year, no forfeiture of employer's contribution was used to reduce current year's contribution.

Note: The total employers' pension cost in respect of all pension schemes of the Group, including the cost related to the various mandatory retirement schemes which are not operated by the Group, charged to the profit and loss account during the financial year ended 31 March 2006 amounted to HK\$32.4 million.

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

(I) Summary of the Scheme

(a) Purpose of the Scheme:

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

(b) Participants of the Scheme:

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

- (c)** (i) Total number of ordinary shares of HK\$0.50 each in the capital of the Company (the “Shares”) available for issue under the Scheme as at 31 March 2006:

82,401,464

- (ii) Percentage of the issued share capital that it represents as at 31 March 2006:

4%

- (d)** Maximum entitlement of each participant under the Scheme as at 31 March 2006:
Not more than:

- (i) 10% of the maximum number of Shares available for subscription under the terms of the Scheme; and
- (ii) in terms of amount of the aggregate subscription price, such amount of aggregate subscription price in respect of all the Shares for which an Employee is granted options in any financial year as would exceed five times his or her gross annual remuneration.

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

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

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

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

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

HK\$1.00

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

Seven days after the offer date of an option.

(h) Basis of determining the exercise price:

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

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(i) The remaining life of the Scheme:

Two years

(II) Details of Share Options Granted

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

(F) MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 March 2006:

- (a)** the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented 62% of the Group's total purchases;
- (b)** the largest supplier accounted for 19% of the Group's total purchases;
- (c)** none of the Directors of the Company or their associates holds, nor does any Shareholder owning (to the knowledge of the Directors) more than 5% of the Company's equity capital hold, any interests in any of the Group's five largest suppliers; and
- (d)** the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

(G) BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 March 2006 which are repayable on demand or within a period not exceeding one year or after one year are set out in Note 21 to the Financial Statements on page 77.

(H) INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year is set out in Note 5 to the Financial Statements on page 57.

(I) PURCHASE, SALE OR REDEMPTION OF SHARES

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

(J) PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 March 2006.

REPORT OF THE AUDITORS



TO THE SHAREHOLDERS OF WHELOCK AND COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 42 to 108 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the Directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

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

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2006 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

Hong Kong, 27 June 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2006

	Note	2006 HK\$ Million	2005 HK\$ Million (restated)
Turnover	2	4,235.4	4,521.0
Other net income	3	401.4	213.6
		4,636.8	4,734.6
Direct costs and operating expenses		(2,214.1)	(3,133.1)
Selling and marketing expenses		(335.8)	(128.7)
Administrative expenses		(242.3)	(65.2)
Operating profit	2	1,844.6	1,407.6
Increase in fair value of investment properties	11	3,428.9	885.8
Write back of provision for properties	4	192.6	1,352.1
		5,466.1	3,645.5
Borrowing costs	5	(217.8)	(90.4)
Share of profits less losses of associates	1	6,870.6	6,191.6
Profit before taxation		12,118.9	9,746.7
Income tax	6(a)	(702.4)	(264.0)
Profit for the year		11,416.5	9,482.7
Profit attributable to:			
Shareholders	7	10,316.1	8,337.4
Minority interests		1,100.4	1,145.3
		11,416.5	9,482.7
Dividends attributable to the year	8		
Interim dividend declared during the year		50.8	50.8
Final dividend proposed after the balance sheet date		203.2	172.7
		254.0	223.5
Earnings per share	9	HK\$5.08	HK\$4.10

The notes and principal accounting policies on pages 50 to 108 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2006

	Note	2006 HK\$ Million	2005 HK\$ Million (restated)
Non-current assets			
Fixed assets	11		
Investment properties		8,560.1	5,313.7
Other property, plant and equipment		104.8	12.7
		8,664.9	5,326.4
Goodwill and other intangible assets	13	305.8	–
Associates	14	31,981.7	26,561.7
Available-for-sale investments	15	2,186.5	1,488.0
Deferred debtors	16	231.7	370.6
		43,370.6	33,746.7
Current assets			
Properties under development for sale	17	6,627.3	9,583.6
Properties held for sale	17	2,542.4	620.1
Trade and other receivables	18	1,089.7	1,301.7
Bank balances and deposits	19	4,517.6	3,502.1
		14,777.0	15,007.5
Current liabilities			
Trade and other payables	20	(1,148.3)	(1,286.3)
Bank loans and overdrafts	21	(1,976.1)	(607.6)
Deposits from sale of properties		(1,040.8)	(2,046.2)
Current tax	6(c)	(145.6)	(132.1)
		(4,310.8)	(4,072.2)
Net current assets		10,466.2	10,935.3
Total assets less current liabilities		53,836.8	44,682.0
Non-current liabilities			
Long-term loans	21	(5,229.0)	(7,414.9)
Deferred tax	22	(826.4)	(134.5)
Deferred items	23	(443.4)	(467.0)
		(6,498.8)	(8,016.4)
Net assets		47,338.0	36,665.6
Capital and reserves			
Share capital	24	1,015.9	1,015.9
Reserves		39,970.8	30,418.8
Shareholders' equity	25(a)	40,986.7	31,434.7
Minority interests	25(a)	6,351.3	5,230.9
Total equity	25(a)	47,338.0	36,665.6

The notes and principal accounting policies on pages 50 to 108 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Executive Director

COMPANY BALANCE SHEET

At 31 March 2006

	Note	2006 HK\$ Million	2005 HK\$ Million
Non-current assets			
Subsidiaries	12	4,487.5	4,638.3
Current assets			
Trade and other receivables		0.4	0.4
Current liabilities			
Trade and other payables		(4.8)	(4.5)
Bank loans and overdrafts	21	–	(157.9)
		(4.8)	(162.4)
Net current liabilities		(4.4)	(162.0)
Net assets		4,483.1	4,476.3
Capital and reserves			
Share capital	24	1,015.9	1,015.9
Reserves		3,467.2	3,460.4
Shareholders' equity	25(b)	4,483.1	4,476.3

The notes and principal accounting policies on pages 50 to 108 form part of these financial statements.

Peter K C Woo
Chairman

Paul Y C Tsui
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

	Note	2006 HK\$ Million	2005 HK\$ Million (restated)
Total equity at 1 April			
As previously reported:			
Shareholders' equity		36,279.9	26,544.2
Minority interests (previously presented separately from liabilities and equity)		5,356.0	4,093.4
Total equity		41,635.9	30,637.6
Prior year adjustments arising from changes in accounting policies	10	(4,970.3)	(3,738.6)
As restated, before opening balance adjustment		36,665.6	26,899.0
Opening balance adjustments arising from change in accounting policies for goodwill and financial instruments	10	115.1	–
At 1 April, after prior year and opening balance adjustments		36,780.7	26,899.0
Associates			
Surplus on revaluation of investment properties, net of deferred tax			5,373.1
Prior year adjustment for investment properties			(5,373.1)
Surplus on revaluation of hotel and club properties			141.3
Prior year adjustment for hotel properties			(147.8)
			(6.5)
Company and subsidiaries			
Surplus on revaluation of available-for-sale investments		373.9	404.5
Intangible assets arising from assets previously held		53.3	–
Acquisition of additional interests in subsidiaries		(36.4)	–
Others		(3.8)	–
Exchange difference on translation of financial statements of foreign entities		28.6	87.2
Associates			
Surplus on revaluation of available-for-sale investments		51.5	118.2
Reserve utilised for acquisition of additional interest in subsidiaries		(893.0)	–
Others		1.8	2.6
Net (loss)/gain not recognised in the profit and loss account (2005: restated)		(424.1)	606.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

	Note	2006 HK\$ Million	2005 HK\$ Million (restated)
Company and subsidiaries			
Profit for the year as previously reported			5,193.6
Prior year adjustments	10		4,289.1
Profit for the year (2005: as restated)		11,416.5	9,482.7
Reserves transferred to the profit and loss account on disposal of:			
Available-for-sale investments		(117.7)	(30.6)
Properties		–	(1.3)
Associates			
Reserves transferred to the profit and loss account on disposal of available-for-sale investments		(36.0)	(11.0)
Total recognised gain for the year (2005: as restated)		10,838.7	10,045.8
Shareholders		9,697.2	8,767.2
Minority interests		1,141.5	1,278.6
		10,838.7	10,045.8
Final dividend approved in respect of the previous year	8(b)	(172.7)	(132.1)
Interim dividend declared in respect of the current year	8(a)	(50.8)	(50.8)
Dividend to minority interests	25(a)	(836.4)	(96.3)
Rights issue of a subsidiary attributable to minority interests	25(a)	775.7	–
Minority interests through acquisition of subsidiaries	25(a)	2.8	–
Total equity at 31 March		47,338.0	36,665.6
Attributable to:			
Shareholders		40,986.7	31,434.7
Minority interests		6,351.3	5,230.9
		47,338.0	36,665.6

The notes and principal accounting policies on pages 50 to 108 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

	Note	2006 HK\$ Million	2005 HK\$ Million (restated)
Cash generated from operations	a	1,778.0	1,529.6
Interest received		156.9	74.9
Interest paid		(248.8)	(87.8)
Dividends received from associates		1,080.1	914.6
Dividends received from listed investments		34.6	36.5
Hong Kong profits tax paid		(48.2)	(106.6)
Overseas tax (paid)/refunded		(19.5)	0.2
Net cash generated from operating activities		2,733.1	2,361.4
Investing activities			
Purchase of available-for-sale investments		(905.8)	(189.0)
Purchase of additional interests in subsidiaries		(36.4)	–
Acquisition of subsidiaries	b	(349.0)	–
Purchase of additional interest in an associate		(9.9)	–
Purchase of fixed assets		(99.5)	(410.2)
Proceeds from disposal of investment properties		293.2	–
Proceeds from disposal of fixed assets		0.8	6.9
Proceeds from disposal of available-for-sale investments		961.9	322.7
Proceeds from disposal of associates		63.1	9.5
Decrease in deferred debtors		138.9	125.7
Decrease in net advances from associates		(695.9)	(353.7)
Net cash used in investing activities		(638.6)	(488.1)
Financing activities			
Drawdown of long-term loans		857.2	6,119.2
Repayment of long-term loans		(2,212.0)	(4,498.1)
Net drawdown/(repayment) of short-term bank loans		528.5	(1,760.0)
Dividends paid to shareholders		(223.5)	(182.9)
Dividends paid to minority shareholders		(836.4)	(96.3)
Issuance of rights shares to minority shareholders		771.9	–
Net cash used in financing activities		(1,114.3)	(418.1)
Net increase in cash and cash equivalents		980.2	1,455.2
Cash and cash equivalents at 1 April		3,502.1	2,017.2
Effect of foreign exchange rate changes		35.3	29.7
Cash and cash equivalents at 31 March		4,517.6	3,502.1
Analysis of the balances of cash and cash equivalents			
Bank balances and deposits		4,517.6	3,502.1

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

a) Reconciliation of profit before taxation to cash generated from operations

	2006 HK\$ Million	2005 HK\$ Million (restated)
Profit before taxation	12,118.9	9,746.7
Adjustments for:		
Share of profits less losses of associates	(6,870.6)	(6,191.6)
Interest income	(154.4)	(74.8)
Interest expense	207.0	71.7
Dividend income from listed investments	(31.9)	(40.3)
Depreciation	17.2	1.9
Net profit on disposal of available-for-sale investments	(261.9)	(89.3)
Profit on disposal of investment properties	(98.2)	–
Loss on disposal of fixed assets	9.4	0.8
Write back of provision for properties	(192.6)	(1,352.1)
Increase in fair value of investment properties	(3,428.9)	(885.8)
Deferred profit realised	(5.9)	(111.2)
Profit on disposal of an associate	–	(9.5)
Amortisation of negative goodwill	–	(8.6)
Amortisation of intangible assets	0.5	–
Exchange differences	50.5	55.1
Operating profit before working capital changes	1,359.1	1,113.0
Increase in properties under development for sale	(1,977.0)	(3,031.0)
Decrease in properties held for sale	2,918.0	1,453.0
Decrease in short-term investments	–	79.8
Decrease in trade and other receivables	453.0	31.9
(Decrease)/increase in deposits from sale of properties	(682.9)	2,046.2
Decrease in trade and other payables	(292.2)	(163.3)
Cash generated from operations	1,778.0	1,529.6

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

b) Acquisition of subsidiaries

On 21 April 2005, the Group acquired 67.6% of the shares in Hamptons Group Limited for HK\$362.9 million in cash. The company is engaged in estate agency services in the residential property market. In the period to 31 March 2006, Hamptons Group Limited contributed HK\$810.5 million to the Group's turnover and HK\$10.8 million to the profit attributable to Shareholders of the Company. The acquisition has been accounted for using the purchase method.

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

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

	2006 HK\$ Million
Non-current assets	256.1
Current assets	212.5
Current liabilities	(149.3)
Minority interests	(2.8)
	316.5
Amount previously accounted for as an associate	(57.0)
Net assets acquired	259.5
Goodwill arising on acquisition (Note 13)	103.4
Total purchase price paid, satisfied in cash	362.9
Less: Cash of subsidiaries acquired	(13.9)
Net cash outflow in respect of the acquisition of subsidiaries	349.0

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

There were no significant acquisitions in the year ended 31 March 2005.

NOTES TO THE FINANCIAL STATEMENTS

1. SEGMENT INFORMATION

a) Business segments

(i) Revenue and results

	Segment Revenue		Segment Results	
	2006 HK\$ Million	2005 HK\$ Million (restated)	2006 HK\$ Million	2005 HK\$ Million (restated)
Property investment	449.0	402.7	278.6	271.8
Property development	2,688.8	3,900.4	888.9	861.2
Property management and agency	855.4	54.7	48.8	28.6
Investment and others	331.0	303.8	648.8	258.7
	4,324.2	4,661.6	1,865.1	1,420.3
Inter-segment revenue (Note i)	(88.8)	(140.6)	–	–
	4,235.4	4,521.0	1,865.1	1,420.3
Unallocated expenses			(20.5)	(12.7)
Operating profit			1,844.6	1,407.6
Increase in fair value of investment properties			3,428.9	885.8
Write back of provision for properties			192.6	1,352.1
			5,466.1	3,645.5
Borrowing costs			(217.8)	(90.4)
Share of results of associates (Note ii)			6,870.6	6,191.6
Profit before taxation			12,118.9	9,746.7

Notes:

(i) Inter-segment revenue eliminated on consolidation includes:

	2006 HK\$ Million	2005 HK\$ Million
Property management and agency	8.7	9.9
Investment and others	80.1	130.7
	88.8	140.6

(ii) Share of results of associates

	Segment Results	
	2006 HK\$ Million	2005 HK\$ Million (restated)
Property investment	1,730.5	1,551.9
Property development	78.0	159.8
Communications, media and entertainment	242.7	227.7
Pay television	168.3	234.2
Internet and multimedia	39.0	(22.0)
Telecommunications	51.9	27.5
Others	(16.5)	(12.0)
Logistics	1,018.8	965.7
Terminals	951.4	903.3
Others	67.4	62.4
Property agency	–	22.0
Investment and others	196.2	58.1
Increase in fair value of investment properties	5,701.3	5,448.1
Write back of provision for properties	23.5	53.9
Provision for telecommunications	–	(148.8)
Borrowing costs	(280.7)	(119.3)
Income tax	(1,263.6)	(1,410.9)
Unallocated expenses and other items	(576.1)	(616.6)
	6,870.6	6,191.6

(ii) Assets and liabilities

	Assets		Liabilities	
	2006 HK\$ Million	2005 HK\$ Million (restated)	2006 HK\$ Million	2005 HK\$ Million (restated)
Property investment	8,611.7	5,341.0	137.7	102.0
Property development	9,949.0	11,412.1	1,716.2	3,072.4
Property management and agency	608.0	4.0	142.0	6.0
Investment and others	2,479.5	1,926.3	63.4	6.8
Segment assets and liabilities	21,648.2	18,683.4	2,059.3	3,187.2
Associates (Note)	31,981.7	26,561.7	–	–
Unallocated items	4,517.7	3,509.1	8,750.3	8,901.4
Total assets and liabilities	58,147.6	48,754.2	10,809.6	12,088.6

Note: Share of net segment assets less liabilities of associates

	2006 HK\$ Million	2005 HK\$ Million (restated)
Property investment	38,533.9	32,838.8
Property development	2,067.2	1,674.1
Communications, media and entertainment	2,113.8	2,265.8
Logistics	1,592.6	2,049.0
Property agency	–	56.1
Unallocated and other items	(12,325.8)	(12,322.1)
	31,981.7	26,561.7

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

During the year, the Group incurred capital expenditure of HK\$143.5 million (2005: HK\$411.2 million) mainly in respect of the acquisition of properties and other fixed assets in the United Kingdom (2005: acquisition of an investment property in Japan). The Group has no significant depreciation and amortisation.

b) Geographical segments**(i) Revenue and results**

	Segment Revenue		Segment Results (Operating Profit)	
	2006 HK\$ Million	2005 HK\$ Million (restated)	2006 HK\$ Million	2005 HK\$ Million (restated)
Hong Kong	2,854.2	2,832.5	1,259.8	703.7
Singapore	520.9	1,665.4	475.4	687.6
United Kingdom	788.5	–	47.9	–
Others	71.8	23.1	61.5	16.3
	4,235.4	4,521.0	1,844.6	1,407.6

(ii) Assets

	2006 HK\$ Million	2005 HK\$ Million (restated)
Hong Kong	10,421.0	10,123.8
Singapore	10,116.2	8,003.4
United Kingdom	604.6	–
Others	506.4	556.2
	21,648.2	18,683.4

(iii) During the year, more than 90% of the Group's share of results of associates arose in Hong Kong and more than 90% of the Group's share of assets less liabilities of associates were located in Hong Kong.

2. TURNOVER AND OPERATING PROFIT

a) Turnover

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

	2006 HK\$ Million	2005 HK\$ Million (restated)
Property investment	449.0	402.7
Property development	2,688.8	3,900.4
Property management and agency	846.7	44.8
Investment and others	250.9	173.1
	4,235.4	4,521.0

b) Operating profit

	2006 HK\$ Million	2005 HK\$ Million (restated)
Operating profit is arrived at: after charging:		
Staff costs	470.6	134.2
– including contributions to defined contribution retirement schemes	32.4	6.9
Cost of properties for sale sold	1,617.5	2,954.1
Operating lease charges: minimum lease payments		
Properties	36.9	–
Others	12.6	–
Depreciation	17.2	1.9
Amortisation of intangible assets	0.5	–
Loss on disposal of fixed assets	9.4	0.8
Auditors' remuneration		
Audit services	4.8	3.7
Other services	1.8	1.1
and after crediting:		
Rental income from operating leases less outgoings	306.4	246.8
– including gross rental income from investment properties HK\$305.6 million (2005: HK\$314.0 million) of which HK\$0.2 million (2005: HK\$0.7 million) is contingent rentals		
Interest income	154.4	74.8
Dividend income from listed investments	31.9	40.3

In addition to the above staff costs charged directly to the profit and loss account, staff costs of HK\$14.7 million (2005: HK\$14.6 million) were capitalised as part of the costs of properties under development for sale.

c) *Directors' emoluments*

	Fees HK\$'000	Basic salaries, housing and other allowances, and benefits in kind HK\$'000	Discretionary bonuses and/or performance related bonuses HK\$'000	Contributions to pension schemes HK\$'000	Compensation for loss of office/ inducement for joining the Group HK\$'000	2006 Total emoluments HK\$'000	2005 Total emoluments HK\$'000
Board of Directors							
Peter K C Woo	50	4,087	4,000	12	–	8,149	8,051
Gonzaga W J Li	94	–	–	–	–	94	76
Stephen T H Ng	50	–	–	–	–	50	39
Paul Y C Tsui	50	1,865	720	12	–	2,647	2,862
Independent Non-executive Directors							
Alexander S K Au	65*	–	–	–	–	65	42
B M Chang	65*	–	–	–	–	65	42
Kenneth W S Ting	50	–	–	–	–	50	39
William Turnbull	65*	–	–	–	–	65	42
Past Director							
David J Lawrence	49	4,154	2,273	29	–	6,505	3,826
	538	10,106	6,993	53	–	17,690	15,019
Total for 2005	423	8,637	5,919	40	–	–	15,019

* Includes Audit Committee Member's fee of HK\$15,000 (2005: HK\$3,698) received by each of relevant Directors.

d) Five highest paid employees

Set out below are analyses of the emoluments (excluding amounts paid or payable by way of commissions on sales generated by the employees concerned) for the year ended 31 March 2006 of three employees (2005: two) of the Group who, not being Directors of the Company, were among the top five highest paid individuals (including persons who held the office of Directors of the Company at any time during the year as well as other employees of the Group) employed by the Group.

(i) Aggregate emoluments

	2006 HK\$ Million	2005 HK\$ Million
Basic salaries, housing and other allowances, and benefits in kind	10.4	2.6
Deemed profit on share option exercise	–	–
Pension scheme contributions	0.7	0.1
Discretionary bonuses and/or performance-related bonuses	0.2	1.1
Compensation for loss of office/inducement for joining the Group	3.2	–
	14.5	3.8

(ii) Bandings

	2006 Number	2005 Number
Bands (in HK\$)		
\$1,500,001 – \$2,000,000	–	1
\$2,000,001 – \$2,500,000	–	1
\$3,500,001 – \$4,000,000	1	–
\$4,000,001 – \$4,500,000	1	–
\$6,500,001 – \$7,000,000	1	–
	3	2

3. OTHER NET INCOME

	2006 HK\$ Million	2005 HK\$ Million (restated)
Net profit on disposal of available-for-sale investments	261.9	89.3
Profit on disposal of investment properties	98.2	–
Deferred profit realised	5.9	111.2
Amortisation of negative goodwill	–	8.6
Exchange gains and others	35.4	4.5
	401.4	213.6

Included in the net profit on disposal of available-for-sale investments is a net surplus, before deduction of minority interests, of HK\$117.7 million (2005: HK\$30.6 million) transferred from the investment revaluation reserves.

4. WRITE BACK OF PROVISION FOR PROPERTIES

Following a review based on the property market conditions prevailing at 31 March 2006, net provision of HK\$192.6 million (2005: HK\$1,352.1 million) charged to the consolidated profit and loss account in prior years for properties under development for sale and held for sale were written back as a result of the increase in net realisable value of certain properties.

5. BORROWING COSTS

	2006 HK\$ Million	2005 HK\$ Million (restated)
Interest payable on		
Bank loans and overdrafts	235.9	90.2
Other loans repayable within 5 years	12.7	0.9
Other borrowing costs	12.5	19.7
	261.1	110.8
Less: Amount capitalised	(43.3)	(20.4)
	217.8	90.4

The Group's effective borrowing interest rate for the year was approximately 3.4% (2005: 1.4%) per annum.

6. INCOME TAX

- a) The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 17.5% (2005: 17.5%). Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax. The taxation charge is made up as follows:

	2006 HK\$ Million	2005 HK\$ Million (restated)
Current tax		
Hong Kong profits tax for the year	35.6	67.2
Overseas taxation for the year	57.5	44.1
(Over)/under provision in prior years	(21.3)	7.0
	71.8	118.3
Deferred tax (Note 22)		
Change in fair value of investment properties	618.5	178.0
Reversal on disposal of investment properties	(14.6)	–
Origination and reversal of other temporary differences	26.7	(32.3)
	630.6	145.7
	702.4	264.0

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

	2006 HK\$ Million	2005 HK\$ Million (restated)
Profit before taxation	12,118.9	9,746.7
Notional tax on accounting profit calculated at applicable tax rates	2,156.4	1,721.2
Notional tax on share of profits of associates	(1,202.4)	(1,083.5)
Tax effect of non-deductible expenses	34.1	21.8
Tax effect of non-taxable revenue	(162.4)	(89.0)
Tax effect of unused tax losses not recognised	6.3	0.5
Tax effect of prior year's tax losses utilised this year	(108.3)	(313.8)
(Over)/under provision in prior years	(21.3)	7.0
Others	–	(0.2)
Actual total tax charge	702.4	264.0

- c) None of the current tax payable in the consolidated balance sheet is expected to be settled after more than one year.
- d) Share of associates' tax for the year ended 31 March 2006 of HK\$1,263.6 million (2005: HK\$1,410.9 million) is included in the share of profits less losses of associates.

7. GROUP PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$230.3 million (2005: HK\$187.8 million).

8. DIVIDENDS

a) Dividends attributable to the year

	2006 HK\$ Million	2005 HK\$ Million
Interim dividend declared and paid of 2.5 cents (2005: 2.5 cents) per share	50.8	50.8
Final dividend of 10.0 cents (2005: 8.5 cents) per share proposed after the balance sheet date	203.2	172.7
	254.0	223.5

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

b) Dividends attributable to the previous financial year, approved and paid during the year

	2006 HK\$ Million	2005 HK\$ Million
Final dividend in respect of the previous financial year, approved and paid during the year, of 8.5 cents (2005: 6.5 cents) per share	172.7	132.1

9. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to the shareholders for the year of HK\$10,316.1 million (2005: HK\$8,337.4 million) and 2,031.8 million ordinary shares in issue throughout the financial year ended 31 March 2006 and the previous year.

10. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the Group and/or Company after the adoption of these new and revised HKFRSs have been summarised in the section headed “Principal Accounting Policies” set out on pages 92 to 106. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

a) *HKAS 40 “Investment property”*

In prior years, the Group’s investment properties were stated at fair value with the changes in the value of investment properties dealt with as movements in the investment property revaluation reserves. Deficits arising on revaluation on a portfolio basis were set off against previous revaluation surpluses and thereafter charged to the consolidated profit and loss account.

With effect from 1 April 2005, upon the adoption of HKAS 40, all the Group’s and its associates’ investment properties are stated at fair values with all the changes in fair value recognised directly in the profit and loss account. This new accounting policy has been applied retrospectively. Revenue reserves as at 1 April 2005 increased by HK\$15,855.4 million (1 April 2004: HK\$10,671.0 million), representing the Group’s share of accumulated post-acquisition revaluation surplus of the associates, previously recorded in the investment property revaluation reserves, being transferred to the revenue reserves. The shareholders’ equity as at 1 April 2005 increased by HK\$5.3 million, because of an adjustment made by the associates to restate certain investment properties with unexpired lease term of 20 years or less at fair value under HKAS 40.

The effect of the change on the Group and its associates has been to increase the Group’s profit attributable to shareholders and minority interests for the year ended 31 March 2006 by HK\$8,518.8 million (2005: HK\$5,251.4 million) and HK\$611.4 million (2005: HK\$196.7 million) respectively.

b) HK(SIC)-INT 21 “Income taxes – recovery of revalued non-depreciable assets”

In prior years, deferred taxation was recognised on revaluation changes of investment properties of the Group and its associates on the basis that the recovery of the carrying amount of the investment properties would be through sales and no deferred taxation was provided on the revaluation changes of the investment properties, principally located in Hong Kong and Singapore, as the capital gains tax rate was nil.

With effect from 1 April 2005, HK(SIC)-INT 21 requires deferred taxation to be recognised on any revaluation changes on investment properties on the basis that the recovery of the carrying amount of the investment properties would be through use and calculated at the applicable profits tax rate and charged to the profit and loss account. This new accounting policy has been applied retrospectively. Shareholders’ equity and minority interests as at 1 April 2005 were restated and decreased by HK\$3,654.2 million and HK\$133.6 million (1 April 2004: HK\$2,642.7 million and HK\$50.8 million), respectively. The adjustment represented net deferred tax liabilities relating to the net revaluation surplus of the Group’s and its associates’ investment properties.

As a result of this change, the Group’s profit attributable to shareholders for the year ended 31 March 2006 decreased by HK\$1,515.2 million (2005: HK\$1,078.5 million), representing the Group’s and its share of associates’ net deferred tax charge (net of minority interests) for the year of HK\$539.5 million (2005: HK\$128.4 million) and HK\$975.7 million (2005: HK\$950.1 million) respectively.

c) HK-INT 2 “The appropriate accounting policies for hotel properties”

In prior years, the hotel and club properties of the Group’s associates were stated at their open market value based on an annual professional valuation. No depreciation was provided by the associates on the hotel and club properties as they were maintained in a continuous state of sound repair and given the estimated life of the hotel properties and their residual values, any depreciation would be immaterial.

With effect from 1 January 2005, upon the adoption of HK-INT 2 by the associates, the hotel and club properties are stated at cost less accumulated depreciation and impairment provision. The effect of adopting the new accounting policy has been applied retrospectively. Shareholders’ equity as at 1 April 2005 was restated and decreased by HK\$1,206.6 million (1 April 2004: HK\$1,051.1 million) whereas minority interests as at 1 April 2005 was restated and increased by HK\$0.2 million (1 April 2004: HK\$6.0 million).

The change has increased the associates’ depreciation charge and reduced the profit attributable to Group and minority interests for the year ended 31 March 2006 by HK\$10.1 million and HK\$0.4 million (2005: HK\$13.0 million and HK\$0.5 million), respectively .

d) HKFRS 3 “Business Combinations”

In prior years, the Group recognised negative goodwill arising on acquisition of a subsidiary or an associate after 1 April 2001 as a deferred item and this was released to the profit and loss account on a proportional basis, when the relevant assets acquired were sold or otherwise realised. For negative goodwill arising on acquisition prior to 1 April 2001, the Group relied upon the transitional provisions set out in Statement of Standard Accounting Practice 30 “Business Combinations” such that negative goodwill was taken to capital reserves in the period in which it arose and has not been restated. It was the Group’s policy to recognise positive goodwill as an asset and to amortise it to the profit and loss account on a straight line basis over its estimated useful life, subject to impairment testing when there were indications of impairment. As at 31 March 2005, the Group did not have any positive goodwill.

With effect from 1 April 2005, in accordance with HKFRS 3 “Business Combinations” and HKAS 36 “Impairment of Assets”, the Group no longer amortises goodwill. Such goodwill is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating units to which the goodwill has been allocated exceeds its recoverable amount.

Negative goodwill must now be recognised in the profit and loss account immediately. Under the transitional arrangements of HKFRS 3, the existing negative goodwill classified as a deferred item or taken to capital reserves is derecognised by way of an adjustment to the revenue reserves at 1 April 2005. The change in accounting policy has been adopted prospectively from 1 April 2005 with no comparative figures being restated.

As a result of the change, the Group’s net assets and revenue reserves as at 1 April 2005 increased by HK\$97.6 million and HK\$210.1 million respectively while the Group’s other capital reserves as at 1 April 2005 decreased by HK\$112.5 million. In addition, the Group’s associate has transferred its goodwill, previously credited to or eliminated against other capital reserves, to revenue reserves. The net effect of the transfers has reduced the Group’s revenue reserves attributable to associates by HK\$1,442.4 million while the Group’s share of other capital reserves of associates increased by the same amount. Furthermore, the cessation and amortisation of goodwill by the associates has increased the Group’s profit attributable to shareholders for the year ended 31 March 2006 by HK\$24.1 million.

e) HKAS 16 “Property, Plant and Equipment”

In prior years, the rental income earned while a property was under development was capitalised to the development cost of the property.

With effect from 1 April 2005, upon the adoption of HKAS 16, capitalisation of such rental income is no longer allowed and the rental income is required to be recognised in the profit and loss account. As a result of this change, the shareholders’ equity and minority interests as at 1 April 2005 were increased by HK\$10.3 million and HK\$8.1 million (1 April 2004: HK\$ Nil) respectively. Attributable net rental earned from property held for development for the year ended 31 March 2006 was HK\$32.6 million (2005: HK\$18.2 million). The amounts attributable to shareholders and minority interests were HK\$18.3 million (2005: HK\$10.2 million) and HK\$14.3 million (2005: HK\$8.0 million) respectively.

f) HKAS 32 “Financial instruments: Disclosure and Presentation”, and HKAS 39 “Financial instruments: Recognition and Measurement”

In prior years, derivative financial instruments entered into by the Group to hedge the interest rate risk of a recognised asset or liability were not recorded on the balance sheet. Interest flows arising from the derivatives were accounted for on an accrual basis in previous years. Transactions hedged by foreign exchange contracts were recorded at the forward rate specified in the contracts.

The application of HKASs 32 and 39 has resulted in a change in accounting policy relating to the classification of financial assets and liabilities and their measurement. The principal effects of the change on the Group are summarised as below:

(i) Classification and measurement of financial assets and financial liabilities

From 1 April 2005 onwards, the Group classifies and measures its financial assets and financial liabilities in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as “financial assets at fair value through profit or loss”, “loans and receivables”, “held-to-maturity financial assets” or “available-for-sale financial assets”. Financial assets at fair value through profit and loss are initially recognised at fair value and subsequently remeasured at fair value with any changes therein being recognised in the profit and loss account. Other financial assets are generally measured at amortised cost using the effective interest method. Available-for-sale financial assets are carried at fair value and any revaluation movements are transferred to the investment revaluation reserves.

The change has resulted in reclassifications of certain financial assets and liabilities together with the corresponding comparatives but has no significant impacts on the Group’s results and equity.

(ii) Derivatives and hedging

From 1 April 2005 onwards, all derivatives are initially recognised at fair value on the date of entering the derivative contract and are subsequently remeasured at fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit and loss account. Further details of new policies are set out in note (i) of principal accounting policies.

There are no material adjustments arising from the adoption of the new policies for derivatives and hedging.

g) Presentational changes

The application of the new and revised HKFRSs has also resulted in changes in the presentation of the financial statements retrospectively, with comparatives restated to conform with the current period's presentation, in particular as below:

- (i)** In prior years, minority interests were presented in the consolidated balance sheet separately from liabilities and as a deduction from net assets. Financial results shared by minority interests were separately presented in the consolidated profit and loss account as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 April 2005, in order to comply with HKAS 1 "Presentation of Financial Statements" and HKAS 27 "Consolidated and Separate Financial Statements", minority interests are presented in the consolidated balance sheet as an element of total equity, separately from the equity attributable to the shareholders of the Company, and the results shared by minority interests are presented on the face of the consolidated profit and loss account as an allocation of the attributable profit between the minority interests and the shareholders of the Company.

- (ii)** In prior years, the Group's share of associates' tax was presented as a component of taxation in the profit and loss account. On adoption of the HKAS 1, share of associates' tax is presented net of the share of associates' profit.

h) Summary of the effect of changes in accounting policies**(i) Effect on opening balance of total equity at 1 April 2005 and 1 April 2004 (as adjusted)**

	Shareholders' equity			Minority interests	Total equity
	Revenue reserves	Other reserves	Total		
	HK\$ Million	HK\$ Million	HK\$ Million		
At 1 April 2005					
Prior year adjustments					
HKAS 40 – Associates	15,855.4	(15,850.1)	5.3	0.2	5.5
HK(SIC)-INT 21	(3,654.2)	–	(3,654.2)	(133.6)	(3,787.8)
Company and subsidiaries	(102.3)	–	(102.3)	(0.5)	(102.8)
Associates	(3,551.9)	–	(3,551.9)	(133.1)	(3,685.0)
HK-INT 2 – Associates	(106.3)	(1,100.3)	(1,206.6)	0.2	(1,206.4)
HKAS 16 – Company and subsidiaries	10.2	0.1	10.3	8.1	18.4
	12,105.1	(16,950.3)	(4,845.2)	(125.1)	(4,970.3)
Opening balance adjustments					
HKFRS 3	(1,232.3)	1,329.9	97.6	37.5	135.1
Company and subsidiaries	210.1	(112.5)	97.6	37.5	135.1
Associates	(1,442.4)	1,442.4	–	–	–
HKAS 39 – Associates	(19.3)	–	(19.3)	(0.7)	(20.0)
Increase/(decrease) in total equity	10,853.5	(15,620.4)	(4,766.9)	(88.3)	(4,855.2)
At 1 April 2004					
Prior year adjustments					
HKAS 40 – Associates	10,671.0	(10,671.0)	–	–	–
HK(SIC)-INT 21	(2,642.7)	–	(2,642.7)	(50.8)	(2,693.5)
Company and subsidiaries	26.1	–	26.1	49.1	75.2
Associates	(2,668.8)	–	(2,668.8)	(99.9)	(2,768.7)
HK-INT 2 – Associates	(93.3)	(957.8)	(1,051.1)	6.0	(1,045.1)
Increase/(decrease) in total equity	7,935.0	(11,628.8)	(3,693.8)	(44.8)	(3,738.6)

(ii) Effect on profit after taxation

	Attributable to shareholders HK\$ Million	Minority interests HK\$ Million	Total HK\$ Million
For the year ended 31 March 2006			
HKAS 40	8,518.8	611.4	9,130.2
Company and subsidiaries	3,023.8	405.1	3,428.9
Associates	5,495.0	206.3	5,701.3
HK(SIC)-INT 21	(1,515.2)	(115.6)	(1,630.8)
Company and subsidiaries	(539.5)	(79.0)	(618.5)
Associates	(975.7)	(36.6)	(1,012.3)
HKAS 16 – Company and subsidiaries	18.3	14.3	32.6
HK-INT 2 – Associates	(10.1)	(0.4)	(10.5)
HKFRS 3 – Associates	24.1	0.9	25.0
Increase in profit after taxation	7,035.9	510.6	7,546.5
For the year ended 31 March 2005			
HKAS 40 – Associates	5,251.4	196.7	5,448.1
HK(SIC)-INT 21	(1,078.5)	(85.2)	(1,163.7)
Company and subsidiaries	(128.4)	(49.6)	(178.0)
Associates	(950.1)	(35.6)	(985.7)
HKAS 16 – Company and subsidiaries	10.2	8.0	18.2
HK-INT 2 – Associates	(13.0)	(0.5)	(13.5)
Increase in profit after taxation	4,170.1	119.0	4,289.1

11. FIXED ASSETS

Group 2006	Investment properties HK\$ Million	Other properties HK\$ Million	Other fixed assets HK\$ Million	Total HK\$ Million
Cost or valuation				
At 1 April 2005	5,313.7	–	25.6	5,339.3
Exchange differences	(12.4)	(1.3)	(4.5)	(18.2)
Additions				
Through acquisition of subsidiaries	–	0.3	43.7	44.0
Others	18.2	54.4	26.9	99.5
Disposals	(188.3)	–	(13.2)	(201.5)
Revaluation surplus	3,428.9	–	–	3,428.9
At 31 March 2006	8,560.1	53.4	78.5	8,692.0
Accumulated depreciation				
At 1 April 2005	–	–	12.9	12.9
Charge for the year	–	–	17.2	17.2
Written back on disposals	–	–	(3.0)	(3.0)
At 31 March 2006	–	–	27.1	27.1
Net book value				
At 31 March 2006	8,560.1	53.4	51.4	8,664.9
2005				
Cost or valuation				
At 1 April 2004	4,005.6	–	32.0	4,037.6
Exchange differences	29.4	–	(0.1)	29.3
Additions	398.5	–	12.7	411.2
Disposals	(5.6)	–	(19.0)	(24.6)
Revaluation surplus	885.8	–	–	885.8
At 31 March 2005	5,313.7	–	25.6	5,339.3
Accumulated depreciation				
At 1 April 2004	–	–	26.8	26.8
Exchange differences	–	–	0.1	0.1
Charge for the year	–	–	1.9	1.9
Written back on disposals	–	–	(15.9)	(15.9)
At 31 March 2005	–	–	12.9	12.9
Net book value				
At 31 March 2005	5,313.7	–	12.7	5,326.4

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

	Investment properties HK\$ Million	Other properties HK\$ Million	Other fixed assets HK\$ Million	Total HK\$ Million
Balance at 31 March 2006				
2006 valuation	8,560.1	–	–	8,560.1
At cost	–	53.4	78.5	131.9
	8,560.1	53.4	78.5	8,692.0
Balance at 31 March 2005				
2005 valuation	5,313.7	–	–	5,313.7
At cost	–	–	25.6	25.6
	5,313.7	–	25.6	5,339.3

b) Tenure of title to properties:

	2006 HK\$ Million	2005 HK\$ Million
Investment properties		
Held in Hong Kong		
Long lease	5,906.7	2,923.6
Held outside Hong Kong		
Freehold	493.4	474.5
Long lease	2,160.0	1,915.6
	8,560.1	5,313.7
Other properties held outside Hong Kong – Long lease	53.4	–

c) Properties revaluation

The Group's investment properties in Hong Kong, Singapore and Japan have been revalued as at 31 March 2006 by Wheelock Properties (Hong Kong) Limited, a subsidiary engaged in professional valuation, CB Richard Ellis (Pte) Ltd and Ikoma CB Richard Ellis KK, independent firms of property consultants, who have appropriate qualifications and experience in the valuation of properties in the relevant locations, on an open market value basis, after taking into consideration the net rental income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

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

- d)** The gross amount of investment properties of the Group held for use in operating leases was HK\$8,560.1 million (2005: HK\$5,313.7 million).
- e)** The Group leases out properties under operating leases, which generally run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease income may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenants' sales receipts.
- f)** The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	Group	
	2006 HK\$ Million	2005 HK\$ Million
Within 1 year	246.8	250.4
After 1 year but within 5 years	246.8	152.4
After 5 years	2.4	–
	496.0	402.8

12. SUBSIDIARIES

	Company	
	2006	2005
	HK\$ Million	HK\$ Million
Unlisted shares, at cost	3,495.0	3,495.0
Amounts due from subsidiaries	2,959.9	4,442.5
Amounts due to subsidiaries	(1,967.4)	(3,299.2)
	4,487.5	4,638.3

Details of principal subsidiaries at 31 March 2006 are shown on pages 107 and 108.

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

13. GOODWILL AND OTHER INTANGIBLE ASSETS

Group	Goodwill on consolidation	Trade name	Customer relationship	Total
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Cost				
At 1 April 2005	–	–	–	–
Additions through acquisition of subsidiaries	103.4	153.1	5.9	262.4
Arising from assets previously held	–	73.4	2.9	76.3
Exchange differences	(9.8)	(21.8)	(0.8)	(32.4)
At 31 March 2006	93.6	204.7	8.0	306.3
Accumulated amortisation				
At 1 April 2005	–	–	–	–
Charge for the year	–	–	0.5	0.5
At 31 March 2006	–	–	0.5	0.5
Carrying amount				
At 31 March 2006	93.6	204.7	7.5	305.8

The amortisation charge for the year was included in “administrative expenses” in the consolidated profit and loss account.

Intangible assets with indefinite useful lives

The trade name of “Hamptons” identified as an intangible asset on acquisition of Hamptons Group Limited by Wheelock Properties (Singapore) Limited (“WPSL”), a subsidiary of the Group, is assumed to have an indefinite useful life on the basis that the “Hamptons” trade name has been in existence for more than one hundred years, and the WPSL group intends to continue to use the “Hamptons” trade name.

Impairment test for cash-generating units containing goodwill

Goodwill is allocated to the WPSL group’s cash-generating units (“CGU”) acquired during the year. Only 1 CGU, Hamptons Group Limited is identified.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts approved by WPSL management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimate rates stated below. No impairment was recorded.

Impairment test for intangible assets with indefinite useful lives

The recoverable amount of intangible assets is determined based on value-in-use calculations. These calculations use cash flow projections based on forecasted income derived from the intangible assets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimate rates stated below. No impairment was recorded.

Key assumptions used for value-in-use calculations

	CGU	Intangible assets
	%	%
Gross margin	13.6	–
Growth rate	2.0	2.0
Discount rate	9.1	11.1

Management determined the forecast gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant business environment.

14. ASSOCIATES

	Group	
	2006	2005
	HK\$ Million	HK\$ Million (restated)
Share of net assets	32,745.8	28,021.7
Amounts due from associates	121.5	68.3
Amounts due to associates (Note a)	(885.6)	(1,528.3)
	31,981.7	26,561.7
a) Analysis of the cost of investments of the above:		
Shares listed in Hong Kong	11,443.4	11,483.8
Unlisted shares	5.3	78.0
	11,448.7	11,561.8
Market value of listed shares	34,839.1	30,427.8

- b)** Included in the amounts due to associates is a loan of HK\$881.6 million (2005: HK\$1,467.4 million involved in the Sorrento and the Bellagio projects) contributed by an associate in proportion to its equity interest in the Bellagio project. The loan bears interest at rates as determined by the shareholders of the property holding company with reference to the prevailing market rates which were between 4.7% to 4.9% (2005: interest free) per annum for the current financial year. Interest expense in respect of the loan from the associate for the year ended 31 March 2006 amounted to HK\$12.4 million (2005: HK\$ Nil). The loan is unsecured and has no fixed terms of repayment.

c) Summary financial information on associates

	2006		2005	
	Total HK\$ Million	Attributable interest HK\$ Million	Total HK\$ Million	Attributable interest HK\$ Million
Balance Sheets				
Assets	105,107.5	52,315.0	94,958.8	45,812.5
Liabilities	(39,264.3)	(19,569.2)	(36,762.1)	(17,790.8)
Equity	65,843.2	32,745.8	58,196.7	28,021.7
Profit and Loss Accounts				
Revenue	13,804.0	6,433.1	16,657.4	6,667.9
Profit before taxation	16,564.9	8,134.2	15,990.2	7,602.5
Income tax	(2,567.1)	(1,263.6)	(2,924.1)	(1,410.9)
Profit after taxation	13,997.8	6,870.6	13,066.1	6,191.6

- d)** The Group has equity accounted for the results and net assets of The Wharf (Holdings) Limited (“Wharf”), the Group’s significant listed associate, based on its audited financial statements for the year ended 31 December 2005. Extracts of Wharf’s audited consolidated profit and loss account and balance sheet are shown on page 111.
- e)** Details of principal associates at 31 March 2006 are shown on page 108.

15. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2006 HK\$ Million	2005 HK\$ Million
Equity securities, at market value		
Listed in Hong Kong	68.4	68.8
Listed outside Hong Kong	2,111.2	1,352.8
	2,179.6	1,421.6
Unlisted investments	6.9	66.4
	2,186.5	1,488.0

Equity securities listed outside Hong Kong include the Group's 20.97% interest in Hotel Properties Limited ("HPL"), a company incorporated in Singapore. This equity interest is not classified as an associate as the Group does not have significant influence in HPL. The Group does not have representation on the board of directors and does not participate in the policy-making processes of HPL.

16. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

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

- a) The amount of properties under development for sale and properties held for sale carried at net realisable value is HK\$785.3 million (2005: HK\$661.3 million).
- b) Properties under development for sale in the amount of HK\$6,627.3 million (2005: HK\$9,583.6 million) are expected to be substantially completed and recovered after more than one year.
- c) Properties under development for sale with a carrying value of HK\$4,014.3 million (2005: HK\$2,284.2 million) are pledged as security for banking facilities made available to the Group.
- d) The carrying amount of properties under development for sale of the Group temporarily held for use in operating leases, which run for a period of one to two years with no option to renew upon expiry, is HK\$2,386.0 million (2005: HK\$1,746.5 million as restated). No provision for diminution in value of these properties is made (2005: HK\$ Nil).

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

	Group	
	2006 HK\$ Million	2005 HK\$ Million
Held in Hong Kong		
Long lease	899.2	–
Medium term leases	1,296.9	2,932.9
	2,196.1	2,932.9
Held outside Hong Kong		
Freehold	5,005.6	4,107.9
	7,201.7	7,040.8

18. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of impairment losses for bad and doubtful debts) with an ageing analysis as at 31 March 2006 as follows:

	Group	
	2006 HK\$ Million	2005 HK\$ Million
Current	566.6	256.1
31 – 60 days	8.4	54.4
61 – 90 days	7.1	22.8
Over 90 days	22.9	24.5
	605.0	357.8
Other receivables	153.8	200.0
Stakeholders' deposits	330.9	743.9
	1,089.7	1,301.7

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

19. BANK BALANCES AND DEPOSITS

Included in bank balances and deposits is an amount of HK\$709.3 million (2005: HK\$135.4 million) in respect of certain proceeds received from the pre-sale of properties in Singapore held under the "Project Account Rules-1997 Ed", withdrawals from which are designated for payments for expenditure incurred on projects.

20. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an ageing analysis as at 31 March 2006 as follows:

	Group	
	2006 HK\$ Million	2005 HK\$ Million
Amounts payable in the next:		
0 – 30 days	229.5	197.6
31 – 60 days	70.0	113.9
61 – 90 days	126.0	208.4
Over 90 days	316.9	449.0
Other payables	742.4	968.9
	405.9	317.4
	1,148.3	1,286.3

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

21. LOANS

	Group		Company	
	2006 HK\$ Million	2005 HK\$ Million	2006 HK\$ Million	2005 HK\$ Million
Secured bank loans				
Repayable after 1 year, but within 2 years	1,211.5	–	–	–
Repayable after 2 years, but within 5 years	401.6	1,171.3	–	–
	1,613.1	1,171.3	–	–
Unsecured bank loans				
Repayable within 1 year	1,976.1	607.6	–	157.9
Repayable after 1 year, but within 2 years	576.1	300.0	–	–
Repayable after 2 years, but within 5 years	2,788.7	5,168.0	–	–
Repayable after 5 years	–	500.0	–	–
	5,340.9	6,575.6	–	157.9
	6,954.0	7,746.9	–	157.9
Secured bonds (Note)	251.1	275.6	–	–
Total loans	7,205.1	8,022.5	–	157.9
Less: Amounts repayable within 1 year	(1,976.1)	(607.6)	–	(157.9)
Total long-term loans	5,229.0	7,414.9	–	–

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

Note: The secured bonds bear interest at 1.14% per annum and will mature on 30 September 2007.

22. DEFERRED TAX

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

	Revaluation of investment properties HK\$ Million	Depreciation allowances in excess of the related depreciation HK\$ Million	Intangible assets HK\$ Million	Others HK\$ Million	Total HK\$ Million
Group					
Balance at 1 April 2004					
As previously reported	–	55.9	–	15.8	71.7
Prior year adjustment in respect of HK(SIC)-INT 21	(75.2)	–	–	–	(75.2)
As restated	(75.2)	55.9	–	15.8	(3.5)
Exchange differences	–	0.6	–	0.2	0.8
Charged/(credited) to the profit and loss account	178.0	2.5	–	(34.8)	145.7
Credited to reserves	–	–	–	(8.5)	(8.5)
Balance at 31 March 2005	102.8	59.0	–	(27.3)	134.5
Balance at 1 April 2005					
As previously reported	–	59.0	–	(27.3)	31.7
Prior year adjustment in respect of HK(SIC)-INT 21	102.8	–	–	–	102.8
As restated	102.8	59.0	–	(27.3)	134.5
Charged to the profit and loss account	603.9	1.7	–	25.0	630.6
Charged to reserves	–	–	22.9	–	22.9
Through acquisition of subsidiaries	–	–	40.7	(2.3)	38.4
Balance at 31 March 2006	706.7	60.7	63.6	(4.6)	826.4

b) Deferred tax assets unrecognised

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2006	2005
	HK\$ Million	HK\$ Million
Deductible temporary differences	21.5	17.5
Future benefits of tax losses	120.3	225.5
	141.8	243.0

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

23. DEFERRED ITEMS

Included in deferred items are deferred profits of HK\$443.4 million (2005: Deferred profit of HK\$356.4 million and negative goodwill of HK\$110.6 million).

a) Deferred profits

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

b) Negative goodwill

	Group	
	2006 HK\$ Million	2005 HK\$ Million
Negative goodwill, at cost		
Balance at 1 April		
As previously reported	110.6	119.2
Opening balance adjustment	(110.6)	–
As restated	–	119.2
Realised on disposal of the relevant assets acquired	–	(8.6)
	–	110.6

Negative goodwill, principally arising from the privatisation of Realty Development Corporation Limited completed in 2003 by a listed subsidiary of the Group, Wheelock Properties Limited, represents the fair values of the net assets acquired over the cost of the acquisition. The assets acquired mainly comprise investment properties, interests in associates, long-term investments and properties under development/ held for sale.

The opening balance adjustment is to derecognise the negative goodwill classified as deferred item to revenue reserves in compliance with HKFRS 3.

24. SHARE CAPITAL

	2006	2005	2006	2005
	No. of shares Million	No. of shares Million	HK\$ Million	HK\$ Million
Authorised				
Ordinary shares of HK\$0.50 each	2,800.0	2,800.0	1,400.0	1,400.0
Issued and fully paid				
Ordinary shares of HK\$0.50 each	2,031.8	2,031.8	1,015.9	1,015.9

25. TOTAL EQUITY

	Share capital HK\$ Million	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Investment property revaluation reserves HK\$ Million	Investment revaluation reserves HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Shareholders' equity HK\$ Million	Minority interests HK\$ Million	Total equity HK\$ Million
a) Group										
Company and subsidiaries										
Balance at 1 April 2005										
As previously reported	1,015.9	1,913.6	19.5	–	316.3	323.7	11,777.4	15,366.4	4,881.7	20,248.1
Prior year adjustments:										
Deferred tax on investment property revaluation surplus (HK(SIC)-INT 21)	–	–	–	–	–	–	(102.3)	(102.3)	(0.5)	(102.8)
Net rental earned for property for development for sale (HKAS 16)	–	–	–	–	–	0.1	10.2	10.3	8.1	18.4
As restated	1,015.9	1,913.6	19.5	–	316.3	323.8	11,685.3	15,274.4	4,889.3	20,163.7
Opening balance adjustment:										
Negative goodwill derecognised to revenue reserves (HKFRS 3)	–	–	–	–	–	(112.5)	210.1	97.6	37.5	135.1
	1,015.9	1,913.6	19.5	–	316.3	211.3	11,895.4	15,372.0	4,926.8	20,298.8
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	–	–	(172.7)	(172.7)	–	(172.7)
Dividend to minority interests	–	–	–	–	–	–	–	–	(836.4)	(836.4)
Revaluation surplus	–	–	–	–	273.0	29.9	–	302.9	124.3	427.2
Transferred to the profit and loss account on disposal of available- for-sale investments	–	–	–	–	(87.4)	–	–	(87.4)	(30.3)	(117.7)
Rights issue of a subsidiary attributable to minority interests	–	–	–	–	–	–	–	–	775.7	775.7
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(4.4)	(4.4)	(32.0)	(36.4)
Others	–	–	–	–	–	–	(2.9)	(2.9)	(0.9)	(3.8)
Through acquisition of subsidiaries	–	–	–	–	–	–	–	–	2.8	2.8
Reclassification from associates	–	–	–	–	–	28.8	(3.0)	25.8	21.7	47.5
Exchange differences	–	–	–	–	–	15.5	–	15.5	13.1	28.6
Profit for the year retained	–	–	–	–	–	–	4,741.9	4,741.9	916.0	5,657.9
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	–	–	–	(50.8)	(50.8)	–	(50.8)
Balance at 31 March 2006	1,015.9	1,913.6	19.5	–	501.9	285.5	16,403.5	20,139.9	5,880.8	26,020.7

NOTES TO THE FINANCIAL STATEMENTS

	Share capital HK\$ Million	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Investment property revaluation reserves HK\$ Million	Investment revaluation reserves HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Shareholders' equity HK\$ Million	Minority interests HK\$ Million	Total equity HK\$ Million
a) Group Associates										
Balance at 1 April 2005										
As previously reported	-	-	-	15,850.1	225.9	(143.0)	4,980.5	20,913.5	474.3	21,387.8
Prior year adjustments:										
Investment properties (HKAS 40)	-	-	-	(15,850.1)	-	-	15,855.4	5.3	0.2	5.5
Hotel and club properties (HK-INT 2)	-	-	-	-	-	(1,100.3)	(106.3)	(1,206.6)	0.2	(1,206.4)
Deferred tax on investment property revaluation surplus (HK(SIC)-INT 21)	-	-	-	-	-	-	(3,551.9)	(3,551.9)	(133.1)	(3,685.0)
As restated	-	-	-	-	225.9	(1,243.3)	17,177.7	16,160.3	341.6	16,501.9
Opening balance adjustments:										
Goodwill	-	-	-	-	-	1,442.4	(1,442.4)	-	-	-
Financial instruments	-	-	-	-	-	-	(19.3)	(19.3)	(0.7)	(20.0)
Revaluation surplus	-	-	-	-	225.9	199.1	15,716.0	16,141.0	340.9	16,481.9
Transferred to the profit and loss account on disposal of available-for-sale investments	-	-	-	-	49.6	-	-	49.6	1.9	51.5
Reclassification to subsidiaries	-	-	-	-	(33.3)	-	-	(33.3)	(2.7)	(36.0)
Reserve utilised for acquisition of interests in subsidiaries	-	-	-	-	-	(28.8)	3.0	(25.8)	(21.7)	(47.5)
Transfers	-	-	-	-	-	-	(860.7)	(860.7)	(32.3)	(893.0)
Profit for the year retained	-	-	-	-	-	(118.8)	120.6	1.8	-	1.8
	-	-	-	-	-	-	5,574.2	5,574.2	184.4	5,758.6
Balance at 31 March 2006	-	-	-	-	242.2	51.5	20,553.1	20,846.8	470.5	21,317.3
Total equity at 31 March 2006	1,015.9	1,913.6	19.5	-	744.1	337.0	36,956.6	40,986.7	6,351.3	47,338.0

	Share capital HK\$ Million	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Investment property revaluation reserves HK\$ Million	Investment revaluation reserves HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Shareholders' equity HK\$ Million	Minority interests HK\$ Million	Total equity HK\$ Million
a) Group										
Company and subsidiaries										
Balance at 1 April 2004										
As previously reported	1,015.9	1,913.6	19.5	–	31.8	278.0	8,732.3	11,991.1	3,854.7	15,845.8
Prior year adjustment:										
Deferred tax on investment property revaluation surplus (HK(SIC)-INT 21)	–	–	–	–	–	–	26.1	26.1	49.1	75.2
As restated	1,015.9	1,913.6	19.5	–	31.8	278.0	8,758.4	12,017.2	3,903.8	15,921.0
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	–	–	(132.1)	(132.1)	–	(132.1)
Dividend to minority interests	–	–	–	–	–	–	–	–	(96.3)	(96.3)
Revaluation surplus	–	–	–	–	301.2	–	–	301.2	103.3	404.5
Transferred to the profit and loss account on										
Disposal of available-for- sale investments	–	–	–	–	(16.7)	–	–	(16.7)	(13.9)	(30.6)
Disposal of other property	–	–	–	–	–	(1.0)	–	(1.0)	(0.3)	(1.3)
Exchange differences	–	–	–	–	–	46.8	–	46.8	40.4	87.2
Profit for the year retained	–	–	–	–	–	–	3,109.8	3,109.8	952.3	4,062.1
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	–	–	–	(50.8)	(50.8)	–	(50.8)
Balance at 31 March 2005	1,015.9	1,913.6	19.5	–	316.3	323.8	11,685.3	15,274.4	4,889.3	20,163.7

NOTES TO THE FINANCIAL STATEMENTS

	Share capital HK\$ Million	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Investment property revaluation reserves HK\$ Million	Investment revaluation reserves HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Shareholders' equity HK\$ Million	Minority interests HK\$ Million	Total equity HK\$ Million
a) Group										
Associates										
Balance at 1 April 2004										
As previously reported	–	–	–	10,671.0	122.6	(301.1)	4,060.6	14,553.1	238.7	14,791.8
Prior year adjustments:										
Investment properties (HKAS 40)	–	–	–	(10,671.0)	–	–	10,671.0	–	–	–
Hotel and club properties (HK-INT 2)	–	–	–	–	–	(957.8)	(93.3)	(1,051.1)	6.0	(1,045.1)
Deferred tax on investment property revaluation surplus (HK(SIC)-INT 21)	–	–	–	–	–	–	(2,668.8)	(2,668.8)	(99.9)	(2,768.7)
As restated	–	–	–	–	122.6	(1,258.9)	11,969.5	10,833.2	144.8	10,978.0
Surplus on revaluation of investment properties	–	–	–	5,246.0	–	–	–	5,246.0	196.5	5,442.5
Prior year adjustment for HKAS 40	–	–	–	(5,246.0)	–	–	–	(5,246.0)	(196.5)	(5,442.5)
As restated	–	–	–	–	–	–	–	–	–	–
Surplus on revaluation of hotel and club properties	–	–	–	–	–	136.2	–	136.2	5.1	141.3
Prior year adjustment for HK-INT 2	–	–	–	–	–	(142.5)	–	(142.5)	(5.3)	(147.8)
As restated	–	–	–	–	–	(6.3)	–	(6.3)	(0.2)	(6.5)
Deferred tax on revaluation of certain investment properties	–	–	–	(66.9)	–	–	–	(66.9)	(2.5)	(69.4)
Prior year adjustment for HK(SIC)-INT 21	–	–	–	66.9	–	–	–	66.9	2.5	69.4
As restated	–	–	–	–	–	–	–	–	–	–
Revaluation surplus	–	–	–	–	113.9	–	–	113.9	4.3	118.2
Transferred to the profit and loss account on disposal of available-for-sale investments	–	–	–	–	(10.6)	–	–	(10.6)	(0.4)	(11.0)
Others	–	–	–	–	–	21.9	(19.4)	2.5	0.1	2.6
Profit for the year retained	–	–	–	–	–	–	5,227.6	5,227.6	193.0	5,420.6
Balance at 31 March 2005	–	–	–	–	225.9	(1,243.3)	17,177.7	16,160.3	341.6	16,501.9
Total equity at 31 March 2005	1,015.9	1,913.6	19.5	–	542.2	(919.5)	28,863.0	31,434.7	5,230.9	36,665.6

	Share capital HK\$ Million	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Total HK\$ Million
b) Company						
Shareholders' equity at 1 April 2005	1,015.9	1,913.6	19.5	77.2	1,450.1	4,476.3
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	(172.7)	(172.7)
Profit for the year	–	–	–	–	230.3	230.3
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	–	(50.8)	(50.8)
Shareholders' equity at 31 March 2006	1,015.9	1,913.6	19.5	77.2	1,456.9	4,483.1
Shareholders' equity at 1 April 2004	1,015.9	1,913.6	19.5	77.2	1,445.2	4,471.4
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	(132.1)	(132.1)
Profit for the year	–	–	–	–	187.8	187.8
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	–	(50.8)	(50.8)
Shareholders' equity at 31 March 2005	1,015.9	1,913.6	19.5	77.2	1,450.1	4,476.3

Reserves of the Company available for distribution to shareholders at 31 March 2006 amounted to HK\$1,456.9 million (31 March 2005: HK\$1,450.1 million).

26. FINANCIAL INSTRUMENTS

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

a) Interest rate risk

The Group's exposure to market risk for changes in interest rates primarily relates to the Group's debt obligations with financial institutions which are denominated into Singapore Dollars, Japanese Yen and Pound Sterling. Interest rates on borrowings are determined based on prevailing market rates. The Group does not use derivative financial instruments to hedge interest rate risks.

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

Group	2006			2005		
	Effective interest rates %	Within 1 year HK\$ Million	After 1 year but within 5 years HK\$ Million	Effective interest rates %	Within 1 year HK\$ Million	After 1 year but within 5 years HK\$ Million
Financial assets						
Bank balances and deposits	1.5 – 4.7	4,517.6	–	1.7 – 2.4	3,502.1	–
Financial liabilities						
Bank loans						
Secured	4.0 – 4.3	(1,613.1)	–	2.6 – 2.8	(1,171.3)	–
Unsecured	0.6 – 5.0	(5,340.9)	–	0.6 – 2.9	(6,575.6)	–
Secured bonds	1.14	–	(251.1)	1.14	–	(275.6)
		(6,954.0)	(251.1)		(7,746.9)	(275.6)
Total		(2,436.4)	(251.1)		(4,244.8)	(275.6)

b) Foreign currency risk

The Group has exposure to foreign currency risk as a result of its investments in subsidiaries operating overseas. The currencies giving rise to this risk are primarily Singapore Dollar, Japanese Yen and Pound Sterling.

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

c) Liquidity risk

Cash management of the Company and wholly-owned subsidiaries of the Group is centralised at the Group level. The non-wholly-owned subsidiaries are responsible for their own cash management, including the short term investment of cash surpluses with creditworthy financial institutions and the raising of loans to cover expected cash demands, in accordance with the established policies and strategies with the concurrence by the Company. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

d) Credit risk

The Group's credit risk is primarily attributable to rental, other trade and service receivables. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies in each of its core businesses.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet. There are no significant concentrations of credit risk within the Group.

e) Fair values

Listed investments are stated at market prices. Unlisted investments for which fair values cannot be reliably measured are stated at cost.

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

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

27. CONTINGENT LIABILITIES

At 31 March 2006, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities up to HK\$6,170.0 million (2005: HK\$6,820.0 million).

28. COMMITMENTS

a) Acquisition of and future development expenditure relating to properties

	Group	
	2006 HK\$ Million	2005 HK\$ Million
Contracted but not provided for	765.8	1,705.8

b) At 31 March 2006, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Group			
	2006		2005	
	Properties HK\$ Million	Others HK\$ Million	Properties HK\$ Million	Others HK\$ Million
Within 1 year	31.2	8.2	–	–
After 1 year but within 5 years	95.2	4.6	–	–
After 5 years	73.9	–	–	–
	200.3	12.8	–	–

29. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transactions during the year ended 31 March 2006:

- a) Included in interest in associates is a loan of HK\$881.6 million (2005: HK\$1,387.6 million) contributed by an associate in proportion to its equity interest in the Bellagio property development project. The loan bears interest at rate as determined by the shareholders of the property holding company with reference to prevailing market rates which were between 4.7% and 4.9% (2005: interest free) per annum for the current financial year. Interest expense in respect of the loan from the associate for the year ended 31 March 2006 amounted to HK\$12.4 million (2005: HK\$ Nil). The loan is unsecured and has no fixed terms of repayment. This transaction did not constitute a connected transaction of the Company under the Listing Rules.
- b) In respect of the year ended 31 March 2006, the Group earned rental income totalling HK\$14.6 million (2005: HK\$30.1 million) from the Lane Crawford group, which is wholly owned by a trust of which the Chairman of the Company is the settlor, in respect of the leasing of certain of the Group's retail premises at Shop C, Wheelock House and the Basement, Ground Floor to Fourth Floor, a portion of the Sixth Floor of Lane Crawford House as well as certain office/godown units. The above lease at Lane Crawford House expired at the end of June 2005. These transactions are considered to be related party transactions and also constitute connected transactions as defined under the Listing Rules.
- c) On 28 June 2005, the Group and its listed subsidiary, Wheelock Properties Limited, entered into agreements with The Wharf (Holdings) Limited group to sell their interest in 107,623,761 i-CABLE Communications Limited (i-CABLE) shares and 17,619,827 i-CABLE shares at consideration of HK\$277.1 million and HK\$45.4 million respectively. Profit recognised by the Group amounted to HK\$98.9 million. This transaction did not constitute a connected transaction of the Company under the Listing Rules.

30. POST BALANCE SHEET EVENTS

After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 8 to the financial statements.

31. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or reclassified as a result of the changes in accounting policies. Further details of which are disclosed in note 10.

In addition, the presentation of certain comparative figures in the segment reporting as disclosed in note 1 to the financial statements has been reclassified to conform with the current year's presentation which management considered would give a better indication of the results of the Group for the year.

32. FUTURE CHANGES IN ACCOUNTING POLICIES

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations that may impact the Group's financial statements. These new standards have not been adopted since they are only effective after 31 March 2006:

	Effective for accounting periods beginning on or after
HK(IFRIC) 4, Determining whether an arrangement contains a lease	1 January 2006
Amendments to HKAS 19, Employee benefits – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
Amendments to HKAS 21, Net investment in a foreign operation	1 January 2006
Amendments to HKAS 39, Financial instruments:	
Recognition and measurement:	
Cash flow hedge accounting of forecast intragroup transactions	1 January 2006
The fair value option	1 January 2006
Financial guarantee contracts	1 January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:	
HKAS 1, Presentation of financial statements	1 January 2006
HKAS 27, Consolidated and separate financial statements	1 January 2006
HKFRS 3, Business combinations	1 January 2006
HKFRS 7, Financial instruments: disclosures	1 January 2007
Revised guidance on implementing HKFRS 4	1 January 2007
Amendment to HKAS 1, Presentation of financial statements: capital disclosures	1 January 2007

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Group's financial statements for the period beginning 1 April 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of the new standards and interpretations is unlikely to have a significant impact on the Group's results of operations and financial position.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 June 2006.

PRINCIPAL ACCOUNTING POLICIES

a) *Statement of compliance*

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

The HKICPA has issued a number of new and revised HKFRSs that are effective or available for adoption for accounting periods beginning on or after 1 January 2005. Information on the changes in accounting policies resulting from initial application of these new and revised HKFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 10.

b) *Basis of preparation of the financial statements*

The consolidated financial statements for the year ended 31 March 2006 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates.

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

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

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

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

c) Basis of consolidation**(i) Subsidiaries and controlled companies**

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

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

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated profit and loss account as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

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

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

(ii) Associates

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

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

PRINCIPAL ACCOUNTING POLICIES

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

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is evidence of impairment in value of the assets transferred, the unrealised losses will be recognised immediately in the consolidated profit and loss account.

(iii) Goodwill

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

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

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

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

d) Properties

(i) Investment properties

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

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

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

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

(ii) Other properties held for own use

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

(iii) Properties under development for sale

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

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

(iv) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs, including borrowing costs capitalised, attributable to unsold units. Net realisable value is estimated by management, based on prevailing market conditions.

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

e) Other fixed assets

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

f) Depreciation of fixed assets

(i) Investment properties

No depreciation is provided on investment properties.

(ii) Other properties held for own use

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

(iii) Other fixed assets

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

g) Investments in debt and equity securities

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

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

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

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

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

h) Derivative financial instruments

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

i) Hedging**(i) Fair value hedge**

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

(ii) Cash flow hedge

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

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

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

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

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

j) Intangible assets (other than goodwill)

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

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

k) Leased assets

(i) Classification of leased assets

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

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as an investment property, is accounted for as if held under a finance lease; and
- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(ii) Assets held under operating leases

- Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the consolidated profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the consolidated profit and loss account in the accounting period in which they are incurred.
- The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property. Information on accounting policies for land held under operating leases for development for sale is provided in note (d).

(iii) Assets held under finance leases

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

l) Impairment of assets**(i) Impairment of financial assets**

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

- For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses arising on current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses arising on equity securities are not reversed.
- For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

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

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

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

(ii) Impairment of other assets

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

- Recoverable amount
The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).
- Recognition of impairment losses
An impairment loss is recognised as an expense in the consolidated profit and loss account whenever the carrying amount exceeds the recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.
- Reversals of impairment losses
In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

m) Trade and other receivables

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

n) Interest-bearing borrowings

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

o) Trade and other payables

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

p) Cash and cash equivalents

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

q) Foreign currencies

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

r) Recognition of revenue

- (i)** Rental income under operating leases is recognised in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.
- (ii)** Income from sale of properties held for sale is recognised upon the execution of the formal sale and purchase agreement or the issue of occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under deposits from sale of properties.
- (iii)** Residential agency income comprises fees and commissions which are brought into account on the exchange of contracts for the property to which they relate. Lettings income relates to fees for finding and renewing tenants for landlord of properties and are recognised on the commencement of the tenancy.
- (iv)** Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.
- (v)** Interest income is recognised as it accrues using the effective interest method.

s) Income taxes

- (i)** Income tax for the year comprises current tax and deferred tax. Income tax is recognised in the consolidated profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.
- (ii)** Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
- (iii)** Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

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

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

t) *Borrowing costs*

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

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

u) *Related parties*

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

v) *Provisions*

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

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

w) Segment reporting

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

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

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

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

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

x) Employee benefits

(i) Defined contribution retirement schemes

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

(ii) Central Provident Fund in Singapore

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

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

y) *Significant accounting estimates and judgements*

Key sources of estimation uncertainty

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

- Valuation of investment properties
Investment properties are included in the balance sheet at their open market value, which is assessed annually by qualified valuers, after taking into consideration the net income allowing for reversionary potential.

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

- Business combinations and allocation of purchase price amongst intangible assets
The Group accounts for the business combination in accordance with HKFRS 3 “Business Combinations”. The Group is required to recognise separately, at the acquisition date, the acquiree’s identifiable assets, including tangible and intangible assets that satisfy the recognition criteria regardless of whether they had been previously recognised in the acquiree’s financial statements.

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

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

PRINCIPAL ACCOUNTING POLICIES

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

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

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

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

At 31 March 2006

Subsidiaries	Place of incorporation/operation	Issued & fully paid up share capital (all being ordinary shares except otherwise stated)	Percentage of equity attributable to the Group	Principal activities
Actbilt Pte Limited	Singapore	1,000,000 S\$1 shares	56	Property
Belgravia Properties Pte. Ltd.	Singapore	1,000,000 S\$1 shares	56	Property
Bestbilt Pte. Ltd.	Singapore	1,000,000 S\$1 shares	56	Property
Everbilt Developers Pte Ltd	Singapore	160,000,000 S\$1 shares	56	Property
Hamptons Group Limited	United Kingdom	11,170,014 £0.01 shares & 50 £0.01 "A" shares	56	Holding company
Hamptons Estates Limited	United Kingdom	2,667,787 £0.01 shares	56	Estates agency
Harriman Property Management Limited	Hong Kong	198 HK\$100 shares	100	Property management
Harriman Leasing Limited	Hong Kong	100,049 HK\$10 shares 50 non-voting HK\$10 shares	50 100	Letting agent
Harriman Realty Company, Limited	Hong Kong	100,000 HK\$10 "A" shares 102,000 HK\$0.1 "B" shares	100 2	Holding company
Janeworth Company Limited	Hong Kong	550,000,000 HK\$1 shares	74	Property
Keevil Company Limited	Hong Kong	2 HK\$1 shares	74	Property
Kowloon Properties Company Limited	Hong Kong	10,000 HK\$1 shares	66	Property
Marnav Holdings Limited	Hong Kong	1,000,000 HK\$1 shares	74	Property
Mer Vue Developments Pte. Ltd.	Singapore	1,000,000 S\$1 shares	56	Property
NART Finance Limited	Hong Kong	3 HK\$10 shares	74	Finance
Nassim Developments Pte. Ltd.	Singapore	2 S\$1 shares	56	Investment
Pizzicato Limited	Hong Kong	2 HK\$10 shares	74	Property
Realty Development Corporation Limited	Hong Kong	1,151,389,640 HK\$0.2 shares	74	Holding company
Ridge Limited	Hong Kong	2 HK\$1 shares	100	Property
Salisbury Company Limited	Hong Kong	2 HK\$1 shares	74	Property
Samover Company Limited	Hong Kong	2 HK\$1 shares	74	Property
Sandsprings Limited	Hong Kong	2 HK\$10 shares	74	Property
Titano Limited	Hong Kong	2 HK\$1 shares	74	Property

PRINCIPAL SUBSIDIARIES AND ASSOCIATES

At 31 March 2006

Subsidiaries	Place of incorporation/operation	Issued & fully paid up share capital (all being ordinary shares except otherwise stated)	Percentage of equity attributable to the Group	Principal activities
Wavatah Company Limited	Hong Kong	2 HK\$1 shares	74	Property
Wheelock Azabujuban Tokutei Mokuteki Kaisha	Japan	38,687 ¥50,000 shares	56	Property
Wheelock Corporate Services Limited (held directly)	Hong Kong	10,000,000 HK\$1 shares	100	Commercial services
Wheelock Finance Limited	Hong Kong	2 HK\$1 shares	100	Finance
Wheelock Properties Limited	Hong Kong	2,069,637,125 HK\$0.2 shares	74	Holding company
Wheelock Properties (Singapore) Limited	Singapore	398,853,292 S\$1 shares & 797,706,584 shares issued at S\$0.825 per share	56	Holding company/Property
Wheelock Properties (Hong Kong) Limited (held directly)	Hong Kong	10 HK\$100 shares	100	Property services and management
Wheelock Properties (China) Limited (held directly)	Hong Kong/China	2 HK\$10 shares	100	Property development in China
Wheelock Travel Limited	Hong Kong	50,000 HK\$10 shares	100	Travel agency
Zarow Limited	Hong Kong	2 HK\$10 shares	74	Property
Associates	Place of incorporation/operation	Percentage of share capital (of the class of shares stated below) held by subsidiary(ies) of the Company	Percentage of equity attributable to the Group	Principal activities
Dramstar Company Limited (Note 1)	Hong Kong	100 ("B" shares)	33	Property
Grace Sign Limited (Note 1)	Hong Kong	20 (ordinary shares)	15	Property
The Wharf (Holdings) Limited	Hong Kong	49.9 (ordinary shares)	48	Holding company

Notes:

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

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

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

4) All associates are corporate entities.

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 March 2006

Investment properties/ other properties held for own use	Lot number	Lease expiry	Approx. gross floor area (sq.ft.)	Attributable % owned	Year of completion	Type/usage
Investment properties						
Lane Crawford House, 70 Queen's Road Central, Central	IL7 R.P. & IL45 Sec.A R.P.	2842	182,700	100	1977	Office & shops
Shop C, G/F & 3/F-24/F, Wheelock House, 20 Pedder Street, Central	ML99 Sec.A,C, R.P. & ML 100 Sec.A,B, R.P.	2854	214,400	74	1984	Office & shop
Fitfort, Basement-3/F, Healthy Gardens Podium, 560 King's Road, North Point	IL 3546	2086	125,300 & 353 car parks	74	1979	Shopping arcade & car parks
Various shops at Great Western Plaza, 100-142 Belcher's Street, Kennedy Town	IL 906 Sec. J,L,M & R.P.	2882	32,000	74	1960s & 70s	Shops
Wheelock Place, 501 Orchard Road, Singapore	–	2089	465,000	56	1993	Office & shopping arcade
Oakwood Residence Azabujuban, 2-4-9 Azabujuban, Minato-ku, Tokyo, Japan	–	Freehold	83,700	56	2002	Serviced apartments
Other properties held for own use						
32 Grosvenor Square, London, England	–	2057	5,100	56	–	Office

SCHEDULE OF PRINCIPAL PROPERTIES

At 31 March 2006

Properties under development/ completed properties for sale	Lot number	Site area (sq.ft.)	Approx. gross floor area (sq.ft.)	Attributable % owned	Expected year of completion	Type/usage	Stage of completion
6D-6E Babington Path, Mid-Levels	IL609C RP & Sec D RP	5,837	46,700	74	2009	Residential	Planning
2 Heung Yip Road, Wong Chuk Hang, Aberdeen	AIL 374	49,000	735,000	74	–	Industrial/ Office	Planning
The Sea View, Amber Close, Singapore	–	381,800	796,100 (627,100 s.f. pre-sold)	56	2007	Residential	Superstructure in progress
The Cosmopolitan, Kim Seng Road/River Vally Road, Singapore	–	112,862	316,000 (219,700 s.f. pre-sold)	56	2007	Residential	Superstructure in progress
Orchard View, 29 Anguilla Park, Singapore	–	29,074	81,400	56	2009	Residential	Demolition completed
Ardmore II, 2 & 2B Ardmore Park, Singapore	–	89,632	251,000	56	2010	Residential	Planning
Scotts Shopping Centre & The Ascott Singapore, 6 Scotts Road, Singapore	–	71,137	438,200	56	2010	Residential & Commercial	Planning
Various units of Bellagio, 33 Castle Peak Road, Sham Tseng	Lot No. 269 R.P. in DD 390	566,090	626,100	74	–	Residential	Completed
Various units of World Tech Centre, 95 How Ming Street, Kwun Tong	KTIL 195 R.P.	37,341	67,400	74	–	Industrial	Completed
Various units of My Loft, 9 Hoi Wing Road, Tuen Mun	TMTL 379	40,946	45,600	74	–	Godown	Completed
4/F South Seas Centre, Tower 1, 75 Mody Road, Tsimshatsui	KIL 10549	–	14,500	74	–	Office	Completed
12/F Wing On Plaza, 62 Mody Road, Tsimshatsui	KIL 10586	–	19,900	74	–	Office	Completed
Various units of Parc Palais, 18 Wylie Road, King's Park, Homantin	KIL 11118	387,569	88,800	15	–	Residential	Completed

Notes:

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

THE WHARF (HOLDINGS) LIMITED

EXTRACTS FROM THE PUBLISHED FINANCIAL STATEMENTS

THE WHARF (HOLDINGS) LIMITED

Accounts for the year ended 31 December 2005

Consolidated Profit and Loss Account	Year ended 31/12/2005 HK\$ Million	Year ended 31/12/2004 HK\$ Million (restated)
Turnover	12,543	11,953
Group profit attributable to shareholders	13,888	12,677
Dividends attributable to the year	1,958	1,683
Consolidated Balance Sheet	31/12/2005 HK\$ Million	31/12/2004 HK\$ Million (restated)
Fixed assets	90,658	78,916
Goodwill	297	297
Associates	1,638	1,583
Jointly controlled entity	896	348
Available-for-sale investments	1,677	1,654
Long-term receivables	410	426
Programming library	143	127
Deferred tax assets	468	118
Defined benefit pension scheme assets	53	31
Derivative financial assets	54	–
Long-term deposits	–	156
Current assets	8,101	6,482
Current liabilities	(9,873)	(8,604)
Long-term loans	(14,155)	(13,206)
Deferred tax liabilities	(11,672)	(9,447)
Other deferred liabilities	(263)	(257)
Derivative financial liabilities	(3)	–
	68,429	58,624
Share capital	2,448	2,447
Reserves	62,865	52,502
Shareholders' equity	65,313	54,949
Minority interests	3,116	3,675
	68,429	58,624

FIVE-YEAR FINANCIAL SUMMARY

HK\$ Million

Financial year ended 31 March	2002	2003 (restated)	2004	2005 (restated)	2006
Consolidated Profit and Loss Account					
Turnover	7,164.7	9,868.0	7,115.9	4,521.0	4,235.4
Group profit attributable to shareholders	546.6	64.0	2,302.6	4,167.3	10,316.1
Prior year adjustments (Note 1 & 2)	–	(29.3)	–	4,170.1	–
Restated amount	546.6	34.7	2,302.6	8,337.4	10,316.1
Dividends attributable to the year	152.4	152.4	182.9	223.5	254.0
Consolidated Balance Sheet					
Fixed assets	4,934.6	3,885.9	4,010.8	5,326.4	8,664.9
Goodwill and other intangible assets	–	–	–	–	305.8
Associates (Note 1 & 2)	23,379.4	20,487.5	24,528.3	26,561.7	31,981.7
Available-for-sale investments	3,727.7	753.2	1,166.5	1,488.0	2,186.5
Deferred debtors	43.9	385.1	496.3	370.6	231.7
Current assets (Note 2)	22,581.6	16,489.5	10,676.7	15,007.5	14,777.0
Current liabilities	(12,629.6)	(5,191.6)	(3,829.6)	(4,072.2)	(4,310.8)
Long-term loans	(9,315.9)	(10,035.7)	(5,864.1)	(7,414.9)	(5,229.0)
Deferred tax (Note 1 & 2)	(110.4)	(54.2)	(71.7)	(134.5)	(826.4)
Deferred items	(395.9)	(516.5)	(475.6)	(467.0)	(443.4)
	32,215.4	26,203.2	30,637.6	36,665.6	47,338.0
Share capital	1,015.8	1,015.9	1,015.9	1,015.9	1,015.9
Reserves (Note 1 & 2)	25,469.3	21,774.4	25,528.3	30,418.8	39,970.8
Shareholders' equity	26,485.1	22,790.3	26,544.2	31,434.7	40,986.7
Minority interests (Note 1 & 2)	5,730.3	3,412.9	4,093.4	5,230.9	6,351.3
Total equity	32,215.4	26,203.2	30,637.6	36,665.6	47,338.0

Notes:

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

- 1) The figures for the year 2003 have been restated pursuant to the adoption of SSAP 12 (revised) as explained in note 11 to the 2004 accounts. Figures for 2002 have not been restated as it would involve delay and expense out of proportion to the benefit to shareholders.
- 2) The figures for the year 2005 have been restated pursuant to the adoption of all applicable HKFRSs as explained in note 10 to the 2006 accounts. Figures for 2004 and prior years have not been restated as it would involve delay and expense out of proportion to the benefit to shareholders.

