(I) RESULTS REVIEW

Discontinued operation

As reported in interim results, WPSL had sold its 100% interest in Hamptons for £82 million (about HK$1,182 million) and realised a net profit after tax of HK$475 million (HK$268 million attributable to the Group). Following the disposal, the results of Hamptons, which formed a significant business segment of the Group, were reported as a discontinued operation and presented separately on the profit and loss account in accordance with Hong Kong Financial Reporting Standard 5 "Non-current assets held for sale and discontinued operations".

Continuing operations

Turnover

Group turnover from continuing operations for the year fell by 19% to HK$2,771 million (2006: HK$3,425 million), reflecting the lower sales revenue recognised by the Property Development segment.

Operating profit

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

Property Investment

Revenue and operating profit from the Property Investment segment rose slightly to HK$458 million (2006: HK$449 million) and HK$287 million (2006: HK$278 million) respectively. The increase was mainly attributable to the retail podium of Crawford House, which was reopened and recommenced to generate rental revenue in November 2006 following the new lease signed with Hennes & Mauritz AB (H&M) and completion of an extensive renovation. However, this favourable result was in part adversely impacted by the loss of rental income following the disposal of Oakwood Residence Azabujuban and the redevelopment of The Scotts Shopping Centre and the Ascott Serviced Apartment which commenced by the end of December 2006. During the financial year, higher average rental rates were achieved by the Group's investment properties.

Property Development

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

WPSL recognises profits on pre-sales of properties under development by stages using the percentage of completion method in accordance with generally accepted accounting principles in Singapore. The Group prepares its consolidated financial statements under Hong Kong Financial Reporting Standards which recognises revenue and profit on pre-sales of properties upon the completion of properties. Accordingly, profits recognised by WPSL in respect of its pre-sales of The Sea View and The Cosmopolitan units were reversed and excluded in the Group's consolidated financial statements. The cumulative attributable profits to the Group so reversed amounted to approximately HK$395 million as at 31 March 2007.

Investment and Others
Investment revenue, comprising mainly dividends from the Group's long-term investment portfolio and interest income, increased by 16% to HK$436 million (2006: HK$376 million). Conversely, operating profit fell by 40% to HK$386 million (2006: HK$645 million), mainly due to lower profit from disposal of long-term investments of HK$61 million (2006: HK$240 million). In addition, there was also profit contribution from sale of Oakwood Residence Azabujuban amounting to HK$120 million (2006: Sale of Great Western Plaza units HK$98 million).

Increase in fair value of investment properties

Included in the Group's results was a revaluation surplus, before share of associates' surplus, of HK$380 million (2006: HK$3,429 million) on revaluation of the Group's investment properties.

Write back of provision for properties

There was also a net write-back of provision of HK$23 million (2006: HK$193 million) in respect of certain development properties.

Borrowing costs

Borrowing costs charged to the profit and loss account was HK$214 million (2006: HK$218 million). Borrowing costs capitalised for properties under development for sale amounted to HK$81 million (2006: HK$43 million). For the year under review, the Group's effective borrowing interest rate was approximately 4.2% per annum (2006: 3.4% per annum).

Share of profits less losses of associates

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

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

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

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

Income tax

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

Minority interests

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

Profit attributable to Shareholders

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

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

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

(II) LIQUIDITY AND FINANCIAL RESOURCES

Equity

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

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

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

Supplemental Information on Net Asset Value

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

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

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

Net cash

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

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

Committed and uncommitted facilities

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

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

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

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

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

Available-for-sale investments

The Group maintained a portfolio of available-for-sale investments with a market value of HK$4,167 million as at 31 March 2007 (2006: HK$2,187 million), which primarily comprised a 20% interest in Hotel Properties Limited owned by WPSL, and other blue chip securities.

In accordance with the Group's accounting policies, the long-term investments classified as available-for-sale investments are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserves until the investment is sold. Such reserves had an attributable accumulated surplus of HK$1,434 million as at 31 March 2007, compared to HK$502 million as at 31 March 2006. Performance of the portfolio was satisfactory.

Contingent liabilities

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

(III) ACQUISITION OF PROPERTY/DISPOSAL OF SUBSIDIARY

Disposal of Hamptons

WPSL completed on 24 August 2006 the disposal of its 100% interest in Hamptons for £82 million (about HK$1,182 million) at a profit after tax of HK$475 million. The profit attributable to the Group (net of minority interests) resulted from the disposal amounted to HK$268 million.

Disposal of Shop C at Wheelock House

WPL completed on 28 December 2006 the disposal of 100% interest in Shop C at Wheelock House for a consideration of HK$225 million. The profit attributable to the Group (net of minority interests) was HK$7 million and was reported in the results under review. Apart from this, the net revaluation surpluses less deferred tax of the property in total amount of HK$29 million arisen in prior years have been included and reported in the results of the respective years in accordance with the current accounting standards.

Disposal of Oakwood Residence Azabujuban

WPSL completed on 31 January 2007 the disposal of its 100% interest in Oakwood Residence Azabujuban for JPY9.9 billion (about HK$654 million). The profit attributable to the Group (net of minority interests) from the disposal amounted to HK$91 million. In addition, the net attributable revaluation surpluses less deferred tax of the property in total amount of HK$48 million arisen in prior years have been included and reported in the results of the respective years.

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

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

50% interest in Foshan Joint Venture

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

(IV) HUMAN RESOURCES

The Group has 787 employees as at 31 March 2007 (2006: 1,712). The decrease of 925 employees was mainly due to the exclusion of Hamptons' employees after it was disposed of by WPSL in August 2006. Employees are remunerated according to the nature of their jobs and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for the year ended 31 March 2007 amounted to HK$390 million.

(V) POST BALANCE SHEET EVENTS

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

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

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