

WHEELOCK PROPERTIES LIMITED

會德豐地產有限公司

Annual Report 2004/05 二零零四至零五年年報



WHEELOCK PROPERTIES

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Board of Directors

Gonzaga W. J. Li (*Chairman*)

Joseph M. K. Chow, *OBE, JP*

Herald L. F. Lau*

David J. Lawrence

David T. C. Lie-A-Cheong*

T. Y. Ng

Paul Y. C. Tsui

Glenn S. Yee*

* *Independent Non-executive Directors*

Secretary

Wilson W. S. Chan, *F.C.I.S.*

General Managers

Wheelock Corporate Services Limited

Registered Office

23rd Floor, Wheelock House,

20 Pedder Street,

Hong Kong

Registrars

Tengis Limited

Ground Floor,

Bank of East Asia Harbour View Centre,

56 Gloucester Road,

Wanchai,

Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

Auditors

KPMG

BUSINESS REVIEW & PROSPECT

The Hong Kong economy is under broad-based recovery following the end of a 68-month deflationary period in July last year.

During 2004, the local retail market made a swift recovery as a result of the tourism boom and an upsurge in local spending. Meanwhile, the CEPA effect and China's vibrant economic development helped accelerate business activities and opportunities. Rental levels for commercial space soared as demand grew. Last year, Hong Kong's GDP increased by 8.1 per cent, the highest year-on-year growth since 2002. This, together with a general observation of an improving job market and mounting household income, helped boost the property market by taking local sentiment and confidence to a new high. The high-end deluxe home sector, in particular, turned the corner in 2004. During the year, Hong Kong registered the highest volume of property transaction since 1997.

In 2004, Singapore registered a GDP growth of 8.4 per cent, and both office and retail markets showed signs of recovery, which escalated both rentals and capital values during 2004.

Under such operating environment, the Company performed well for the financial year under review.

RESULTS

The Group recorded a profit attributable to Shareholders amounting to HK\$1,743.0 million for the year ended 31 March 2005, compared to HK\$1,053.7 million for the previous year. Earnings per share were 84.2 cents. Turnover for the year amounted to HK\$2,128.8 million.

Due to a substantial write-back of property provisions, the results for the year under review may be regarded as distorted. By excluding this non-recurring write-back in the year under review and the previous year, the Group's profit would only be HK\$898.7 million for the year ended 31 March 2005, a decrease of 13.5 per cent compared to the previous year.

An interim dividend of 2.0 cents per share was paid by the Company in December 2004 in respect of the year ended 31 March 2005. Your Directors recommended the payment of a final dividend of 6.0 cents per share, subject to the Shareholders' approval at the forthcoming Annual General Meeting. The total dividend distribution for the year will be 8.0 cents per share.

The Group's investment properties were revalued as at 31 March 2005 and the Group's investments in securities were also stated at fair value. The consolidated net asset value per share of the Company as at 31 March 2005 was HK\$7.25 compared to HK\$6.06 for the preceding year.

PROPERTY ACTIVITIES

Company's own interests

Located above the Kowloon Station, Sorrento is a joint venture project between MTRC and a five-member consortium equally owned by Wheelock, Wheelock Properties, Wharf, Harbour Centre Development, and a wholly-owned subsidiary of Wheelock Properties. As at the end of this financial year under review, cumulative sales and proceeds reached 2,111 units (99 per cent sold) and HK\$12.0 billion respectively.

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 and Wharf. Phases I and II, comprising a total of 1,704 units, were completed in December 2002. As at the end of March 2005, cumulative sales reached 1,691 units (99 per cent), realizing proceeds of about HK\$4.1 billion. Superstructure works for Phases III and IV, which provide a total of 1,641 residential units, are in progress. The project is expected to be completed by the end of 2005. Pre-sales for Tower 2 and Tower 5 (total: 844 units) were launched in early September of 2004 and met with favourable market responses. As at the end of March 2005, cumulative sales reached 752 units (89 per cent sold), realizing proceeds of HK\$2.7 billion.

Parc Palais is owned by a five-member consortium comprising Wheelock Properties, New World Development, Sino Land, Chinese Estates and Manhattan Garments. This residential project in Homantin boasts 700 units or a gross floor area of about one million square feet. As at the end of March 2005, cumulative sales and proceeds reached 607 units (86 per cent sold) and HK\$5.8 billion respectively.

Wheelock Properties (Singapore) Limited (75%-owned)

Wheelock Properties (Singapore) Limited has made three significant acquisitions during the financial year under review, namely, Scotts Shopping Centre/The Ascott Singapore, the Oakwood Residence Azabujuban, Tokyo, and all the freehold China Airlines apartments which are located right next to the Sea View Hotel site. In April 2005, the group also completed its purchase of the Angullia View, which will be redeveloped into residential apartments for sale.

Through its wholly-owned subsidiary, Firstbilt Pte Limited, the group acquired all other shares in Hamptons Group Limited ("Hamptons") in the UK not previously held by the group, making Hamptons a wholly-owned subsidiary of the group.

Development Properties

The Grange Residences obtained strata titles subdivisions in March 2005. To date, 97 per cent of the total 164 units have been sold.

The Cosmopolitan is a residential condominium development of 228 apartments on the former Times House Site, with completion targeted for August 2007. A pre-launch preview of The Cosmopolitan was organized in March 2005. To date, 15 per cent of the total 228 apartments have been sold.

The Sea View, a residential condominium development with 546 apartments for sale is proposed on the amalgamated site. Piling works were completed in May 2005 and construction is expected to be completed in July 2007. This development is expected to be launched in mid-2005.

All tenancies of Ardmore Vue expired in end November 2004 with all the tenants having vacated the premises. Demolition of the building is in progress and scheduled to be completed by mid-2005.

The Scotts Shopping Centre is currently 97 per cent leased and The Ascott Singapore is currently 79 per cent leased at satisfactory rental rates. The property is proposed to be redeveloped into a new residential and commercial development when all the prevailing leases and the property management agreement expire towards the end of 2006.

Investment Properties

Wheelock Place, a commercial building with 465,000 square feet in GFA on Orchard Road in Singapore, is currently 95 per cent leased at satisfactory rental rates.

Oakwood Residence Azabujuban in Tokyo is currently 87 per cent leased at satisfactory rental levels.

BOARD

I would like to welcome Messrs. Herald L. F. Lau, David J. Lawrence, David T. C. Lie-A-Cheong and Paul Y. C. Tsui on their joining the Company's Board. These gentlemen's diverse experience and wisdom for sure will benefit our Group extensively.

OUTLOOK

With progressive extension of the Individual Traveller Scheme as well as the opening of Hong Kong Disneyland, the retail sector will continue to benefit. The second stage of CEPA, which encourages Chinese private enterprises to make fuller use of the comprehensive trading services platform in Hong Kong, is expected to accelerate the process of "bringing in, going out" for mainland enterprises, further facilitating economic development in China and thus giving a boost to Hong Kong's business activities.

This economic vibrancy, together with the subsequent increase in job opportunities and growth in personal income, will continue to foster domestic sentiment and thus benefit the property market. Improvement in both transaction volume and property value are expected. Lately, the international investment community has demonstrated renewed passion for Asia. Hong Kong, with China as its hinterland and with its recharged buoyancy, stands to benefit. The Group will continue to explore business opportunities in the region to further create value for Shareholders.

Gonzaga W. J. Li

Chairman

Hong Kong, 7 June 2005

Set out below is information disclosed pursuant to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”):

(A) COMMENTARY ON ANNUAL RESULTS

(I) Review of 2004/05 Results and Segmental Performance

Profit attributable to shareholders

The Group reported a profit attributable to Shareholders of HK\$1,743.0 million for the year ended 31 March 2005, increased by HK\$689.3 million from HK\$1,053.7 million for the previous year. Earnings per share were 84.2 cents (2004: 50.9 cents).

The significant improvement in profit was due to the inclusion in the results for the year under review of a write-back of attributable provisions totalling HK\$844.3 million (2004: HK\$15.1 million) principally for certain Group’s investment properties located both in Hong Kong and Singapore, and the Bellagio, a joint venture development project in Hong Kong held by an associate. By excluding the non-recurring write-back in both years, the Group’s net profit would only be HK\$898.7 million in 2004/05, a decrease of HK\$139.9 million or 13.5% from HK\$1,038.6 million in 2003/04. The reduction was mainly a result of lower profit contribution from sale of Parc Palais and Sorrento units undertaken by associates.

Wheelock Properties (Singapore) Limited group (“WPSL”) contributed a higher property development profit of HK\$284.6 million compared to HK\$159.7 million in the previous year, for more Grange Residences units in Singapore had been sold.

Group turnover

The Group’s turnover for the year was HK\$2,128.8 million against HK\$1,602.3 million recorded in 2003/04, an increase of HK\$526.5 million or 32.9%.

Property sale for the year under review was HK\$1,669.7 million (2004: HK\$1,153.9 million), out of which HK\$1,416.2 million was recognised by WPSL in respect of its sale of 92 Grange Residences units. Other property sales during the year under review covered the industrial units at Metro Loft and certain residential units at The Astrid, Palm Cove and The Regalia.

The Property Investment segment reported an increase in rental revenue of HK\$18.5 million to HK\$279.4 million (2004: HK\$260.9 million) largely because of additional rental revenue generated from the Oakwood Residence, a serviced apartment building in Japan acquired by WPSL during the year. Wheelock House and Fitfort, a retail mall, in Hong Kong as well as Wheelock Place in Singapore were approximately 95% leased at satisfactory rental rates, while the Oakwood Residence in Japan was over 90% occupied.

Group operating profit

The Group's operating profit before borrowing costs and write-back of provision for properties was HK\$802.4 million, an increase of HK\$268.2 million or 50.2% from HK\$534.2 million reported in 2003/04. This increase was principally caused by the better results of the Property Development segment and Investment and Others segment.

The Property Development segment reported a profit of HK\$353.2 million, an increase of HK\$172.8 million as compared to HK\$180.4 million achieved in the previous year. As mentioned above, the sale of Grange Residences units by WPSL is the major positive factor.

The operating profit of the Property Investment segment increased slightly by HK\$7.1 million to HK\$190.8 million, benefiting from the additional rental income from the newly acquired Oakwood Residence by WPSL.

Investment income for the year amounted to HK\$267.2 million, comprising mainly recurring dividend income generated from the Group's long-term investment portfolio and interest earned. Included in the Investment and Others segment results were profits earned by WPSL of HK\$89.3 million on disposal of certain listed securities and HK\$9.5 million on disposal of an associate with hotel interests in Mainland China to a related party.

Borrowing costs

Borrowing costs charged to the profit and loss account were HK\$26.4 million, representing a decline of 48.7% from HK\$51.5 million in the previous year. The borrowing costs before capitalisation as development cost amounted to HK\$58.3 million (2004: HK\$62.3 million). For the year under review, the Group's effective borrowing interest rate was approximately 2.2% per annum, increased marginally from 2.0% per annum for 2003/04.

Write back of provision for properties

Included in the Group's results was a write-back of property provisions aggregating HK\$468.2 million (or HK\$397.6 million after minority interests) following a valuation review at 31 March 2005. The amount written back comprised provisions of HK\$454.0 million and HK\$14.2 million for the Group's investment properties and other properties respectively. Investment property revaluation surplus for the year under review amounted to HK\$657.3 million of which HK\$203.3 million was accounted for as reserves and HK\$454.0 million was credited to the profit and loss account according to the Group's accounting policies. The revaluation deficits of the Group's investment properties charged to the profit and loss account in prior years had effectively been written back in full as at 31 March 2005.

Share of profits less losses of associates

The share of profit of associates amounted to HK\$765.6 million (2004: HK\$712.5 million), which included an attributable provision write-back of HK\$446.7 million mainly for the Group's one-third owned Bellagio project. Based on the achieved selling price of the Bellagio Phases III and IV, which was launched in September 2004, and the prevailing residential property market conditions, the property provision of HK\$1,327.0 million (HK\$442.3 million attributed to the Group) previously made by the associate undertaking the project was considered no longer required and had been fully written back in its accounts. The share of associates' results also included profits derived from sale of Parc Palais, Bellagio and Sorrento units.

Other items

A taxation charge of HK\$76.9 million was provided for the year against HK\$103.5 million for the previous year.

Profit accrued to minority interests rose to HK\$189.9 million from HK\$62.2 million reported in 2003/04, which was attributable to WPSL's profit increase.

Results of WPSL, a Singapore listed subsidiary (already consolidated in the above results)

WPSL reported a profit attributable to its shareholders of S\$198.1 million (about HK\$925 million) for the year ended 31 March 2005, compared to S\$89.8 million (about HK\$406 million) achieved in the previous year. The increase in WPSL's profit for the year was mainly attributable to the sale of 92 Grange Residences units and a write-back of property provision charged to the profit and loss account in prior years in respect of Wheelock Place. At 31 March 2005, cumulative sales of Grange Residences reached 153 units or 93% (out of the total 164 units).

For the year under review, total cash dividends received from WPSL was HK\$65.0 million.

(II) Liquidity and Financial Resources

Shareholders' funds

At 31 March 2005, the Group's shareholders' funds totalled HK\$15,005.8 million or HK\$7.25 per share, against HK\$12,543.4 million or HK\$6.06 per share at 31 March 2004. The improvement was chiefly due to the increase in an attributable investment revaluation surplus aggregating HK\$619.1 million in the investment revaluation reserves as explained below.

Net cash / debt and gearing

At 31 March 2005, the Group had net cash of HK\$369.6 million, comprising total debts of HK\$3,114.9 million less deposits and cash of HK\$3,484.5 million, against a net debt of HK\$112.2 million at 31 March 2004. WPSL's net debt increased to HK\$729.3 million at 31 March 2005 compared to net cash of HK\$158.4 million at 31 March 2004 following the acquisition of properties – China Airlines apartments, Scotts Shopping Centre and The Ascott Singapore at No. 6 Scotts Road in Singapore and Oakwood Residence in Japan. Excluding WPSL's net debt, the Company and its subsidiaries together had a net cash of HK\$1,098.9 million. For the year under review, net cash inflow of HK\$3.4 billion generated from the sale of Sorrento, Bellagio and Parc Palais units were distributed by the project companies among their shareholders in proportion to their equity interests in the respective projects and the Group hence had received HK\$932 million from those associates.

Committed and uncommitted facilities

- (a) The Group's committed and uncommitted loan facilities amounted to HK\$4.2 billion and HK\$0.5 billion respectively. The debt maturity profile of the Group at 31 March 2005 was analysed as follows:

	2005	2004
	HK\$ Million	HK\$ Million
Repayable within 1 year	–	230.0
Repayable after 2 years, but within 5 years	3,114.9	1,864.1
	3,114.9	2,094.1
Undrawn facilities	1,600.0	1,700.0

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

	2005	2004
	HK\$ Million	HK\$ Million
Investment properties	474.5	1,658.9
Properties under development for sale	2,284.2	1,827.1
	2,758.7	3,486.0

- (c) At 31 March 2005, WPSL's borrowings are primarily denominated in Singapore dollars and Japanese yens for financing its properties in Singapore and Japan, respectively. Forward exchange contracts are entered into by WPSL for hedging its foreign currency deposits and investments. The Group has no other significant exposure to foreign exchange fluctuation except for its net investments in Singapore subsidiaries.

Long-term investments

At 31 March 2005, the Group maintained a portfolio of long-term investments with market value of HK\$5,701.2 million (2004: HK\$5,165.8 million), which primarily comprised a 7% interest in The Wharf (Holdings) Limited and other blue chip securities.

In accordance with the Group's accounting policies, the non-trading securities classified as long-term 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 2005, such reserves account had an attributable accumulated surplus of HK\$1,504.6 million, representing an increase of HK\$596.6 million from HK\$908.0 million at 31 March 2004. The performance of the portfolio was in line with the stock markets.

(III) Major Property Development Projects

Development Projects Undertaken by Associates

Bellagio

Pre-sale of Bellagio Phases III and IV undertaken by an associate, 1/3-owned by the Group, was first launched in September 2004 with an encouraging market response. For the year under review, 14 units in Phases I and II were sold and 752 units in Phases III and IV were pre-sold. At 31 March 2005, cumulative sales reached 1,691 units (or 99%) for Phases I and II and 752 units (or 44%) for Phases III and IV, generating a total revenue of about HK\$6.8 billion.

At 31 March 2005, the cash deposits in stakeholders' account of Bellagio amounted to HK\$0.4 billion, which would be sufficient to fully cover its outstanding construction costs for completion of the project. The project company did not have any external borrowings at 31 March 2005.

Sorrento

Sale of Sorrento, 40%-owned by the Group, was continuing with 40 Phase II units sold in 2004/05. At 31 March 2005, cumulative sales reached 2,111 units (all 1,272 Phase I units and 839 (98%) Phase II units), generating a total revenue of approximately HK\$12.0 billion.

At 31 March 2005, the cash deposits in stakeholders' account of Sorrento for meeting the outstanding construction costs amounted to HK\$0.3 billion. The project company did not have any external borrowings at 31 March 2005.

Parc Palais

Sale of the Parc Palais, 20%-owned by the Group, was continuing with good progress. For the year under review, 116 units were sold. At 31 March 2005, cumulative sales reached 607 units or 86% of the entire 700 units, generating a total revenue of approximately HK\$5.8 billion.

A sufficient balance of sale proceeds received by the project company was held as deposits in stakeholders' account for meeting the outstanding construction costs and other liabilities of the project. Surplus cash was distributed to the shareholders of the project company in proportion to their equity interests in the project. The project company did not have any borrowings at 31 March 2005.

Development Projects Undertaken by WPSL

Grange Residences

Sale of Grange Residences undertaken by WPSL was continuing with good progress. For the year under review, 92 units were sold making the cumulative sales up to 31 March 2005 reach 153 units or 93% of the total 164 units.

The Cosmopolitan / The Sea View / Ardmore Vue

The redevelopment of other development projects undertaken by WPSL, including The Cosmopolitan, The Sea View and Ardmore Vue, are progressing according to plan. A private pre-launch for The Cosmopolitan was organised in March 2005 with encouraging market response. The Sea View is expected to be marketed in 2005.

(IV) Contingent Liabilities

At 31 March 2005, there was no guarantee given by the Group in respect of banking facilities available to associates (2004: HK\$63.2 million).

(V) Acquisition/Disposal of Properties/Subsidiaries

China Airlines apartments

WPSL completed in May 2004 the acquisition in Singapore of China Airlines apartments comprising 30 units, which are adjacent to the Sea View Hotel site previously acquired by WPSL, at a consideration of S\$35 million (about HK\$160 million). This site is amalgamated with the Sea View Hotel site for a residential condominium development of 546 apartments, The Sea View.

Scotts Shopping Centre ("SSC") and The Ascott Singapore ("TAS")

WPSL completed in September 2004 the acquisition of SSC and TAS in Singapore at a total consideration of S\$345 million (about HK\$1,576 million). The intention is to redevelop it when all prevailing leases and the property management agreement expire towards the end of 2006.

Oakwood Residence Azabujuban ("Oakwood")

WPSL completed in September 2004 the acquisition of Oakwood in Japan for JPY5.5 billion (about HK\$383 million). WPSL intends to hold the property as investment till the expiry of the existing management contract in respect of the serviced apartment in year 2012.

Angullia View

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

No. 2 Heung Yip Road / others properties acquisition in Hong Kong

In May 2005, the Group entered into an agreement to acquire a property, known as No. 2 Heung Yip Road, in Hong Kong through a private tender at a total consideration of approximately HK\$455 million. The acquisition is expected to be completed in June 2005.

The Group also acquired some office properties in Hong Kong at a total consideration of approximately HK\$220 million.

Kim Realty Investment Pte Ltd ("KRI")

WPSL completed in July 2004 the disposal to The Wharf (Holdings) Limited of its 30% equity interest in KRI which owns a 50% interest in a 4-star hotel in Xiamen, The Marco Polo Xiamen, for a total consideration of S\$2.04 million (equal to HK\$9.5 million).

Hamptons Group Limited (“Hamptons”)

On 14 March 2005, WPSL entered into an agreement to acquire 2,424,310 shares in Hamptons, a UK-based estate agency company which was originally 32.4% owned by WPSL, at a purchase price of £3.12 per share payable by cash. The acquisition of such Hamptons shares was completed in April 2005. As this increased WPSL's shareholding interest in Hamptons beyond 35%, a general offer (described as a tag along procedure under the articles of association of Hamptons) was triggered. All other shareholders of Hamptons accepted the offer with the result that Hamptons became a wholly-owned subsidiary of WPSL. The total consideration paid by WPSL amounted to approximately £23.8 million (about HK\$357 million).

(VI) New Accounting Interpretation for the Recognition of Revenue arising from Pre-sale of Properties

Prior to 1 January 2005, profit on pre-sale of properties is recognised over the course of development and is calculated each year as a proportion of the total estimated profit to completion. With the introduction of HK Interpretation 3 “Revenue – Pre-Completion contracts for the sale of development properties” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the Group now recognises revenue arising from pre-sale of properties upon completion of development of the property. The Group has relied on the transitional provisions set out in the Interpretation such that the Group will continue to adopt the stage of completion method to recognise revenue arising from pre-sale contracts entered into before 1 January 2005 while the completion method is adopted for pre-sale contracts entered into on or after 1 January 2005. This change has no significant financial impact on the Group.

(VII) Future Changes in Accounting Policies

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively, “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 March 2005 and has made a preliminary assessment of the impact of these new HKFRSs. The Group has so far concluded that the adoption of Hong Kong Accounting Standards 40 “Investment Property”, Hong Kong Financial Reporting Standards 3 “Business Combinations” and HK(SIC) Interpretation 21 “Income taxes – recovery of revalued non-depreciable assets” will have certain impacts on its consolidated accounts as detailed in Note 31 to the Accounts.

The Group will be continuing with the assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

(VIII) Employees

The Group has 95 employees. Employees are remunerated according to nature of the job and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. The Group also sponsors external training programmes that are complementary to certain job functions. Total staff costs for the year ended 31 March 2005 amounted to HK\$42.1 million.

(B) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC.**(I) Directors**

Gonzaga W. J. LI, Chairman (Age: 76)

Mr. Li has been the Chairman and a Director of the Company since 1997. He is also the senior deputy chairman of Wheelock and Company Limited (“WCL”) and The Wharf (Holdings) Limited (“Wharf”), the chairman of Harbour Centre Development Limited (“HCDL”), Wheelock Properties (Singapore) Limited (“WPSL”) in Singapore and Wheelock Corporate Services Limited (“WCSL”), and also the chairman and chief executive officer of Wharf China Limited. Furthermore, he is a director of Joyce Boutique Holdings Limited (“Joyce”) and Modern Terminals Limited (“MTL”).

Joseph M. K. CHOW, OBE, JP, Director (Age: 64)

Dr. Chow has been a Director of the Company since 2003. He also serves as a member of the Company’s Audit Committee. Dr. Chow is the chairman of Joseph Chow & Partners Limited as well as an independent non-executive director of the publicly-listed Chevalier International Holdings Limited, Build King Holdings Limited and Paul Y. - ITC Construction Holdings Limited.

Herald L. F. LAU, Director (Age: 64)

Mr. Lau has been an independent Non-executive Director of the Company since 1 September 2004. He also serves as a member of the Company’s Audit Committee. Mr. Lau has been practicing as a certified public accountant in Hong Kong for over 30 years and has extensive experience in auditing, finance, taxation and management. He was formerly a partner of a professional accountants firm PricewaterhouseCoopers, Hong Kong, until his retirement from the firm in June 2001. He is also an independent non-executive director of Fairwood Holdings Limited, Kerry Properties Limited and China World Trade Center Company Limited. Mr. Lau is a fellow member of The Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

David J. LAWRENCE, Director (Age: 59)

Mr. Lawrence has been a Director of the Company since 27 January 2005. He is also an executive director of WCL. Mr. Lawrence joined Wharf in 1992. In 1993, he took up a board appointment with WPSL of which he is now the chief executive officer and managing director. He is a fellow member of The Hong Kong Institute of Surveyors, the Royal Institute of Chartered Surveyors, the Singapore Institute of Surveyors and Valuers, the Singapore Institute of Directors and The Hong Kong Institute of Directors.

David T. C. LIE-A-CHEONG, Director (Age: 45)

Mr. Lie-A-Cheong has been an independent Non-executive Director of the Company since 30 September 2004. He is also the executive chairman of Newpower International (Holdings) Company, Limited, and China Concept Consulting Limited, the chairman of the China Committee of The Hong Kong General Chamber of Commerce, the North Asia Area chair of The Young Presidents’ Organisation, a member of the Hong Kong Committee for Pacific Economic Cooperation and a member of The National Committee of the 8th, 9th and 10th Chinese People’s Political Consultative Conference since 1993. He also holds a number of other public offices. In December 2004, he also became the Honorary Consul of The Hashemite Kingdom of Jordan in Hong Kong SAR.

T. Y. NG, Director (Age: 57)

Mr. Ng has been a Director of the Company since 1998. He is also a director of Wharf, HCDL, Joyce, MTL, WCSL and WPSL. Mr. Ng is an associate member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

Paul Y. C. TSUI, Director (Age: 58)

Mr. Tsui has been a Director of the Company since 27 January 2005. He is also an executive director of WCL and a director of Joyce and WPSL. Furthermore, he is the senior deputy managing director of WCSL and a director of Myers Investments Limited (“Myers”). Mr. Tsui is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Chartered Institute of Management Accountants.

Glenn S. YEE, Director (Age: 54)

Mr. Yee has been an independent Non-executive Director of the Company since 2003. He also serves as a member and the chairman of the Company’s Audit Committee. Mr. Yee is the managing director of Pacific Can Company Limited.

Notes: (1) WCL, WCSL and Myers (of which Mr. G. W. J. Li, Mr. D. J. Lawrence, Mr. T. Y. Ng and/or Mr. P. Y. C. Tsui is/are director(s)) have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the “SFO”).

(2) The Company has received from each independent Non-executive Director an annual confirmation of his independence pursuant to the Listing Rules, and the Company still considers the independent Non-executive Directors to be independent.

(II) Senior Managers

During the financial year, the senior management responsibilities of the Group were vested with the General Managers of the Company, namely, Wheelock Corporate Services Limited (as referred to in the Report of the Directors under the section headed “Management Contracts” on page 22), and none of the employees of the Group are regarded as Senior Managers.

(C) DIRECTORS' INTERESTS IN SHARES

At 31 March 2005, Directors of the Company had the following personal beneficial interests, all being long positions, in the share capitals of the Company, the Company's parent company, namely, WCL, a subsidiary of the Company, namely, WPSL, and an associate of WCL, namely, Wharf, and the percentages which the shares represented to the issued share capital of the Company, WCL, WPSL and Wharf respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)
The Company	
G. W. J. Li	2,900 (0.0001%)
WCL	
G. W. J. Li	1,486,491 (0.0732%)
T. Y. Ng	70,000 (0.0034%)
WPSL	
D. J. Lawrence	250,000 (0.0627%)
Wharf	
G. W. J. Li	686,549 (0.0281%)
T. Y. Ng	178,016 (0.0073%)

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 2005 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.

(D) SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties 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 2005, 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) Myers Investments Limited	1,536,058,277 (74.22%)
(ii) Wheelock Corporate Services Limited	1,536,058,277 (74.22%)
(iii) Wheelock and Company Limited	1,536,058,277 (74.22%)
(iv) HSBC Trustee (Guernsey) Limited	1,536,058,277 (74.22%)

Notes: (1) For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of all of the above-stated shareholdings to the extent that the shareholdings stated against parties (i) to (iv) above represent the same block of shares.

(2) Due to the amalgamation of Bermuda Trust (Guernsey) Limited with HSBC Trustee (Guernsey) Limited into one company known as HSBC Trustee (Guernsey) Limited with effect from 1 January 2005, the name of Bermuda Trust (Guernsey) Limited, which appeared in the Register prior to 1 January 2005, has been accordingly amended to become HSBC Trustee (Guernsey) Limited.

All the interests stated above represented long positions and as at 31 March 2005, there were no short positions recorded in the Register.

(E) PENSION SCHEME

During the financial year, no pension scheme of the Group was operated for any employee of the Group. The retirement benefit scheme in which the Group's employees participated was the Central Provident Fund in Singapore.

The employers' pension cost charged to the profit and loss account during the year ended 31 March 2005 in respect of the above retirement benefit scheme amounted to HK\$1.9 million.

(F) MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 March 2005:

- (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 93% of the Group's total purchases;
- (b) the largest supplier accounted for 79% 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) DISCLOSURE OF FINANCIAL ASSISTANCE TO AN AFFILIATED COMPANY

In relation to the provision of financial assistance by the Company and/or its subsidiaries to an associate of the Company, namely, Diamond Hill Development Holdings Limited ("DHDHL") and/or its wholly-owned subsidiaries, which was previously disclosed in the Company's interim report for the six-month period ended 30 September 2004, obligations in relation to the aforesaid financial assistance by the Group continued to exist as at 31 March 2005.

Set out below is a proforma consolidated balance sheet of DHDHL as at 31 May 2005 (being the latest practicable date for determining the relevant figures) required to be disclosed under Rules 13.20 and 13.22 of the Listing Rules:

Proforma Consolidated Balance Sheet of DHDHL
at 31 May 2005

	HK\$ Million
Properties under development/for sale	5,338.3
Stakeholders' deposits	367.0
Deposits from sale of properties	(2,251.5)
Other net liabilities	(159.2)
	3,294.6
Shareholders' loans	(3,988.1)
Shareholders' deficit	(693.5)

Note: At 31 May 2005, the Group's attributable interests in DHDHL was 33-1/3%.

Terms of the Financial Assistance:

A loan in the amount of HK\$1,329.4 million made to a subsidiary of DHDHL bears interest at such rates as may from time to time be agreed among all DHDHL's shareholders. At present, that loan is interest-free (also applicable to all the loans made to this subsidiary by all other DHDHL's shareholders). The loan is unsecured and has no fixed terms of repayment.

(H) DIRECTORS' INTERESTS IN COMPETING BUSINESS

Set out below is information disclosed pursuant to Rule 8.10 of the Listing Rules.

Four Directors of the Company, namely, Messrs. G. W. J. Li, D. J. Lawrence, T. Y. Ng and P. Y. C. Tsui, being also directors of the Company's parent company, namely, WCL, and/or certain subsidiaries of WCL, are considered as having an interest in WCL under Rule 8.10 of the Listing Rules.

The ownership of commercial premises by WCL group for rental purposes is considered as competing with the commercial premises owned by the Group for letting. Since the Group's commercial premises are not in close proximity to those owned by the WCL group and the customers and tenants for the Group's properties are somewhat different from those for the properties owned by the WCL group, the Group considers that its interest regarding the business of owning and letting of commercial premises is adequately safeguarded.

For safeguarding the interests of the Group, the independent Non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's property leasing business is and continues to be run on the basis that it is independent of, and at arm's length from, that of the WCL group.

(I) INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year is set out in Note 5 to the Accounts on page 42.

(J) 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.

(K) DISCLOSURE OF CONTINUING CONNECTED TRANSACTIONS

Set out below is information in relation to certain continuing connected transactions involving the Company and/or its subsidiaries required under the Listing Rules to be disclosed in the Annual Report and Accounts of the Company:

(I) Tenancy Agreement with Wheelock Properties (Hong Kong) Limited

On 30 August 2004, a tenancy agreement (the “Tenancy Agreement”) in respect of the whole of 5th Floor, Wheelock House, 20 Pedder Street, Hong Kong for the period from 1 September 2004 to 31 August 2007 was entered into between Marnav Holdings Limited (“Marnav”), a wholly-owned subsidiary of the Company as the landlord, and Wheelock Properties (Hong Kong) Limited (“WPHK”), a wholly-owned subsidiary of WCL as the tenant.

As the Company is a 74%-owned subsidiary of WCL, the transaction constitutes a continuing connected transaction for the Company under the Listing Rules.

The rental receivable by Marnav from WPHK under the Tenancy Agreement for each of the four financial years ending 31 March 2008 would range from HK\$0.8 million to HK\$2.0 million.

With ownership of properties for letting being one of the Group’s principal business activities, rental income is an important recurrent income source of the Group. The stable and satisfactory rental revenue to be generated from the tenancy under the Tenancy Agreement is therefore beneficial to the Group.

(II) Master Services Agreement with Wheelock and Company Limited

Under various agreements previously entered into, the Company together with some of its wholly-owned subsidiaries have appointed certain subsidiaries of WCL for the provision by the latter of general managerial and/or administrative services, including legal, secretarial, human resources, accounting and financial and information technology services (the “General Management Services”), and property management and/or leasing and other property related services (the “Property Services”) (collectively, the “Services”).

On 22 December 2004, a master services agreement (the “Master Services Agreement”) was entered into between the Company and WCL to, among other things, provide for an annual aggregate maximum amount payable by the Group for the Services provided and to govern the entry into of any further individual agreements separately between members of the Group with members of WCL group in respect of the provision of the Services.

As the Company is a 74%-owned subsidiary of WCL, the transaction constitutes a continuing connected transaction for the Company under the Listing Rules.

Under the Master Services Agreement, the aggregate amount of remuneration payable by the Group for the General Management Services will be subject to an annual cap amount of HK\$40.0 million in respect of each of the three financial years of the Company from 1 April 2004 to 31 March 2007. Furthermore, the aggregate amount of remuneration payable by the Group for the Property Services will be subject to annual cap amounts of HK\$10.0 million, HK\$11.5 million and HK\$13.2 million respectively for those three financial years.

(III) Confirmation from Directors etc.

The Directors, including the independent Non-executive Directors, of the Company have reviewed the continuing connected transactions mentioned above (the “Transactions”) and confirmed that the Transactions were entered into:

- (a) by the Group in the ordinary and usual course of its business;
- (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreements governing such continuing connected transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Furthermore, the auditors of the Company have advised the following:

- (1) the Transactions had been approved by the Company’s Board of Directors;
- (2) nothing came to the attention of the auditors of the Company that caused them to believe that the Transactions were not entered into in accordance with the terms of the related agreements governing the Transactions, or, where there was no agreement, on terms no less favourable than those for similar transactions undertaken by the Group with independent third parties where available; and
- (3) the Transactions had not exceeded the cap disclosed in the previous announcements during the year ended 31 March 2005.

(L) COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has complied throughout the financial year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules in force prior to 1 January 2005, which remains applicable to disclosure in annual reports in respect of accounting periods commencing before 1 January 2005 under the transitional arrangements. Nevertheless, the continuing connected transactions in relation to the tenancy between Marnav and WPHK and the Master Services Agreement between the Company and WCL as described above, being matters involving conflict of interest for WCL, which is the Company’s ultimate holding company, were not approved at meetings of the Company’s Director in accordance with the provision of paragraph 11 of the abovementioned Code of Best Practice, but instead were duly approved by Resolutions in Writing of the Board of Directors of the Company.

The Directors have pleasure in submitting their Report and the Audited Statement of Accounts for the financial year ended 31 March 2005.

CHANGE OF COMPANY NAME

The name of the Company was changed from “New Asia Realty and Trust Company, Limited” to “Wheelock Properties Limited” on 1 September 2004.

PRINCIPAL ACTIVITIES AND TRADING OPERATIONS

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on page 59.

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 2 to the Accounts on pages 38 and 39.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 March 2005 are set out in the Consolidated Profit and Loss Account on page 24.

Appropriations of profits and movements in reserves during the financial year are set out in Note 23 to the Accounts on pages 52 and 53.

DIVIDENDS

An interim dividend of 2.0 cents per share was paid on 30 December 2004. The Directors have now recommended for adoption at the Annual General Meeting to be held on Thursday, 11 August 2005 the payment on 18 August 2005 to Shareholders on record as at 11 August 2005 of a final dividend of 6.0 cents per share in respect of the financial year ended 31 March 2005. This recommendation has been disclosed in the Accounts.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 12 to the Accounts on page 45.

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 2005 which are repayable on demand or within a period not exceeding one year are set out in Note 20 to the Accounts on page 50. Those which would fall due for repayment after a period of one year are particularised in Note 24 to the Accounts on page 53.

DONATIONS

The Group made donations during the financial year totalling HK\$1.4 million.

DIRECTORS

The Directors of the Company during the financial year were Mr. G. W. J. Li, Dr. J. M. K. Chow, Mr. H. L. F. Lau (appointed on 1 September 2004), Mr. D. J. Lawrence (appointed on 27 January 2005), Mr. D. T. C. Lie-A-Cheong (appointed on 30 September 2004), Mr. T. Y. Ng, Mr. P. Y. C. Tsui (appointed on 27 January 2005) and Mr. G. S. Yee.

Messrs. H. L. F. Lau, D. J. Lawrence, D. T. C. Lie-A-Cheong and P. Y. C. Tsui, being appointed as Directors of the Company after the last Annual General Meeting, are due to retire from the Board in accordance with Article 94 of the Company's Articles of Association, and Dr. J. M. K. Chow is also due to retire from the Board by rotation in accordance with Article 103(A), 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).

Under the provisions of the Company's Articles of Association, the Chairman of the Company is not subject to retirement from the Board by rotation. As regards the other Directors (none of them holding any executive title of the Company), five of them will retire as Directors at the forthcoming Annual General Meeting to be held on 11 August 2005 as mentioned above, and the remaining two Directors will have their respective terms of office coming to an end by reason of retirement by rotation at the Annual General Meeting of the Company in 2006 in accordance with Article 103(A) of the Company's Articles of Association.

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company 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

There was in existence during the financial year an agreement dated 31 March 1992 between the Company and Wheelock Corporate Services Limited ("WCSL"), whereby WCSL were appointed the General Managers of the Company. The said appointment has become effective since 31 March 1992 and shall continue in force until it is terminated by WCSL by the giving of six months' prior notice in writing. Messrs. G. W. J. Li, T. Y. Ng and P. Y. C. Tsui are directors of WCSL and are accordingly regarded as interested in the said agreement.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

AUDITORS

The Accounts 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, 7 June 2005

Consolidated Profit and Loss Account *For the year ended 31 March 2005*

	Note	2005 HK\$ Million	2004 HK\$ Million
Turnover	3	2,128.8	1,602.3
Other net income	4	113.2	23.1
		<u>2,242.0</u>	<u>1,625.4</u>
Direct costs and operating expenses		(1,329.0)	(1,012.1)
Selling and marketing expenses		(27.5)	(18.6)
Administrative and corporate expenses		(83.1)	(60.5)
Operating profit	3	<u>802.4</u>	534.2
Borrowing costs	5	(26.4)	(51.5)
Net operating profit		<u>776.0</u>	482.7
Write back of provision for properties	6	468.2	24.2
Share of profits less losses of associates	7	765.6	712.5
Profit before taxation		<u>2,009.8</u>	1,219.4
Income tax	8	(76.9)	(103.5)
Profit after taxation		<u>1,932.9</u>	1,115.9
Minority interests		(189.9)	(62.2)
Group profit attributable to Shareholders	9	<u>1,743.0</u>	<u>1,053.7</u>
Dividends attributable to the year	10		
Interim dividend declared during the year		41.4	41.4
Final dividend proposed after the balance sheet date		124.2	103.5
		<u>165.6</u>	<u>144.9</u>
Earnings per share	11	<u>84.2¢</u>	<u>50.9¢</u>

The notes on pages 30 to 60 form part of these accounts.

	Note	2005 HK\$ Million	2004 HK\$ Million
Non-current assets			
Fixed assets	12	4,365.5	3,273.8
Associates	14	1,550.0	1,758.3
Long-term investments	15	5,701.2	5,165.8
Deferred debtors	16	59.8	90.4
		<u>11,676.5</u>	<u>10,288.3</u>
Current assets			
Properties under development for sale	17	4,480.9	2,317.7
Properties held for sale	17	390.8	1,599.9
Short-term investments	18	–	79.8
Trade and other receivables	19	360.5	427.5
Bank balances and deposits		3,484.5	1,981.9
		<u>8,716.7</u>	<u>6,406.8</u>
Current liabilities			
Bank loans	20	–	230.0
Trade and other payables	21	379.6	395.4
Amounts due to fellow subsidiaries		44.9	17.8
Current tax		108.0	58.5
		<u>532.5</u>	<u>701.7</u>
Net current assets		<u>8,184.2</u>	<u>5,705.1</u>
Total assets less current liabilities		<u>19,860.7</u>	<u>15,993.4</u>
Capital and reserves			
Share capital	22	413.9	413.9
Reserves	23(a)	14,591.9	12,129.5
		<u>15,005.8</u>	<u>12,543.4</u>
Minority interests		1,537.3	1,355.4
Non-current liabilities			
Long-term loans	24	3,114.9	1,864.1
Deferred tax	25	56.7	71.6
Deferred item	26	146.0	158.9
		<u>3,317.6</u>	<u>2,094.6</u>
Total equity and non-current liabilities		<u>19,860.7</u>	<u>15,993.4</u>

The notes on pages 30 to 60 form part of these accounts.

G. W. J. Li
Chairman

P. Y. C. Tsui
Director

	Note	2005 HK\$ Million	2004 HK\$ Million
Non-current assets			
Subsidiaries	13	2,164.1	2,161.1
Current assets			
Trade and other receivables		0.2	0.2
Bank balances and deposits		0.1	0.1
		<u>0.3</u>	<u>0.3</u>
Current liabilities			
Trade and other payables		2.4	2.2
		<u>(2.1)</u>	<u>(1.9)</u>
Net current liabilities		(2.1)	(1.9)
Total assets less current liabilities		<u>2,162.0</u>	<u>2,159.2</u>
Capital and reserves			
Share capital	22	413.9	413.9
Reserves	23(b)	1,748.1	1,745.3
Total equity		<u>2,162.0</u>	<u>2,159.2</u>

The notes on pages 30 to 60 form part of these accounts.

G. W. J. Li
Chairman

P. Y. C. Tsui
Director

Consolidated Statement of Changes in Equity *For the year ended 31 March 2005*

	2005 HK\$ Million	2004 HK\$ Million
Total equity at 1 April	12,543.4	9,673.0
Surplus on revaluation of:		
Non-trading equity securities	619.1	1,725.2
Investment properties	203.3	–
Exchange difference on translation of accounts of foreign entities	65.7	165.9
Net gains not recognised in the profit and loss account	888.1	1,891.1
Group profit attributable to Shareholders	1,743.0	1,053.7
Final dividend approved in respect of the previous year	(103.5)	(103.5)
Interim dividend declared in respect of the current year	(41.4)	(41.4)
Impairment of non-trading securities	–	41.4
Reserves transferred to the profit and loss account on disposal of:		
Non-trading equity securities	(22.5)	29.4
Properties	(1.3)	(0.3)
Total equity at 31 March	15,005.8	12,543.4

The notes on pages 30 to 60 form part of these accounts.

Consolidated Cash Flow Statement *For the year ended 31 March 2005*

	2005	2004
	HK\$ Million	HK\$ Million
Cash used in operations (Note)	(184.7)	(1,260.8)
Interest received	34.5	51.5
Interest paid	(42.1)	(41.0)
Dividends received from listed securities	140.2	103.6
Dividends received from associates	223.5	116.6
Hong Kong profits tax paid	(8.4)	(22.1)
Overseas profits tax refunded/(paid)	0.2	(168.9)
Net cash inflow/(outflow) relating to operating activities	163.2	(1,221.1)
Investing activities		
Proceeds from disposal of non-trading equity securities	322.7	156.2
Proceeds from disposal of fixed assets	0.1	10.0
Proceeds from disposal of an associate	9.5	–
Purchase of non-trading equity securities	(189.0)	(197.1)
Purchase of fixed assets	(406.8)	(4.8)
Decrease in deferred debtors	30.6	12.2
Decrease in net amounts due from associates	718.7	2,208.9
Net cash inflow relating to investing activities	485.8	2,185.4
Financing activities		
Drawdown of long-term loans	2,119.2	1,255.3
Repayment of long-term loans	(898.1)	(1,544.3)
Net repayment of short-term bank loans	(230.0)	(1,470.0)
Dividends paid to Shareholders	(144.9)	(144.9)
Dividends paid to minority shareholders	(22.3)	(26.6)
Net cash inflow/(outflow) relating to financing activities	823.9	(1,930.5)
Net increase/(decrease) in cash and cash equivalents	1,472.9	(966.2)
Cash and cash equivalents at 1 April	1,981.9	2,795.2
Effect of foreign exchange rate changes	29.7	152.9
Cash and cash equivalents at 31 March	3,484.5	1,981.9
Analysis of the balances of cash and cash equivalents at 31 March		
Bank balances and deposits	3,484.5	1,981.9

Note to the consolidated cash flow statement

Reconciliation of profit before taxation to cash used in operations

	2005	2004
	HK\$ Million	HK\$ Million
Profit before taxation	2,009.8	1,219.4
Adjustments for:		
Share of profits less losses of associates	(765.6)	(712.5)
Interest income	(35.7)	(51.1)
Interest expenses	15.6	37.4
Depreciation	1.2	1.0
Dividend income from listed securities	(144.0)	(136.4)
Net profit on disposal of non-trading equity securities	(89.3)	(10.0)
Profit on sale of an associate	(9.5)	–
Impairment of non-trading equity securities	–	41.4
Write back of provision for properties	(468.2)	(24.2)
Loss/(profit) on disposal of fixed assets	0.3	(1.5)
Amortisation of negative goodwill	(12.9)	(63.8)
Exchange differences	55.1	51.2
Operating profit before working capital changes	556.8	350.9
Decrease in short-term investments	79.8	22.2
Increase in properties under development for sale	(2,128.3)	(1,511.4)
Decrease in properties held for sale	1,225.7	259.3
Decrease/(increase) in trade and other receivables	72.0	(329.5)
Increase in net amounts due to fellow subsidiaries	27.1	19.4
Decrease in trade and other payables	(17.8)	(71.7)
Cash used in operations	(184.7)	(1,260.8)

1. PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which include all applicable Statements of Standard Accounting Practice (“SSAPs”) 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 accounts 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.

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(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, 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 accounts, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the balance sheet at fair value with changes in fair value recognised in the same way as for investments in securities.

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

In the Company’s balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(f)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the same way as for investments in securities.

(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 accounts 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, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the Group, in which case, it is stated at fair value with changes in fair value recognised in the same way as for investments in securities. The profit and loss account reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(c)(iii). When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of 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 profit and loss account.

(iii) *Goodwill / negative goodwill*

The Group has adopted SSAP 30 "Business combinations" issued by the HKICPA with effect from 1 April 2001. In doing so the Group has relied upon the transitional provisions set out in SSAP 30 such that goodwill/negative goodwill arising on acquisition of a subsidiary or an associate by the Group prior to 1 April 2001, representing the excess/shortfall of the cost of investment over the appropriate share of the fair value of the identifiable assets and liabilities acquired, has been written off against/taken to capital reserves in the period in which it arose and has not been restated.

For acquisitions after 1 April 2001, goodwill is recognised as an asset and is amortised to the profit and loss account on a straight-line basis over its estimated useful life. Negative goodwill which relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

On disposal of a controlled subsidiary or an associate, any attributable amount of purchased goodwill not previously amortised through the profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

The carrying amount of goodwill is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists an impairment loss is recognised as an expense in the profit and loss account.

(d) Properties

(i) *Investment properties*

Investment properties are defined as properties which are income producing and intended to be held for the long term, and such properties are included in the balance sheet at their open market value, on the basis of an annual professional valuation. Changes in the value of investment properties are dealt with as movements in the investment property revaluation reserves. If the total of these reserves is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. When a surplus arises on subsequent revaluation on a portfolio basis, it will be credited to the profit and loss account if and to the extent that a deficit on revaluation had previously been charged to the profit and loss account.

On disposal of investment properties, the revaluation surplus or deficit previously taken to the investment property revaluation reserves is included in calculating the profit or loss on disposal.

(ii) *Properties under development for sale*

Properties under development for sale are classified under current assets and stated at the lower of specifically identified cost, including capitalised borrowing costs, and net realisable value. Net realisable value is determined by management, based on prevailing market conditions.

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

Borrowing costs on loans relating to properties under development for sale are capitalised up to the date of practical completion of development.

Profit on pre-sale of properties under development for sale prior to 1 January 2005 is recognised over the course of the development and is calculated each year as a proportion of the total estimated profit to completion; the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received and receivable at the balance sheet date to total sales proceeds in respect of the units sold.

With the introduction of the HK Interpretation 3 “Revenue – Pre-completion contracts for the sale of development properties” issued by the HKICPA, the Group now recognises revenue arising from pre-sale of properties upon the completion of development of the property. The Group has relied on the transitional provisions set out in the Interpretation such that the Group will continue to adopt the stage of completion method to recognise revenue arising from pre-sale contracts entered into before 1 January 2005 while the completion method is adopted for pre-sale contracts entered into on or after 1 January 2005.

(iii) Properties held for sale

Properties held for sale are classified under current assets and stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development cost, including borrowing costs capitalised, attributable to unsold units. Net realisable value is determined 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 profit and loss account in the period in which the reversal occurs.

(e) Depreciation*(i) Investment properties*

No depreciation is provided in respect of investment properties with an unexpired lease term of more than 20 years since the valuation takes into account the state of each property at the date of valuation. Investment properties held on leases with an unexpired period of 20 years or less are depreciated over the remaining portion of the leases.

(ii) 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.

(f) Impairment of assets

The carrying amounts of assets, other than properties carried at revalued amounts, 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. An impairment loss is recognised in the profit and loss account whenever the carrying amount exceeds the recoverable amount.

(i) Recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use.

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses 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 profit and loss account in the year in which the reversals are recognised.

(g) **Investments in securities**

- (i) Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for diminution in value.

The carrying amounts of held-to-maturity securities are reviewed as at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised as an expense in the profit and loss account for each security individually.

- (ii) Non-trading securities are classified as long-term investments and stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserves until the security is sold, collected or otherwise disposed of or until there is objective evidence that the security is impaired, at which time the relevant cumulative surplus or deficit is transferred from the investment revaluation reserves to the profit and loss account.

Transfers from the investment revaluation reserves to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Profits or losses on disposal of non-trading securities are determined as the difference between the net disposal proceeds and the carrying amount of the securities and are recognised in the profit and loss account as they arise. On disposal of non-trading securities, the relevant revaluation surplus or deficit previously taken to the investment revaluation reserves is also transferred to the profit and loss account for the year.

- (iii) Trading securities are classified as short-term investments under current assets and stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

(h) **Cash and cash equivalents**

The Group defines cash and cash equivalents as 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, which were within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(i) **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 rates of exchange ruling at the balance sheet date. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the average exchange rates for the year. Differences on foreign currency translation are dealt with in the profit and loss account with the exception of those arising on the translation of the accounts of overseas subsidiaries or associates which are dealt with in capital reserves. On disposal of an overseas subsidiary or associate, the cumulative amount of the exchange difference which related to that overseas subsidiary or associate is included in the calculation of the profit or loss on disposal.

Gains or losses on outstanding forward contracts computed by reference to the forward rates at the balance sheet date are dealt with in the profit and loss account. Gains and losses on forward contracts entered into as hedges against net investments in overseas subsidiaries and associates are offset as reserve movements against the exchange differences arising on the retranslation of the net investments.

(j) **Assets held for use in operating leases**

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(e) above. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(k)(i) below.

(k) **Recognition of revenue**

(i) Rental income under operating leases is recognised in the 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 granted are recognised in the profit and loss account 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 completed property is recognised upon completion of the sale and purchase agreement and income from pre-sale of property under development for sale is recognised using the stage of completion method for contracts entered into before 1 January 2005, while the completion method is adopted for contracts entered into on or after 1 January 2005 (see note 1 (d)(ii)).

(iii) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and at the rate applicable.

(l) **Income taxes**

- (i) Income tax for the year comprises current tax and deferred tax. Income tax is recognised in the 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 accounts 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 carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

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

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

(m) **Borrowing costs**

Borrowing costs are expensed in the profit and loss account in the year 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.

(n) **Related parties**

For the purposes of these accounts, a party is 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 or other entities.

(o) **Provisions**

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group 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 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.

(p) **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.

(q) 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 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.

2. SEGMENT INFORMATION

(a) Business segments

(i) *Revenue and results*

	Segment Revenue		Segment Results	
	2005	2004	2005	2004
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Property development	1,669.7	1,153.9	353.2	180.4
Property investment	279.4	260.9	190.8	183.7
Investment and others	179.7	187.5	267.2	174.9
	<u>2,128.8</u>	<u>1,602.3</u>	<u>811.2</u>	<u>539.0</u>
Unallocated expenses			<u>(8.8)</u>	<u>(4.8)</u>
Operating profit			802.4	534.2
Borrowing costs			(26.4)	(51.5)
Write back of provision/(provision) for properties				
Property development			14.2	(4.6)
Property investment			454.0	28.8
Associates				
Property development			295.6	705.2
Investment and others			23.3	15.3
Write back of provision/(provision) for properties			446.7	(8.0)
Profit before taxation			<u>2,009.8</u>	<u>1,219.4</u>

(ii) Assets and liabilities

	Assets		Liabilities	
	2005	2004	2005	2004
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Property development	5,183.6	4,295.8	256.9	269.8
Property investment	4,384.4	3,282.3	102.0	98.6
Investment and others	5,784.8	5,371.2	6.8	15.0
Segment assets and liabilities	15,352.8	12,949.3	365.7	383.4
Associates				
Property development	1,475.7	1,694.3	–	–
Investment and others	74.3	64.0	–	–
Unallocated items	3,490.4	1,987.5	3,484.4	2,412.9
Total assets and liabilities	20,393.2	16,695.1	3,850.1	2,796.3

Unallocated 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\$406.8 million (2004: HK\$4.8 million) mainly in respect of the 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)	
	2005	2004	2005	2004
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	500.5	565.9	249.1	279.8
Singapore	1,605.5	1,036.4	541.5	254.4
Others	22.8	–	11.8	–
	2,128.8	1,602.3	802.4	534.2

(ii) Assets

	Assets	
	2005	2004
	HK\$ Million	HK\$ Million
Hong Kong	6,811.6	6,506.6
Singapore	7,985.0	6,442.7
Others	556.2	–
	15,352.8	12,949.3

3. TURNOVER AND OPERATING PROFIT

(a) Turnover

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

	Group	
	2005	2004
	HK\$ Million	HK\$ Million
Property development	1,669.7	1,153.9
Property investment	279.4	260.9
Investment and others	179.7	187.5
	<u>2,128.8</u>	<u>1,602.3</u>

(b) Operating profit

	Group	
	2005	2004
	HK\$ Million	HK\$ Million
Operating profit is arrived at:		
after charging:		
Staff costs	27.5	12.6
– including contributions to defined contribution retirement schemes of HK\$1.9 million (2004: HK\$2.1 million)		
Cost of properties sold	1,251.1	917.9
Depreciation	1.2	1.0
Auditors' remuneration	2.7	1.6
after crediting:		
Rental income from operating leases less outgoings	202.5	190.2
– including gross rental income from investment properties of HK\$265.4 million (2004: HK\$245.5 million) of which HK\$0.6 million (2004: HK\$0.4 million) is contingent rentals		
Dividend income from listed securities	144.0	136.4
Amortisation of negative goodwill	12.9	63.8

In addition to the above staff costs charged directly to the profit and loss account, staff costs of HK\$14.6 million (2004: HK\$10.3 million) were capitalised as part of the costs of properties under development for sale.

(c) Directors' emoluments

	Group	
	2005	2004
	HK\$ Million	HK\$ Million
Fees	0.2	0.1
Salaries and other benefits	0.5	–
Retirement scheme contributions	–	–
Discretionary bonuses and/or performance-related bonuses	0.2	–
Compensation for loss of office	–	–
Inducement for joining the Group	–	–
	0.9	0.1

For the year under review, total emoluments (including any reimbursement of expenses) amounting to HK\$82,712 (2004: Directors' fee of HK\$51,584) were paid/payable to Independent Non-executive Directors of the Company, being in the form of Directors' fees of HK\$71,585 and fee for acting as members of the Audit Committee of HK\$11,127.

The aggregate emoluments paid or payable by the Company and/or its subsidiaries for the two financial years ended 31 March 2005 and 31 March 2004 in respect of each of the persons who was a Director of the Company at any time during the years amounted to less than HK\$1,000,000.

(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 2005 of the five highest paid employees of the Group, of whom one employee was appointed as a Director of the Company in the financial year.

(i) Aggregate emoluments

	2005	2004
	HK\$ Million	HK\$ Million
Basic salaries, housing allowances, other allowances and benefits in kind	6.5	5.1
Retirement scheme contributions	0.3	0.3
Discretionary bonuses and/or performance-related bonuses	2.1	0.6
Compensation for loss of office	–	–
Inducement for joining the Group	–	–
	8.9	6.0

(ii) Bandings

Bands (in HK\$)	2005 Number	2004 Number
Not more than \$1,000,000	–	2
\$1,000,001 – \$1,500,000	4	2
\$1,500,001 – \$2,000,000	–	1
\$3,500,001 – \$4,000,000	1	–
	5	5

4. OTHER NET INCOME

	Group	
	2005 HK\$ Million	2004 HK\$ Million
Net profit on disposal of non-trading equity securities	89.3	10.0
Amortisation of negative goodwill	12.9	63.8
Profit on sale of an associate	9.5	–
Impairment of non-trading equity securities	–	(41.4)
Others	1.5	(9.3)
	113.2	23.1

Included in the net profit on disposal of non-trading equity securities is a net surplus, before deduction of minority interests, of HK\$30.6 million (2004: a net deficit of HK\$29.6 million) transferred from the investment revaluation reserves.

5. BORROWING COSTS

	Group	
	2005 HK\$ Million	2004 HK\$ Million
Interest payable on bank loans and overdrafts	43.5	39.7
Other borrowing costs	14.8	22.6
	58.3	62.3
Less: Amount capitalised	(31.9)	(10.8)
	26.4	51.5

The Group's effective borrowing interest rate for the year was approximately 2.2% (2004: 2.0%) per annum.

6. WRITE BACK OF PROVISION FOR PROPERTIES

Following a review based on the property market conditions prevailing at 31 March 2005, the Group has written back an aggregate property provision of HK\$468.2 million, comprising HK\$454.0 million for the Group's investment properties and HK\$14.2 million for other properties, in accordance with the Group's accounting policies. The revaluation deficits of the Group's investment properties charged to the profit and loss account in prior years had effectively been written back in full as at 31 March 2005.

7. SHARE OF PROFITS LESS LOSSES OF ASSOCIATES

Share of profits less losses of associates for the year ended 31 March 2005 of HK\$765.6 million (2004: HK\$712.5 million) included the Group's share of a provision write-back of HK\$446.7 million (2004: a provision of HK\$8.0 million) mainly relating to the Bellagio project, based on the achieved average selling price for the project and the prevailing market conditions.

8. 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% (2004: 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:

	Group	
	2005	2004
	HK\$ Million	HK\$ Million
Company and subsidiaries		
<i>Current tax</i>		
Hong Kong profits tax for the year	12.5	9.9
Overseas taxation for the year	38.9	17.8
Overprovision in prior years	(0.6)	(9.6)
	50.8	18.1
<i>Deferred tax (Note 25)</i>		
Origination and reversal of temporary differences	(7.2)	9.4
Effect of change in tax rates	-	(4.1)
	(7.2)	5.3
	43.6	23.4
Associates		
Hong Kong profits tax for the year	30.0	72.9
Overseas taxation for the year	3.3	7.2
	33.3	80.1
	76.9	103.5

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

	2005 HK\$ Million	2004 HK\$ Million
Profit before taxation	<u>2,009.8</u>	<u>1,219.4</u>
Notional tax on accounting profit calculated at applicable tax rates	369.3	220.2
Tax effect of non-deductible expenses	10.3	18.5
Tax effect of non-taxable revenue	(188.8)	(87.3)
Tax effect of unused tax losses not recognised	–	14.6
Tax effect of prior year's tax losses utilised this year	(113.3)	(48.8)
Overprovision in prior years	(0.6)	(9.6)
Effect of change in tax rates	–	(4.1)
Actual total tax charge	<u>76.9</u>	<u>103.5</u>

9. GROUP PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group profit attributable to Shareholders is dealt with in the accounts of the Company to the extent of a profit of HK\$147.7 million (2004: HK\$1,002.7 million).

10. DIVIDENDS

(a) Dividends attributable to the year

	2005 HK\$ Million	2004 HK\$ Million
Interim dividend approved and paid of 2.0 cents (2004: 2.0 cents) per share	41.4	41.4
Final dividend proposed after the balance sheet date of 6.0 cents (2004: 5.0 cents) per share	<u>124.2</u>	<u>103.5</u>
	<u>165.6</u>	<u>144.9</u>

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

	2005 HK\$ Million	2004 HK\$ Million
Final dividend in respect of the previous financial year, approved and paid during the year, of 5.0 cents (2004: 5.0 cents) per share	<u>103.5</u>	<u>103.5</u>

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit for the year of HK\$1,743.0 million (2004: HK\$1,053.7 million) and 2,069.6 million ordinary shares in issue throughout the financial year ended 31 March 2005 and the previous year.

12. FIXED ASSETS

	Investment properties HK\$ Million	Other fixed assets HK\$ Million	Total HK\$ Million
Group			
Cost or valuation			
At 1 April 2004	3,272.2	8.2	3,280.4
Exchange differences	29.4	(0.1)	29.3
Additions	398.5	8.3	406.8
Disposals	(0.3)	(1.0)	(1.3)
Revaluation surplus	657.3	–	657.3
At 31 March 2005	4,357.1	15.4	4,372.5
Accumulated depreciation			
At 1 April 2004	–	6.6	6.6
Exchange differences	–	0.1	0.1
Charge for the year	–	1.2	1.2
Written back on disposals	–	(0.9)	(0.9)
At 31 March 2005	–	7.0	7.0
Net book value			
At 31 March 2005	4,357.1	8.4	4,365.5
At 31 March 2004	3,272.2	1.6	3,273.8

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

Balance at 31 March 2005			
2005 valuation	4,357.1	–	4,357.1
At cost	–	15.4	15.4
	4,357.1	15.4	4,372.5
Balance at 31 March 2004			
2004 valuation	3,272.2	–	3,272.2
At cost	–	8.2	8.2
	3,272.2	8.2	3,280.4

(b) Tenure of title to properties:

	2005	2004
	HK\$ Million	HK\$ Million
Held in Hong Kong		
Long lease	1,967.0	1,613.3
Held outside Hong Kong		
Freehold	474.5	–
Long lease	1,915.6	1,658.9
	<u>4,357.1</u>	<u>3,272.2</u>

(c) Properties revaluation

The Group's investment properties in Hong Kong, Singapore and Japan have been revalued as at 31 March 2005 by Wharf Estates Development Limited, a related company engaged in professional valuation, CB Richard Ellis (Pte) Ltd and Ikoma CB Richard Ellis KK, independent firms of property consultants, 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 profit and loss account or investment property revaluation reserves in accordance with the Group's accounting policies.

- (d) The gross amount of fixed assets of the Group held for use in operating leases was HK\$4,357.1 million (2004: HK\$3,272.2 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	
	2005	2004
	HK\$ Million	HK\$ Million
Within 1 year	224.6	175.6
After 1 year but within 5 years	139.3	165.5
After 5 years	–	0.1
	<u>363.9</u>	<u>341.2</u>

13. SUBSIDIARIES

	Company	
	2005	2004
	HK\$ Million	HK\$ Million
Unlisted shares, at cost	2,544.9	2,544.9
Amounts due to subsidiaries	(380.8)	(383.8)
	<u>2,164.1</u>	<u>2,161.1</u>

Details of principal subsidiaries at 31 March 2005 are shown on page 59.

14. ASSOCIATES

	Group	
	2005	2004
	HK\$ Million	HK\$ Million
Share of net assets/(deficits)	101.7	(408.7)
Amounts due from associates	1,508.4	2,227.1
Amounts due to associates	(60.1)	(60.1)
	<u>1,550.0</u>	<u>1,758.3</u>

- (a) Included in the amounts due from associates are loans and advances made by the Group to certain associates of HK\$1,467.4 million (2004: HK\$1,989.1 million) involved in the Sorrento and the Bellagio projects. Such loans and advances are in proportion to the Group's equity interest in the respective associates.

An advance in the amount of HK\$1,387.6 million (2004: HK\$1,773.6 million) for the Bellagio project bears interest at such rate as may from time to time be agreed by the shareholders of the associate. For the current financial year, the advance is interest free, unsecured and has no fixed terms of repayment.

A loan in the amount of HK\$79.8 million (2004: HK\$215.5 million) for the Sorrento project bears interest at rates as determined by shareholders of the associate with reference to the prevailing market rates which were between 0.6% to 2.2% (2004: 0.7% to 2.1%) per annum for the current financial year. Interest income in respect of the loan to the associate for the year ended 31 March 2005 amounted to HK\$0.9 million (2004: HK\$17.1 million). The loan is unsecured and has no fixed terms of repayment.

(b) The following supplementary information is disclosed relating to significant associates of the Group:

	2005 HK\$ Million	2004 HK\$ Million
(i) Diamond Hill Development Holdings Limited		
Consolidated balance sheet		
Non-current assets	280.2	251.4
Current assets	5,721.5	3,235.0
Current liabilities	(2,557.9)	(441.7)
Non-current liabilities	(4,162.8)	(5,320.8)
Consolidated profit and loss account		
Turnover	1,934.4	1,099.3
Profit for the year (2005: included a property provision write-back of HK\$1,327.0 million)	1,557.0	73.8
(ii) Hopfield Holdings Limited		
Consolidated balance sheet		
Non-current assets	55.7	154.4
Current assets	502.4	970.0
Current liabilities	(352.3)	(582.1)
Non-current liabilities	(199.5)	(538.9)
Consolidated profit and loss account		
Turnover	341.6	4,358.5
Profit for the year	157.0	708.5
(iii) Grace Sign Limited		
Balance sheet		
Current assets	1,617.4	2,777.4
Current liabilities	(509.8)	(570.0)
Non-current liabilities	–	(959.2)
Profit and loss account		
Turnover	1,492.0	4,263.5
Profit for the year	626.5	1,248.2

(c) Details of principal associates at 31 March 2005 are shown on page 60.

15. LONG-TERM INVESTMENTS

	Group	
	2005	2004
	HK\$ Million	HK\$ Million
Non-trading equity securities, at market value		
Listed in Hong Kong	4,288.9	4,128.8
Listed outside Hong Kong	1,352.8	981.8
	5,641.7	5,110.6
Unlisted investments, at market value	59.5	55.2
	5,701.2	5,165.8

Included in the above equity securities are investments in a listed company the carrying value of which constituted more than 10% of the Group's total assets at 31 March 2005. Details of this listed company are shown as follows:

Name of company	Place of incorporation	Percentage of total issued ordinary shares held
The Wharf (Holdings) Limited	Hong Kong	7.0

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 held for sale carried at net realisable value is HK\$661.3 million (2004: HK\$871.3 million).
- (b) Properties under development for sale in the amount of HK\$4,480.9 million (2004: HK\$2,317.7 million) are expected to be completed after more than one year.
- (c) Properties under development for sale with a carrying value of HK\$2,284.2 million (2004: HK\$1,827.1 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 temporary 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\$1,664.4 million (2004: HK\$343.4 million). The related provision for diminution in value of these properties is HK\$Nil (2004: HK\$177.6 million).

18. SHORT-TERM INVESTMENTS

	Group	
	2005	2004
	HK\$ Million	HK\$ Million
Unlisted investments	—	79.8

19. TRADE AND OTHER RECEIVABLES

The Group maintains and closely monitors defined credit policies for its businesses and trade debtors in order to control the credit risk associated with trade debtors.

Included in trade and other receivables are trade debtors with an ageing analysis as at 31 March 2005 as follows:

	Group	
	2005	2004
	HK\$ Million	HK\$ Million
Current	212.3	273.5
31 – 60 days	2.7	19.9
61 – 90 days	0.3	—
Over 90 days	3.2	1.7
	<u>218.5</u>	<u>295.1</u>

20. BANK LOANS

	Group	
	2005	2004
	HK\$ Million	HK\$ Million
Current portion of long-term unsecured bank loans	—	230.0

21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with an ageing analysis as at 31 March 2005 as follows:

	Group	
	2005	2004
	HK\$ Million	HK\$ Million
Amounts payable in the next:		
0 – 30 days	157.6	148.8
31 – 60 days	7.9	10.5
61 – 90 days	13.3	19.7
Over 90 days	30.3	63.8
	209.1	242.8

22. SHARE CAPITAL

	2005		2004	
	No. of shares Million	No. of shares Million	2005 HK\$ Million	2004 HK\$ Million
Authorised:				
Ordinary shares of HK\$0.2 each	3,000.0	3,000.0	600.0	600.0
Issued and fully paid:				
Ordinary shares of HK\$0.2 each	2,069.6	2,069.6	413.9	413.9

23. RESERVES

	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	Total HK\$ Million
(a) Group						
Company and subsidiaries						
Balance at 1 April 2004	4.9	–	906.0	217.0	11,450.5	12,578.4
Final dividend approved in respect of the previous year (<i>Note 10b</i>)	–	–	–	–	(103.5)	(103.5)
Revaluation surplus	–	203.3	618.9	–	–	822.2
Realised on disposal	–	–	(22.5)	(1.3)	–	(23.8)
Exchange difference	–	–	–	65.4	–	65.4
Profit for the year retained	–	–	–	–	1,230.9	1,230.9
Interim dividend declared in respect of the current year (<i>Note 10a</i>)	–	–	–	–	(41.4)	(41.4)
Balance at 31 March 2005	4.9	203.3	1,502.4	281.1	12,536.5	14,528.2
Associates						
Balance at 1 April 2004	–	–	2.0	6.4	(457.3)	(448.9)
Revaluation surplus	–	–	0.2	–	–	0.2
Exchange difference	–	–	–	0.3	–	0.3
Profit for the year retained	–	–	–	–	512.1	512.1
Balance at 31 March 2005	–	–	2.2	6.7	54.8	63.7
Total reserves at 31 March 2005	4.9	203.3	1,504.6	287.8	12,591.3	14,591.9
Company and subsidiaries						
Balance at 1 April 2003	4.9	–	(888.2)	54.5	11,058.2	10,229.4
Final dividend approved in respect of the previous year (<i>Note 10b</i>)	–	–	–	–	(103.5)	(103.5)
Revaluation surplus	–	–	1,723.2	–	–	1,723.2
Impairment provision	–	–	41.4	–	–	41.4
Realised on disposal	–	–	29.6	(0.3)	–	29.3
Exchange difference	–	–	–	162.8	–	162.8
Profit for the year retained	–	–	–	–	537.2	537.2
Interim dividend declared in respect of the current year (<i>Note 10a</i>)	–	–	–	–	(41.4)	(41.4)
Balance at 31 March 2004	4.9	–	906.0	217.0	11,450.5	12,578.4
Associates						
Balance at 1 April 2003	–	–	0.2	3.3	(973.8)	(970.3)
Revaluation surplus	–	–	2.0	–	–	2.0
Realised on disposal	–	–	(0.2)	–	–	(0.2)
Exchange difference	–	–	–	3.1	–	3.1
Profit for the year retained	–	–	–	–	516.5	516.5
Balance at 31 March 2004	–	–	2.0	6.4	(457.3)	(448.9)
Total reserves at 31 March 2004	4.9	–	908.0	223.4	10,993.2	12,129.5

Included in other capital reserves of the Group is negative goodwill of HK\$176.1 million (2004: HK\$176.1 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	Total HK\$ Million
(b) Company						
Balance at 1 April 2004	4.9	-	-	50.6	1,689.8	1,745.3
Final dividend approved in respect of the previous year (<i>Note 10b</i>)	-	-	-	-	(103.5)	(103.5)
Profit for the year	-	-	-	-	147.7	147.7
Interim dividend declared in respect of the current year (<i>Note 10a</i>)	-	-	-	-	(41.4)	(41.4)
Total reserves at 31 March 2005	4.9	-	-	50.6	1,692.6	1,748.1
Balance at 1 April 2003	4.9	-	-	50.6	832.0	887.5
Final dividend approved in respect of the previous year (<i>Note 10b</i>)	-	-	-	-	(103.5)	(103.5)
Profit for the year	-	-	-	-	1,002.7	1,002.7
Interim dividend declared in respect of the current year (<i>Note 10a</i>)	-	-	-	-	(41.4)	(41.4)
Total reserves at 31 March 2004	4.9	-	-	50.6	1,689.8	1,745.3

Reserves of the Company available for distribution to Shareholders amount to HK\$1,692.6 million (2004: HK\$1,689.8 million). The application of the capital redemption reserve account is governed by section 49H of the Hong Kong Companies Ordinance. The revaluation reserves and other capital reserves have been set up and will be dealt with in accordance with the accounting policies adopted by the Group.

24. LONG-TERM LOANS

	Group	
	2005 HK\$ Million	2004 HK\$ Million
Bank loans (repayable after 2 years, but within 5 years)		
Secured	1,171.3	1,817.4
Unsecured	1,668.0	46.7
	2,839.3	1,864.1
Secured bonds (<i>Note</i>)	275.6	-
	3,114.9	1,864.1

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

25. DEFERRED TAX

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

	Depreciation allowances in excess of the related depreciation HK\$ Million	Unremitted profits of certain overseas subsidiaries HK\$ Million	Revaluation of non-trading equity securities HK\$ Million	Future benefit of tax losses HK\$ Million	Total HK\$ Million
Group					
Balance at 1 April 2003	48.6	7.6	(1.0)	(1.0)	54.2
Exchange differences	2.2	0.5	-	-	2.7
Charged/(credited) to the profit and loss account	3.8	1.6	-	(0.1)	5.3
Charged to reserves	-	-	9.4	-	9.4
Balance at 31 March/1 April 2004	54.6	9.7	8.4	(1.1)	71.6
Exchange differences	0.6	0.1	0.1	-	0.8
Charged/(credited) to the profit and loss account	2.6	(9.8)	-	-	(7.2)
Credited to reserves	-	-	(8.5)	-	(8.5)
Balance at 31 March 2005	57.8	-	-	(1.1)	56.7

(b) Deferred tax assets unrecognised

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

	Group	
	2005 HK\$ Million	2004 HK\$ Million
Deductible temporary differences	13.5	10.3
Future benefit of tax losses	113.8	127.9
	127.3	138.2

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.

26. DEFERRED ITEM

	Group	
	2005	2004
	HK\$ Million	HK\$ Million
Negative goodwill, at cost		
Balance at 1 April	158.9	222.7
Realised on disposal of the relevant assets acquired	(12.9)	(63.8)
Balance at 31 March	<u>146.0</u>	<u>158.9</u>

Negative goodwill, mainly arising from the privatisation of Realty Development Corporation Limited completed in 2003, represents the excess of the Group's interest in 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. Negative goodwill is released to the profit and loss account, on a proportional basis, when the relevant assets acquired are sold or otherwise realised.

The negative goodwill realised during the year was credited to other net income.

27. CONTINGENT LIABILITIES

	Group		Company	
	2005	2004	2005	2004
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Guarantees given in respect of banking facilities available to:				
Subsidiaries	—	—	425.0	905.0
Associates	—	63.2	—	—

28. COMMITMENTS

	Group	
	2005	2004
	HK\$ Million	HK\$ Million
(a) Acquisition of and future development expenditure relating to properties: Contracted but not provided for	<u>1,350.4</u>	<u>199.8</u>
(b) Forward exchange contracts: Forward exchange contracts outstanding	<u>120.7</u>	<u>1,421.3</u>
(c) At 31 March 2005, the Group has committed to acquire 2,424,310 shares in Hamptons Group Limited ("Hamptons"), an associate of Wheelock Properties (Singapore) Limited group ("WPSL"), at a purchase price of £3.12 per share payable by cash. Details of which are set out in note 30(a).		

29. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transaction during the year ended 31 March 2005.

(a) **Bellagio project**

Included in interest in associates is an advance of HK\$1,387.6 million (2004: HK\$1,773.6 million) made by the Group to an associate involved in the Bellagio project. The loan bears interest at such rate as may from time to time be agreed by the shareholders of the associate. For the current financial year, the advance is interest free, unsecured and has no fixed terms of repayment.

The above is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules. A waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1994.

(b) **Sorrento project**

Included in interest in associates is a loan of HK\$79.8 million (2004: HK\$215.5 million) made by the Group to an associate involved in the Sorrento project. The loan bears interest at rates as determined by shareholders of the associate with reference to prevailing market rates which were between 0.6% and 2.2% (2004: 0.7% to 2.1%) per annum for the year. Interest income in respect of the loan to the associate for the year ended 31 March 2005 amounted to HK\$0.9 million (2004: HK\$17.1 million). The loan is unsecured and has no fixed terms of repayment.

The above is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules. A waiver from complying with the relevant connected transaction requirements was granted by the Stock Exchange in 1997.

(c) The Group paid a General Managers' Commission to a related party of HK\$35.3 million (2004: HK\$33.4 million) for the provision of management services to the Group during the year under review. The payment of such an amount to the General Managers was in accordance with an agreement dated 31 March 1992.

The above is considered to be a related party transaction and also constitutes a continuing connected transaction as defined under the Listing Rules.

(d) The Group paid property managing and agency fees to certain related parties totalling HK\$6.8 million (2004: HK\$6.0 million) for the provision of property management and property leasing and related services to the Group during the year under review. The payment of such property managing and agency fees were in accordance with various agreements previously entered into between the Group and certain related parties.

The above are considered to be related party transactions and also constitute continuing connected transactions as defined under the Listing Rules.

(e) The Group received dividend income in the amount of HK\$104.5 million during the year ended 31 March 2005 (2004: HK\$104.5 million) in respect of investments in a related company.

(f) Kim Realty Investment Pte Ltd (“KRI”)

WPSL disposed of its 30% equity interest in KRI which owns a 50% interest in a 4-star hotel in Xiamen, The Marco Polo Xiamen, for a total consideration of S\$2.04 million (equal to HK\$9.5 million) to The Wharf (Holdings) Limited in July 2004.

The above is considered to be a related party transaction and also constitutes a connected transaction as defined under the Listing Rules.

30. POST BALANCE SHEET EVENTS

- (a) In March 2005, WPSL entered into a conditional agreement to acquire 2,424,310 shares in Hamptons at a purchase price of £3.12 per share payable by cash. The acquisition of such Hamptons shares was completed in April 2005. As this increased WPSL’s shareholding interest in Hamptons beyond 35%, it triggered a general offer (described as a tag along procedure under the articles of association of Hamptons), to all other shareholders of Hamptons who subsequently accepted the offer with the result that Hamptons has now become a wholly owned subsidiary of WPSL. The total consideration paid by WPSL amounted to £23.8 million (equal to about HK\$357.0 million).
- (b) In May 2005, the Group entered into an agreement to acquire a property, known as No. 2 Heung Yip Road in Hong Kong through a private tender, at a total consideration of HK\$455.0 million. The transaction is expected to complete in June 2005.
- (c) After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 10 to the accounts.

31. FUTURE CHANGES IN ACCOUNTING POLICIES

For full convergence with International Financial Reporting Standards, the HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (collectively, “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 March 2005.

The Group has made a preliminary assessment of the impact of these new HKFRSs and has so far concluded that the adoption of Hong Kong Accounting Standards (“HKAS”) 40 “Investment Property”, Hong Kong Financial Reporting Standards (“HKFRS”) 3 “Business Combinations” and HK(SIC) Interpretation (“HK(SIC)-INT”) 21 “Income taxes – recovery of revalued non-depreciable assets” will have certain impacts on its consolidated accounts as set out below:

- (a) At present, surpluses or deficits arising on the annual revaluation of the Group's investment properties to open market value at the balance sheet date are dealt with in the investment properties revaluation reserves or in the profit and loss account if the total of those reserves is insufficient to cover a deficit on a portfolio basis. Following the adoption of the new HKAS 40, the Group's investment properties will continue to be stated at open market value and all surpluses/deficits arising from the revaluation of the investment properties will be reported in the consolidated profit and loss account. The new HKAS 40 and HK(SIC)-INT 21 require the provision of deferred tax on all these revaluation surpluses/deficits to be calculated at applicable profits tax rates. If these revised accounting standards had been adopted as at 31 March 2005, the Group's profit attributable to Shareholders would have been increased by approximately HK\$167.7 million, being the net revaluation surpluses arising on the Group's investment properties of approximately HK\$203.3 million which have been dealt with in investment properties revaluation reserves less deferred tax of approximately HK\$35.6 million. Furthermore, recognition of deferred tax on the Group's cumulative properties revaluation surpluses is required and hence the Group's net assets as at 31 March 2005 would have reduced by approximately HK\$35.6 million.
- (b) At present, the Group has recognised negative goodwill arising on acquisition of a subsidiary or an associate after 1 April 2001 as deferred item and this is released to the profit and loss account on a proportional basis, when the relevant assets acquired are sold or otherwise realised. For negative goodwill arising on acquisition prior to 1 April 2001, the Group has relied upon the transitional provisions set out in SSAP 30 "Business Combinations" such that negative goodwill has been taken to capital reserves in the period in which it arose and has not been restated. The new HKFRS 3 requires negative goodwill be recognised in the profit and loss account immediately. Under the transitional arrangements of HKFRS 3, the existing negative goodwill classified as deferred item or taken to capital reserves will be derecognised by way of an adjustment to the retained earnings at 1 April 2005. Comparative figures are not required to be adjusted. As a result, the Group's net assets and retained earnings as at 1 April 2005 will be increased by HK\$146.0 million and HK\$322.1 million respectively while the Group's other capital reserves as at 1 April 2005 will be decreased by HK\$176.1 million.

The Group will be continuing with the assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

32. ULTIMATE HOLDING COMPANY

The ultimate holding company is Wheelock and Company Limited, incorporated in Hong Kong.

33. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the Board of Directors on 7 June 2005.

Subsidiaries	Place of incorporation/operation	Issue share capital (all being ordinary shares and fully paid up)	Percentage of equity attributable to the Group	Principal activities
Actbilt Pte Limited	Singapore	1,000,000 S\$1 shares	75	Property
Belgravia Properties Pte. Ltd.	Singapore	1,000,000 S\$1 shares	75	Property
Bestbilt Pte. Ltd.	Singapore	1,000,000 S\$1 shares	75	Property
Everbilt Developers Pte Ltd	Singapore	160,000,000 S\$1 shares	75	Property
Grannis Limited	Hong Kong	2 HK\$10 shares	100	Property
Janeworth Company Limited	Hong Kong	550,000,000 HK\$1 shares	100	Property
Keevil Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Kennedy Town Service Company Limited	Hong Kong	50 HK\$100 shares	100	Finance
Lynchpin Limited	British Virgin Islands/ International	500 US\$1 shares	100	Investment
Marnav Holdings Limited	Hong Kong	1,000,000 HK\$1 shares	100	Property
Mer Vue Developments Pte. Ltd.	Singapore	1,000,000 S\$1 shares	75	Property
NART Finance Limited	Hong Kong	3 HK\$10 shares	100	Finance
Pachino Limited	Hong Kong	2 HK\$10 shares	100	Property
Pizzicato Limited	Hong Kong	2 HK\$10 shares	100	Property
Python Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Realty Development Corporation Limited (held directly)	Hong Kong	1,151,389,640 HK\$0.2 shares	100	Holding company
Rusticana Limited	Hong Kong	2 HK\$10 shares	100	Property
Samover Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Sandsprings Limited	Hong Kong	2 HK\$10 shares	100	Property
Titano Limited	Hong Kong	2 HK\$1 shares	100	Property
Warhol Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Wavatah Company Limited	Hong Kong	2 HK\$1 shares	100	Property
Wheelock Azabujuban Tokutei Mokuteki Kaisha	Japan	38,687 ¥50,000 shares	75	Property
Wheelock Properties (Singapore) Limited (formerly Marco Polo Developments Limited)	Singapore	398,853,292 S\$1 shares	75	Holding company/ Property
Whole Result Limited	Hong Kong	2 HK\$1 shares	100	Property
Zarow Limited	Hong Kong	2 HK\$10 shares	100	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
Diamond Hill Development Holdings Limited	British Virgin Islands	33 (ordinary shares)	33	Holding company
Dramstar Company Limited (<i>Note a</i>)	Hong Kong	100 ("B" shares)	44	Property
Grace Sign Limited (<i>Note a</i>)	Hong Kong	20 (ordinary shares)	20	Property
Parc Palais Finance Limited (<i>Note a</i>)	Hong Kong	20 (ordinary shares)	20	Finance
Parc Palais Property Management Limited (<i>Note a</i>)	Hong Kong	20 (ordinary shares)	20	Property management
Hamptons Group Limited (<i>Note a</i>)	United Kingdom	32 (ordinary shares)	24	Property agency
Hopfield Holdings Limited	British Virgin Islands	40 (ordinary shares)	40	Holding company
Kowloon Properties Company Limited	Hong Kong	40 (ordinary shares)	40	Property
Salisbury Company Limited	Hong Kong	33 (ordinary shares)	33	Property

Notes:

- (a) The accounts of these associates have been audited by a firm of accountants other than KPMG.
- (b) Unless otherwise stated, the subsidiaries and associates were held indirectly by the Company.
- (c) The above list gives the principal subsidiaries and associates of the Group which, in the opinion of the Directors, principally affected the profit and assets of the Group.
- (d) The associates are unlisted corporate entities.



To the Shareholders of Wheelock Properties Limited

(Incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 24 to 60 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 accounts which give a true and fair view. In preparing accounts 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 accounts 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 Statements of Auditing Standards 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 accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, 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 accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2005 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, 7 June 2005

Schedule of Principal Properties *At 31 March 2005*

Investment properties	Lot number	Lease expiry	Approx. gross floor area (sq.ft.)	Attributable % owned	Year of completion	Type/usage
Shop C, G/F & 3/F-24/E, Wheelock House, 20 Pedder Street, Central	ML99 Sec. A,C, R.P. & ML 100 Sec. A,B, R.P.	2854	214,400	100	1984	Office & shop
Fitfort, Basement-3/F, Healthy Gardens Podium, 560 King's Road, North Point	IL 3546	2086	125,300 & 353 car parks	100	1979	Shopping arcade & car parks
Shops & godown spaces, 100-142 Belcher's Street, Kennedy Town	IL 906 Sec. E-M & R.P.	2882	124,500	100	1960s & 70s	Shopping arcade & godown
Wheelock Place, 501 Orchard Road, Singapore	–	2089	465,000	75	1993	Office & shopping arcade
Oakwood Residence Azabujuban, 2-4-9 Azabujuban, Minato-ku, Tokyo, Japan	–	Freehold	83,700	75	2002	Serviced apartments

Schedule of Principal Properties *At 31 March 2005*

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
<i>Properties under / held for development</i>							
The Sea View, 26 Amber Close, Singapore	–	381,800	801,800	75	2007	Residential	Foundation in progress
The Cosmopolitan, 390 Kim Seng Road, Singapore	–	112,862	316,000	75	2007	Residential	Superstructure in progress
Ardmore Vue, 2B Ardmore Park Road, Singapore	–	44,117	123,500	75	2009	Residential	Demolition in progress
Scotts Shopping Centre & The Ascott Singapore 6 Scotts Road, Singapore	–	71,137	438,200	75	2010	Retails & serviced apartments	Planning
<i>Completed properties for sale</i>							
Various units of World Tech Centre, 95 How Ming Street, Kwun Tong	KTEL 195 R.P.	37,341	67,400	100	–	Industrial	Completed
Various units of My Loft, 9 Hoi Wing Road, Tuen Mun	TMTL 379	40,946	52,400	100	–	Godown	Completed
Various units of Metro Loft, 38 Kwai Hei Street, Kwai Chung	KCTL 448	25,489	41,400	100	–	Industrial/office	Completed
Various units of Grange Residences, 247 Tanglin Road, Singapore	–	167,008	29,100	75	–	Residential	Completed
<i>Major property projects undertaken by associates</i>							
Various units of Sorrento, MTRC Kowloon Station Package Two, 1 Austin Road West, Tsimshatsui	KIL 11080	184,926	15,300	40	–	Residential	Completed
Bellagio – Phases I & II – Phases III & IV 33 Castle Peak Road, Sham Tseng	Lot No. 269 R.P. in DD 390	566,090	10,300 1,591,800* (696,300 s.f. pre-sold)	33 33	– 2005	Residential Residential	Completed Superstructure in progress
Various units of Parc Palais, 18 Wylie Road, King's Park, Homantin	KIL 11118	387,569	154,700	20	–	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.

Five-Year Financial Summary

HK\$ Million	(Restated)		(Restated)		
Financial year ended 31 March	2001	2002	2003	2004	2005
Consolidated Profit and Loss Account					
Turnover	1,933	3,330	1,999	1,602	2,129
Group profit/(loss) attributable to Shareholders (<i>Note 2</i>)	243	86	(793)	1,054	1,743
Dividends attributable to the year	145	145	145	145	166
Consolidated Balance Sheet					
Fixed assets	4,232	3,912	3,163	3,274	4,365
Associates	4,973	4,314	3,443	1,758	1,550
Long-term investments	4,656	4,468	3,307	5,166	5,701
Deferred debtors	57	44	103	90	60
Current assets	11,121	6,826	5,669	6,407	8,717
Current liabilities (<i>Note 1</i>)	(5,256)	(1,802)	(2,161)	(702)	(532)
	19,783	17,762	13,524	15,993	19,861
Share capital	414	414	414	414	414
Reserves (<i>Notes 1 & 2</i>)	11,861	11,070	9,259	12,129	14,592
Shareholders' funds	12,275	11,484	9,673	12,543	15,006
Minority interests (<i>Note 2</i>)	2,944	2,846	1,238	1,355	1,537
Long-term loans	3,774	3,329	2,336	1,864	3,115
Deferred tax (<i>Note 2</i>)	790	103	54	72	57
Deferred item	–	–	223	159	146
	19,783	17,762	13,524	15,993	19,861
Financial Data (<i>Notes 1 & 2</i>)					
Earnings/(loss) per share (<i>Cents</i>)	11.7	4.2	(38.3)	50.9	84.2
Dividend per share (<i>Cents</i>)	7.0	7.0	7.0	7.0	8.0
Dividend cover (<i>Times</i>)	1.7	0.6	N/A	7.3	10.5
Net assets per share (<i>HK\$</i>)	5.93	5.55	4.67	6.06	7.25

Notes :

Pursuant to the adoption of the revised Statement of Standard Accounting Practice 9 (“SSAP 9”) “Events after the balance sheet date” and the revised Statement of Standard Accounting Practice 12 (“SSAP 12”) “Income taxes”, certain figures have been reclassified or restated as set out below:

- (1) These figures for the year 2001 have been restated pursuant to the adoption of SSAP 9 as explained in note 10(b) to the 2002 accounts.
- (2) These figures for the year 2003 have been restated pursuant to the adoption of SSAP 12 as explained in note 11 to the 2004 accounts. Figures for 2002 and prior years have not been restated as it would involve delays and expenses out of proportion to the benefit to Shareholders.