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WINSOR PROPERTIES HOLDINGS LIMITED

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

Corporate Information

Board of Directors

CHENG Wai Chee, Christopher, GBS, JP ^{2,3,4} *Chairman*
CHOW Wai Wai, John *Managing Director*
Lord SANDBERG, Michael Graham Ruddock, CBE ¹
LANGLEY, Christopher Patrick, OBE ^{1,3}
HO Fook Hong, Ferdinand ^{1,3}
LO Ka Shui, GBS, JP ¹
CHENG Wai Sun, Edward ^{2,4}
TANG Ming Chien, Manning ²
GILES, Paul Francis ²
LAM Woon Bun
CHEN CHOU Mei Mei, Vivien
CHUNG Hon Sing, John
CHOW Wei Lin

¹ *Independent Non-Executive Director*

² *Non-Executive Director*

³ *Member of Audit Committee*

⁴ *Alternate: AU Hing Lun, Dennis*

Company Secretary and Group Legal Counsel

WONG Hau Yan, Helvin

Auditors

PricewaterhouseCoopers

Solicitors

Knight & Ho

Bankers

The Hongkong and Shanghai Banking Corporation Limited

Registered Office

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

Principal Place of Business

2nd Floor, East Ocean Centre, 98 Granville Road,
Tsimshatsui East, Kowloon, Hong Kong.

Telephone: (852) 2731 1777

Fax: (852) 2810 1199

Website: <http://www.winsorprop.com>

Hong Kong Share Registrars and Transfer Office

Computershare Hong Kong Investor Services Limited,
Rooms 1901-5, 19th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong.

Telephone: (852) 2862 8628

Fax: (852) 2529 6087

Website: <http://www.computershare.com>

Directors' Profile

Executive Directors:

Mr. CHOW Wai Wai, John, aged 55, was appointed Director of the Company in October 1996 and appointed Managing Director of the Company in August 2001. He graduated with a Bachelor of Arts (Economics) degree from the University of British Columbia. He is also a Deputy Managing Director of Winsor Industrial Corporation, Limited and a director of Dah Sing Financial Holdings Limited. He has over 20 years of experience in the property, textile and clothing businesses, and has served as Chairman of the Hong Kong Garment Manufacturers Association and a member of the Textile Advisory Board of the Hong Kong Government. He is the brother of Mr. Chow Wei Lin.

Mr. LAM Woon Bun, aged 53, was appointed Director of the Company in September 1996. He is also a director of Winsor Industrial Corporation, Limited. He graduated with a Bachelor of Social Sciences degree from the University of Hong Kong and is a fellow of the Hong Kong Institute of Company Secretaries and of the Institute of Chartered Secretaries and Administrators. He has about 30 years of experience in accounting and finance.

Mrs. CHEN CHOU Mei Mei, Vivien, aged 55, was appointed Director of the Company in October 1996. She graduated with a Bachelor of Arts degree from the University of Colorado in the US and has over 20 years' experience in investments, in particular, property related investments. She is also a director of a number of companies in Hong Kong and abroad. She is the sister-in-law of Mr. Giles, Paul Francis.

Mr. CHUNG Hon Sing, John, aged 63, was appointed Director of the Company in October 1996. He graduated from the University of Hong Kong with a Bachelor of Arts degree and later from the Michigan State University in the US with a Master degree in Business Administration. Mr. Chung has been involved in property development in both Hong Kong and Mainland China since the 1970's.

Mr. CHOW Wei Lin, aged 39, joined the Group in 1996 and was appointed Director of the Company in August 2001. He is currently responsible for the Group's leasing and estate management operations in Hong Kong. He has over 10 years of experience in the property, garment and electronics businesses. He is the brother of Mr. Chow Wai Wai, John.

Independent Non-Executive Directors:

Lord SANDBERG, Michael Graham Ruddock, CBE, aged 77, was appointed Independent Non-Executive Director of the Company in October 1996. He also served as independent non-executive director of Winsor Industrial Corporation, Limited from 1969 to 1977 and was re-appointed in January 1987. Lord Sandberg is a former Chairman of The Hongkong and Shanghai Banking Corporation Limited and has served as a member of the Executive Council of the Hong Kong Government and on various public bodies in Hong Kong. He holds directorships in a number of listed and public companies in Hong Kong and the US.

Mr. LANGLEY, Christopher Patrick, OBE, aged 59, was appointed Independent Non-Executive Director of the Company in October 1996. He is also the Chairman of the Audit Committee of the Board of Directors of the Company. Mr. Langley was an Executive Director of The Hongkong and Shanghai Banking Corporation Limited and holds directorships in several listed companies in Hong Kong. He also serves as an independent non-executive director of Wing Tai Holdings Limited since 25 June 2003.

Mr. HO Fook Hong, Ferdinand, aged 56, was appointed Independent Non-Executive Director of the Company in December 1998. He is also a member of the Audit Committee of the Board of Directors of the Company. He holds a Bachelor of Science degree and a Master of Business Administration degree from the University of Hong Kong and has been admitted as a solicitor in Hong Kong, England and Wales and Singapore. He also serves as an independent non-executive director of Winsor Industrial Corporation, Limited and Tonic Industries Holdings Limited.

Dr. LO Ka Shui, GBS, JP, aged 57, was appointed Independent Non-Executive Director of the Company in January 2003. He is also the Deputy Chairman and Managing Director of Great Eagle Holdings Limited. He is a non-executive director of The Hongkong and Shanghai Banking Corporation Limited, Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited and China Mobile (Hong Kong) Limited. He is also a director of Hong Kong Exchanges and Clearing Limited and a past chairman of its Listing Committees of the Main Board and the Growth Enterprises Market, a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research and a Board Member of the Airport Authority, and was a past chairman of the Hospital Authority. Dr. Lo graduated with a Bachelor of Science degree from McGill University and a M.D. from Cornell University. He is certified in cardiology. He has more than 24 years' experience in property and hotel development and investment both in Hong Kong and overseas.

Directors' Profile *(continued)*

Non-Executive Director:

Mr. CHENG Wai Chee, Christopher, GBS, JP, aged 56, was appointed Non-Executive Director in May 1997 and appointed Chairman in August 2001. He is also a member of the Audit Committee of the Board of Directors of the Company. He is the Chairman of USI Holdings Limited and a director of several listed companies in Hong Kong including NWS Holdings Limited, New World China Land Limited, and PICC Property and Casualty Company Limited. He is also a director of DBS Bank (Hong Kong) Limited. Mr. Cheng graduated from the University of Notre Dame, U.S.A. with a Bachelor of Business Administration degree and holds a Master of Business Administration degree from the Columbia University. Mr. Cheng plays an active role in the public services. He is the Chairman of the Standing Committee on Judicial Salaries and Conditions of Services, and a member of The Exchange Fund Advisory Committee of the Government of HKSAR, a member of the Council of the University of Hong Kong, a Steward of the Hong Kong Jockey Club, a non-executive director of the Securities and Futures Commission, and a former Chairman of the Hong Kong General Chamber of Commerce. Mr. Cheng is a brother of Mr. Cheng Wai Sun, Edward.

Mr. CHENG Wai Sun, Edward, aged 49, was appointed Non-executive Director in December 1999. He is the Chief Executive of USI Holdings Limited, a listed company in Hong Kong. He is also the Co-Chairman of SUNDAY Communications Limited, a cellular communication services provider in Hong Kong and listed on NASDAQ and in Hong Kong. Mr. Cheng has a master degree from Oxford University. He was qualified as a solicitor in the United Kingdom and Hong Kong. Mr. Cheng is the Chairman of the Urban Renewal Authority, a member of the Hong Kong SAR Government's Steering Committee on Innovation and Technology, the Advisory Committee on Corruption of the Independent Commission Against Corruption, the Council of City University of Hong Kong, and the Securities and Futures Commission's Takeovers and Mergers Panel and the Takeovers Appeal Committee. Mr. Cheng is a brother of Mr. Cheng Wai Chee, Christopher.

Mr. AU Hing Lun, Dennis, aged 44, was appointed alternate to Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward in December 1998 and December 1999 respectively. He is an Executive Director of USI Holdings Limited, a listed company in Hong Kong. He also serves as its Chief Financial Officer and Company Secretary. Mr. Au holds a Master of Business Administration and a Bachelor of Science degrees. He is also a fellow of The Association of Chartered Certified Accountants.

Mr. TANG Ming Chien, Manning, aged 53, was appointed Non-Executive Director of the Company in August 2001. He also served as an executive director of Winsor Industrial Corporation, Limited since December 1996. He graduated with a Master degree in Fibre Science and Technology from Leeds University in U. K. and has over 20 years of experience in the woollen knitwear business.

Mr. GILES, Paul Francis, aged 57, was appointed Non-Executive Director of the Company in August 2001. He is a member of the National Institute of Accountants (Australia). He is the managing director of Crosby Wealth Management with over 20 years experience in investments and securities. He is the brother-in-law of Mrs. Chen Chou Mei Mei, Vivien.

Chairman's Statement

In the year ended 31 March 2004, the Group's leasing operation has been temporarily and adversely affected by the SARS outbreak during which a higher level of vacancy was reported and tenancies were concluded or renewed at lower rentals and more incentives. The overall impact, however, was not significant in retrospect due to the sporadic occurrence of tenancy expiries. Sale of properties during the year under review only amounted to a fraction of the value achieved in the previous year, but sale of properties has not been a core activity of the Group and there will not be a predictable pattern.

RESULTS

The Group's audited turnover for the year under review was HK\$220.8 million, a decrease of HK\$91.3 million compared to HK\$312.1 million for the previous year. The overall decline was due to the decrease in the sale of properties whereas rental and property management income and storage income both chalked up minor improvements.

During the year the Group adopted Statement of Standard Accounting Practice 12 (revised) "Income Taxes" issued by the Hong Kong Society of Accountants and changed its accounting policy for deferred taxation. This change has resulted in an increase of HK\$1.0 million in the Group's audited profit attributable to shareholders for the year under review, and a decrease of HK\$5.0 million in the comparable profit for the previous year.

On the basis of the changed accounting policy and due to the non-recurrence of profit on sale of properties, audited Group profit attributable to shareholders for the year ended 31 March 2004 was HK\$99.3 million, a decrease of HK\$16.5 million or 14.2% compared to HK\$115.8 million restated for the previous year. Earnings per share for the year under review was HK\$0.38, compared to HK\$0.45 for the previous year.

BUSINESS REVIEW

Sale of Properties

The decreases in turnover and profit for the year were due mainly to the decrease in the sale of properties. In the previous year, completion of the remaining 172,000 sq.ft. of the committed purchase of spaces in Global Gateway (Hong Kong) realised sales and segment profit of HK\$112.2 million and HK\$43.3 million respectively. For the year under review, floor spaces in Global Gateway (Hong Kong) and Regent Centre aggregating 22,000 sq.ft. only were sold, generating a turnover of HK\$16.4 million. A segment loss of HK\$0.4 million was reported but a sum of HK\$3.3 million was transferred directly from the land and buildings revaluation reserve to retained earnings. Including a

valuation increase of HK\$1.8 million in respect of properties for sale, total profit of this segment was HK\$1.3 million for the year under review.

Rental and Property Management

Turnover of the rental and property management operations for the year was HK\$177.4 million, a slight improvement over the HK\$174.3 million achieved for the previous year. New leasing of the unsold units at Global Gateway (Hong Kong) continued to improve during the year and counteracted part of the decrease in rental caused both by property disposals and the SARS outbreak. Reduction in operating costs also helped to raise the profit of this segment from HK\$118.2 million to HK\$126.8 million. As at 31 March 2004, total floor spaces leased out by the Group aggregated about 2.1 million sq.ft., representing an occupancy rate of 82.4%.

Warehousing

The results of the 95% owned cold storage operation in Shekou reported a turnaround in the year under review and gave an uplift to the overall results of the Group's warehousing operation in Hong Kong and Mainland China. The Group's warehousing operation in Zhangjiagang, Jiangsu, while maintaining a marginally profitable operation, reported further impairment loss during the year.

Investments

The Group's 5.14% interest in Suntec City Development Pte. Ltd. ("Suntec") and 10.06% interest in Suntec Investments Pte. Ltd. ("SIPL"), both incorporated in Singapore and carried in the accounts at Directors' valuation, reported a net valuation decrease of HK\$8.7 million during the year which was set off to the Group's investment revaluation reserve account. The valuation decrease due to weakness of the office property market in Singapore has been mitigated by the gain on exchange translation. At 31 March 2004 Suntec and SIPL were carried in the Group's accounts at HK\$459.8 million, with Suntec accounting for the predominant share.

Suntec owns the Suntec City development in Singapore and the Suntec Singapore International Convention and Exhibition Centre. Having doubled its dividends in two previous financial years on account of cash surplus, Suntec resumed its normal dividend payout in its financial year ended 30 September 2002. The Group's dividend income from Suntec during the year in respect thereof has therefore been halved to HK\$11.9 million. During the year, an amount of HK\$4.7 million was also recovered from debts under liquidation, there being no such receipt in the previous year.

Chairman's Statement *(continued)*

Interest income during the year aggregated HK\$7.0 million, mainly accruing on loans advanced by the Group towards investee companies in respect of joint property development projects in Hong Kong and Singapore. The comparative amount in the previous year was HK\$4.8 million.

Associated Companies

For the year under review, the combined net results of the Group's associated companies was a loss of HK\$0.2 million. Their carrying value in the Group's balance sheet has increased by about HK\$52.2 million to HK\$106.9 million, mainly on account of the 20% interest in Winwill Investment Pte Ltd, Singapore taken up during the year.

Property held for Development

In response to the Group's application in October 2003, the Town Planning Board revised its approval for an office/hotel development on the 95,940 sq.ft. site at 102 How Ming Street, Kwun Tong wholly owned by the Group. Lease modification for changing the use of part of the gross floor area from office to hotel is in progress. The development plan and the timing of its implementation are under scrutiny, and the financial arrangement for the development is at an advanced stage of negotiation. For the time being the site continues to be used as an open space car park with Government approval.

Valuation of Properties

The aggregate professional valuation of the Group's investment properties at 31 March 2004 was HK\$1,750.7 million, reporting a valuation increase of HK\$73.3 million. After adjusting for minority interests, the valuation increase attributable to the Group in the sum of HK\$65.8 million has been credited to the Group's investment properties revaluation reserve.

The professional valuation of the 102 How Ming Street site at 31 March 2004 was HK\$887.0 million, resulting in a valuation increase of HK\$427.5 million which has been credited to the Group's land and buildings revaluation reserve.

Certain units in Global Gateway (Hong Kong) are classified under current assets as properties for sale. Their professional valuation at 31 March 2004 resulted in a valuation increase of HK\$1.8 million, which was credited to the Group's profit and loss account for the year under review.

Other leasehold land and buildings were valued by the Directors at 31 March 2004 and resulted in an impairment loss of HK\$5.6 million which was charged to the profit and loss account.

NEW INVESTMENT AND PROJECT PROGRESS

"Kovan Melody", Singapore

In November 2003 the Group took up 20% interest in Winwill Investment Pte Ltd for a 12% effective interest in Winhome Investment Pte Ltd, a multi-party joint venture for the development of a 99-year leasehold residential land parcel at Flower Road / Kovan Road in Singapore. The other effective interests in the joint venture are held as to 36% by the Wing Tai Group in Singapore, 12% by the USI Group in Hong Kong, and 30% and 10% respectively by two other Singapore parties.

The land parcel has a site area of about 270,000 sq.ft. and the maximum permissible gross floor area is about 952,000 sq.ft. It will be developed into condominium apartments for sale and the development is planned for completion in mid 2006. The shareholders of the joint venture have contributed 35% of the land cost and associated stamp duty, and the Group's 12% proportionate share thereof is S\$10.9 million. The joint venture company has obtained bank financing to the extent of S\$200 million and expects to finance the remaining development cost of about S\$143 million via pre-sale proceeds. Foundation work is in progress and completion of the development is targeted for June 2006.

"The Grandville", Hong Kong

The Group has a 10% indirect interest in this residential development at Sha Tin Town Lot 526 with a gross floor area of about 436,000 sq.ft. upon completion. The other shareholders are Nan Fung Textiles Consolidated Limited (50%) and USI Holdings Limited (40%). The development is progressing with superstructure works and pre-sale will be launched later this year.

"Draycott Eight", Singapore

The Group has a 15% interest in Winworth Investment Pte Ltd, the developer of this prime residential development with a proposed gross floor area of about 340,000 sq.ft. upon completion. The other shareholder is the Wing Tai Group in Singapore. This development is also progressing with superstructure works and completion is targeted for the latter half of 2005. During the year, Winworth Investment Pte Ltd refinanced part of its shareholders' loans with additional bank borrowings and S\$5.1 million was repaid to the Group.

Change in Group Structure

Other than the aforesaid investment in 20% of the issued share capital of Winwill Investment Pte Ltd and the formation of a new wholly-owned subsidiary in the name of Winsor Estate Management Limited, there are no other changes in the Group's structure.

Employees

As at 31 March 2004, the Group employed a total of 180 employees of which 68 were based in Mainland China. Most of the employees in Hong Kong are engaged in estate management. All eligible employees in Hong Kong are enrolled to a defined contribution mandatory provident fund scheme. Other benefits are awarded at the discretion of the Group. Staff training is provided as and when required.

DISPOSALS AFTER 31 MARCH 2004

Fibres & Fabrics Industrial Centre, Kwun Tong

On 30 June 2004, the Group sold the entire building known as Fibres & Fabrics Industrial Centre, 7 Shing Yip Street, Kwun Tong, Hong Kong to an independent third party. The consideration for the disposal in the sum of HK\$250 million payable in cash has been received in full. The said property is an industrial development with a total gross floor area of 305,462 sq.ft. and has been leased out to outside parties for rental income since completion of its construction in 1986. Its book value was HK\$240 million as at 31 March 2004 and at the date of disposal. Including revaluation reserves realized, the estimated profit attributable to shareholders from the disposal is approximately HK\$210 million and will be recognized in the financial year ending 31 March 2005. The proceeds from the disposal have been partly applied by the Group to reduce the Group's bank borrowings and partly retained as the Group's working capital as well as funding for the Group's development projects on hand.

Warehousing operation in Zhangjiagang, Jiangsu

This operation has been sold in June 2004 at its net book value of HK\$5.4 million.

FINANCIAL REVIEW

New bank loans amounting to HK\$50.6 million were drawn down during the year to finance the Group's investment in Kovan Melody. Taking into account of all financing activities, the Group's total bank borrowings as at 31 March 2004 have increased by HK\$43.4 million to HK\$815.8 million. Cash and

bank balances on the other hand have increased by HK\$83.6 million during the year to HK\$126.2 million, representing a net borrowing position of HK\$689.6 million as at 31 March 2004. The bank loans are secured by certain investment properties and other properties for sale with a total book value of HK\$1,645.0 million as at 31 March 2004.

Computed as the ratio of total bank borrowings to shareholders' funds, which amounted to HK\$2,614.7 million at 31 March 2004, the Group's gearing was 31.2% as at that date. By utilizing the cash and bank balances and the proceeds from the disposal of the Fibres & Fabrics Industrial Centre, the Group's bank borrowings presently stand at HK\$461.5 million. Other things being equal, the Group's gearing has been further reduced to 17.7%. The Group will actively seek business opportunities to enhance investment returns.

As at 31 March 2004 the Group's total bank borrowings comprised short term revolving loans and overdrafts of HK\$52.3 million and long term loans of HK\$763.5 million and were all on a floating rate basis with the exception of the overdrafts. The equivalents of short term loans of HK\$9.3 million and long term loans of HK\$228.4 million respectively were denominated in Singapore dollar and were backed up by the Group's assets in Singapore.

As at 31 March 2004, 15.4% or HK\$117.9 million of the long term bank loans would fall due within the next 12 months. The repayment has been and will be met by the proceeds from the disposals reported above and by the funds generated by the Group's operations.

During the year the Group entered into interest rate hedge instruments for an aggregate notional principal amount of HK\$380 million, representing about 46.6% of the Group's total bank borrowings as at 31 March 2004.

The Group also carries other long term loans amounting to HK\$145.5 million, being unsecured interest-free loans with no fixed terms of repayment from minority shareholders of two subsidiaries. Such loans have been reduced by HK\$10.2 million during the year.

As security for the banking facilities to the extent of HK\$1,000 million obtained by Landyork Investment Ltd. for financing the development of The Grandville, the Company has provided a repayment guarantee and entered into a completion guarantee and funding agreement on 25 June 2002 both in favour of the agent for the lenders. The Company's payment and funding obligations under the two security documents are several and limited to 10% of the total secured liabilities.

Chairman's Statement *(continued)*

In respect of the banking facilities obtained by Winhome Investment Pte Ltd for the Kovan Melody development, Wing Tai Holdings Limited has provided in full on behalf of Winwill Investment Pte Ltd the proportionate guarantees and undertakings to be given by Winwill Investment Pte Ltd on a several basis under the terms of the banking facilities. In consideration of Wing Tai Holdings Limited so doing, the Group has undertaken to indemnify Wing Tai Holdings Limited to the extent of 20% of its obligations to provide cash to Winhome Investment Pte Ltd thereunder.

The Group did not have any material capital commitments as at 31 March 2004.

OUTLOOK

The financial position of the Group has been strengthened considerably by the proceeds from the disposal of the Fibres & Fabrics Industrial Centre. There will be a loss of recurring rental income as a result of the disposal but the short term impact thereof will be partly mitigated by reduced interest expenses and improved rental income from the remaining properties, the latter benefiting from the take-up of spaces in Global Gateway (Hong Kong) induced by the strong upturn in the Hong Kong economy.

Investment income in terms of Suntec's dividend and interest income should report some increase in the current financial year. More substantial investment returns will depend on the completion timetables and sale progresses of The Grandville, Kovan Melody and Draycourt Eight.

It is planned that the development of 102 How Ming Street will commence in the current financial year.

DIVIDEND

In view of the profit for the year under review and the prospects of the current financial year, the Directors have recommended a final dividend of 7 cents per share for the year ended 31 March 2004. Subject to approval of the Annual General Meeting to be held on 26 August 2004, the final dividend will be payable on 8 September 2004 to all shareholders on register as at 26 August 2004.

CHENG Wai Chee, Christopher

Chairman

Hong Kong, 15 July 2004.

Report of the Directors

The Directors have pleasure in submitting their report and the audited accounts for the year ended 31 March 2004.

Principal activities

The principal activity of the Company is investment holding. The names, particulars and activities of its subsidiaries and associated companies are set out on pages 43 to 44.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 15.

An analysis of the Group's turnover and profit for the year by business and geographical segments is set out in note 2 to the accounts.

A summary of the results and assets and liabilities of the Group for the last 5 years is set out on page 49.

An interim dividend of 5 cents per share, totalling HK\$12,984,000, was paid on 5 February 2004. The Directors have recommended a final dividend of 7 cents per share, totalling HK\$18,178,000, payable on 8 September 2004.

Pre-emptive rights

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

Share capital

There were no movements in the share capital of the Company during the year.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in notes 22 and 23 to the accounts.

Distributable reserves

Under the Cayman Islands Companies Law, contributed surplus is distributable. Accordingly, total distributable reserves of the Company as at 31 March 2004 amounted to HK\$2,724,848,000 (2003: HK\$2,490,221,000).

Donations

Charitable donations made by the Group during the year amounted to HK\$60,000 (2003: HK\$35,000).

Fixed assets

Details of the movements in fixed assets during the year are set out in note 12 to the accounts.

Principal properties

Details of the principal properties held for development, for sale and for investment purposes are set out on pages 45 to 46.

Bank, other borrowings and interest capitalised

Details of bank and other borrowings are set out in notes 20, 24 and 25 to the accounts. No interest has been capitalised during the year.

Management contracts

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

Directors

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

Lord Sandberg, Michael Graham Ruddock, Mr. Ho Fook Hong, Ferdinand, Mr. Lam Woon Bun and Mr. Chow Wei Lin retire by rotation under the provisions of Article 116 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

Compliance with the Code of Best Practice

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

Pursuant to the Code of Best Practice, an Audit Committee with written terms of reference was appointed on 18 December 1998. The present Audit Committee comprises two independent non-executive Directors, namely Mr. Langley, Christopher Patrick and Mr. Ho Fook Hong, Ferdinand and one non-executive Director, Mr. Cheng Wai Chee, Christopher. The Audit Committee's principal duties include the review of the Group's financial reports, the effectiveness of both the external and internal audits and of internal controls and risk evaluation. Four meetings of the Audit Committee were held during the year.

Report of the Directors (continued)**Directors' interests in contracts and in equity or debt securities**

Save and except for the transactions disclosed in note 11 to the accounts, no contracts of significance in relation to the Group's businesses to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

The interests of the Directors at 31 March 2004 in the issued share capital of the Company as recorded in the register kept under section 352 of the Securities and Futures Ordinance ("SFO") are set out below:-

Name of Director	Nature of interests and capacity in which interests are held				Total number of ordinary shares held	Percentage of issued share capital
	Interests held as beneficial owner	Interests held by spouse	Interests held by controlled corporation	Other interests (Notes 1 & 2)		
Mr. Cheng Wai Chee, Christopher	—	27,000	—	108,831,887	108,858,887	41.91%
Mr. Chow Wai Wai, John	2,555,000	—	—	—	2,555,000	0.98%
Mr. Cheng Wai Sun, Edward	—	—	—	71,790,500	71,790,500	27.65%
Mr. Tang Ming Chien, Manning	600,000	—	—	—	600,000	0.23%
Mr. Lam Woon Bun	50,000	10,000	—	—	60,000	0.02%
Mrs. Chen Chou Mei Mei, Vivien	70,000	—	—	—	70,000	0.03%
Mr. Chow Wei Lin	—	—	189,215	—	189,215	0.07%

Notes:

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

(2) The Company has been notified by Mr. Cheng Wai Chee, Christopher of the following : —

He has a corporate interest in 29% of the issued share capital of USI Holdings Ltd. ("USI"). Wing Tai is also interested in 21.3% of the issued share capital of USI. USI, through its wholly owned subsidiaries (Twin Dragon Investments Ltd. and Shui Hing Textiles International Ltd.), is deemed to be interested in 37,041,387 ordinary shares in the Company as from 15 March 2004. Despite the legal advice obtained by him that USI's interest in the ordinary shares in the Company is not, to him, a notifiable interest, he nonetheless decided to disclose the same for transparency.

Save as disclosed herein, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) at 31 March 2004.

Directors' interest in competing businesses

Set out below is information disclosed pursuant to rule 8.10(2) of the Listing Rules:-

Three executive Directors, namely Messrs. Chow Wai Wai, John, Lam Woon Bun and Chow Wei Lin, and two non-executive Directors, namely Messrs. Tang Ming Chien, Manning and Giles, Paul Francis, being also directors of Winsor Industrial Corporation, Limited ("WICL") and/or its subsidiaries, are considered as interested in WICL under rule 8.10(2). WICL is a company listed in Hong Kong.

Ownership of an industrial building and carpark spaces in Hong Kong for letting by WICL's subsidiaries constitutes competing business to the Group. In view of the Group's experience and expertise in industrial property letting and management, the WICL subsidiaries have appointed two subsidiaries of the Company as agents for letting and property management of the said properties.

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

Two non-executive Directors, namely Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, being also executive directors of USI and having equity interests therein, and their alternate director, Mr. Au Hing Lun, Dennis, being executive director and company secretary of USI, are considered as having interests in USI under rule 8.10(2).

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

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

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

Share options

The Company adopted a 10 year share option scheme ("the Scheme") by resolutions of shareholders passed on 11 October 1996 for the purpose of providing incentives to employees. No option has been granted by the Company under the Scheme since its adoption. As at the date of this report, the total number of shares available for issue under the Scheme is 25,968,528 shares, being 10% of the 259,685,288 shares of the Company in issue. The maximum entitlement of each participant in the Scheme is 25% of the available shares.

The period within which an option granted under the Scheme can be exercised is ten years from the date of grant, and an option is exercisable once granted. A consideration of HK\$1.00 is payable on acceptance of the option. The price payable in full on the exercise of an option is determined by the Directors but cannot be less than the higher of (i) the nominal value of a share in the Company; and (ii) 80% of the average closing price of the Company's share for the five business days immediately preceding the date the option is offered.

On 1 September 2001 the Stock Exchange amended Chapter 17 of the Listing Rules. As a result, granting of share options by the Company under the Scheme will not be permitted unless it is in compliance with the Listing Rules and may entail an amendment of the terms of the Scheme or the adoption of a new scheme. The Directors do not have a present plan for the granting of share options and will seek shareholders' approval of a new scheme when the need arises.

Report of the Directors *(continued)*

Substantial shareholders

Apart from the interests of the Directors in the issued share capital of the Company as disclosed in the section “Directors’

interests in contracts and in equity or debt securities”, the register kept under section 336 of the SFO shows that at 31 March 2004 the Company has been notified of the following interests in the issued share capital of the Company:-

Name of substantial shareholder	Nature of interests and capacity in which interests are held				Percentage of issued share capital
	Interests held as beneficial owner	Interests held by spouse	Interests held by controlled corporation	Total number of ordinary shares held	
Crossbrook Group Limited	71,790,500	—	—	71,790,500	27.65%
Wing Tai Holdings Limited <i>(Note 1)</i>	—	—	71,790,500	71,790,500	27.65%
Mr. Chou Wen Hsien <i>(Notes 2 & 3)</i>	10,233,875	2,736,088	25,968,000	38,937,963	14.99%
Mrs. Chou Yim Wan Chun, Ina <i>(Note 3)</i>	2,736,088	36,201,875	—	38,937,963	14.99%
Mr. Chow Chung Kai <i>(Notes 2 & 4)</i>	12,764,665	9,000	25,968,000	38,741,665	14.92%
Mrs. Chow Yu Yue Chen <i>(Note 4)</i>	9,000	38,732,665	—	38,741,665	14.92%
Twin Dragon Investments Limited	36,950,887	—	—	36,950,887	14.23%
USI Holdings (B.V.I.) Limited <i>(Note 5)</i>	—	—	37,041,387	37,041,387	14.26%
USI Holdings Limited <i>(Note 5)</i>	—	—	37,041,387	37,041,387	14.26%
Gala Land Investment Co. Limited	25,968,000	—	—	25,968,000	10.00%
Farnham Group Limited <i>(Note 2)</i>	—	—	25,968,000	25,968,000	10.00%

Notes:

- (1) Crossbrook Group Limited is a wholly-owned subsidiary of Wing Tai. Under Part XV of the SFO, Wing Tai is deemed to be interested in all the shares in the Company beneficially owned by Crossbrook Group Limited.
- (2) Gala Land Investment Co. Limited is a wholly-owned subsidiary of Farnham Group Limited (“Farnham”). Mr. Chou Wen Hsien and Mr. Chow Chung Kai are each entitled to exercise 50% of the voting power at general meetings of Farnham. Under Part XV of the SFO, each of Farnham, Mr. Chou Wen Hsien and Mr. Chow Chung Kai are deemed to be interested in all the shares in the Company beneficially owned by Gala Land Investment Co. Limited.
- (3) Under Part XV of the SFO, Mr. Chou Wen Hsien is deemed to be interested in all the shares in the Company in which Mrs. Chou Yim Wan Chun, Ina, his spouse, is interested and vice versa.
- (4) Under Part XV of the SFO, Mr. Chow Chung Kai is deemed to be interested in all the shares in the Company in which Mrs. Chow Yu Yue Chen, his spouse, is interested and vice versa.
- (5) As regards these 37,041,387 shares in the Company, 36,950,887 shares are beneficially owned by Twin Dragon Investments Limited and the remaining 90,500 shares are beneficially owned by Shui Hing Textiles International Limited. Both corporations are wholly-owned subsidiaries of USI Holdings (B.V.I.) Limited which in turn is a wholly-owned subsidiary of USI. Under Part XV of the SFO, USI Holdings (B.V.I.) Limited is deemed to be interested in all the shares in the Company beneficially owned by Twin Dragon Investments Limited and Shui Hing Textiles International Limited, and USI is deemed to be interested in all the shares in the Company in which USI Holdings (B.V.I.) Limited is interested.

Save as disclosed herein, as at 31 March 2004 the Company had not been notified by any person of any interests or short positions in the shares or underlying shares of the Company

which are notifiable to the Company under Divisions 2 and 3 of Part XV of the SFO.

Related party and connected transactions

- (a) Transactions between the Group and the WICL Group during the year, which constituted exempted connected transactions under the Listing Rules, are disclosed as related party transactions in note 11(a) to the accounts.
- (b) Connected transactions required to be disclosed in accordance with Chapter 14A of the Listing Rules, are disclosed in notes 11(b), 11(c) and 11(d) to the accounts.

Purchase, sale or redemption of shares

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

Major customers and suppliers

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

Auditors

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

On behalf of the Board

CHENG Wai Chee, Christopher
Chairman

Hong Kong, 15 July 2004

Report of the Auditors

Report of the Auditors to the Shareholders of Winsor Properties Holdings Limited

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

We have audited the accounts on pages 15 to 44 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of Directors and Auditors

The Company's Directors are responsible for the preparation of 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.

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, 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 Society of 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 judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 the Group as at 31 March 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 15 July 2004

WINSOR PROPERTIES HOLDINGS LIMITED*(Incorporated under the laws of the Cayman Islands with limited liability)***Consolidated Profit and Loss Account**

For the year ended 31 March 2004

		2004	As restated
		HK\$'000	2003
	<i>Note</i>		HK\$'000
Turnover	2	220,813	312,124
Cost of sales		(83,063)	(134,445)
Gross profit		137,750	177,679
Other revenues	2	26,408	29,481
Selling expenses		(3,102)	(4,312)
Administrative expenses		(25,946)	(28,298)
Other operating income less expenses		(4,964)	(14,282)
		130,146	160,268
Finance costs	5	(17,431)	(21,059)
Operating profit	2,3	112,715	139,209
Share of profits less losses of associated companies		(168)	(708)
Profit before taxation		112,547	138,501
Taxation	7	(6,295)	(14,730)
Profit after taxation		106,252	123,771
Minority interests		(6,910)	(7,959)
Profit attributable to shareholders	8	99,342	115,812
 Dividends	9	31,162	25,968
		HK\$	HK\$
 Earnings per share	10	0.38	0.45

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

At 31 March 2004

		2004	As restated
	<i>Note</i>	HK\$'000	2003 HK\$'000
Fixed assets	<i>12</i>	2,677,560	2,178,264
Associated companies	<i>14</i>	106,911	54,687
Other investments	<i>15</i>	582,155	607,316
Other receivables	<i>16</i>	—	—
Deferred tax assets	<i>26</i>	6,766	2,299
Current assets			
Properties for sale	<i>17</i>	126,176	136,571
Debtors and receivables	<i>18</i>	20,734	30,289
Cash and bank balances		126,185	42,609
		273,095	209,469
Current liabilities			
Creditors and accruals	<i>19</i>	50,952	58,058
Bank loans and overdrafts	<i>20</i>	170,188	128,438
Tax payable		3,070	5,223
		224,210	191,719
Net current assets		48,885	17,750
Total assets less current liabilities		3,422,277	2,860,316
Share capital	<i>21</i>	2,596	2,596
Reserves	<i>22</i>	2,393,088	1,917,388
Retained earnings	<i>23</i>	200,801	129,280
Proposed final dividend	<i>23</i>	18,178	12,984
Shareholders' funds		2,614,663	2,062,248
Minority interests	<i>31(d)</i>	(11,381)	(24,933)
Long term bank loans	<i>24</i>	645,633	643,955
Other long term loans	<i>25</i>	145,496	155,717
Deferred tax liabilities	<i>26</i>	27,866	23,329
Funds employed		3,422,277	2,860,316

CHENG Wai Chee, Christopher
Director

CHOW Wai Wai, John
Director

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

At 31 March 2004

	<i>Note</i>	2004 HK\$'000	2003 HK\$'000
Subsidiaries	<i>13</i>	2,727,352	2,492,658
Current assets			
Debtors		338	408
Cash and bank balances		<u>23</u>	<u>21</u>
		361	429
Current liabilities			
Accruals and payables		269	259
Tax payable		<u>—</u>	<u>11</u>
		269	270
Net current assets		<u>92</u>	<u>159</u>
Total assets less current liabilities		<u>2,727,444</u>	<u>2,492,817</u>
Share capital	<i>21</i>	2,596	2,596
Reserves	<i>22</i>	2,688,969	2,439,451
Retained earnings	<i>23</i>	17,701	37,786
Proposed final dividend	<i>23</i>	<u>18,178</u>	<u>12,984</u>
Shareholders' funds		<u>2,727,444</u>	<u>2,492,817</u>

CHENG Wai Chee, Christopher
Director

CHOW Wai Wai, John
Director

WINSOR PROPERTIES HOLDINGS LIMITED*(Incorporated under the laws of the Cayman Islands with limited liability)***Consolidated Statement of Changes in Equity**

For the year ended 31 March 2004

	<i>Note</i>	2004 HK\$'000	As restated 2003 HK\$'000
Total equity as at 1 April of the previous year, as previously reported		2,072,196	2,082,503
Change in accounting policy – provision for net deferred tax liabilities	<i>1(n)</i>	<u>(9,948)</u>	<u>(4,906)</u>
Total equity as at 1 April of the previous year, as restated		<u>2,062,248</u>	<u>2,077,597</u>
Increase/(decrease) on valuation of investment properties	22	65,763	(39,945)
Increase/(decrease) on valuation of other properties	22	427,477	(17,908)
Decrease on valuation of other investments	22	(8,741)	(2,076)
Exchange differences arising from translation of the accounts of foreign subsidiaries and associated companies	22	<u>(5,357)</u>	<u>960</u>
Net gains/(losses) not recognized in the profit and loss account		<u>479,142</u>	<u>(58,969)</u>
		2,541,390	2,018,628
Profit for the year		99,342	115,812
Reserve realized on disposal of investment properties	22	(101)	(45,802)
Reserve realized on disposal of associated companies	22	—	(422)
Dividends	23	<u>(25,968)</u>	<u>(25,968)</u>
Total equity as at 31 March		<u>2,614,663</u>	<u>2,062,248</u>

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

For the year ended 31 March 2004

	<i>Note</i>	2004 HK\$'000	2003 HK\$'000
Net cash inflow generated from operations	<i>31(a)</i>	131,496	126,380
Interest paid		(19,650)	(17,767)
Hong Kong profits tax paid		(8,004)	(7,698)
Overseas tax paid		(358)	(172)
Net cash inflow from operating activities		103,484	100,743
Investing activities			
Purchase of fixed assets		(8,915)	(23,356)
Proceeds from disposal of fixed assets, including investment properties		4,705	111,469
Expenditures on property development		—	(18,913)
Interest received		292	659
Dividends received from other investments		11,927	24,083
Acquisition of and amounts advanced to associated companies		(51,146)	(35,178)
Acquisition of and amounts advanced to other investments		—	(132,535)
Amounts repaid by other investments		22,389	—
Dividends received from associated companies		—	122
Recovery of debts under liquidation		4,710	—
Net cash outflow from investing activities		(16,038)	(73,649)
Net cash inflow before financing		87,446	27,094
Financing			
New long term bank loans		313,911	—
New short term bank loans		136,000	379,184
Repayment of long term bank loans		(293,536)	(140,967)
Repayment of short term bank loans		(123,000)	(197,000)
Repayment of other long term loans		(10,221)	(3,504)
Dividends paid		(25,968)	(25,968)
Dividends paid to minority interests		(900)	—
Net cash (outflow)/inflow from financing	<i>31(d)</i>	(3,714)	11,745
Increase in cash and cash equivalents		83,732	38,839
Cash and cash equivalents at 1 April of the previous year		42,453	3,614
Cash and cash equivalents at 31 March		126,185	42,453
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		126,185	42,609
Bank overdrafts and loans repayable within 3 months from the date of advance	<i>31(e)</i>	—	(156)
		126,185	42,453

Notes to the Accounts

1. Principal accounting policies

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

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with the Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties, properties held for development, leasehold land and buildings and other investments.

In the current year, the Group adopted SSAP 12 (revised) “Income Taxes” which became effective for accounting periods commencing on or after 1 January 2003. The change to the Group’s accounting policy for deferred taxation and the effect of adopting the revised policy are set out in Note 1(n).

Certain comparative figures have been reclassified to conform with the current year’s presentation.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The consolidated accounts also include the Group’s share of post-acquisition profits less losses, and reserves, of its associated companies. The results of subsidiaries and associated companies acquired and disposed of during the year are included in the consolidated profit and loss account from or up to their effective dates of acquisition or disposal respectively.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary or an associated company represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognized in the consolidated profit and loss account and also any related accumulated exchange fluctuation.

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

In the Company’s balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associated companies

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

The consolidated profit and loss account includes the Group’s share of the results of associated companies for the year, and the consolidated balance sheet includes the Group’s share of the net assets of the associated companies and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

(d) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm’s length.

Investment properties held on leases with unexpired periods of greater than 20 years are stated at valuations undertaken annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

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

(e) Properties held for development

Properties held for development are investments in land and buildings under or pending construction. The investments are carried at valuation of the land and development and construction expenditure incurred and interest and other direct costs attributable to the development. Properties held for development are not depreciated. On completion, the properties are transferred to investment properties or properties for sale according to the intended use of the properties.

(f) Leasehold land and buildings and other fixed assets

Leasehold land and buildings are stated at valuation, less accumulated depreciation.

Leasehold land is depreciated over the remaining period of the relevant lease. Buildings are depreciated at the annual rate of 4%.

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, and are depreciated at annual rates of 10% to 20% to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis.

Improvements are capitalized and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that these fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognized to reduce the asset to its recoverable amount. Such impairment losses are recognized in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

The gains or losses on disposal of leasehold land and buildings and other fixed assets are the difference between the net sales proceeds and the carrying amounts of the relevant assets, and are recognized in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant assets is transferred to retained earnings and is shown as a movement in reserves.

(g) Operating leases

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

(h) Other investments

Other investments are held for the long term and are stated at valuation. Increases in valuation are credited to the investment revaluation reserve; decreases are first set off against increases on earlier valuations and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon disposal, the cumulative gain or loss representing the difference between the net sale proceeds and the carrying amount of the relevant investment, together with the relevant

portion of the investment revaluation reserve realized, is dealt with in the profit and loss account.

(i) Properties for sale

Completed properties for sale remaining unsold at year end are stated at the lower of cost and net realizable value.

Cost is determined by apportionment of the total land and development costs attributable to the unsold properties. Land cost is stated at cost or valuation carried out upon completion of the development. Any previous revaluation reserve will be frozen until the disposal of the property whereupon the frozen revaluation reserve will be transferred directly to retained earnings.

Net realizable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates based on prevailing market conditions.

(j) Debtors

Provision is made against debtors to the extent they are considered to be doubtful. Debtors in the balance sheet are stated net of such provision.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and bank overdrafts and loans repayable within 3 months from date of advance.

(l) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

(m) Contingent liabilities and contingent assets

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

Notes to the Accounts

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

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

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

(n) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred income taxation.

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

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

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 23, opening retained earnings at 1 April 2002 and 2003 have been reduced by HK\$4,906,000 and HK\$9,948,000 respectively, which represent net deferred tax liabilities not provided prior to the respective dates under the previous policy. This change has resulted in an increase in deferred tax assets and deferred tax liabilities and a decrease in minority interests at 31 March 2003 by HK\$2,299,000, HK\$14,709,000 and HK\$2,462,000, respectively. The profit attributable to shareholders for the year ended 31 March 2003 has been reduced by HK\$5,042,000.

(o) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(p) Revenue recognition

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

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

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

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

Storage income and other income are recognized on an accruals basis.

(q) Employee benefits

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

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

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

(r) Borrowing costs

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

The capitalization rate of the borrowing costs eligible for capitalization is the interest rate applicable to the loan borrowed for that asset.

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

(s) Segment reporting

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, other investments, properties for sale, debtors and operating cash. Segment liabilities comprise operating liabilities and exclude corporate borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

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

2. Turnover, revenue and segment information

The Group is principally engaged in property investment and development and management, warehousing and investment holding.

Revenues recognized during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Turnover		
Sale of investment properties and properties for sale	16,380	112,226
Rental and property management	177,387	174,347
Warehousing	27,046	25,551
	<u>220,813</u>	<u>312,124</u>
Other revenues		
Dividend income from other investments	11,927	24,083
Recovery of debts under liquidation	4,710	—
Interest income	7,036	4,754
Others	2,735	644
	<u>26,408</u>	<u>29,481</u>
	<u>247,221</u>	<u>341,605</u>

Notes to the Accounts

2. Turnover, revenue and segment information (continued)

An analysis of turnover and profit by business and geographical segments is as follows:

Primary reporting format - business segments

	Year ended 31 March 2004				
	Sale of properties HK\$'000	Rental and property management HK\$'000	Warehousing HK\$'000	Investment HK\$'000	Elimination HK\$'000
Turnover					
External	16,380	177,387	27,046	—	—
Inter-segment	—	496	—	—	(496)
	16,380	177,883	27,046	—	(496)
Segment results	1,336	126,819	(4,941)	15,593	—
Unallocated income less expenses					(15,697)
Operating profit before interest					123,110
Interest income less finance costs					(10,395)
Operating profit					112,715
Share of profits less losses of associated companies	—	5	—	(173)	(168)
Profit before taxation					112,547
Taxation					(6,295)
Profit after taxation					106,252
Minority interests					(6,910)
Profit attributable to shareholders					99,342
Segment assets	126,176	2,765,192	65,706	582,502	3,539,576
Investment in associated companies	—	18,796	—	88,115	106,911
Total assets					3,646,487
Segment liabilities	5,000	198,795	7,573	1,766	213,134
Unallocated liabilities					818,690
Total liabilities					1,031,824
Capital expenditure	—	7,025	1,890	—	8,915
Depreciation	—	776	3,179	—	3,955

2. Turnover, revenue and segment information (continued)

Primary reporting format - business segments (continued)

Year ended 31 March 2003, as restated						
	Sale of properties	Rental and property management	Warehousing	Investment	Elimination	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
External	112,226	174,347	25,551	—	—	312,124
Inter-segment	—	637	—	—	(637)	—
	<u>112,226</u>	<u>174,984</u>	<u>25,551</u>	<u>—</u>	<u>(637)</u>	<u>312,124</u>
Segment results	<u>43,301</u>	<u>118,191</u>	<u>(8,713)</u>	<u>19,511</u>	<u>—</u>	<u>172,290</u>
Unallocated income less expenses						(17,983)
Loss on disposal of subsidiaries						(13)
Gain on disposal of associated companies						<u>1,220</u>
Operating profit before interest						155,514
Interest income less finance costs						<u>(16,305)</u>
Operating profit						139,209
Share of profits less losses of associated companies	—	(328)	—	(380)		<u>(708)</u>
Profit before taxation						138,501
Taxation						<u>(14,730)</u>
Profit after taxation						123,771
Minority interests						<u>(7,959)</u>
Profit attributable to shareholders						<u>115,812</u>
Segment assets	136,571	2,173,607	70,926	607,504		2,988,608
Investment in associated companies	—	18,806	—	35,881		54,687
Unallocated assets						<u>8,740</u>
Total assets						<u>3,052,035</u>
Segment liabilities	583	202,597	8,359	923		212,462
Unallocated liabilities						<u>777,325</u>
Total liabilities						<u>989,787</u>
Capital expenditure	—	21,747	1,609	—		23,356
Depreciation	—	743	5,015	—		5,758

Notes to the Accounts

2. Turnover, revenue and segment information (continued)

Secondary reporting format - geographical segments

	Year ended 31 March 2004			
	Turnover HK\$'000	Segment result HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	203,930	129,829	2,824,458	7,025
Singapore	3,309	13,296	650,338	—
Mainland China	13,574	(4,318)	64,780	1,890
	<u>220,813</u>	<u>138,807</u>	<u>3,539,576</u>	<u>8,915</u>
Unallocated income less expenses		(15,697)		
Operating profit before interest		123,110		
Interest income less finance costs		(10,395)		
Operating profit		<u>112,715</u>		
Investments in associated companies			106,911	
Total assets			<u>3,646,487</u>	

	Year ended 31 March 2003, as restated			
	Turnover HK\$'000	Segment result HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	296,623	158,401	2,235,123	20,813
Singapore	3,990	25,452	683,459	970
Mainland China	11,511	(11,563)	70,026	1,573
	<u>312,124</u>	<u>172,290</u>	<u>2,988,608</u>	<u>23,356</u>
Unallocated income less expenses		(17,983)		
Loss on disposal of subsidiaries		(13)		
Gain on disposal of associated companies		1,220		
Operating profit before interest		155,514		
Interest income less finance costs		(16,305)		
Operating profit		<u>139,209</u>		
Investments in associated companies			54,687	
Unallocated assets			8,740	
Total assets			<u>3,052,035</u>	

3. Operating profit

Operating profit is stated after crediting and charging the following:

	2004 HK\$'000	2003 HK\$'000
Crediting:		
Gross rental income from investment properties	160,842	165,329
Gross rental income from property held for development	7,610	8,098
Gain on disposal of investment properties	246	44,521
Gain on disposal of other fixed assets	—	123
Gain on disposal of associated companies	—	1,220
Write back of provision for other investments	80	—
Exchange gain	317	—
Charging:		
Depreciation of fixed assets	3,955	5,758
Staff costs (<i>Note 6</i>)	27,538	30,044
Outgoings in respect of investment properties	47,411	47,481
Outgoings in respect of property held for development	6,393	6,295
Operating leases – land and buildings	6,332	7,232
Loss on disposal of other fixed assets	195	—
Loss on disposal of subsidiaries	—	13
Provision for other investments	—	3,540
Auditors' remuneration	681	746
Exchange loss	—	416

4. Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments paid by the Group to Directors of the Company during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Fees	420	405
Other emoluments:		
Salaries	5,466	5,473
Bonuses	1,410	1,910
Contribution to provident fund	65	66
	7,361	7,854

Directors' fees disclosed above include HK\$220,000 (2003: HK\$205,000) paid to Independent Non-Executive Directors of the Company.

The emoluments of the Directors of the Company fell within the following bands:

Emolument bands	Number of Directors	
	2004	2003
Nil – HK\$1,000,000	10	10
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	—
HK\$2,000,001 – HK\$2,500,000	—	1
HK\$2,500,001 – HK\$3,000,000	1	1
	13	13

Notes to the Accounts

4. Directors' and senior management's emoluments (continued)

(b) Five highest paid individuals

Among the five individuals whose emoluments were the highest in the Group for the year, four (2003: four) of them were Directors of the Company and whose emoluments are disclosed above. The remuneration of the other individual was as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries	877	867
Bonuses	200	200
Contribution to provident fund	12	12
	<u>1,089</u>	<u>1,079</u>

5. Finance costs

Finance costs represent interest expense on bank loans and overdrafts.

6. Staff costs

	2004 HK\$'000	2003 HK\$'000
Salaries, wages and other benefits	26,771	29,320
Retirement benefits	767	724
Total staff costs, including Directors' emoluments	<u>27,538</u>	<u>30,044</u>

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

Contributions totaling HK\$66,000 (2003: HK\$50,000) were payable to the schemes at the end of the year and are included in creditors and accruals.

7. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profits for the year. In 2003, the Hong Kong Government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Overseas taxation has been provided on the estimated assessable profits at rates prevailing in the countries in which the subsidiaries and associated companies operate.

The amount of taxation charged to the consolidated profit and loss account represents:

	2004 HK\$'000	2003 HK\$'000
Current taxation:		
Hong Kong profits tax	(8,236)	(7,606)
Overseas taxation	(47)	(52)
Over provisions in prior years	2,074	7
Deferred taxation (Note 26)	(70)	(6,908)
	(6,279)	(14,559)
Share of taxation attributable to associated companies	(16)	(171)
Taxation charges	(6,295)	(14,730)

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

Profit before taxation	112,547	138,501
Calculated at a taxation rate of 17.5% (2003: 16%)	(19,696)	(22,160)
Effect of different taxation rates in other countries	(16)	(97)
Income not subject to taxation	4,226	11,512
Expenses not deductible for taxation purposes	(1,867)	(2,291)
Utilization of previously unrecognized tax losses	2,668	582
Recognition of previously unrecognized tax losses	6,343	—
Unrecognized tax losses	(92)	(348)
Over provisions in prior years	2,074	7
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	—	(1,338)
Difference between tax rates for current and deferred taxation	—	(496)
Others	65	(101)
Taxation charges	(6,295)	(14,730)

8. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$11,077,000 (2003: HK\$24,133,000).

9. Dividends

	2004 HK\$'000	2003 HK\$'000
Interim dividend, paid, of HK\$0.05 per share (2003: HK\$0.05 per share)	12,984	12,984
Final dividend, proposed, of HK\$0.07 per share (2003: HK\$0.05 per share)	18,178	12,984
	31,162	25,968

At a meeting held on 15 July 2004 the Directors recommended a final dividend of HK\$0.07 per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2005.

Notes to the Accounts

10. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$99,342,000 (2003: HK\$115,812,000) and 259,685,288 (2003: 259,685,288) shares in issue during the year.

Diluted earnings per share is not presented as the Company has no dilutive potential shares as at 31 March 2004 (2003: Nil).

11. Related party and connected transactions

- (a) Transactions between the Group and the Winsor Industrial Corporation, Limited (“WICL”) Group constituted connected transactions (“Connected Transactions”) as defined under Chapter 14A of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) by reason that WICL is an associate (within the meaning of the Listing Rules) of certain substantial shareholders of the Company. A summary of the continuing Connected Transactions between the Group and the WICL Group is set out below. In the opinion of the Directors, the transactions were carried out in the ordinary and usual course of the Group’s business on terms no less favourable to the Group than terms available to or from independent third parties. All underlying transactions are exempt under Rule 14A.33 of the Listing Rules and the summary is provided to comply with SSAP 20 “Related Party Disclosures” by reason that certain Directors of the Company are also directors of WICL.

	2004 HK\$’000	2003 HK\$’000
Rental and storage income received from the WICL Group	2,279	2,614
Rental expenses paid to the WICL Group	685	1,171
Sharing of administrative services with the WICL Group	<u>1,517</u>	<u>2,657</u>

- (b) The following transactions constituted Connected Transactions by reason that USI Holdings Limited (“USI”, a company listed on the Stock Exchange), is deemed a substantial shareholder of the Company:

In a government auction held on 15 April 2002, Landyork Investment Limited (“Landyork”) acquired Sha Tin Town Lot No. 526, No. 2 Lok Kwai Path, Area 43, Sha Tin, New Territories, Hong Kong (the “Lot”) for the purpose of a residential development (“The Grandville Project”). On 18 April 2002 the Company agreed with USI to establish a company in the name of Universal Plus Limited (“Universal”) for the sole purpose of investing in 50% of the issued share capital of Landyork. 20% of the issued share capital of Universal is held by a wholly owned subsidiary of the Company, and the other 80% by a wholly owned subsidiary of USI. The other 50% of Landyork’s issued share capital is held by Nan Fung Textiles Consolidated Limited (“Nan Fung”). The Company therefore has a 10% attributable indirect shareholding in Landyork.

The cost of the Lot is HK\$660 million and the construction costs of The Grandville Project are estimated at HK\$670 million. Completion of The Grandville Project is expected to take about 4 years. Nan Fung, USI and the Company have contributed to pay half of the land cost by way of shareholders’ loans to Landyork in proportion to their respective attributable percentage shareholding in Landyork (the “Relevant Percentage” which is 10% in the case of the Company) and the Company’s contribution is HK\$33 million.

Landyork entered into a loan agreement on 25 June 2002 with the banks named therein and the Bank of China (Hong Kong) Limited as agent for the lenders (“Agent”) in relation to certain loan facilities (the “Facilities”) in the aggregate principal amount of HK\$1,000 million for the purposes of financing the balance of the land cost and the construction cost of The Grandville Project. As security for the Facilities, Nan Fung, USI and the Company (the “Guarantors”) have each provided a several repayment guarantee in favour of the Agent to the extent of their Relevant Percentage (10% in the case of the Company) of Landyork’s liabilities under the Facilities. The outstanding balance at 31 March 2004 under the Facilities was HK\$373,895,000 (2003: HK\$338,171,000). The Guarantors have also entered into a completion guarantee and funding agreement in favour of the Agent undertaking firstly to procure completion of or to complete The Grandville Project, and secondly to provide funding for The Grandville Project upon the happening of certain events. The Guarantors’ funding and payment obligations under the said completion guarantee and funding agreement are several and limited to their respective Relevant Percentage (10% in the case of the Company).

The loans advanced by the Group to Universal in proportion to the Group's 20% equity interest therein are unsecured, have no fixed terms of repayment and carry interest at the rate of Hong Kong prime rate less 3% per annum. As at 31 March 2004, these loans amounted to HK\$35,493,000 (2003: HK\$34,305,000) (Note 14) and the interest receivable by the Group from Universal amounted to HK\$1,339,000 (2003: HK\$628,000).

Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, non-executive Directors of the Company, are also directors of USI.

- (c) The following transactions constituted Connected Transactions by reason that Wing Tai Holdings Limited, Singapore ("Wing Tai", a company listed on the Singapore Stock Exchange), is deemed a substantial shareholder of the Company:

On 21 June 2002, Winprop Pte. Ltd. ("Winprop"), a wholly owned subsidiary of the Group newly established in Singapore, entered into a subscription agreement with Winworth Investment Pte Ltd, Singapore ("Winworth") to subscribe 176,471 new ordinary shares of S\$1.00 each in Winworth at par for cash and to advance to Winworth a loan of S\$30 million ("Subscription Loan"). The new shares in Winworth represent 15% of its enlarged share capital, and the other 85% is held by Wing Tai Land Pte. Ltd., Singapore ("WTL"), a wholly owned subsidiary of Wing Tai. Upon completion of the subscription agreement on 26 June 2002, Winprop and WTL entered into a joint venture agreement to regulate, amongst other things, their relationship as shareholders of Winworth. Winprop also acquired from WTL a portion of the loan previously advanced by WTL to Winworth for a nominal consideration such that the loans owing by Winworth to Winprop and WTL respectively are in the proportion of 15% and 85%.

The Subscription Loan is unsecured, has no fixed terms of repayment and bears simple normal interest at the rate of 4.0619% per annum for a period of 3 years from the date of advance and payable in a lump sum at the end thereof. Irrespective of whether the Subscription Loan shall have been repaid in full or in part to Winprop during the course of the said three years, interest shall nonetheless accrue for the whole of the said three years on the full amount of the Subscription Loan. As at 31 March 2004, the balance of the Subscription Loan advanced to Winworth amounted to HK\$109,371,000 (2003: HK\$131,760,000) (Note 15) and interest receivable by Winprop from Winworth amounted to HK\$9,993,000 (2003: HK\$4,105,000).

The rest of the loans owing by Winworth to its shareholders are unsecured, interest free and have no fixed terms of repayment. All the loans owing by Winworth to its shareholders have been subordinated to the indebtedness of Winworth to its bankers.

Winworth is the proprietor of the 99-year leasehold land parcel 566 at Draycott Drive, Singapore and the condominium housing development thereon known as "Draycott Eight". Construction costs will be funded by Winworth's existing banking facilities and presale proceeds, and the development is scheduled for completion in the second half of year of 2005.

Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, non-executive Directors of the Company, are both beneficiaries of a family trust, the assets of which included indirect interests in 239,277,272 shares (2003: 239,277,272 shares) in Wing Tai, representing 39.01% of Wing Tai's issued share capital as at 31 March 2004 (2003: 39.09%).

Mr. Langley, Christopher Patrick, independent non-executive Director of the Company, was appointed independent non-executive director of Wing Tai on 25 June 2003.

Notes to the Accounts

11. Related party and connected transactions (continued)

- (d) The following transactions constituted Connected Transactions by reason that both Wing Tai and USI are deemed substantial shareholders of the Company:

At 31 March 2003 the Group held one share in Winhome Investment Pte Ltd (“Winhome”), a company incorporated in Singapore. Of the other two issued shares in Winhome, one share was held by WTL and the other share was held by a wholly-owned subsidiary of USI. Winhome was then dormant.

On 27 October 2003 the Urban Redevelopment Authority of Singapore awarded the tender for the 99-year leasehold residential land parcel 657 at Flower Road / Kovan Road (“the Land Parcel”) to Winwill Investment Pte Ltd (“Winwill”) and two independent third parties collectively at the tender sale price of S\$255 million. The Group was invited to participate in the joint venture for the development of the Land Parcel for sale (“the Kovan Melody Project”) and it was agreed that Winhome shall be the developer of the Land Parcel.

In order to effect the joint venture, the issued share capitals of Winwill and Winhome have been restructured. All the transfers and allotments of shares were carried out on the basis of the par value of the shares which is S\$1.00 each for both companies. As at 31 March 2004, the respective shareholding proportions in Winwill and Winhome and the effective participation proportions in the Kovan Melody Project (“Effective Participation Proportions”) of the participating parties are as follows:

	Shareholding proportions	Effective Participation Proportions
<u>Shareholders of Winwill</u>		
WTL, a wholly owned subsidiary of Wing Tai	60%	36%
Kosheen Investments Ltd. (“Kosheen”), a wholly owned subsidiary of USI	20%	12%
Winprop, a wholly owned subsidiary of the Company	20%	12%
<u>Shareholders of Winhome</u>		
Winwill	60%	
ChoiceHomes Investments Pte Ltd, an independent third party	30%	30%
Greatearth Developments Pte Ltd, an independent third party	10%	10%

The respective shareholders of Winwill and Winhome have entered into shareholders’ agreements to, amongst other things, regulate their relationship as shareholders of the two companies.

The Land Parcel has a site area of 25,272.5 square metres and the maximum permissible gross floor area is 88,454.0 square metres. It is being developed into condominium apartments for sale and the development, known as “Kovan Melody”, is planned for completion in mid 2006.

The participating parties have in aggregate contributed S\$90,650,000 in their respective Effective Participation Proportions towards the land cost. Winhome has obtained banking facilities (“the Facilities”) to finance the remaining land cost and part of the development costs, and expects to finance the remaining costs via pre-sale proceeds. Wing Tai has provided in full on behalf of Winwill the proportionate guarantees and undertakings to be given by Winwill on a several basis under the terms of the Facilities. In consideration of Wing Tai so doing, each of Kosheen and Winprop has undertaken, should it become necessary for Wing Tai to provide cash to Winhome under the said guarantees and undertakings, to indemnify Wing Tai to the extent of 20% of Wing Tai’s obligations thereunder.

The loans advanced by Winprop to Winwill in proportion to Winprop’s 20% equity interest therein are unsecured, have no fixed terms of repayment and, except for an amount equivalent to S\$120,000 representing 12% of Winhome’s issued share capital, carry interest at the rate of 3.5% per annum. As at 31 March 2004, these loans amounted to HK\$49,960,000 (2003: Nil) (Note 14) and interest receivable by Winprop from Winwill amounted to HK\$550,000 (2003: Nil).

12. Fixed assets

	Group				Total HK\$'000
	Investment properties HK\$'000	Leasehold land and buildings HK\$'000	Property held for development HK\$'000	Others HK\$'000	
At cost or valuation					
At 1 April 2003	1,678,096	40,353	453,000	42,717	2,214,166
Translation differences	3,870	(10)	—	57	3,917
Additions	—	1,701	6,523	691	8,915
Revaluation	73,305	(6,349)	427,477	—	494,433
Disposals	(4,560)	—	—	(461)	(5,021)
At 31 March 2004	1,750,711	35,695	887,000	43,004	2,716,410
Accumulated depreciation					
At 1 April 2003	—	—	—	35,902	35,902
Translation differences	—	—	—	24	24
Revaluation	—	(765)	—	—	(765)
Charge for the year	—	2,569	—	1,386	3,955
Disposals	—	—	—	(266)	(266)
At 31 March 2004	—	1,804	—	37,046	38,850
Net book value					
At 31 March 2004	1,750,711	33,891	887,000	5,958	2,677,560
At 31 March 2003	1,678,096	40,353	453,000	6,815	2,178,264
Analysis of cost or valuation:					
At valuation	1,750,711	35,695	887,000	—	2,673,406
At cost	—	—	—	43,004	43,004
	1,750,711	35,695	887,000	43,004	2,716,410

Net book value of investment properties, leasehold land and buildings and property held for development are analysed as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Held in Hong Kong:		
On medium-term leases	2,569,850	2,055,020
Held outside Hong Kong:		
On long-term leases	67,861	76,076
On medium-term leases	4,302	9,572
On short-term renewable leases	29,589	30,781
	2,671,602	2,171,449

Investment properties (other than agricultural lots) and property held for development held in Hong Kong were revalued at 31 March 2004 by Jones Lang LaSalle Limited. The agricultural lots held in Hong Kong were revalued at 31 March 2004 by B. I. Appraisals Limited. Investment properties held in Singapore were revalued at 31 March 2004 by Colliers International Consultancy & Valuation (Singapore) Pte. Ltd. All three valuers are independent. All valuations were carried out on the open market value basis.

Leasehold land and buildings held outside Hong Kong on medium-term and short-term renewable leases are held in Mainland China and are stated at Directors' valuations at 31 March 2004 carried out on the depreciated replacement cost basis.

Other fixed assets are stated at cost less accumulated depreciation.

Certain investment properties with a total net book value of HK\$1,518,841,000 as at 31 March 2004 (2003: HK\$1,451,366,000) have been mortgaged to secure the Group's banking facilities.

Notes to the Accounts

13. Subsidiaries

	Company	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares – at cost	1	1
Loans and amounts due from subsidiaries	3,306,333	3,321,157
Less: Provision	(578,982)	(828,500)
	<u>2,727,352</u>	<u>2,492,658</u>

A legal charge over the Group's shareholding in Winsor Air Cargo Centre Limited has been executed in favour of a bank to secure a loan facility of HK\$16,717,000 (2003: HK\$32,115,000) granted to Winsor Air Cargo Centre Limited.

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

Particulars of the subsidiaries are set out on pages 43 to 44.

14. Associated companies

	Group	
	2004	2003
	HK\$'000	HK\$'000
Group's share of net assets	3,886	4,070
Amounts and loans due from associated companies	<u>103,025</u>	<u>50,617</u>
	<u>106,911</u>	<u>54,687</u>
Investments at cost – unlisted shares	<u>9,874</u>	<u>9,874</u>

The amounts and loans due from associated companies are unsecured and have no fixed terms of repayment. An amount of HK\$35,493,000 (2003: HK\$34,305,000) due from Universal (Note 11(b)) carries interest at Hong Kong prime rate less 3% per annum. Except for an amount equivalent to SGD120,000 representing 12% of Winhome's issued share capital, the amount of HK\$49,960,000 (2003: Nil) due from Winwill (Note 11(d)) carries interest at 3.5% per annum. All other amounts and loans due from associated companies are interest free.

Particulars of the associated companies are set out on page 44.

15. Other investments

	Group	
	2004	2003
	HK\$'000	HK\$'000
Unlisted investments, at valuation	461,990	470,650
Loans due from unlisted investments	123,427	139,928
Less: Provision	(3,262)	(3,262)
	<u>582,155</u>	<u>607,316</u>

Unlisted investments include investments in 5.14% (2003: 5.14%) and 10.06% (2003: 10.06%) respectively of the ordinary share capitals of Suntec City Development Pte. Ltd. and Suntec Investments Pte. Ltd., both incorporated in Singapore ("the Suntec Interests").

As at 31 March 2004, the Suntec Interests were revalued by the Directors on a business valuation basis with reference to the property market in Singapore at HK\$459,845,000 (2003: HK\$468,586,000). The valuation deficit has been debited to the investment revaluation reserve account (Note 22). The carrying amount of the Group's investment in Suntec City Development Pte. Ltd. exceeded 10% of the total assets of the Group.

The Subscription Loan advanced by Winprop to Winworth (Note 11(c)) is unsecured, has no fixed terms of repayment and bears simple normal interest at the rate of 4.0619% per annum for a period of 3 years from 26 June 2002 and payable in a lump sum at the end thereof. Irrespective of whether the Subscription Loan shall have been repaid in full or in part to Winprop during the course of the said three years, interest shall nonetheless accrue for the whole of the said three years on the full amount of the Subscription Loan. As at 31 March 2004, the balance of the Subscription Loan amounted to HK\$109,371,000 (2003: HK\$131,760,000) and has been subordinated to the indebtedness of Winworth to its bankers.

All other loans due from unlisted investments are unsecured, interest free and have no fixed terms of repayment.

16. Other receivables

	Group	
	2004	2003
	HK\$'000	HK\$'000
Loans due from third parties	173,375	178,085
Less: Provision	(173,375)	(178,085)
	<u>—</u>	<u>—</u>

The loans were advanced by the Group to two construction companies ("the Borrowers"), which are independent third parties, pursuant to a loan agreement dated 27 March 1998. On 27 November 1998 the Borrowers commenced voluntary liquidation and the Group made full provision against the loans. During the year, a dividend of HK\$4,710,000 (2003: Nil) was received from the liquidators of the Borrowers.

17. Properties for sale

Properties for sale have been mortgaged to secure the Group's banking facilities.

Notes to the Accounts

18. Debtors and receivables

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Current – 45 days	4,373	4,165
46 – 90 days	2,417	2,102
Over 90 days	725	2,518
	<u>7,515</u>	<u>8,785</u>

19. Creditors and accruals

Included in creditors and accruals are trade creditors the ageing analysis of which is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Current – 45 days	2,206	2,113
46 – 90 days	311	9
Over 90 days	—	15
	<u>2,517</u>	<u>2,137</u>

20. Bank loans and overdrafts

	Group	
	2004	2003
	HK\$'000	HK\$'000
Repayable on demand or within one year:		
Secured	52,296	38,846
Unsecured	—	156
	<u>52,296</u>	<u>39,002</u>
Current portion of long term bank loans (Note 24)	<u>117,892</u>	<u>89,436</u>
	<u>170,188</u>	<u>128,438</u>

Short term bank loans included an amount of HK\$9,296,000 (2003: HK\$8,846,000) denominated in Singapore dollar. Certain investment properties and properties for sale with a total net book value of HK\$1,645,017,000 at 31 March 2004 (2003: HK\$1,587,937,000) have been mortgaged to secure the Group's short term and long term bank loans.

21. Share capital

	Ordinary shares of HK\$0.01 each	
	No. of shares	HK\$'000
Authorised:		
At 31 March 2003 and 2004	<u>750,000,000</u>	<u>7,500</u>
Issued and fully paid:		
At 31 March 2003 and 2004	<u>259,685,288</u>	<u>2,596</u>

22. Reserves

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Contributed surplus				
At 1 April of the previous year	857,373	857,373	2,439,451	2,542,087
Reversal of provision/(provision) for subsidiaries	<u>—</u>	<u>—</u>	<u>249,518</u>	<u>(102,636)</u>
At 31 March	<u>857,373</u>	<u>857,373</u>	<u>2,688,969</u>	<u>2,439,451</u>
Land and buildings revaluation reserve				
At 1 April of the previous year	179,569	197,477	—	—
Transfer to retained earnings on disposal of properties for sale	<u>(3,341)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Arising from revaluation	<u>427,477</u>	<u>(17,908)</u>	<u>—</u>	<u>—</u>
At 31 March	<u>603,705</u>	<u>179,569</u>	<u>—</u>	<u>—</u>
Investment properties revaluation reserve				
At 1 April of the previous year	524,380	610,549	—	—
Amount realized on disposal of investment properties	<u>(101)</u>	<u>(45,802)</u>	<u>—</u>	<u>—</u>
Amount realized on disposal of associated companies	<u>—</u>	<u>(422)</u>	<u>—</u>	<u>—</u>
Arising from revaluation	<u>65,763</u>	<u>(39,945)</u>	<u>—</u>	<u>—</u>
At 31 March	<u>590,042</u>	<u>524,380</u>	<u>—</u>	<u>—</u>
Investment revaluation reserve				
At 1 April of the previous year	368,204	370,280	—	—
Arising from revaluation	<u>(8,741)</u>	<u>(2,076)</u>	<u>—</u>	<u>—</u>
At 31 March	<u>359,463</u>	<u>368,204</u>	<u>—</u>	<u>—</u>
Exchange fluctuation account				
At 1 April of the previous year	(12,138)	(13,098)	—	—
Net movement for the year	<u>(5,357)</u>	<u>960</u>	<u>—</u>	<u>—</u>
At 31 March	<u>(17,495)</u>	<u>(12,138)</u>	<u>—</u>	<u>—</u>
Total reserves	<u>2,393,088</u>	<u>1,917,388</u>	<u>2,688,969</u>	<u>2,439,451</u>

The Group's associated companies do not have any undistributed post-acquisition reserves.

Notes to the Accounts

23. Retained earnings

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April of the previous year, as previously reported	152,212	57,326	50,770	52,605
Change in accounting policy – provision for net deferred tax liabilities (<i>Note 1(n)</i>)	(9,948)	(4,906)	—	—
At 1 April of the previous year, as restated	142,264	52,420	50,770	52,605
Transfer from land and buildings revaluation reserve	3,341	—	—	—
Profit for the year	99,342	115,812	11,077	24,133
Prior year final dividend paid	(12,984)	(12,984)	(12,984)	(12,984)
Interim dividend paid (<i>Note 9</i>)	(12,984)	(12,984)	(12,984)	(12,984)
At 31 March	<u>218,979</u>	<u>142,264</u>	<u>35,879</u>	<u>50,770</u>
Represented by:				
Retained earnings	200,801	129,280	17,701	37,786
Final dividend proposed (<i>Note 9</i>)	18,178	12,984	18,178	12,984
	<u>218,979</u>	<u>142,264</u>	<u>35,879</u>	<u>50,770</u>
Company and subsidiaries	221,274	144,375	35,879	50,770
Associated companies	(2,295)	(2,111)	—	—
	<u>218,979</u>	<u>142,264</u>	<u>35,879</u>	<u>50,770</u>
Profit for the year retained by:				
Company and subsidiaries	73,558	90,845	(14,891)	(1,835)
Associated companies	(184)	(1,001)	—	—
	<u>73,374</u>	<u>89,844</u>	<u>(14,891)</u>	<u>(1,835)</u>

24. Long term bank loans

	Group	
	2004	2003
	HK\$'000	HK\$'000
Secured – wholly repayable within five years	763,525	733,391
Less: Amount repayable within one year included under current liabilities (<i>Note 20</i>)	(117,892)	(89,436)
	<u>645,633</u>	<u>643,955</u>
The long term bank loans are repayable as follows:		
Within one year	117,892	89,436
In the second year	421,664	142,193
In the third to fifth years inclusive	223,969	501,762
	<u>763,525</u>	<u>733,391</u>

The long term bank loans included an amount of HK\$228,397,000 (2003: HK\$169,227,000) denominated in Singapore dollar. Certain investment properties and properties for sale with a total net book value of HK\$1,645,017,000 at 31 March 2004 (2003: HK\$1,587,937,000) have been mortgaged to secure the Group's short term and long term bank loans.

25. Other long term loans

	Group	
	2004	2003
	HK\$'000	HK\$'000
Amounts due to minority shareholders of subsidiaries	<u>145,496</u>	<u>155,717</u>

The loans are unsecured, interest free and have no fixed terms of repayment.

26. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movement of the net deferred tax liabilities is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
At 1 April of the previous year	21,030	14,122
Charged to profit and loss account (<i>Note 7</i>)	70	6,908
At 31 March	21,100	21,030

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefits through the future taxable profits are probable. The Group has unrecognized tax losses of HK\$2,987,000 (2003: HK\$10,439,000) to carry forward against future taxable income.

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

Deferred tax assets

	Group					
	Tax losses		Others		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April of the previous year	8,708	9,769	—	151	8,708	9,920
Credited/(charged) to profit and loss account	3,730	(1,061)	—	(151)	3,730	(1,212)
At 31 March	12,438	8,708	—	—	12,438	8,708

Deferred tax liabilities

	Group	
	Accelerated depreciation	
	2004	2003
	HK\$'000	HK\$'000
At 1 April of the previous year	29,738	24,042
Charged to profit and loss account	3,800	5,696
At 31 March	33,538	29,738

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

	Group	
	2004	2003
	HK\$'000	HK\$'000
Deferred tax assets	(6,766)	(2,299)
Deferred tax liabilities	27,866	23,329
	21,100	21,030

Notes to the Accounts

27. Future lease receipts

	Group	
	2004	2003
	HK\$'000	HK\$'000
At the end of the year, future minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:		
Not later than one year	107,796	122,541
Later than one year and not later than five years	43,262	64,545
	<u>151,058</u>	<u>187,086</u>

Future minimum lease receipts under non-cancelable operating leases as at 31 March 2004 in respect of Fibres and Fabrics Industrial Centre, 7 Shing Yip Street, Kwun Tong, Hong Kong have been included up to 30 June 2004 only as the said property was disposed of on that date (*Note 32*).

28. Capital commitments

	Group	
	2004	2003
	HK\$'000	HK\$'000
Contracted but not provided for	245	521
Authorised but not contracted for	—	—
	<u>245</u>	<u>521</u>

29. Lease commitments

	Group	
	2004	2003
	HK\$'000	HK\$'000
At the end of the year the Group had future aggregate minimum lease payments under non-cancelable operating leases for land and buildings as follows:		
Not later than one year	5,407	6,333
Later than one year and not later than five years	4,550	430
	<u>9,957</u>	<u>6,763</u>

30. Contingent liabilities

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given in respect of banking facilities granted to subsidiaries	—	—	1,394,940	1,227,578
Guarantees given in respect of banking facilities granted to Landyork (<i>Note 11(b)</i>) in proportion to the Group's 10% effective equity interest	100,000	100,000	100,000	100,000
Indemnity given in respect of banking facilities granted to Winhome (<i>Note 11(d)</i>) in proportion to the Group's 12% effective equity interest	111,552	—	—	—
	<u>211,552</u>	<u>100,000</u>	<u>1,494,940</u>	<u>1,327,578</u>

31. Notes to the consolidated cash flow statement

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

	2004 HK\$'000	2003 HK\$'000
Operating profit	112,715	139,209
Valuation decrease of land and buildings	5,584	8,173
Depreciation charges	3,955	5,758
Gain on disposal of fixed assets	(51)	(44,644)
Loss on disposal of subsidiaries	—	13
Gain on disposal of associated companies	—	(1,220)
(Write back of provision)/provision for other investments	(80)	3,540
Recovery of debts under liquidation	(4,710)	—
Interest income	(7,036)	(4,754)
Interest expenses	17,431	21,059
Dividend income	(11,927)	(24,083)
Exchange translation differences	552	(287)
Operating profit before working capital changes	116,433	102,764
Decrease in properties for sale	10,395	1,219
Decrease in debtors and receivables	9,555	18,932
(Decrease)/increase in creditors and accruals	(4,887)	3,465
Net cash inflow generated from operations	<u>131,496</u>	<u>126,380</u>

(b) Disposal of subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net assets disposed of		
Debtors and receivables	—	490
Minority interests	—	(477)
	—	13
Loss on disposal	—	(13)
	—	—
Net inflow of cash	<u>—</u>	<u>—</u>

(c) Distribution in specie to minority interests in subsidiaries

	2004 HK\$'000	2003 HK\$'000
Net assets distributed		
Fixed assets	—	17,002
Debtors and receivables	—	865
Creditors and accruals	—	(566)
	—	17,301
Minority interests discharged	—	(17,301)
	—	—
Net outflow of cash	<u>—</u>	<u>—</u>

Notes to the Accounts

31. Notes to the consolidated cash flow statement (continued)

(d) Analysis of changes in financing

	Minority interests		Bank and other loans	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1 April of the previous year, as previously reported	(22,471)	(5,984)	927,954	888,109
Change in accounting policy – provision for net deferred tax liabilities (Note 1(n))	(2,462)	(1,848)	—	—
At 1 April of the previous year, as restated	(24,933)	(7,832)	927,954	888,109
Exchange differences	—	—	10,209	2,132
Disposal of subsidiaries	—	(477)	—	—
Distribution in specie to minority interests	—	(17,301)	—	—
Minority interests in share of profits and reserves	14,452	677	—	—
Cash (outflow)/inflow from financing	(900)	—	23,154	37,713
At 31 March	(11,381)	(24,933)	961,317	927,954

(e) Analysis of bank and other loans

	2004 HK\$'000	2003 HK\$'000
Bank loans and overdrafts (Note 20)	52,296	39,002
Less: Amount included under cash equivalents	—	(156)
	52,296	38,846
Long term bank loans (Note 24)	763,525	733,391
Other long term loans (Note 25)	145,496	155,717
	961,317	927,954

32. Subsequent event

On 30 June 2004, Hanbury Development Company Limited, an indirect wholly-owned subsidiary of the Company, completed the disposal of the entire building known as Fibres & Fabrics Industrial Centre, 7 Shing Yip Street, Kwun Tong, Hong Kong (“the Property”) to an independent third party. The consideration for the disposal in the sum of HK\$250 million payable in cash has been received in full.

The Property is an industrial development with a total gross floor area of 305,462 sq.ft. and has been leased out to outside parties for rental income since completion of its construction in March 1986. The book value of the Property was HK\$240 million as at 31 March 2004. Including revaluation reserves realized, the estimated profit attributable to shareholders from the disposal of the Property is approximately HK\$210 million and will be recognized in the year ending 31 March 2005.

The proceeds from the disposal have been partly applied by the Group to reduce the Group’s bank borrowings and partly retained as the Group’s working capital as well as funding for the Group’s development projects on hand.

33. Approval of accounts

The accounts set out on pages 15 to 44 were approved by the Board of Directors on 15 July 2004.

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

Subsidiaries and Associated Companies

Subsidiaries	Issued Share Capital			Effective % shareholding held at 31 March 2004		Principal Activities	Notes
				Group	Company		
Winsor Properties Finance Limited	Ordinary	HK\$	2	100	100	Group Finance Company	
Winsor Properties (Hong Kong) Limited, B.V.I.	Ordinary	US\$	1	100	100	Investment Holding	
Adam Knitters Limited	Ordinary	HK\$	1,000	100	—	Property Investment	4
	Deferred	HK\$	200,000	—	—		
Allied Effort Limited, B.V.I.	Ordinary	US\$	1	100	—	Investment Holding	
Baudinet Investment Limited	Ordinary	HK\$	18	100	—	Property Investment	4
	Deferred	HK\$	2	—	—		
Begin Land Limited	Ordinary	HK\$	90,000	100	—	Property Investment	4
	Deferred	HK\$	10,000	—	—		
Congenial Investments Limited, B.V.I.	Ordinary	US\$	1	100	—	Investment	3
East Sun Estate Management Company Limited	Ordinary	HK\$	200	100	—	Property Management	
East Sun Textile Company, Limited	Ordinary	HK\$	20	100	—	Dormant	4
	Deferred	HK\$	15,000,000	—	—		
Hilwin Properties Limited	Ordinary	HK\$	450,000	100	—	Investment Holding	4
	Deferred	HK\$	50,000	—	—		
Hanbury Development Company Limited	Ordinary	HK\$	10,000	100	—	Property Investment	
Libro Estates Limited	Ordinary	HK\$	90,000	100	—	Property Investment	4
	Deferred	HK\$	10,000	—	—		
Oceanic Cotton Mill Limited	Ordinary	HK\$	10,000,000	80	—	Property Investment	
Chericourt Company Limited	Ordinary	HK\$	10,000	80	—	Property Investment	
Winsor Properties Financial Services Limited	Ordinary	HK\$	2	80	—	Property Investment	
Winner Godown Limited	Ordinary	HK\$	1,500,000	70	—	Godown Operation	
Winsor Air Cargo Centre Limited	Ordinary	HK\$	20	100	—	Property Investment and Sale	
Winsor Estate Agents Limited	Ordinary	HK\$	20	100	—	Property Agent	
Winsor Estate Management Limited	Ordinary	HK\$	2	100	—	Estate and Hotel Management	
Winsor Parking Limited	Ordinary	HK\$	18,000,000	100	—	Carpark Management	4
	Deferred	HK\$	2,000,000	—	—		
Zofka Properties Limited	Ordinary	HK\$	90,000	100	—	Property Investment	4
	Deferred	HK\$	10,000	—	—		
Winsor Properties (Overseas) Limited, B.V.I.	Ordinary	US\$	1	100	100	Investment Holding	3
Zak Holdings Limited, B.V.I.	Ordinary	US\$	1	100	—	Investment Holding	3
Winwin Investment Pte. Ltd., Singapore	Ordinary	SGD	2	100	—	Property Investment	
Curlew International Limited, B.V.I.	Ordinary	US\$	1	100	—	Investment Holding	3
Winprop Pte. Ltd., Singapore	Ordinary	SGD	2	100	—	Investment Holding	2

Subsidiaries and Associated Companies (continued)

Subsidiaries	Issued Share Capital			Effective % shareholding held at 31 March 2004		Principal Activities	Notes
				Group	Company		
Winsor Properties (China) Limited, B.V.I.	Ordinary	US\$	1	100	100	Investment Holding	3
Dhandia Limited	Ordinary	HK\$	1,000	100	—	Investment Holding	
Libro (China) Limited	Ordinary	HK\$	200	100	—	Investment Holding	
	Deferred	HK\$	10,000	—	—		4
Zhangjiagang Free Trade Zone Nan Kong Development Co., Ltd., Mainland China (foreign wholly-owned enterprise)	Ordinary	US\$	2,758,488	100	—	Godown Operation	2
Tat Yeung Properties Investment Limited, B.V.I.	Ordinary	US\$	1,000	100	—	Investment Holding	3
Winsor Health Godown Limited, B.V.I.	Ordinary	US\$	1,000	95	—	Investment Holding	3
South-China Cold Storage & Ice Co., Limited, Mainland China (foreign wholly-owned enterprise)	Ordinary	US\$	5,000,000	95	—	Cold Storage	2
Associated Companies							
Javary Limited	Ordinary	HK\$	300	33.3	—	Property Investment	2
Suzhou World Trade Centre, Mainland China	Ordinary	US\$	6,500,000	24.8	—	Property Investment and Development	2
Tat Yeung Trading Company Limited, B.V.I.	Ordinary	US\$	2	50	—	Investment Holding	3
Universal Plus Limited, B.V.I.	Ordinary	US\$	100	20	—	Investment Holding	3
Winwill Investment Pte Ltd, Singapore	Ordinary	SGD	10	20	—	Investment Holding	3

Notes:

1. Unless otherwise stated, all companies are incorporated in Hong Kong. Those companies incorporated in Mainland China and Singapore operate in their country of incorporation. Other companies operate principally in Hong Kong. None of the subsidiaries have issued any debt securities.
2. The accounts of these companies are audited by firms other than PricewaterhouseCoopers. The aggregate net assets and profit after taxation of these companies attributable to the Group amounted to HK\$68,501,000 (2003: HK\$74,777,000) and HK\$703,000 (2003: loss of HK\$12,697,000) respectively.
3. The accounts of these companies are not audited. The aggregate net liabilities and loss after taxation of these companies attributable to the Group amounted to HK\$388,000 (2003: HK\$1,068,000) and HK\$419,000 (2003: HK\$440,000) respectively.
4. The deferred shares, which are held by the WICL Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up unless the assets of the respective companies to be returned on winding up exceed the value of HK\$100,000,000,000.

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

Location	Lease Expiry	Site Area (sq. ft.)	Gross Floor Area (sq. ft.)	Stage of Completion	Type	Effective Interest
Investment Properties:						
Global Gateway (Hong Kong) (formerly known as Winsor Centre), 168 Yeung Uk Road, R.P. of Tsuen Wan Town Lot 340, Tsuen Wan, New Territories, HONG KONG.	2047	89,998	420,913 (portion for leasing)	Completed	Industrial/ Godown	100%
Regent Centre, 63-73 Wo Yi Hop Road, Lot 299 in D. D. 444, Kwai Chung, New Territories, HONG KONG.	2047	103,500	860,821 (remaining portion)	Completed	Industrial/ Godown	80%
Winner Godown Building, 503-515 Castle Peak Road and 1-9 Sha Tsui Road, R.P. of Tsuen Wan Inland Lot 28, Tsuen Wan, New Territories, HONG KONG.	2047	50,804	497,140	Completed	Industrial/ Godown	100%
Fibres & Fabrics Industrial Centre, 7 Shing Yip Street, Kwun Tong Inland Lot 89, Kwun Tong, Kowloon, HONG KONG.	2047	30,000	305,462	Completed	Industrial	100%
Lucky Industrial Building, 18-24 Kwai Hei Street and 13-19 Kwai Lok Street, Kwai Chung Town Lot 342, Kwai Chung, New Territories, HONG KONG.	2047	30,713	292,520	Completed	Industrial/ Godown	100%
161 agricultural lots, Lantau and Peng Chau, New Territories, HONG KONG.	2047	540,167	—	Vacant	Agricultural	100%
9th Floor, Office Tower 2, Suntec City, 9 Temasek Boulevard, SINGAPORE.	2088	—	17,117	Completed	Office	100%

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

Location	Lease Expiry	Site Area (sq. ft.)	Gross Floor Area (sq. ft.)	Stage of Completion	Type	Effective Interest
Property held for Development:						
102 How Ming Street, Kwun Tong Inland Lot 242, Kwun Tong, Kowloon, HONG KONG.	2047	95,940	—	Pending development, temporarily used as open car parking spaces	Office	100%
Properties held for operation:						
Nan Kong Management Centre, Lot 4(B)-(04)-06-01, Zhangjiagang Free Trade Zone, Zhangjiagang, Jiangsu Province, People's Republic of China.	2044	40,314	47,362	Completed	Office	100%
Winsor Bonded Warehouse, Lot 4(B)-(04)-05-01, Zhangjiagang Free Trade Zone, Zhangjiagang, Jiangsu Province, People's Republic of China.	2044	170,415	108,178	Completed	Godown	100%
South-China Cold Storage Complex at Nan Gang Main Road, Shekou Industrial Zone, Shenzhen, Guangdong Province, People's Republic of China.	2015	215,720	381,699	Completed	Cold Storage	95%
Property for sale:						
Global Gateway (Hong Kong) (formerly known as Winsor Centre), 168 Yeung Uk Road, R.P. of Tsuen Wan Town Lot 340, Tsuen Wan, New Territories, HONG KONG.	2047	89,998	159,047 (portion for sale)	Completed	Industrial/ Godown	100%

Financial Assistance and Guarantees provided to Entities and Affiliated Companies

As at 31 March 2004

Relevant advances to entities

In accordance with rule 13.20 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), details of relevant advances made by the Group to the following entities which individually exceeded 8% of the Company’s market capitalisation as at 31 March 2004 of approximately HK\$982,909,000 (“Market Capitalisation”) based on the total number of 259,685,288 shares of the Company in issue on 31 March 2004 and the average closing price of HK\$3.785 per share for the five business days immediately preceding 31 March 2004, are as follows:

Name of entity	Attributable interest held	Loans as at 31 March 2004 (A) HK\$’000	Interest rate per annum	Guarantee provided (B) HK\$’000	Guaranteed loan drawn HK\$’000	Maturity of guarantee	Total (A+B) HK\$’000	Note
Universal Plus Ltd.	20.0%	35,493	Prime less 3%	100,000	37,390	June 2006	135,493	1
Winwill Investment Pte Ltd	20.0%	49,960	3.5%	111,552	95,935	March 2007	161,512	2
Winworth Investment Pte Ltd	15.0%	109,371	4.0619%	—	—		109,371	3

Financial assistance and guarantees to affiliated companies

In accordance with rule 13.16 of the Listing Rules, details of loans advanced to, and guarantees provided by the Group for the benefit of the Group’s affiliated companies (Note 4) as at 31 March 2004, which in aggregate exceeded 8% of the Company’s Market Capitalisation as at 31 March 2004, are as follows:

Name of entity	Attributable interest held	Loans as at 31 March 2004 (A) HK\$’000	Interest rate per annum	Guarantee provided (B) HK\$’000	Guaranteed loan drawn HK\$’000	Maturity of guarantee	Total (A+B) HK\$’000	Note
Javary Ltd.	33.3%	6,664	—	—	—	—	6,664	
Suzhou World Trade Centre	24.8%	4,280	—	—	—	—	4,280	
Tat Yeung Trading Co. Ltd.	50.0%	4,739	—	—	—	—	4,739	
Universal Plus Ltd.	20.0%	35,493	Prime less 3%	100,000	37,390	June 2006	135,493	1
Winwill Investment Pte Ltd	20.0%	49,960	3.5%	111,552	95,935	March 2007	161,512	2
Total		101,136		211,552	133,325		312,688	

The loans have been provided by the Group to the named entities and affiliated companies as shareholders’ loans in proportion to the Group’s equity interests therein and are unsecured and have no fixed terms of repayment. The loans are funded partly by the Group’s internal resources and partly by utilising the Group’s banking facilities. Save for the loans disclosed above, no capital injection has been committed by the Group. No further material loans or other forms of financial assistance have been provided by the Group to, and no material repayment of the loans or further material utilization of the guaranteed facilities have been made by, the named entities or affiliated companies since 31 March 2004.

Notes:

- The loans advanced to Universal Plus Ltd. (“Universal”) have been loaned by Universal onward to Landyork Investment Ltd. (“Landyork”) which is a 50% owned associated company of Universal, and the guarantee is given by the Group directly for the benefit of Landyork in respect of banking facilities granted to Landyork. The Group’s funding and payment obligations under the said guarantee are several and limited to the Group’s 10% effective interest in Landyork.

Financial Assistance and Guarantees provided to Entities and Affiliated Companies *(continued)*

At 31 March 2004

Notes *(continued)*:

2. The loans advanced to Winwill Investment Pte Ltd (“Winwill”) have been loaned by Winwill onward to Winhome Investment Pte Ltd (“Winhome”) which is a 60% owned subsidiary of Winwill, and the guarantee is provided by the Group by way of an indemnity given to Wing Tai Holdings Ltd., another beneficial shareholder of Winwill, who has provided a guarantee on behalf of Winwill in respect of banking facilities granted to Winhome. The Group’s funding and payment obligations under the said indemnity are several and limited to the Group’s 12% effective interest in Winhome.
3. The balance of HK\$109,371,000 as at 31 March 2004 of the loan advanced to Winhome Investment Pte Ltd (“Winhome”) is the equivalent of S\$24,902,000. Interest on the loan is calculated as simple normal interest at the rate of 4.0619% per annum for a period of 3 years from 26 June 2002 and payable in a lump sum at the end thereof. Irrespective of whether the loan shall have been repaid in full or in part during the course of the said three years, interest shall nonetheless accrue for the whole of the said three years on the full amount of the loan of S\$30,000,000 made by the Group on 26 June 2002. The loan has been subordinated to the indebtedness of Winworth to its bankers.
4. As such term is defined in Chapter 13 of the Listing Rules, it means associated companies in the context of the Group.

Pro forma combined balance sheet of affiliated companies

In accordance with rule 13.22 of the Listing Rules, a pro forma combined balance sheet of the Group’s affiliated companies as at 31 March 2004 and the Group’s attributable interest therein are set out below:

	Pro forma combined balance sheet HK\$’000	Group’s attributable interest HK\$’000
Investment properties	14,413	4,667
Other fixed assets	49,505	12,880
Properties under development	1,234,929	246,986
Associated companies	184,157	36,831
Net current assets	1,340	497
Minority interests	(1,849)	(370)
Long term bank loans	(799,456)	(159,891)
Other long term loans	(170,399)	(34,689)
Amounts and loans due to shareholders	(486,483)	(103,025)
	<u>26,157</u>	<u>3,886</u>

Five Year Financial Summary

	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Group results					
for the year ended 31 March					
Turnover	220,813	312,124	245,604	545,203	260,873
Profit attributable to shareholders	99,342	115,812	90,869	52,118	12,297
Summary consolidated balance sheet					
as at 31 March					
Fixed assets	2,677,560	2,178,264	2,376,571	2,612,197	2,804,418
Associated companies	106,911	54,687	19,722	100,822	128,122
Other investments	582,155	607,316	476,292	526,572	538,312
Other receivables	—	—	—	—	—
Deferred tax assets	6,766	2,299	4,194	4,992	3,710
Net current assets/(liabilities)	48,885	17,750	(156,553)	(171,809)	(133,627)
Total assets less current liabilities	3,422,277	2,860,316	2,720,226	3,072,774	3,340,935
Share capital	2,596	2,596	2,596	2,596	2,596
Reserves	2,393,088	1,917,388	2,022,581	2,287,074	2,401,575
Retained earnings/(accumulated loss)	200,801	129,280	39,436	(25,465)	(99,765)
Proposed final dividend	18,178	12,984	12,984	—	—
Shareholders' funds	2,614,663	2,062,248	2,077,597	2,264,205	2,304,406
Minority interests	(11,381)	(24,933)	(7,832)	12,133	2,258
Long term bank loans	645,633	643,955	472,924	583,693	823,671
Other long term loans	145,496	155,717	159,221	195,100	195,100
Deferred tax liabilities	27,866	23,329	18,316	17,643	15,500
Funds employed	3,422,277	2,860,316	2,720,226	3,072,774	3,340,935

Certain comparative figures for the 4 years ended 31 March 2003 have been restated to reflect the adoption of SSAP 12 (revised) "Income taxes".