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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 <sup>\*\*</sup> *Chairman*  
CHOW Wai Wai, John *Managing Director*  
Lord SANDBERG, CBE <sup>\*</sup>  
Christopher Patrick LANGLEY, OBE <sup>\*</sup>  
HO Fook Hong, Ferdinand <sup>\*</sup>  
LO Ka Shui, GBS, JP <sup>\*</sup>  
Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP <sup>\*</sup>  
CHENG Wai Sun, Edward, JP <sup>\*\*</sup>  
TANG Ming Chien, Manning <sup>\*</sup>  
LAM Woon Bun  
CHEN CHOU Mei Mei, Vivien  
CHUNG Hon Sing, John  
CHOW Wei Lin

<sup>\*</sup> *Independent Non-Executive Director*

<sup>\*</sup> *Non-Executive Director*

<sup>\*\*</sup> *Alternate: AU Hing Lun, Dennis*

## Audit Committee

Christopher Patrick LANGLEY, OBE *Chairman*  
CHENG Wai Chee, Christopher, GBS, JP <sup>\*\*</sup>  
HO Fook Hong, Ferdinand

<sup>\*\*</sup> *Alternate: AU Hing Lun, Dennis*

## Remuneration Committee

Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP *Chairman*  
Christopher Patrick LANGLEY, OBE  
CHOW Wai Wai, John

## Company Secretary

LAM Woon Bun

## Auditors

PricewaterhouseCoopers

## Solicitors

Knight & Ho

## Bankers

The Hongkong and Shanghai Banking Corporation Limited

## Registered Office

P. O. Box 309, Ugland 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,  
46th 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 57, was appointed Director of the Company in October 1996 and appointed Managing Director of the Company in August 2001. He is also a member of the Remuneration Committee of the Board of Directors and a director of certain subsidiaries of the Company. He graduated with a Bachelor of Arts (Economics) degree from the University of British Columbia. He is also the Deputy Managing Director of Winsor Industrial Corporation, Limited and a non-executive 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 55, was appointed Director of the Company in September 1996. He is also the Secretary of the Company, a director of certain subsidiaries of the Company and an executive 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 Chartered 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 57, was appointed Director of the Company in October 1996. She is also a director of certain subsidiaries of the Company. 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.

**Mr. CHUNG Hon Sing, John**, aged 65, was appointed Director of the Company in October 1996. He is also a director of certain subsidiaries of the Company. 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 41, joined the Group in 1996 and was appointed Director of the Company in August 2001. He is also a director of certain subsidiaries of the Company. He is 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**, CBE, aged 79, 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. Christopher Patrick LANGLEY**, OBE, aged 61, was appointed Independent Non-Executive Director of the Company in October 1996. He is also the Chairman of the Audit Committee and a member of the Remuneration 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.

**Mr. HO Fook Hong, Ferdinand**, aged 58, 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.

**Dr. LO Ka Shui**, GBS, JP, aged 59, 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 Limited and some other publicly listed companies in Hong Kong. He is also 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. Dr. Lo graduated with a Bachelor of Science degree from McGill University and a M.D. degree from Cornell University. He is certified in cardiology. He has more than 26 years' experience in property and hotel development and investment both in Hong Kong and overseas.

## **Directors' Profile** *(continued)*

**Mr. Haider Hatam Tyebjee BARMA**, GBS, CBE, ISO, JP, aged 62, was appointed Independent Non-Executive Director of the Company in May 2005. He is also the Chairman of the Remuneration Committee of the Board of Directors of the Company. He graduated with a Bachelor of Arts degree from the University of Hong Kong and worked in the Government of Hong Kong for 30 years. After retiring from the civil service in 1996, he has served as Chairman of the Public Service Commission from August 1996 to April 2005 and now he is the Chief Executive Officer of The Hong Kong Research Institute of Textiles and Apparel.

### **Non-Executive Directors:**

**Mr. CHENG Wai Chee, Christopher**, GBS, JP, aged 58, was appointed Non-Executive Director of the Company 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 an independent non-executive director of several listed and unlisted companies in Hong Kong including NWS Holdings Limited, New World China Land Limited, PICC Property and Casualty Company Limited, and DBS Bank (Hong Kong) Limited. Mr. Cheng plays an active role in public service, particularly noteworthy are his efforts in promoting the development of Hong Kong as an international trade, commercial and financial center. He currently serves as a non-executive director of the Board of the Hong Kong Securities and Futures Commission and a member of the Exchange Fund Advisory Committee. He is also the Chairman of the Competition Policy Review Committee and a former Chairman of the Hong Kong General Chamber of Commerce. Mr. Cheng has a keen interest in management of the public service. He is the Chairman of the Standing Committee on Judicial Salaries and Conditions of Service. As a long-serving former member of the Public Service Commission, he provided advice to the Government on the formulation of human resources management policies and practices for the civil service. Mr. Cheng is also a Steward of the Hong Kong Jockey Club and a Council member of the University of Hong Kong. Mr. Cheng holds a BBA degree from the University of Notre Dame, Indiana, USA, and a MBA degree from Columbia University, New York. Mr. Cheng is a brother of Mr. Cheng Wai Sun, Edward.

**Mr. CHENG Wai Sun, Edward**, JP, aged 51, was appointed Non-Executive Director of the Company in December 1999. He is the Chief Executive of USI Holdings Limited, a listed company in Hong Kong. Mr. Cheng has a master degree from Oxford University. He was qualified as a solicitor in England and Wales as well as in Hong Kong. Mr. Cheng is the Chairman of the Urban Renewal Authority, a member of the Hong Kong SAR Government's Commission on Strategic Development, Steering Committee on Innovation & Technology, the Advisory Committee on Corruption of the Independent Commission Against Corruption, the Council of the Hong Kong Polytechnic University and the Council of the City University of Hong Kong. Mr. Cheng is a brother of Mr. Cheng Wai Chee, Christopher.

**Mr. AU Hing Lun, Dennis**, aged 46, 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. 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 55, was appointed Non-Executive Director of the Company in August 2001. He also serves 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.

# Chairman's Statement

Completion of the sale of the unsold portions of Global Gateway (Hong Kong), strengthening of the rental market made possible by a supportive economic environment, together with further distribution received from the Group's investment in Suntec City in Singapore have all contributed to make the year under review the second consecutive record year for the Group in terms of both turnover and profit.

The Group's turnover for the year ended 31 March 2006 was HK\$933.2 million, as compared to HK\$508.9 million for the previous financial year. The overall growth was attributable to the increase in sale of properties, which also accounted for the decline in the Group's rental income for the year. Profit for the year attributable to shareholders of the Company was HK\$816.6 million, an increase of 77.6% over HK\$459.8 million for the previous year. Earnings per share for the year under review was HK\$3.14, compared to HK\$1.77 for the previous year.

The Group changed certain accounting policies in the year following the adoption of the new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations which are effective for accounting periods commencing on or after 1 January 2005 and which are relevant to the Group's operations. For all changes in the Group's accounting policies taken together, the Group's profit for the year attributable to shareholders has been increased by about HK\$333.9 million. The most significant changes are the recognition of a gain of HK\$672.5 million representing increase in fair value of investment properties as at 31 March 2006, and the non-recognition of revaluation surplus in the sum of HK\$279.6 million relating to properties sold during the year. The changes in the Group's accounting policies do not have any impact on the Group's profit for the previous year. For a comparison on the same footing, the Group's profit for the year ended 31 March 2006 under the old accounting policies would have been HK\$482.7 million, representing an increase of 5.0% year on year.

## BUSINESS REVIEW

### Sale of Properties

Sale of the lower portion of Global Gateway (Hong Kong) in Tsuen Wan was completed at the end of August 2005. Certain units at the Regent Centre in Kwai Chung was also sold during the year. These sales, aggregating about 593,000 sq.ft. in gross floor area, have resulted in an aggregate turnover of HK\$772.1 million, and a profit of HK\$93.6 million before tax for the year. Under the old accounting policies, the profit before tax on these sales would have been reported as HK\$373.2 million, including the relevant revaluation surplus of HK\$279.6 million mentioned above.

In comparison, sale of properties aggregating 378,000 sq.ft. in the previous year generated turnover of HK\$312.3 million and a profit before tax of HK\$282.2 million under the old accounting policies.

### Rental and Property Management

Turnover of the rental and property management segment for the year was HK\$129.6 million, compared to HK\$168.8 million for the previous year. The decrease is due to the smaller portfolio of investment properties held by the Group during the year under review. Other than the disposal of properties mentioned in the above, units at the Regent Centre with a total gross floor area of about 72,000 sq.ft. were distributed in specie to minority shareholders at the end of March 2005. Use of the site at 102 How Ming Street, Kwun Tong as an open space car park also ceased in January 2005 to make way for the office development thereon.

This segment's operating profit for the year before tax therefore also decreased by HK\$25.7 million to HK\$93.3 million. Compared with the decrease of HK\$39.2 million in turnover, the reduction in rental profit has been moderated by the improvement in occupancy as well as average unit rental of the Group's investment properties during the year. As at 31 March 2006, the overall occupancy rate of the Group's rental properties was 92.4%.

### Warehousing

Both the Group's warehousing operation in Hong Kong and the cold storage operation in Shekou reported strong improvement for the year, with combined turnover of HK\$31.4 million and operating profit of HK\$6.1 million.

### Investments

Suntec City Development Pte. Ltd., Singapore ("SCD"), in which the Group has a 5.14% interest, paid two further special dividends during the year under review. The income recognised by the Group after deducting attributable investment cost in SCD was HK\$72.4 million, as compared to HK\$101.9 million recognised in the previous year. It is expected that the next special distribution will be made by SCD in June 2008 at which time it will be allotted the first of six equal semi-annual installments of 34.5 million Suntec REIT units each in payment of the deferred consideration of SCD's sale of office and retail spaces to Suntec REIT in 2004.

The Group continues to hold the 23.48 million Suntec REIT units distributed by SCD in specie to the Group in December 2004 as a long term investment. Distributions aggregating HK\$7.0 million

## Chairman's Statement *(continued)*

after tax were received during the year, and were better than projected.

The operating profit of the Group's investment segment for the year was therefore HK\$78.7 million. A sum of HK\$10.1 million, being increase in fair value of the Group's long term investments as at 31 March 2006 has been credited to investment revaluation reserve.

### Interest Income and Finance Costs

During the year, the Group applied sale proceeds to repay all of its bank borrowings except a term loan denominated in Singapore dollars, and placed the surplus cash in short term bank deposits. Finance costs have been significantly reduced, whereas interest income has almost tripled as a result. Interest income less finance costs and expenses of interest rate swap contracts was therefore a net income of HK\$18.7 million for the year whereas it was a net expense of HK\$6.4 million for the previous year.

### Associated Companies

For the year under review, the combined results after tax of the Group's associated companies was a profit of HK\$1.0 million, compared to HK\$0.4 million for the previous year. It is expected that the combined contribution of the associated companies will rise significantly in the current year after completion of the pre-sale of the residential units of *The Grandville* project in which the Group has a 10% effective interest.

### Change in Group Structure

In April and November 2005 respectively, independent shareholders of the Company approved the Group's acquisitions of a 20% equity interest in Pangold Development Ltd. and a 30% equity interest in Winnion Ltd., both being the Group's joint ventures with the USI Group. These two new associated companies are respectively owners of the site at No. 157 Argyle Street, Kowloon and the commercial/office building at Nos. 314-324 Hennessy Road, Wanchai. In January 2006, independent shareholders of the Company also approved the Group's acquisition of a 30% interest in Winquest Investment Pte. Ltd., a joint venture for the redevelopment of the *Belle Vue* residential development at 15-23 Oxley Walk, Singapore and in which Wing Tai Holdings Ltd. has a 60% interest. During the year, the Group also formed a new wholly-owned subsidiary in Singapore in the name of Winnance Investment Pte. Ltd. to serve as an investment vehicle for future projects. Apart from the above, there are no other changes in the Group's structure.

### Valuation of Properties

The aggregate professional valuation of the Group's investment properties at 31 March 2006 was about HK\$4,023.4 million. The resulting valuation increase of about HK\$672.5 million has been recognized in the Group's income statement in accordance with Hong Kong Accounting Standard 40.

## PROJECT PROGRESS

### Office development at 102 How Ming Street, Hong Kong

This twin-tower development in Kwun Tong will provide about 1.2 million sq.ft. of grade A office space upon its scheduled completion in the second half year of 2008. Foundation work is near completion, and the main construction contract will be awarded in the next few months. It is the Group's intention to hold the developed property for rental income upon completion.

### "The Grandville", Hong Kong

The Group has a 10% indirect interest in this luxurious residential development at No. 2 Lok Kwai Path, Sha Tin. Over 90% of the development has been pre-sold at an average price of about HK\$7,500 per sq.ft. Construction work is near completion and a significant contribution from this project is expected for the current year.

### "Draycott 8", Singapore

The Group has a 15% interest in this completed prime residential development having a total of 136 units with floor areas ranging from 1,200 sq.ft. to 4,200 sq.ft. approximately. Over 50% of the units and floor area have been sold by the end of June 2006. The joint venture company has repaid all bank borrowings in full and repaid part of the shareholder's loans to the Group in May 2006.

### "Kovan Melody", Singapore

The Group has a 12% indirect interest in this condominium apartment development with a gross floor area of about 952,000 sq.ft., completion of which is scheduled for the end of 2006. About 70% of the development has been pre-sold by the end of June 2006.

### No. 157 Argyle Street, Hong Kong

The Group has a 20% interest in this site located in Kowloon's traditional luxury residential area. The joint venture company is in discussion with Government for a lease modification to allow a high-rise residential development on the site. The gross floor area of this development project is expected to be about 90,000 sq.ft.

### **Nos. 314-324 Hennessy Road, Hong Kong**

The Group has a 30% interest in this commercial/office building with a total gross floor area of about 114,000 sq.ft. The joint venture company is refurbishing the building to provide both grade A office and upscale retail space to serve the rapidly changing Wan Chai district and capture the upswing in the retail and office market in Hong Kong.

### **“Belle Vue”, Singapore**

The Group has a 30% interest in this luxury residential development at 15-23 Oxley Walk, Singapore, having a site area of about 244,000 sq.ft. and a maximum allowable gross floor area of about 341,000 sq.ft. The joint venture company has completed acquisition of the site and the existing buildings thereon at the end of June 2006. Upon scheduled completion at the end of 2009, this development project will provide about 180 condominium units each with a floor area of about 2,000 sq.ft.

## **EMPLOYEES**

As at 31 March 2006, the Group employed a total of 212 employees of which 76 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.

## **FINANCIAL REVIEW**

All the Group's financing and treasury operations are centrally managed and controlled at the corporate level.

### **Liquidity**

Sales proceeds and investment returns received during the year have significantly strengthened the Group's liquidity, gearing and overall financial position. As at 31 March 2006, the Group carried a net cash surplus of HK\$354.8 million, after netting off total debts of HK\$75.0 million from the bank balances and cash of HK\$429.8 million. Shareholders' equity as at 31 March 2006 amounted to HK\$4,418.5 million. Based on the restated balance sheet as at 31 March 2005, the Group's gearing as at that date was 5.7% calculated as the ratio of net debts of HK\$213.4 million to shareholders' equity of HK\$3,735.0 million.

### **Bank Borrowings**

The Group's total bank borrowings have been reduced by HK\$214.6 million during the year and stood at HK\$39.6 million as at 31 March 2006, comprising a very small overdraft balance and a single term loan denominated in Singapore dollars and repayable within the next two years. This loan is backed up by the assets and cash flow of the Group's operations in Singapore.

The Group's bank borrowings and other unutilized banking facilities are secured by certain investment properties with a total carrying amount of HK\$1,150.9 million as at 31 March 2006. Interest is calculated on a floating rate basis. Interest rate swap contracts for an aggregate notional principal amount of HK\$380 million were in effect throughout the year, and 2 contracts aggregating HK\$80 million have lapsed since 31 March 2006. In anticipation of the draw down of the construction loan facility for the development of 102 How Ming Street, Kwun Tong, the remaining contracts will be maintained. In accordance with the Group's changed accounting policies, these contracts are now carried at fair value in the Group's balance sheet as derivative financial instruments. The net carrying amount as at 31 March 2006 was HK\$1.9 million under current assets and a fair value gain of HK\$3.2 million was recognized as other operating income for the year.

### **Other Borrowings**

At 31 March 2006 the Group also carried other long term loans amounting to HK\$35.4 million, being unsecured interest-free loans with no fixed terms of repayment from minority shareholders of two subsidiaries. A sum of HK\$42,000 was repaid during the year.

### **Capital Commitments**

The Group's contracted capital commitments in respect of investment properties amounted to HK\$98.5 million as at 31 March 2006 and were all in relation to the professional fees and foundation works of the office development at 102 How Ming Street.

The Group's capital commitments in respect of investments in associated companies aggregated HK\$544.4 million as at 31 March 2006, of which HK\$45.2 million was in relation to the refurbishment costs of Nos. 314-324 Hennessy Road, Hong Kong to be incurred by Winnion Ltd. and HK\$499.2 million was in relation to the balance of the acquisition cost and the development cost of the *Belle Vue* project in Singapore to be incurred by Winquest Investment Pte. Ltd.

## Chairman's Statement *(continued)*

The banking facilities arranged by the relevant associated companies were put in place in June 2006. Winnion Ltd. has drawn down a tranche of its banking facilities and repaid about HK\$111.2 million to the Group at the end of June 2006. About HK\$372.5 million out of the Group's aforesaid capital commitment of HK\$499.2 million to Winquest Investment Pte. Ltd. will now be financed by its banking facilities. At the end of June 2006, the Group advanced a further sum of about HK\$115 million to Winquest Investment Pte. Ltd. towards the balance of its acquisition cost of the *Belle Vue* project which was not funded by its banking facilities.

### Contingent Liabilities

A several bank guarantee to the extent of HK\$100 million previously provided by the Group in relation to *The Grandville* project was released in August 2005. As at 31 March 2006, the Group's contingent liabilities in the sum of HK\$115.1 million were wholly in respect of an indemnity provided to secure banking facilities granted to the *Kovan Melody* project. A several bank guarantee to the extent of HK\$127.7 million and a deed of completion undertaking in which the Company's obligations are several and limited to HK\$372.5 million were issued by the Company at the end of June 2006 in relation to the banking facilities granted to Winnion Ltd. and Winquest Investment Pte. Ltd. respectively.

### OUTLOOK

As reported in the above, the Group's assets mix has undergone significant transformation over the past 2 years, strengthening the Group's financial position.

Despite the reduction in the Group's rental income base as a result of the disposals, improvement in the occupancy, rental and capital value of the Group's remaining properties in Hong Kong has lessened the impact on recurrent income. Investment returns from *The Grandville*, *Draycott 8* and *Kovan Melody* are expected to contribute to the Group's results in the next 24 months. Thereafter, contribution of the three new investments made during the year under review should come on stream. While the Group's resources will be directed to the office development at 102 How Ming Street over the next 2 to 3 years, the Group will also continue to seek investment opportunities both in and outside Hong Kong. In view of the foregoing and barring unforeseen circumstances, the Directors are cautiously optimistic of the Group's prospects.

### DIVIDEND

The Directors have recommended a final dividend of HK\$0.19 per share for the year ended 31 March 2006. Subject to approval of the Annual General Meeting to be held on 24 August 2006, total dividend for the year ended 31 March 2006 will amount to HK\$0.28 per share and the total amount distributed will be HK\$72,712,000. The final dividend will be payable on 6 September 2006 to all shareholders on register as at 24 August 2006.

### TRIBUTE

On behalf of the Board of Directors, I would like to thank the management and staff for their continuing commitment and efforts towards the growth of the Group and in making this year's record results possible.

**Cheng Wai Chee, Christopher**  
Chairman

Hong Kong, 13 July 2006

# Report of the Directors

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 March 2006.

## Principal Activities

The principal activity of the Company is investment holding. The names, particulars and principal activities of its subsidiaries and associated companies are set out on pages 60 to 61.

## Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 21.

An analysis of the Group's turnover, results, assets and liabilities by business and geographical segments is set out in note 5 to the financial statements.

A summary of the results and of the assets and liabilities of the Group for the last 5 years is set out on page 64.

An interim dividend of HK\$0.09 per share, totalling HK\$23,372,000, was paid on 9 February 2006. The Directors have recommended a final dividend of HK\$0.19 per share, totalling HK\$49,340,000, payable on 6 September 2006.

## Pre-emptive Rights

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

## Share Capital

There was no movement in the share capital of the Company during the year.

## Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 31 to the financial statements.

## Distributable Reserves

Under the Cayman Islands Companies Law, contributed surplus is distributable. Accordingly, total distributable reserves of the Company as at 31 March 2006 amounted to HK\$2,758,702,000 (2005: HK\$2,649,674,000).

## Donations

Charitable and other donations made by the Group during the year amounted to HK\$55,000 (2005: HK\$100,000).

## Property, Plant and Equipment and Investment Properties

Movements in property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements respectively.

## Principal Properties

Details of the principal properties held by the Group are set out on page 62.

## 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.

Mr. Cheng Wai Chee, Christopher, Mr. Chow Wai Wai, John, Mr. Christopher Patrick Langley, Dr. Lo Ka Shui and Mr. Lam Woon Bun retire by rotation under the provisions of Article 116 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.

## Directors' Interests in Contracts and in Equity or Debt Securities

Save and except as disclosed in the section "Connected Transactions", 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.

# Report of the Directors *(continued)*

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 2006 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	—	110,781,887	110,808,887	42.67%
Mr. Chow Wai Wai, John	2,713,000	—	—	—	2,713,000	1.04%
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 personal interest in 0.39% and a corporate interest in 28.58% of the issued share capital of USI Holdings Ltd. (“USI”). Wing Tai is also interested in 21.02% 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 38,991,387 ordinary shares in the Company as from 15 March 2006. 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 2006.

## Directors’ Interest in Competing Businesses

Set out below is information disclosed pursuant to rule 8.10(2) of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) : -

Four Executive Directors, namely Messrs. Chow Wai Wai, John,

Lam Woon Bun, Chung Hon Sing, John and Chow Wei Lin, and a Non-Executive Director, namely Mr. Tang Ming Chien, Manning, being also directors of Winsor Industrial Corporation, Limited (“WICL”) and/or its subsidiaries, are considered as interested in WICL under rule 8.10(2) of the Listing Rules. WICL is a company listed in Hong Kong.

Ownership of certain car parking spaces in Kwun Tong for letting by a subsidiary of WICL constitutes competing business to the Group. In view of the Group’s experience and expertise in industrial property (inclusive of car parking spaces) letting and management, the WICL subsidiary has appointed a subsidiary of the Company as agent for letting of the said car parking spaces.

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

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

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

USI is a company listed in Hong Kong with an independent management team and administration which are separate from those of the Group and the properties let 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 business.

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) of the Listing Rules. Businesses of GEHL consist of property and hotel investments and in this respect constitute potential competing businesses to the Group.

GEHL is a company listed in Hong Kong with an independent management team and administration which are separated from those of the Group and the properties let and managed by GEHL and the Group are targeting at different customer bases and different market segments. In this respect, coupled with the diligence of its 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.

## 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 2006 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				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			
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 &amp; 3)</i>	10,233,875	2,736,088	26,968,000		39,937,963	15.38%
Mrs. Chou Yim Wan Chun, Ina <i>(Note 3)</i>	2,736,088	37,201,875	—		39,937,963	15.38%
Mr. Chow Chung Kai <i>(Notes 2 &amp; 4)</i>	12,864,665	9,000	26,968,000		39,841,665	15.34%
Mrs. Chow Yu Yue Chen <i>(Note 4)</i>	9,000	39,832,665	—		39,841,665	15.34%
Twin Dragon Investments Limited	38,900,887	—	—		38,900,887	14.98%
USI Holdings (B.V.I.) Limited <i>(Note 5)</i>	—	—	38,991,387		38,991,387	15.01%
USI Holdings Limited <i>(Note 5)</i>	—	—	38,991,387		38,991,387	15.01%
Gala Land Investment Co. Limited	26,968,000	—	—		26,968,000	10.38%
Farnham Group Limited <i>(Note 2)</i>	—	—	26,968,000		26,968,000	10.38%

### 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 38,991,387 shares in the Company, 38,900,887 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 2006 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.

### Sufficiency of Public Float

Based on information that was publicly available to the Company and within the knowledge of the Directors, there was sufficient public float of more than 25% of the Company's issued shares at the date of this report.

### Connected Transactions

The following is a summary of the Group's connected transactions (as defined in the Listing Rules) during the year : –

- (a) WICL is an associate (within the meaning of the Listing Rules) of 2 substantial shareholders of the Company and therefore a connected person of the Company under the Listing Rules.

Rental and storage income and leasing agency fee received from, rental expenses paid to, and sharing of administrative expenses with the WICL Group on normal commercial terms in the ordinary and usual course of the Group's business during the year constituted continuing connected transactions and are exempted under rule 14A.33 of the Listing Rules for being *de minimis* transactions.

Mr. Chow Wai Wai, John, Mr. Lam Woon Bun, Mr. Chung Hon Sing, John and Mr. Chow Wei Lin, Executive Directors, and Mr. Tang Ming Chien, Manning, a Non-Executive Director, are also directors of WICL and/or its subsidiaries

- (b) USI is deemed a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules.

On 18 April 2002, Allied Effort Limited ("AEL"), a wholly-owned subsidiary of the Company, and USI Properties International Limited, a wholly-owned subsidiary of USI, formed a 20:80 joint venture company in the name of Universal Plus Limited ("UPL") for the sole purpose of investing in 50% of the issued share capital of Landyork Investment Limited ("Landyork"). The other 50% of the issued share capital of Landyork is held by an independent third party.

Landyork is the developer of the residential development known as *The Granville* at No. 2 Lok Kwai Path, Sha Tin,

New Territories, Hong Kong. Using the sale proceeds of *The Granville*, Landyork has repaid all bank borrowings and shareholders' loans in full, and advanced its surplus cash to its shareholders free of interest on a proportionate basis. In turn, UPL has advanced its surplus cash to its shareholders free of interest on a proportionate basis. During the year, an aggregate sum of about HK\$24.3 million was advanced by UPL to AEL accordingly.

Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, Non-Executive Directors, and their alternate director, Mr. Au Hing Lun, Dennis, are also executive directors of USI.

- (c) Wing Tai is deemed a substantial shareholder of the Company and therefore a connected person of the Company under the Listing Rules.

On 21 June 2002, Winprop Pte. Ltd. ("Winprop"), a wholly-owned subsidiary of the Company, entered into a subscription agreement with Winworth Investment Pte Ltd, Singapore ("Winworth") pursuant to which Winprop subscribed for 15% of the enlarged share capital of Winworth and advanced a sum of S\$30 million to Winworth. The other 85% of the issued share capital of Winworth is held by Wing Tai Land Pte. Ltd. ("WTL"), a wholly-owned subsidiary of Wing Tai. On 26 June 2002, Winprop and WTL entered into a joint venture agreement to regulate, amongst other things, their relationship as shareholders of Winworth. For a nominal consideration Winprop also acquired from WTL a portion of the loan previously advanced by WTL to Winworth such that the loans owing by Winworth to Winprop and WTL respectively are always in the proportion of 15:85.

Winworth is the developer of the residential development known as *Draycott 8* at Draycott Drive, Singapore. During the year, an aggregate sum of about HK\$15.3 million was advanced by Winprop to Winworth and interest receivable by Winprop from Winworth amounted to about HK\$2.2 million.

Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, Non-Executive Directors, are both beneficiaries of a family trust, the assets of which included indirect interests in 38.87% of Wing Tai's issued share capital.

Mr. Christopher Patrick Langley, an Independent Non-Executive Director, is also an independent non-executive director of Wing Tai.

# Report of the Directors *(continued)*

- (d) On 20 November 2003, Winprop, WTL and Kosheen Investments Limited, a wholly-owned subsidiary of USI, formed a 20:60:20 joint venture company in the name of Winwill Investment Pte Ltd (“Winwill”). Winwill is an investment vehicle and its sole business is to invest in 60% of the issued share capital of Winhome Investment Pte Ltd (“Winhome”). The other 2 shareholders of Winhome each holding 20% of Winhome’s issued share capital are independent third parties.

Winhome is the developer of the residential development known as *Kovan Melody* at Flower Road/Kovan Road, Singapore. Loans advanced by Winprop to Winhome through Winwill in previous years were in proportion to Winprop’s effective interest in Winhome. During the year, interest receivable by Winprop from Winhome through Winwill amounted to about HK\$1.9 million.

- (e) On 1 November 2004, Winsor Estate Management Limited (“WEML”), a wholly-owned subsidiary of the Company, was appointed estate manager of two properties owned by the USI Group on normal commercial terms in the ordinary and usual course of WEML’s business. Services provided by WEML during the year under such appointment constituted continuing connected transactions and are exempted under rule 14A.33 of the Listing Rules for being *de minimis* transactions.

- (f) On 3 December 2004, Begin Land Limited (“BLL”), a wholly-owned subsidiary of the Company, appointed USI Property Management Limited (“USIPML”), a wholly-owned subsidiary of USI, as the project manager of BLL’s office development at 102 How Ming Street, Kwun Tong, Hong Kong. The term of USIPML’s appointment is estimated to be for a period of approximately 70 months commencing on 1 December 2004, and the total fee payable by BLL to USIPML is estimated to be about HK\$7.9 million of which HK\$1.8 million was paid during the year.

- (g) On 14 March 2005, the Company and USI entered into a memorandum of agreement whereby the Company and USI agreed to form a 20:80 joint venture in the name of Pangold Development Limited (“Pangold”) for the investment in and development of the property situated at No. 157 Argyle Street, Kowloon, Hong Kong acquired by Pangold on 1 March 2005 by way of public tender at the tender purchase price of HK\$250.1 million. The Company also agreed to acquire from USI 20% of the amount due by Pangold to USI at cost and reimburse USI for 20% of USI’s cost of funding for the said amount.

This connected transaction was approved by the independent shareholders of the Company voting by poll at an extraordinary general meeting held on 21 April 2005.

The Company nominated AEL to hold the Group’s 20% interest in Pangold and a shareholder’s agreement of Pangold was entered into on 14 July 2005. The amount due by Pangold to AEL, as acquired from USI, amounted to about HK\$53.1 million and interest receivable by AEL from Pangold during the year amounted to about HK\$1.7 million.

- (h) On 30 September 2005, the Company and USI entered into a memorandum of agreement whereby the Company and USI agreed to form a 30:70 joint venture in the name of Winnion Limited (“Winnion”) in respect of the property situated at Nos. 314-324 Hennessy Road, Wanchai, Hong Kong acquired by Winnion on 20 July 2005 by way of public tender at the tender purchase price of HK\$529 million. Winnion will renovate and hold the said property for investment purpose. The Company also agreed to acquire from USI 30% of the amount due by Winnion to USI at cost and reimburse USI for 30% of USI’s cost of funding for the said amount.

This connected transaction was approved by the independent shareholders of the Company voting by poll at an extraordinary general meeting held on 9 November 2005.

The Company nominated AEL to hold the Group’s 30% interest in Winnion and a shareholder’s agreement of Winnion was entered into on 28 November 2005. The amount due by Winnion to AEL, as acquired from USI, amounted to about HK\$167.7 million and interest receivable by AEL from Winnion during the year amounted to about HK\$2.7 million.

AEL’s total investment in Winnion was estimated to be about HK\$210 million if no external financing were obtained by Winnion. In June 2006, Winnion obtained bank facilities totalling HK\$425.5 million and made a drawdown of HK\$370.5 million to repay shareholders’ loans. HK\$111.15 million was repaid to AEL proportionately and AEL’s estimated total investment in Winnion was thereby reduced to about HK\$99 million.

- (i) On 20 December 2005, Winprop and WTL entered into a memorandum of agreement whereby Winprop and WTL agreed to form a 30:70 joint venture in the name of Winquest Investment Pte. Ltd. (“Winquest”) in respect of the residential development known as *Belle Vue* at 15-23 Oxley Walk, Singapore acquired by Winquest on 7 October 2005 by way of private tender at the tender purchase price of

S\$227.3 million. Winqest paid a 5% deposit and the acquisition was scheduled to be completed at the end of June 2006. Winqest plans to redevelop the said property into luxury residential apartment units for sale. Winprop also agreed to acquire from WTL 30% of the amount due by Winqest to WTL together with interest accrued thereon at a price equal to 30% of the aggregate amount at which the same appear in the books of Winqest as at the date of Winprop's acquisition. WTL was entitled to reduce its equity interest in Winqest by 10%.

This connected transaction was approved by the independent shareholders of the Company voting by poll at an extraordinary general meeting held on 26 January 2006.

WTL subsequently sold 10% of Winqest to an independent third party. A shareholders' agreement of Winqest was entered into on 28 February 2006. The amount due by Winqest to Winprop, as acquired from WTL, amounted to about HK\$15.1 million and interest receivable by Winprop from Winqest during the year amounted to about HK\$0.1 million.

Winprop's total investment in Winqest was estimated to be about S\$107.25 million if no external financing were obtained by Winqest. In June 2006, Winqest obtained bank facilities totalling S\$259 million and Winprop's estimated total investment in Winqest is thereby reduced to about S\$29.55 million or about HK\$145 million. A further sum of about HK\$110 million was advanced by Winprop to Winqest in June 2006 for Winqest to complete the acquisition of the said property.

## 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

The percentages of the Group's sales for the year attributable to major customers are as follows:

Percentage of sales attributable to the Group's largest customer	80.37%
--	--------

Percentage of sales attributable to the Group's five largest customers	83.77%
--	--------

None of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of

the Company's share capital) has any interest in the customers disclosed above.

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

## Auditors

The financial statements 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, 13 July 2006

# Corporate Governance Report

## Compliance with the Code on Corporate Governance Practices

The Company is committed to maintaining a high standard of corporate governance in the conduct of its business. The Company has observed the principles and complied with all code provisions and, to the extent possible having regard to circumstances pertaining to the Company, the recommended best practices of the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) throughout the year ended 31 March 2006.

## Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding Directors’ securities transactions. The Company has made specific enquiry of all Directors and received confirmation from all Directors that they had complied with the required standard set out in the Model Code throughout the year ended 31 March 2006.

## Board of Directors

The Board of Directors of the Company (“the Board”) is responsible for determining the overall strategies and policies and approving the business plan of the Group, and ensuring the Group’s business operations are properly planned, authorized, undertaken and monitored. The implementation of strategies and policies and day-to-day operations of the Group’s business are delegated to the management led by the Managing Director. All policy matters of the Group, material transactions or transactions where there is conflict of interests are reserved for the Board’s decision. The principal functions of the Board are:

- to determine the overall objectives, strategies, policies and business plan of the Group;
- to monitor and control operating and financial performance;
- to approve major funding, investment and divestment proposals;
- to oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- to approve the nominations of directors and appointment of key personnel; and
- to assume responsibility for corporate governance.

**Board Composition:** The Board as now constituted comprises 5 Executive Directors, 3 Non-Executive Directors and 5 Independent Non-Executive Directors. The names and biographical details of the Directors, and the relationship (if any) among them, are set out on pages 3 to 4 of the Annual Report.

In accordance with rule 3.13 of the Listing Rules, each of the Independent Non-Executive Directors had confirmed his independence with the Stock Exchange and has provided an annual confirmation of his independence to the Company. The Company considers that all the existing Independent Non-Executive Directors are independent.

**Board Meetings:** Regular meetings are scheduled in advance to facilitate the maximum attendance. 4 Board meetings were held during the year ended 31 March 2006 and the attendance of each Director is set out in the section “Attendance to Meetings” of this report.

## Chairman and Chief Executive Officer

Mr. Cheng Wai Chee, Christopher is the Non-Executive Chairman of the Board. Mr. Chow Wai Wai, John, Managing Director, is the Chief Executive Officer of the Group. Their roles are segregated.

The Chairman of the Board is responsible for :

- providing leadership for the Board;
- ensuring that the Board functions effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely and constructive manner;
- ensuring the provision of adequate information, which must be complete and reliable, to Directors in a timely manner;
- ensuring that good corporate governance practices and procedures are established;
- facilitating the effective contribution of Non-executive Directors and ensure constructive relations between Executive and Non-executive Directors; and
- ensuring effective communication with shareholders.

The Chief Executive Officer is responsible, under delegated authority from the Board, for the day-to-day management and running of the Group’s business and implementation of the strategies and policies set by the Board.

## Non-Executive Directors

All Non-Executive Directors, including Independent Non-Executive Directors, are appointed for an initial term expiring at the first annual general meeting of the Company after their respective appointment. In accordance with the Articles of Association of the Company, they shall then be eligible for re-election, and thereafter are subject to retirement by rotation at least once in every three years.

## Remuneration of Directors

Details of the remuneration of Directors are set out in note 7(a) to the audited financial statements for the year ended 31 March 2006.

**Principles of Remuneration Policy:** The major principles of the Group's remuneration policy are:

- no individual is involved in determining his own remuneration;
- remuneration should align with those offered for comparable position by comparable companies of similar size and business scope in the market; and
- remuneration should reflect work complexity, time commitment, responsibility and performance (both financial and qualitative) with a view to attracting, motivating and retaining high performing individuals.

**Directors' Fees:** The Directors' Fees of both Executive and Non-Executive Directors are recommended by the management, reviewed by the Remuneration Committee and approved by the Board on an annual basis.

**Remuneration of Executive Directors:** The structure of the remuneration of the Executive Directors is made up of base salary, performance incentive in the form of cash bonus, and retirement benefits. The specific remuneration packages and performance incentives of the Executive Directors are determined annually by the Remuneration Committee taking into consideration the competitive market position, market practice, responsibilities and individual performance of the Executive Directors, corporate goals and financial results of the Group.

**Remuneration of Board Committees:** The remuneration of the Non-Executive Directors serving on Board committees are recommended by the management and reviewed by the Remuneration Committee for approval by the Board on an annual basis. In accordance with the Articles of Association of the Company, consent of the Company in general meeting will be sought on any change to such remuneration.

**Remuneration Committee:** Pursuant to the CG Code, the Board established a Remuneration Committee with written terms of reference on 1 April 2005. The present Remuneration Committee comprises 2 Independent Non-Executive Directors, namely Mr. Haider Hatam Tyebjee Barma and Mr. Christopher Patrick Langley, and the Managing Director, Mr. Chow Wai Wai, John. Mr. Barma is the Chairman of the Remuneration Committee.

The principal duties and functions of the Remuneration Committee are:

- to make recommendations to the Board regarding the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- to determine the specific remuneration packages of all Executive Directors and senior management;
- to make recommendations to the Board of the remuneration of Non-Executive Directors; and
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

The terms of references of the Remuneration Committee are posted on the website of the Company.

During the year, the Remuneration Committee held 3 meetings and:

- made recommendations to the Board regarding the Company's policy and structure for, the methodology for the determination of, and the frequency of review of all remuneration of Directors;
- reviewed and endorsed the management's proposal of the remuneration of Non-Executive Directors;
- approved the specific remuneration packages of all Executive Directors for the year ended 31 March 2006, the provision of their retirement benefits, and their annual base pay for the year ending 31 March 2007; and
- reviewed the remuneration policy for the Group's general staff and made recommendations to the management,

it being noted that the Group's senior management comprised the Executive Directors.

The attendance of each member of the Remuneration Committee to its meetings is set out in the section "Attendance to Meetings" of this report.

# Corporate Governance Report *(continued)*

## Nomination of Directors

The Board reviews its structure, size and composition from time to time to ensure that it has the balance of skills and experience and independent element appropriate for the requirement of the Group's business. All Directors newly appointed by the Board are appointed for an initial term expiring at the first annual general meeting of the Company after their respective appointment. In accordance with the Articles of Association of the Company, they shall then be eligible for re-election, and thereafter are subject to retirement by rotation at least once in every three years.

Mr. Haider Hatam Tyebjee Barma was nominated and appointed as an Independent Non-Executive Director by the Board during the year.

## Accountability and Audit

**Financial Reporting:** The Directors acknowledge their responsibilities for the preparation of financial statements which give a true and fair view, and to ensure that appropriate accounting policies are selected and applied consistently. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The external auditors of the Company have included a statement of their reporting responsibilities on the financial statements of the Group in the Report of the Auditors on page 20 of the Annual Report.

**Audit Committee:** The Company established an Audit Committee with written terms of reference on 18 December 1998. The present Audit Committee comprises 2 Independent Non-executive Directors, namely Mr. Christopher Patrick Langley and Mr. Ho Fook Hong, Ferdinand and 1 Non-executive Director, Mr. Cheng Wai Chee, Christopher. Mr. Langley is the Chairman of the Audit Committee.

The principal duties and functions of the Audit Committee are:

- to review the Group's financial statements;
- to review the effectiveness of both the external and internal audits and of internal controls and risk evaluation;
- to consider the appointment and remuneration of the external auditors; and
- to consider external and internal audit plans and findings.

The terms of reference of the Audit Committee are posted on the website of the Company.

During the year, the Audit Committee held 4 meetings:

- to review the interim and annual financial statements and the accounting policies and practices adopted by the Group with management and the external auditors;

- to consider the independence and remuneration of the external auditors;
- to discuss the external auditors' audit plan and findings;
- to review the system of internal controls of the Group; and
- to discuss the internal auditor's audit plan and findings.

The attendance of each member of the Audit Committee to its meetings is set out in the section "Attendance to Meetings" of this report.

## Auditors' Remuneration

Remuneration in respect of audit and non-audit services provided during the year by the Company's external auditors, PricewaterhouseCoopers, is analysed as follows:

Services rendered	Remuneration
	HK\$'000
Audit services	750
Non-audit services	287

## Corporate Communication

The Company maintains various communication channels with its shareholders and investors through the publication of notices and announcements in newspapers, dispatch of circulars, annual reports and interim reports to shareholders, and publication of all the above on the Stock Exchange's website at [www.hkex.com.hk](http://www.hkex.com.hk).

The Company's website at [www.winsorprop.com](http://www.winsorprop.com) also provides access to shareholders and investors of the Company's corporate, financial and other information updated from time to time.

## Voting by Poll

Separate resolutions are proposed at an general meeting on each substantially separate issue. Details of the procedures for voting by poll and the rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the notice of the general meeting.

## Attendance to Meetings

The attendance of individual Directors at Board and Committee meetings during the year ended 31 March 2006 is set out below:

Name of Director	Board Meetings	Remuneration Committee Meetings	Audit Committee Meetings
<b>Executive Directors:</b>			
Mr. Chow Wai Wai, John ( <i>Managing Director</i> )	4/4	3/3	NA
Mr. Lam Woon Bun	4/4	NA	NA
Mrs. Chen Chou Mei Mei, Vivien	4/4	NA	NA
Mr. Chung Hon Sing, John	3/4	NA	NA
Mr. Chow Wei Lin	3/4	NA	NA
<b>Non-Executive Directors:</b>			
Mr. Cheng Wai Chee, Christopher ( <i>Chairman of the Board</i> )	4/4	NA	3/4
Mr. Cheng Wai Sun, Edward	3/4	NA	NA
Mr. Tang Ming Chien, Manning	3/4	NA	NA
<b>Independent Non-Executive Directors:</b>			
Lord Sandberg	1/4	NA	NA
Mr. Christopher Patrick Langley	4/4	3/3	4/4
Mr. Ho Fook Hong, Ferdinand	4/4	NA	4/4
Dr. Lo Ka Shui	3/4	NA	NA
Mr. Haider Hatam Tyebjee Barma	4/4	3/3	NA

# 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 financial statements on pages 21 to 61 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 to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

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

### **Basis of opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2006 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, 13 July 2006

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

For the year ended 31 March 2006

	<i>Note</i>	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000 Restated
<b>Turnover</b>	<i>5</i>	<b>933,163</b>	508,936
Cost of sales		<u>(728,458)</u>	<u>(98,809)</u>
Gross profit		<b>204,705</b>	410,127
Other income	<i>5</i>	<b>111,406</b>	115,938
Selling expenses		<b>(7,616)</b>	(5,311)
Administrative expenses		<b>(34,741)</b>	(29,009)
Increase in fair value of investment properties		<b>672,460</b>	—
Other operating income		<b>4,705</b>	2,847
Other operating expenses		<u>(4,718)</u>	<u>(8,862)</u>
		<b>946,201</b>	485,730
Finance costs	<i>8</i>	<u>(4,033)</u>	<u>(7,586)</u>
<b>Operating profit</b>	<i>5,6</i>	<b>942,168</b>	478,144
Share of profits less losses of associated companies		<u>993</u>	<u>427</u>
<b>Profit before taxation</b>		<b>943,161</b>	478,571
Taxation	<i>10</i>	<u>(124,103)</u>	<u>(14,810)</u>
<b>Profit for the year</b>		<u><b>819,058</b></u>	<u>463,761</u>
<b>Attributable to:</b>			
Shareholders of the Company	<i>11</i>	<b>816,627</b>	459,809
Minority interests		<u>2,431</u>	<u>3,952</u>
		<u><b>819,058</b></u>	<u>463,761</u>
		<b>HK\$</b>	<b>HK\$</b>
<b>Earnings per share</b>	<i>12</i>	<u><b>3.14</b></u>	<u>1.77</u>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Dividends</b>	<i>13</i>	<u><b>72,712</b></u>	<u>64,921</u>

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

At 31 March 2006

	<i>Note</i>	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000 Restated
<b>Non-current assets</b>			
Property, plant and equipment	15	32,091	2,231,990
Investment properties	16	4,023,360	1,628,039
Associated companies	18	240,426	19,558
Available-for-sale financial assets	19	213,926	—
Loans and receivables	20	155,313	—
Other investments	21	—	438,176
Deferred tax assets	29	3,191	5,675
		<u>4,668,307</u>	<u>4,323,438</u>
<b>Current assets</b>			
Properties for sale		—	127,842
Trade and other receivables	22	15,506	164,852
Derivative financial instruments	23	1,863	—
Bank balances and cash	24	429,790	76,222
		<u>447,159</u>	<u>368,916</u>
<b>Current liabilities</b>			
Trade and other payables and accruals	25	35,162	192,160
Bank loans and overdrafts	26	2,409	81,364
Tax payable		59,982	11,869
		<u>97,553</u>	<u>285,393</u>
<b>Net current assets</b>		<u>349,606</u>	<u>83,523</u>
<b>Total assets less current liabilities</b>		<u>5,017,913</u>	<u>4,406,961</u>
<b>Non-current liabilities</b>			
Long term bank loans	27	37,154	172,848
Other long term loans	28	35,378	35,420
Deferred tax liabilities	29	524,435	463,693
		<u>596,967</u>	<u>671,961</u>
<b>Net assets</b>		<u>4,420,946</u>	<u>3,735,000</u>
Share capital	30	2,596	2,596
Other reserves	31	914,233	3,025,071
Retained earnings	31	3,452,346	660,610
Proposed final dividend	31	49,340	46,743
<b>Equity attributable to shareholders of the Company</b>		<u>4,418,515</u>	<u>3,735,020</u>
Minority interests	36(c)	2,431	(20)
<b>Total equity</b>		<u>4,420,946</u>	<u>3,735,000</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)***Balance Sheet**

At 31 March 2006

	<i>Note</i>	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000
<b>Subsidiaries</b>	<i>17</i>	<u><b>2,761,274</b></u>	<u>2,652,184</u>
<b>Current assets</b>			
Other receivables	<i>22</i>	<b>226</b>	269
Bank balances and cash		<u><b>34</b></u>	<u>53</u>
		<u><b>260</b></u>	<u>322</u>
<b>Current liabilities</b>			
Other payables and accruals	<i>25</i>	<u><b>236</b></u>	<u>236</u>
<b>Net current assets</b>		<u><b>24</b></u>	<u>86</u>
<b>Total assets less current liabilities</b>		<u><b>2,761,298</b></u>	<u>2,652,270</u>
Share capital	<i>30</i>	<b>2,596</b>	2,596
Other reserves	<i>31</i>	<b>2,607,867</b>	2,585,172
Retained earnings	<i>31</i>	<b>101,495</b>	17,759
Proposed final dividend	<i>31</i>	<u><b>49,340</b></u>	<u>46,743</u>
<b>Total equity</b>		<u><b>2,761,298</b></u>	<u>2,652,270</u>

**CHENG Wai Chee, Christopher**  
*Director*

**CHOW Wai Wai, John**  
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2006

	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Shareholders HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 31 March 2005, as previously reported	2,596	3,510,915	660,610	4,174,121	(20)	4,174,101
Prior year adjustment upon the adoption of HK(SIC)-Int 21 on deferred tax arising from revaluation of properties	—	(439,101)	—	(439,101)	—	(439,101)
At 31 March 2005, as restated	2,596	3,071,814	660,610	3,735,020	(20)	3,735,000
Opening adjustments for the adoption of:						
- HKASs 32 and 39	—	—	(1,511)	(1,511)	—	(1,511)
- HKAS 40	—	(1,996,979)	1,996,979	—	—	—
	—	(1,996,979)	1,995,468	(1,511)	—	(1,511)
At 1 April 2005, as restated	2,596	1,074,835	2,656,078	3,733,509	(20)	3,733,489
Exchange translation differences	—	869	—	869	20	889
Transferred upon disposal of properties for sale	—	(28,981)	28,981	—	—	—
Fair value gain on available-for-sale financial assets	—	10,061	—	10,061	—	10,061
Realised on distribution by an unlisted investment	—	(72,436)	—	(72,436)	—	(72,436)
Net (losses)/gains recognised directly in equity	—	(90,487)	28,981	(61,506)	20	(61,486)
	2,596	984,348	2,685,059	3,672,003	—	3,672,003
Profit for the year	—	—	816,627	816,627	2,431	819,058
Dividends paid	—	(70,115)	—	(70,115)	—	(70,115)
At 31 March 2006	2,596	914,233	3,501,686	4,418,515	2,431	4,420,946
At 31 March 2004, as previously reported	2,596	2,393,088	218,979	2,614,663	(11,381)	2,603,282
Prior year adjustment upon the adoption of HK(SIC)-Int 21 on deferred tax arising from revaluation of properties	—	(218,209)	—	(218,209)	—	(218,209)
At 31 March 2004, as restated	2,596	2,174,879	218,979	2,396,454	(11,381)	2,385,073
Exchange translation differences	—	(3,485)	—	(3,485)	—	(3,485)
Revaluation surpluses on investment properties and other investments, net of tax	—	1,225,376	—	1,225,376	—	1,225,376
Realised on disposal of subsidiaries	—	(854)	—	(854)	7,409	6,555
Realised on disposal of investment properties	—	(216,600)	—	(216,600)	—	(216,600)
Realised on distribution by an unlisted investment	—	(89,324)	—	(89,324)	—	(89,324)
Net gains recognised directly in equity	—	915,113	—	915,113	7,409	922,522
	2,596	3,089,992	218,979	3,311,567	(3,972)	3,307,595
Profit for the year	—	—	459,809	459,809	3,952	463,761
Dividends paid	—	(18,178)	(18,178)	(36,356)	—	(36,356)
At 31 March 2005	2,596	3,071,814	660,610	3,735,020	(20)	3,735,000

**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 2006

	<i>Note</i>	<b>2006</b> <b>HK\$'000</b>	2005 HK\$'000
<b>Net cash inflow generated from operations</b>	<i>36(a)</i>	<b>71,802</b>	93,370
Interest paid		(5,957)	(7,936)
Hong Kong profits tax paid		(12,712)	(7,894)
Overseas tax paid		(52)	(300)
<b>Net cash from operating activities</b>		<b>53,081</b>	77,240
<b>Investing activities</b>			
Purchase of plant and equipment		(2,659)	(1,059)
Property development expenditure		(67,086)	(3,143)
Proceeds from disposal of plant and equipment, investment properties and properties for sale		768,052	309,975
Interest received		13,339	2,155
Net cash outflow on disposal of subsidiaries	<i>36(b)</i>	—	(26,979)
Dividends received		79,483	101,945
Capital or loan contributions to associated companies		(238,646)	(5,939)
Amounts repaid and advanced by an associated company		25,623	94,243
Loans/amounts advanced to an investee company		(15,461)	(12,226)
Distribution by an investee company		24,280	29,908
<b>Net cash from investing activities</b>		<b>586,925</b>	488,880
<b>Financing activities</b>	<i>36(c)</i>		
New long term bank loans		295,000	280,552
New short term bank loans		—	81,000
Repayment of long term bank loans		(509,661)	(790,759)
Repayment of short term bank loans		—	(133,296)
Repayment of other long term loans		(42)	(13,159)
Dividends paid		(70,115)	(36,356)
<b>Net cash used in financing activities</b>		<b>(284,818)</b>	(612,018)
<b>Effect of foreign exchange rate changes</b>		<b>(1,632)</b>	(4,065)
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>353,556</b>	(49,963)
Cash and cash equivalents at the beginning of the year		76,222	126,185
<b>Cash and cash equivalents at the end of the year</b>		<b>429,778</b>	76,222
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash		429,790	76,222
Bank overdrafts		(12)	—
		<b>429,778</b>	76,222

# Notes to the Financial Statements

## 1. General information

Winsor Properties Holdings Limited (“the Company”) is a limited liability company incorporated under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The Company and its subsidiaries (collectively known as the “Group”) are principally engaged in property investment and development and management, warehousing and investment holding.

These financial statements have been approved for issue by the Board of Directors of the Company on 13 July 2006.

## 2. Basis of preparation and summary of significant accounting policies

### (a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) under the historical cost convention except that, as disclosed in the accounting policies below, buildings, investment properties, available-for-sale financial assets and derivative financial instruments are carried at fair values.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

### (b) Changes in accounting policies

The Group adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”) and interpretations (“HK(SIC)-Int”) (collectively the “HKFRSs”) which are effective for accounting periods commencing on or after 1 January 2005 and relevant to the operations of the Group:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HK(SIC)-Int 15	Operating Leases — Incentives
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-Depreciable Assets
HKFRS 3	Business Combinations

The overall effects of the adoption of the new and revised HKFRSs are to decrease the opening equity (including minority interests) as at 1 April 2005 and 2004 by HK\$440,612,000 and HK\$218,209,000 respectively. The application of the new and revised HKFRSs has also resulted in a change in the presentation of the income statement, balance sheet and statement of changes in equity. In particular, the presentation of minority interests and the Group’s share of taxation attributable to associated companies have been changed in accordance with HKAS 1. The comparative figures have been amended as required in accordance with the relevant requirements.

**(b) Changes in accounting policies (continued)**

Details of the major changes in the Group's accounting policies are as follows:

**(i) Investment properties**

The adoption of HKAS 40 "Investment Property" has resulted in a change in the accounting policy for and classification of investment properties. In prior years, the increases in fair value were credited to investment properties revaluation reserve whereas decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement. Following the adoption of HKAS 40, changes in fair value of investment properties are recognised in the income statement.

In accordance with the transitional provisions of HKAS 40, the amount held in investment properties revaluation reserve as at 1 April 2005 has been reclassified to the Group's retained earnings. Also, with the wider definition of investment properties as set out in HKAS 40, the Group has reclassified a property held for development as an investment property and its related land and buildings revaluation reserve as at 1 April 2005 has also been reclassified to the Group's retained earnings. The Group adopted HKAS 40 prospectively and accordingly the comparative figures of the relevant balance sheet items, income statement items and related disclosure information have not been restated.

**(ii) Deferred taxation**

The adoption of HK(SIC)-Int 21 "Income Taxes - Recovery of Revalued Non-Depreciable Assets" has resulted in a change in the accounting policy relating to the measurement of deferred taxation arising from the revaluation of investment properties. Such deferred taxation is measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use and is calculated at the profits tax rate.

In prior years, the carrying amount of the asset was expected to be recovered through sale. No provision for deferred taxation on revaluation of investment properties in Hong Kong was made as the deferred taxation was calculated at the tax rate applicable on eventual sale, which in Hong Kong is nil.

HK(SIC)-Int 21 does not have any transitional provisions and this change in accounting policy has been applied retrospectively and comparative figures have been restated accordingly.

**(iii) Financial instruments**

The adoption of HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement" has resulted in a change in accounting policy for recognition, measurement and disclosure of financial instruments.

In prior years, financial derivatives held by the Group were not recorded on the balance sheet. From 1 April 2005 onwards, all financial derivatives that are within the scope of HKASs 32 and 39 are required to be carried at fair value at each balance sheet date. Depending on the type of hedging relationship, subsequent changes in the fair value of financial derivatives and hedged items are recognised in the income statement or directly transferred to hedging reserve.

The Group has also redesignated its other investments as "available-for-sale financial assets" or "loans and receivables" on 1 April 2005. The changes in fair values for available-for-sale financial assets are recognised in equity. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

As HKAS 39 does not permit recognition, derecognition and measurement of financial instruments on a retrospective basis, all the related financial impacts on the Group's financial statements in prior years are reflected as opening adjustments to the Group's equity as at 1 April 2005 and accordingly, the comparative figures as presented in the financial statements have not been restated.

The adoption of HKASs 2, 7, 8, 10, 16, 17, 21, 23, 24, 27, 28, 33, 36, 37 and HK(SIC)-Int 15 did not result in any significant change to the Group's accounting policies and the presentation of the Group's financial statements.

**(iv) Effects of changes in accounting policies**

The effects of the above changes in accounting policies on the income statement items, earnings per share, balance sheet items and the components of total equity are summarised below:

# Notes to the Financial Statements

## (b) Changes in accounting policies (continued)

### (iv) Effects of changes in accounting policies (continued)

	HKAS 40 HK\$'000	HK(SIC)- Int 21 HK\$'000	HKASs 32 and 39 HK\$'000	Total HK\$'000
<b>For the year ended 31 March 2006</b>				
<u>Income statement items</u>				
Increase in fair value of investment properties	672,460	—	—	672,460
Increase in other operating income	—	—	3,374	3,374
Disposal of properties during the year	(279,649)	55,086	—	(224,563)
Increase in deferred taxation charge	—	(117,345)	—	(117,345)
Increase/(decrease) in profit for the year	<u>392,811</u>	<u>(62,259)</u>	<u>3,374</u>	<u>333,926</u>
Attributable to:				
Shareholders of the Company	392,811	(62,259)	3,374	333,926
Minority interests	—	—	—	—
	<u>392,811</u>	<u>(62,259)</u>	<u>3,374</u>	<u>333,926</u>
Increase/(decrease) in earnings per share (in HK\$)	<u>1.51</u>	<u>(0.24)</u>	<u>0.01</u>	<u>1.28</u>

As the Group adopted HKAS 40 prospectively and HKAS 39 does not permit retrospective application, the changes in the Group's accounting policies as mentioned above did not have any significant impact on the income statement items and earnings per share for the year ended 31 March 2005.

	HKAS 40 HK\$'000	HK(SIC)- Int 21 HK\$'000	HKASs 32 and 39 HK\$'000	Total HK\$'000
<b>At 31 March 2006</b>				
<u>Balance sheet items</u>				
Decrease in property, plant and equipment	(2,200,000)	—	—	(2,200,000)
Increase in investment properties	2,200,000	—	—	2,200,000
Decrease in other investments	—	—	(369,239)	(369,239)
Recognition of available-for-sale financial assets	—	—	213,926	213,926
Recognition of loans and receivables	—	—	155,313	155,313
Recognition of derivative financial instruments	—	—	1,863	1,863
Increase in deferred tax liabilities	—	(501,360)	—	(501,360)
(Decrease)/increase in net assets	<u>—</u>	<u>(501,360)</u>	<u>1,863</u>	<u>(499,497)</u>
<u>Components of total equity</u>				
Decrease in land and buildings revaluation reserve	(1,549,708)	—	—	(1,549,708)
Decrease in investment properties revaluation reserve	(447,271)	—	—	(447,271)
Increase/(decrease) in retained earnings	<u>1,996,979</u>	<u>(501,360)</u>	<u>1,863</u>	<u>1,497,482</u>
(Decrease)/increase in total equity	<u>—</u>	<u>(501,360)</u>	<u>1,863</u>	<u>(499,497)</u>

**(b) Changes in accounting policies (continued)**

(iv) Effects of changes in accounting policies (continued)

	HKAS 40 HK\$'000	HK(SIC)- Int 21 HK\$'000	HKASs 32 and 39 HK\$'000	Total HK\$'000
<b>At 1 April 2005</b>				
<u>Balance sheet items</u>				
Decrease in property, plant and equipment	(2,200,000)	—	—	(2,200,000)
Increase in investment properties	2,200,000	—	—	2,200,000
Decrease in other investments	—	—	(438,176)	(438,176)
Recognition of available-for-sale financial assets	—	—	300,651	300,651
Recognition of loans and receivables	—	—	137,381	137,381
Recognition of derivative financial instruments	—	—	(1,367)	(1,367)
Increase in deferred tax liabilities	—	(439,101)	—	(439,101)
Decrease in net assets	—	(439,101)	(1,511)	(440,612)
<u>Components of total equity</u>				
Decrease in land and buildings revaluation reserve	(1,549,708)	(334,873)	—	(1,884,581)
Decrease in investment properties revaluation reserve	(447,271)	(104,228)	—	(551,499)
Increase/(decrease) in retained earnings	1,996,979	—	(1,511)	1,995,468
Decrease in total equity	—	(439,101)	(1,511)	(440,612)

- (v) Standards, interpretations and amendments to published standards that are not yet effective for the year ended 31 March 2006

Certain new standards, interpretations and amendments to existing accounting standards have been issued by the HKICPA that are relevant to the Group's businesses and are mandatory for the Group's accounting periods beginning on or after 1 April 2006. The Group has not early adopted these new standards, amendments and interpretations for the year ended 31 March 2006. The Group has already commenced an assessment of the impact of these new standards, interpretations and amendments but is not yet in a position to quantify the impact of these new standards, amendments and interpretations on its results of operations and financial position.

**(c) Group accounting**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting

rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired by the Group is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associated company is accounted for using the equity method from the date on which it becomes an associated company. The measurement and recognition of goodwill is the same as that of goodwill arising

# Notes to the Financial Statements

## (c) Group accounting (continued)

from the acquisition of subsidiaries. Goodwill relating to an associated company is included in the carrying amount of the investment.

The consolidated income statement 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 (net of any accumulated impairment losses) on acquisition.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Intercompany transactions and balances between Group companies are eliminated. Unrealised gains on transactions between Group companies and between the Group and its associated companies to the extent of the Group's interest are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of subsidiaries and associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 goodwill and 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 dividend income.

## (d) Property, plant and equipment

Buildings and other property, plant and equipment are stated at valuation or historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, at the following annual rates:

Buildings	4%
Plant, machinery and other equipment	10% – 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gains or losses on disposal of property, plant and equipment are the difference between the net sale proceeds and the carrying amounts of the relevant assets, and are recognised in the income statement. Any revaluation reserve balance remaining attributable to the relevant assets is transferred to retained earnings and is shown as a movement in reserves.

## (e) Investment properties

Property that is held for long term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases and properties being redeveloped for continued future use as investment property. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

**(e) Investment properties** *(continued)*

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out annually by external valuers. Changes in fair values are recognised in the income statement.

Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as revaluation of property, plant and equipment. However, if the fair value gives rise to a reversal of a previous impairment loss, this reversal is recognised in the income statement.

**(f) Assets under leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

**(i) Leases - where the Group is the lessee**

Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease periods.

**(ii) Leases - where the Group is the lessor**

When the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 2(d) above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(p) below.

**(g) Investments**

From 1 April 2004 to 31 March 2005:

The Group classified its investments, other than subsidiaries and associated companies, as other investments which were held for long term purposes and stated at valuation. Increases in valuation were credited to the investment revaluation reserve; decreases were first set off against increases on earlier valuations and thereafter were debited to operating profit. Any subsequent increases were 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 realised, was dealt with in the income statement.

From 1 April 2005 onwards:

The Group classifies its investments in the following categories: available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

**(i) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives and they are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gain or loss.

**(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve

# Notes to the Financial Statements

## **(g) Investments (continued)**

### **(ii) Loans and receivables (continued)**

months after the balance sheet date. These are classified as non-current assets. Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Regular way purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

## **(h) Properties for sale**

Completed properties for sale remaining unsold at the balance sheet date are stated at the lower of cost and net realisable value.

Cost is determined by apportionment of the total land and development costs attributable to the unsold properties. Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses, or by management estimates based on prevailing market conditions.

## **(i) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

## **(j) Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has entered into certain interest rate swap contracts with financial institutions and currently the Group has not maintained the necessary documentation regarding the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. Accordingly, these derivative financial instruments do not qualify for hedge accounting under HKAS 39. Changes in fair value of derivative financial instruments which do not qualify for hedge accounting are recognised immediately in the income statement under other operating income/expense.

## **(k) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts.

## **(l) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligation, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

#### **(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 recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised 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 recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

#### **(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 financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

#### **(o) Translation of foreign currencies**

##### **(i) Functional and presentation currency**

Items included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Hong Kong dollars, which is the Company’s functional and presentation currency.

##### **(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the exchange rates ruling at the balance sheet date are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation difference on non-monetary items of equities classified as available-for-sale financial assets is included in the reserve in equity.

##### **(iii) Group companies**

The results and financial positions of all the entities in the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (2) income and expenses for each income statement are translated at average exchange rates; and
- (3) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

# Notes to the Financial Statements

## **(p) Recognition of revenue and income**

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

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

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

Interest income is recognised on a time proportion basis using the effective interest method.

Storage income and other income is recognised when the related services are rendered.

## **(q) Employee benefits**

Employee entitlements to annual leave and statutory long service payments are recognised 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 recognised 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) Borrowings and borrowing costs**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of these assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as expenses 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.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, investment properties, available-for-sale financial assets, loans and receivables, other investments, properties for sales, trade and other receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as current tax payable and deferred tax liabilities and corporate borrowings. Capital expenditure comprises additions to property, plant and equipment and investment properties, including additions resulting from business combination.

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.

## **(t) Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period when the legal obligations of the Company is established.

## **(u) Comparative figures**

Where necessary, comparative figures have been reclassified or extended to conform with current year's presentation.

### 3. Financial risk management

#### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks such as currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

##### (i) Foreign exchange risk

The majority of the Group's assets are located and operated in Hong Kong, and the related revenue generated from these assets are denominated in Hong Kong dollars. At 31 March 2006, all of the Group's borrowings were denominated in Hong Kong dollars except for a bank loan of approximately HK\$39,551,000 which was denominated in Singapore dollars.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency transaction risk. Currency exposure arising from the net assets of the Group's foreign operations are managed primarily through borrowings denominated in the relevant foreign currencies.

Management monitors exchange rate movements closely to ascertain if any material exposure may arise.

##### (ii) Price risk

The Group is exposed to equity securities price risk because certain of the Group's investments are classified in the balance sheet as available-for-sale financial assets. The Group is not exposed to commodity price risk.

##### (iii) Credit risk

The Group's credit risks are primarily attributable to time deposits, rent receivable from tenants and counter-party financial obligations in derivative financial instruments.

The Group's time deposits are deposited with banks and financial institutions of high credit ratings and the Group has exposure limit to any single financial institution.

For rent receivable from tenants, credit checks are part of the normal leasing process and stringent monitoring procedures are in place to deal with overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable at each balance sheet date to ensure that adequate provisions for impairment are made for irrecoverable amounts.

To mitigate counter-party risk, the Group enters into derivative contracts only with sound financial institutions with strong investment-grade credit ratings, limits exposure to each, and monitors each's rating regularly.

The Group has no significant concentration of credit risk, with exposure spread over a number of counter-parties and customers.

##### (iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management aims to maintain flexibility in funding by keeping committed credit lines available.

##### (v) Interest rate risk

As the Group has no significant interest-bearing assets (other than bank balances and cash), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group is exposed to changes in interest rates due to its bank borrowings which are disclosed in notes 26 and 27 below. The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. Interest rate swap is the hedging instrument most commonly used by the Group to manage the interest rate exposure. The Group enters into debt obligations to support general corporate purposes including capital expenditure and working capital needs.

# Notes to the Financial Statements

## 3. Financial risk management (continued)

### (b) Fair value estimation

The fair value of investment properties is determined by reference to the valuation reports of independent professional valuers and current prices in an active market.

The fair value of investments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for investments held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

In assessing the fair value of non-trading securities and other financial assets, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The fair value of interest rate swap contracts is calculated on the present value of the estimated future cash flows.

The nominal values less impairment provision (if applicable) of trade and other receivables, prepayments, accruals, trade and other payables and borrowings with floating interest rates are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### *Critical accounting estimates and assumptions*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (i) Fair value of investment properties

The Group's investment properties are revalued at the balance sheet date on the open market value basis by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement on whether such valuations and assumptions by the valuers are reasonable, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

### (ii) Fair value of available-for-sale financial assets

If information on current or recent prices of available-for-sale financial assets is not available, the fair values of available-for-sale financial assets are determined using valuation techniques (including discounted cash flow model or price/earnings multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance state.

### *Critical judgement in applying the Group's accounting policies*

### (i) Income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

### (ii) Classification of investment properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property (land or building) is held to earn rental or for capital appreciation rather than for use in the production or supply of goods and services or sale. The Group considers each property separately in making its judgement.

## 5. Turnover, income and segment information

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

Revenue and income recognised during the year are as follows:

	2006 HK\$'000	2005 HK\$'000
Turnover		
Sale of investment properties and properties for sale	772,116	312,343
Rental and property management	129,605	168,786
Warehousing	31,442	27,807
	<u>933,163</u>	<u>508,936</u>
Other income		
Dividend income from		
– an unlisted investment	72,436	101,945
– a listed real estate investment trust	7,047	—
Interest income	23,032	8,376
Others	8,891	5,617
	<u>111,406</u>	<u>115,938</u>
	<u>1,044,569</u>	<u>624,874</u>

# Notes to the Financial Statements

## 5. Turnover, income and segment information (continued)

An analysis of turnover, results, assets, liabilities and other information by business and geographical segments is as follows:

### Primary reporting format – business segments

	Sale of properties HK\$'000	Rental and property management HK\$'000	Warehousing HK\$'000	Investment HK\$'000	Group HK\$'000
<u>Year ended 31 March 2006</u>					
Turnover	<u>772,116</u>	<u>129,605</u>	<u>31,442</u>	<u>—</u>	<u>933,163</u>
Segment results before change in fair value of investment properties	93,640	93,326	6,055	78,717	271,738
Increase in fair value of investment properties	<u>—</u>	<u>672,460</u>	<u>—</u>	<u>—</u>	<u>672,460</u>
Segment results	<u>93,640</u>	<u>765,786</u>	<u>6,055</u>	<u>78,717</u>	<u>944,198</u>
Unallocated income less expenses					<u>(21,029)</u>
Operating profit before interest					923,169
Interest income less finance costs					<u>18,999</u>
Operating profit					942,168
Share of profits less losses of associated companies	—	2,068	—	(1,075)	<u>993</u>
Profit before taxation					943,161
Taxation					<u>(124,103)</u>
Profit for the year					<u>819,058</u>
Capital expenditure	—	68,340	2,167	—	70,507
Depreciation	—	768	2,644	—	3,412
Non-cash expenses other than depreciation	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,711</u>	<u>1,711</u>
 <u>As at 31 March 2006</u>					
Segment assets	—	4,294,807	65,038	510,141	4,869,986
Associated companies	—	21,857	—	218,569	240,426
Unallocated assets					<u>5,054</u>
Total assets					<u>5,115,466</u>
Segment liabilities	—	60,585	6,141	3,231	69,957
Unallocated liabilities					<u>624,563</u>
Total liabilities					<u>694,520</u>

## 5. Turnover, income and segment information (continued)

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

	Sale of properties HK\$'000	Rental and property management HK\$'000	Warehousing HK\$'000	Investment HK\$'000	Group HK\$'000
<u>Year ended 31 March 2005</u>					
Turnover	<u>312,343</u>	<u>168,786</u>	<u>27,807</u>	<u>—</u>	<u>508,936</u>
Segment results	<u>282,158</u>	<u>119,032</u>	<u>2,276</u>	<u>98,807</u>	<u>502,273</u>
Unallocated income less expenses					<u>(24,919)</u>
Operating profit before interest					477,354
Interest income less finance costs					<u>790</u>
Operating profit					478,144
Share of profits less losses of associated companies	—	602	—	(175)	<u>427</u>
Profit before taxation					478,571
Taxation					<u>(14,810)</u>
Profit for the year					<u>463,761</u>
Capital expenditure	—	3,232	970	—	4,202
Depreciation	—	714	3,551	—	4,265
Non-cash expenses other than depreciation	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,435</u>	<u>1,435</u>
<u>As at 31 March 2005</u>					
Segment assets	277,842	3,890,486	60,134	438,659	4,667,121
Associated companies	—	19,398	—	160	19,558
Unallocated assets					<u>5,675</u>
Total assets					<u>4,692,354</u>
Segment liabilities	150,000	66,477	5,905	2,679	225,061
Unallocated liabilities					<u>732,293</u>
Total liabilities					<u>957,354</u>

(i) Increase in fair value of investment properties of HK\$672,460,000 for the year ended 31 March 2006 has been disclosed separately. As the Group adopted HKAS 40 prospectively, the related segment information for the year ended 31 March 2005 has not been restated accordingly.

(ii) The initial adoption of HKASs 32 and 39 on 1 April 2005 did not require the restatement of the comparative figures and accordingly, the segment results, finance costs and other related segment information for the year ended 31 March 2005 have not been restated.

# Notes to the Financial Statements

## 5. Turnover, income and segment information (continued)

### Secondary reporting format – geographical segments

	Year ended 31 March						As at 31 March	
	Turnover		Segment results		Capital expenditure		Total assets	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong	913,113	492,058	857,967	399,412	68,628	3,258	4,364,380	4,100,904
Singapore	3,180	2,341	81,883	102,785	6	—	443,302	508,111
Mainland China	16,870	14,537	4,348	76	1,873	944	62,304	58,106
	<b>933,163</b>	<b>508,936</b>	<b>944,198</b>	<b>502,273</b>	<b>70,507</b>	<b>4,202</b>	<b>4,869,986</b>	<b>4,667,121</b>
Unallocated income less expenses			(21,029)	(24,919)				
Operating profit before interest			923,169	477,354				
Interest income less finance costs			18,999	790				
Operating profit			<b>942,168</b>	<b>478,144</b>				
Associated companies							240,426	19,558
Unallocated assets							5,054	5,675
Total assets							<b>5,115,466</b>	<b>4,692,354</b>

## 6. Operating profit

Operating profit is stated after crediting and charging the following:

	2006 HK\$'000	2005 HK\$'000
<b>Crediting:</b>		
Gross rental income from investment properties	123,078	158,243
Gross rental income from property held for development	—	5,234
Gain on disposal of investment properties and properties for sales	93,640	280,493
Gain on disposal of plant and equipment	50	13
Gain on disposal of subsidiaries	—	2,258
Write back of provision for properties for sale	—	1,666
Fair value gain on derivative financial instruments	3,230	—
Exchange gain	<b>1,981</b>	<b>901</b>
<b>Charging:</b>		
Depreciation of property, plant and equipment	3,412	4,265
Staff costs (Note 9)	34,744	32,055
Outgoings in respect of investment properties	35,439	47,378
Outgoings in respect of property held for development	—	5,382
Operating leases – land and buildings	6,465	5,957
Expenses of interest rate swap contracts	340	7,208
Provision for available-for-sale financial assets/other investments	70	1,261
Auditors' remuneration	<b>762</b>	<b>681</b>

## 7. Directors' and senior management's emoluments

### (a) Directors' emoluments

	Fees HK\$'000	Salaries and allowances HK\$'000	Discretionary bonuses HK\$'000	Contribution to provident fund HK\$'000	Total HK\$'000
<b>Executive Directors</b>					
Mr. Chow Wai Wai, John	20	2,150	1,075	1,658	4,903
Mr. Lam Woon Bun	20	1,525	515	1,274	3,334
Mrs. Chen Chou Mei Mei, Vivien	20	390	—	47	457
Mr. Chung Hon Sing, John	20	691	—	9	720
Mr. Chow Wei Lin	20	1,056	264	194	1,534
	<u>100</u>	<u>5,812</u>	<u>1,854</u>	<u>3,182</u>	<u>10,948</u>
<b>Non-Executive Directors</b>					
Mr. Cheng Wai Chee, Christopher	1,800	—	—	—	1,800
Mr. Cheng Wai Sun, Edward	20	—	—	—	20
Mr. Tang Ming Chien, Manning	20	—	—	—	20
	<u>1,840</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,840</u>
<b>Independent Non-Executive Directors</b>					
Lord Sandberg	20	—	—	—	20
Mr. Christopher Patrick Langley	160	—	—	—	160
Mr. Ho Fook Hong, Ferdinand	40	—	—	—	40
Dr. Lo Ka Shui	20	—	—	—	20
Mr. Haider Hatam Tyebjee Barma	117	—	—	—	117
	<u>357</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>357</u>
<b>Total 2006</b>	<u>2,297</u>	<u>5,812</u>	<u>1,854</u>	<u>3,182</u>	<u>13,145</u>
Total 2005	<u>2,174</u>	<u>5,426</u>	<u>2,214</u>	<u>65</u>	<u>9,879</u>

### (b) Five highest paid individuals

Among the five individuals whose emoluments were the highest in the Group for the year, four (2005: four) of them were Directors of the Company and whose emoluments are disclosed above. The remuneration of the other individual was as follows:

	2006 HK\$'000	2005 HK\$'000
Salaries	845	845
Discretionary bonuses	433	433
Contribution to provident fund	12	12
	<u>1,290</u>	<u>1,290</u>

**Notes to the Financial Statements****8. Finance costs**

	2006 HK\$'000	2005 HK\$'000
Interest expenses on bank loans and overdrafts	<u>4,033</u>	<u>7,586</u>

No interest has been capitalised during the year (2005: Nil).

**9. Staff costs**

	2006 HK\$'000	2005 HK\$'000
Salaries, wages and other benefits	30,915	31,293
Retirement benefits	<u>3,829</u>	<u>762</u>
Total staff costs, including Directors' emoluments	<u>34,744</u>	<u>32,055</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 a central government administrated retirement scheme. Contributions are made by the Group as a percentage of employees' relevant salaries. The retirement benefit costs charged to the income statement represent contributions paid and payable by the Group, after deducting forfeitures of HK\$4,000 (2005: HK\$19,000) in respect of the above retirement schemes.

Contributions totalling HK\$72,000 (2005: HK\$68,000) were payable to the schemes at the end of the year and are included in trade and other payables and accruals.

## 10. Taxation

	2006 HK\$'000	2005 HK\$'000
Current taxation:		
Hong Kong profits tax	(54,525)	(17,002)
Overseas taxation	(698)	(95)
(Under)/over provisions in prior years	(5,654)	104
Deferred taxation (charge)/credit ( <i>Note 29</i> )	<u>(63,226)</u>	<u>2,183</u>
Taxation charges	<u>(124,103)</u>	<u>(14,810)</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the year. Overseas taxation has been provided on the estimated assessable profits at rates prevailing in the countries in which the subsidiaries operate.

The Group's share of taxation of associated companies of HK\$1,067,000 (2005: HK\$157,000) has been netted off against the Group's share of profits less losses of associated companies as presented in the income statement.

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

	2006 HK\$'000	2005 HK\$'000
Operating profit	<u>942,168</u>	<u>478,144</u>
Calculated at a taxation rate of 17.5% (2005: 17.5%)	(164,879)	(83,675)
Effect of different taxation rates in other countries	(85)	(12)
Income not subject to taxation	42,180	68,475
Expenses not deductible for taxation purposes	(177)	(1,336)
Utilisation of previously unrecognised tax losses	3,029	482
Recognition of previously unrecognised tax losses	706	—
Unrecognised tax losses	—	(60)
(Under)/over provisions in prior years	(5,654)	104
Others	<u>777</u>	<u>1,212</u>
Taxation charges	<u>(124,103)</u>	<u>(14,810)</u>

## 11. Profit attributable to shareholders of the Company

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK\$179,143,000 (2005: loss of HK\$38,818,000).

## 12. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of the Company of HK\$816,627,000 (2005: HK\$459,809,000) and 259,685,288 (2005: 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 2006 (2005: Nil).

# Notes to the Financial Statements

## 13. Dividends

	2006 HK\$'000	2005 HK\$'000
Interim dividend, paid, of HK\$0.09 per share (2005: HK\$0.07 per share)	23,372	18,178
Final dividend, proposed, of HK\$0.19 per share (2005: HK\$0.18 per share)	<u>49,340</u>	<u>46,743</u>
	<u>72,712</u>	<u>64,921</u>

At a meeting held on 13 July 2006, the Directors recommended a final dividend of HK\$0.19 per share. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of reserves for the year ending 31 March 2007.

## 14. Significant related party transactions

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

### (a) Sales/purchases of goods, services and investments

	2006 HK\$'000	2005 HK\$'000
Management fee income from related companies (Note i)	274	75
Interest income from an investee company (Note 20)	2,192	5,672
Interest income from associated companies (Note 18(a))	6,479	2,491
Project management fee to a related company and capitalised in investment properties (Note ii)	<u>(1,800)</u>	<u>(900)</u>

(i) The management fee income was charged at rates pursuant to the agreements entered into between the Group and the related companies.

(ii) The project management fee was charged pursuant to the agreement entered into between the Group and the related company.

### (b) Year-end loan balances with related parties are as follows:

	2006 HK\$'000	2005 HK\$'000
Amounts and loans due from associated companies (Note 18)	311,312	68,847
Amounts and loans due to associated companies (Note 18)	(77,915)	(53,602)
Amounts and loans due from an investee company (Note 20)	<u>155,313</u>	<u>137,524</u>

### (c) Compensation of key management personnel

Members of key management of the Group are the Executive Directors of the Company. Their remuneration for the year is set out in note 7(a) above.

## 15. Property, plant and equipment

	Group			
	Property held for development HK\$'000	Buildings HK\$'000	Others HK\$'000	Total HK\$'000
At cost or valuation				
At 31 March 2005, as previously reported	2,200,000	31,393	42,877	2,274,270
Effect on adoption of HKAS 40 ( <i>Note 16</i> )	(2,200,000)	—	—	(2,200,000)
At 1 April 2005, as restated	—	31,393	42,877	74,270
Translation differences	—	1,253	674	1,927
Additions	—	—	2,659	2,659
Disposals	—	—	(5,989)	(5,989)
At 31 March 2006	—	32,646	40,221	72,867
Accumulated depreciation				
At 1 April 2005	—	4,599	37,681	42,280
Translation differences	—	437	586	1,023
Charge for the year	—	1,867	1,545	3,412
Disposals	—	—	(5,939)	(5,939)
At 31 March 2006	—	6,903	33,873	40,776
Net book value				
At 31 March 2006	—	25,743	6,348	32,091
Analysis of cost or valuation:				
At valuation	—	32,646	—	32,646
At cost	—	—	40,221	40,221
	—	32,646	40,221	72,867

# Notes to the Financial Statements

## 15. Property, plant and equipment (continued)

	Group			
	Property held for development HK\$'000	Buildings HK\$'000	Others HK\$'000	Total HK\$'000
At cost or valuation				
At 1 April 2004	887,000	35,695	43,004	965,699
Translation differences	—	—	21	21
Additions	3,143	—	1,059	4,202
Revaluation	1,309,857	—	—	1,309,857
Disposals of subsidiaries	—	(4,302)	(793)	(5,095)
Disposals	—	—	(414)	(414)
At 31 March 2005	<u>2,200,000</u>	<u>31,393</u>	<u>42,877</u>	<u>2,274,270</u>
Accumulated depreciation				
At 1 April 2004	—	1,804	37,046	38,850
Translation differences	—	—	14	14
Charge for the year	—	3,000	1,265	4,265
Disposals of subsidiaries	—	(205)	(263)	(468)
Disposals	—	—	(381)	(381)
At 31 March 2005	<u>—</u>	<u>4,599</u>	<u>37,681</u>	<u>42,280</u>
Net book value				
At 31 March 2005	<u>2,200,000</u>	<u>26,794</u>	<u>5,196</u>	<u>2,231,990</u>
Analysis of cost or valuation:				
At valuation	2,200,000	31,393	—	2,231,393
At cost	<u>—</u>	<u>—</u>	<u>42,877</u>	<u>42,877</u>
	<u>2,200,000</u>	<u>31,393</u>	<u>42,877</u>	<u>2,274,270</u>

- (a) As the Group adopted HKAS 40 prospectively, the details of the movement in property, plant and equipment for the year ended 31 March 2005 have not been restated.
- (b) Net book value of property held for development and buildings are analysed as follows:

	Group	
	2006 HK\$'000	2005 HK\$'000
Held in Hong Kong:		
On medium term leases	—	2,200,000
Held outside Hong Kong:		
On short term renewable leases	<u>25,743</u>	<u>26,794</u>
	<u>25,743</u>	<u>2,226,794</u>

Buildings held outside Hong Kong on short term renewable leases are held in Mainland China and are stated at Directors' valuations carried out on the depreciated replacement cost basis.

Other property, plant and equipment are stated at cost less accumulated depreciation.

## 16. Investment properties

	Group	
	2006	2005
	HK\$'000	HK\$'000
At valuation		
Beginning of the year, as previously reported	1,628,039	1,750,711
Effect on adoption of HKAS 40 ( <i>Note 15</i> )	2,200,000	—
Beginning of the year, as restated	3,828,039	1,750,711
Translation differences	963	1,168
Additions	67,848	—
Disposal of subsidiaries	—	(65,970)
Disposals	(545,950)	(296,050)
Fair value gain/revaluation surplus	672,460	238,180
End of the year	4,023,360	1,628,039

The carrying amounts of investment properties is analysed as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Held in Hong Kong:		
On medium term leases	3,951,450	1,559,010
Held outside Hong Kong:		
On long term leases	71,910	69,029
	4,023,360	1,628,039

- (a) Investment properties (other than agricultural lots) held in Hong Kong were revalued at 31 March 2006 by Jones Lang LaSalle Limited. The agricultural lots held in Hong Kong were revalued at 31 March 2006 by B. I. Appraisals Limited. Investment properties held in Singapore were revalued at 31 March 2006 by Jones Lang LaSalle Property Consultants Pte. Ltd. All three valuers are independent. All valuations were carried out on the open market value basis. The valuations have made reference to current prices in an active market.
- (b) Certain investment properties with carrying amount of HK\$1,150,900,000 as at 31 March 2006 (2005: HK\$1,460,929,000) have been mortgaged to secure the Group's banking facilities.

## 17. Subsidiaries

	Company	
	2006	2005
	HK\$'000	HK\$'000
Unlisted shares – at cost	1	1
Loans and amounts due from subsidiaries	3,333,064	3,270,041
Less: Provision	(571,791)	(617,858)
	2,761,274	2,652,184

- (a) The loans and amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.
- (b) Particulars of the subsidiaries are set out on page 60.

# Notes to the Financial Statements

## 18. Associated companies

	Group 2006 HK\$'000	2005 HK\$'000
Share of net assets	7,029	4,313
Amounts and loans due from associated companies (Note a)	311,312	68,847
Amounts and loans due to associated companies (Note b)	<u>(77,915)</u>	<u>(53,602)</u>
	<b>240,426</b>	<b>19,558</b>
Investments at cost – unlisted shares	<u>11,308</u>	<u>9,874</u>

The share of assets, liabilities and results of the associated companies attributable to the Group is summarised as follows:

	2006 HK\$'000	2005 HK\$'000
<u>As at 31 March</u>		
Non-current assets	519,477	257,331
Current assets	38,682	37,516
Current liabilities	(37,122)	(20,814)
Non-current liabilities	<u>(514,008)</u>	<u>(269,720)</u>
	<b>7,029</b>	<b>4,313</b>
<u>For the year ended 31 March</u>		
Revenue	6,318	5,767
Profits less losses after taxation	<u>993</u>	<u>427</u>

- (a) The amounts and loans due from associated companies are unsecured and have no fixed terms of repayment. Except for an aggregate amount of HK\$9,019,000 (2005: HK\$9,019,000) which is interest free, the amounts and loans due from associated companies carry interests at prevailing market interest rates or at fixed rates as agreed between the mutual parties.
- (b) The amounts and loans due to associated companies are unsecured, interest free and have no fixed terms of repayment.
- (c) Particulars of the associated companies are set out on page 61.

## 19. Available-for-sale financial assets

	Group 2006 HK\$'000
Beginning of the year	—
Opening adjustment for the adoption of HKASs 32 and 39	300,651
Distribution by an investee company	(96,716)
Provision for impairment	(70)
Increase in fair value transferred to equity	10,061
End of the year	<u>213,926</u>
Available-for-sale financial assets include the following:	
Investment in a real estate investment trust listed outside Hong Kong	148,588
Unlisted equity investments	65,338
	<u>213,926</u>

Available-for-sale financial assets are primarily denominated in Singapore dollars. The investment in a real estate investment trust has been pledged to secure the Group's banking facilities.

## 20. Loans and receivables

	Group 2006 HK\$'000
Beginning of the year	—
Opening adjustment for the adoption of HKASs 32 and 39	137,381
Addition	17,932
End of the year	<u>155,313</u>

The loans and receivables are due from an investee company, denominated in Singapore dollars, unsecured, subordinated to the bank borrowings of the investee company and have no fixed terms of repayment. At 31 March 2006, except for an amount of HK\$18,398,000 which bears interest at 6.25% per annum, the remaining balances are all interest free. At 31 March 2005, loans and receivables of S\$30,000,000 (equivalent to HK\$131,760,000) carried interest at a fixed rate of 4.06% per annum.

## 21. Other investments

	Group 2005 HK\$'000
Unlisted equity investments, at valuation	159,010
Loans due from unlisted equity investments	141,587
Less: Provision	(4,523)
	296,074
Investment in a real estate investment trust listed outside Hong Kong, at market value	142,102
	<u>438,176</u>

All the Group's other investments as at 31 March 2005 had been redesignated as either available-for-sale financial assets or loans and receivables upon the adoption of HKASs 32 and 39.

# Notes to the Financial Statements

## 22. Trade and other receivables

	Group		Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables, net of provisions	7,103	7,978	—	—
Other receivables	3,785	2,237	—	—
Deposits	3,261	153,226	—	—
Prepayments	1,357	1,411	226	269
	<u>15,506</u>	<u>164,852</u>	<u>226</u>	<u>269</u>

Trade receivables represent mainly rent receivables 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 receivables (net of provisions) is as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Current – 45 days	4,826	4,198
46 – 90 days	1,541	3,158
Over 90 days	736	622
	<u>7,103</u>	<u>7,978</u>

The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong dollar	11,274	160,721
Singapore dollar	326	226
Renminbi	3,906	3,905
	<u>15,506</u>	<u>164,852</u>

## 23. Derivative financial instruments

	Group
	2006
	HK\$'000
Derivative financial assets, net	
Interest rate swap contracts	<u>1,863</u>

(a) The aggregate notional principal amount of the interest rate swap contracts is HK\$380,000,000 (2005: HK\$380,000,000).

(b) As at 1 April 2005, the fair value of the derivative financial instruments was a net liability of HK\$1,367,000.

(c) All the interest rate swap contracts do not qualify for hedge accounting under HKAS 39.

## 24. Bank balances and cash

	Group	
	2006	2005
	HK\$'000	HK\$'000
Cash at bank and on hand	8,402	10,970
Short term bank deposits	<u>421,388</u>	<u>62,252</u>
	<u>429,790</u>	<u>76,222</u>

Short term bank deposits have an average effective interest rate of 3.8% (2005: 1.6%) per annum and an average maturity of 32 days (2005: 40 days).

## 25. Trade and other payables and accruals

	Group		Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	1,657	2,821	—	—
Other payables	7,591	8,113	11	—
Deposits received	20,789	176,894	—	—
Accruals	<u>5,125</u>	<u>4,332</u>	<u>225</u>	<u>236</u>
	<u>35,162</u>	<u>192,160</u>	<u>236</u>	<u>236</u>

The ageing analysis of trade payables is as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Current – 45 days	1,514	2,698
46 – 90 days	<u>143</u>	<u>123</u>
	<u>1,657</u>	<u>2,821</u>

The carrying amounts of trade and other payables and accruals are denominated in the following currencies:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong dollar	29,367	187,321
Singapore dollar	4,140	3,263
Renminbi	<u>1,655</u>	<u>1,576</u>
	<u>35,162</u>	<u>192,160</u>

## 26. Bank loans and overdrafts

	Group	
	2006	2005
	HK\$'000	HK\$'000
Bank overdrafts	12	—
Current portion of long term bank loans (Note 27)	<u>2,397</u>	<u>81,364</u>
	<u>2,409</u>	<u>81,364</u>

# Notes to the Financial Statements

## 27. Long term bank loans

	Group	
	2006	2005
	HK\$'000	HK\$'000
Secured – wholly repayable within five years	39,551	254,212
Less: Amount repayable within one year included under current liabilities (Note 26)	(2,397)	(81,364)
	<u>37,154</u>	<u>172,848</u>
The long term bank loans are repayable as follows:		
Within one year	2,397	81,364
In the second year	37,154	136,206
In the third to fifth years inclusive	—	36,642
	<u>39,551</u>	<u>254,212</u>

All the long term bank loans are denominated in Hong Kong dollars except for an amount of HK\$39,551,000 (2005: HK\$94,212,000) which is denominated in Singapore dollars. Certain investment properties with a carrying amount of HK\$1,150,900,000 at 31 March 2006 (2005: HK\$1,588,771,000, including properties for sale of HK\$127,842,000) have been mortgaged to secure the Group's long term bank loans.

The bank loans have an average effective interest rate of 4.69% (2005: 1.98%) per annum. The carrying values of bank loans approximate their fair values.

## 28. Other long term loans

	Group	
	2006	2005
	HK\$'000	HK\$'000
Amounts due to minority shareholders of subsidiaries	<u>35,378</u>	<u>35,420</u>

The loans are denominated in Hong Kong dollars, unsecured, interest free and have no fixed terms of repayment.

The fair value of the other long term loans is approximately HK\$33,784,000 (2005: HK\$33,895,000).

## 29. Deferred taxation

	Group	
	2006	2005
	HK\$'000	HK\$'000
Beginning of the year, as previously reported	18,917	21,100
Effect on adoption of HK(SIC)-Int 21	439,101	218,209
Beginning of the year, as restated	458,018	239,309
Charged/(credited) to income statement (Note 10)	63,226	(2,183)
Charged to equity	—	220,892
End of the year	<u>521,244</u>	<u>458,018</u>

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

## 29. Deferred taxation (continued)

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through the future taxable profits are probable. As at 31 March 2006, the Group has no unrecognised tax losses to carry forward against future taxable income (2005: HK\$17,415,000).

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		Provision		Total	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of the year	10,341	12,438	—	—	10,341	12,438
Credited/(charged) to income statement	666	(2,097)	18	—	684	(2,097)
End of the year	11,007	10,341	18	—	11,025	10,341

### Deferred tax liabilities

	Group					
	Accelerated depreciation		Revaluation of properties		Total	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Beginning of the year, as previously reported	29,258	33,538	—	—	29,258	33,538
Effect on adoption of HK(SIC)-Int 21	—	—	439,101	218,209	439,101	218,209
Beginning of the year, as restated	29,258	33,538	439,101	218,209	468,359	251,747
Charged/(credited) to income statement	1,651	(4,280)	62,259	—	63,910	(4,280)
Charged to equity	—	—	—	220,892	—	220,892
End of the year	30,909	29,258	501,360	439,101	532,269	468,359

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	
	2006	2005
	HK\$'000	HK\$'000
		Restated
Deferred tax assets	(3,191)	(5,675)
Deferred tax liabilities	524,435	463,693
	521,244	458,018

## 30. Share capital

	Ordinary shares of HK\$0.01 each	
	No. of shares	HK\$'000
Authorised:		
At 31 March 2006 and 2005	750,000,000	7,500
Issued and fully paid:		
At 31 March 2006 and 2005	259,685,288	2,596

# Notes to the Financial Statements

## 31. Reserves

	Group						
	Contributed surplus HK\$'000	Land and buildings revaluation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange fluctuation account HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 31 March 2005, as previously reported	839,195	1,913,562	551,499	228,493	(21,834)	660,610	4,171,525
Prior year adjustment upon the adoption of HK(SIC)-Int 21 on deferred tax arising from revaluation of properties	—	(334,873)	(104,228)	—	—	—	(439,101)
At 31 March 2005, as restated	839,195	1,578,689	447,271	228,493	(21,834)	660,610	3,732,424
Opening adjustments for the adoption of:							
- HKASs 32 and 39	—	—	—	—	—	(1,511)	(1,511)
- HKAS 40	—	(1,549,708)	(447,271)	—	—	1,996,979	—
	—	(1,549,708)	(447,271)	—	—	1,995,468	(1,511)
At 1 April 2005, as restated	839,195	28,981	—	228,493	(21,834)	2,656,078	3,730,913
Exchange translation differences	—	—	—	—	869	—	869
Transferred upon disposal of properties for sale	—	(28,981)	—	—	—	28,981	—
Fair value gain on available-for-sale financial assets	—	—	—	10,061	—	—	10,061
Realised on distribution by an unlisted investment	—	—	—	(72,436)	—	—	(72,436)
Profit for the year	—	—	—	—	—	816,627	816,627
Prior year final dividend paid	(46,743)	—	—	—	—	—	(46,743)
Interim dividend paid (Note 13)	(23,372)	—	—	—	—	—	(23,372)
	(70,115)	(28,981)	—	(62,375)	869	845,608	685,006
At 31 March 2006	769,080	—	—	166,118	(20,965)	3,501,686	4,415,919
Representing:							
Final dividend proposed (Note 13)	—	—	—	—	—	49,340	49,340
Others	769,080	—	—	166,118	(20,965)	3,452,346	4,366,579
At 31 March 2006	769,080	—	—	166,118	(20,965)	3,501,686	4,415,919

### 31. Reserves (continued)

	Group						
	Contributed surplus HK\$'000	Land and buildings revaluation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange fluctuation account HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 31 March 2004, as previously reported	857,373	603,705	590,042	359,463	(17,495)	218,979	2,612,067
Prior year adjustment upon the adoption of HK(SIC)-Int 21 on deferred tax arising from revaluation of properties	—	(105,648)	(112,561)	—	—	—	(218,209)
At 31 March 2004, as restated	857,373	498,057	477,481	359,463	(17,495)	218,979	2,393,858
Exchange translation differences	—	—	—	—	(3,485)	—	(3,485)
Revaluation surpluses/ (deficits)	—	1,309,857	228,071	(41,646)	—	—	1,496,282
Deferred tax arising from revaluation of properties	—	(229,225)	(41,681)	—	—	—	(270,906)
Realised on disposal of subsidiaries	—	—	—	—	(854)	—	(854)
Realised on disposal of investment properties	—	—	(216,600)	—	—	—	(216,600)
Realised on distribution by an unlisted investment	—	—	—	(89,324)	—	—	(89,324)
Profit for the year	—	—	—	—	—	459,809	459,809
Prior year final dividend paid	—	—	—	—	—	(18,178)	(18,178)
Interim dividend paid (Note 13)	(18,178)	—	—	—	—	—	(18,178)
	(18,178)	1,080,632	(30,210)	(130,970)	(4,339)	441,631	1,338,566
At 31 March 2005, as restated	839,195	1,578,689	447,271	228,493	(21,834)	660,610	3,732,424
Representing:							
Final dividend proposed (Note 13)	46,743	—	—	—	—	—	46,743
Others	792,452	1,578,689	447,271	228,493	(21,834)	660,610	3,685,681
At 31 March 2005	839,195	1,578,689	447,271	228,493	(21,834)	660,610	3,732,424

# Notes to the Financial Statements

## 31. Reserves (continued)

	Company		
	Contributed surplus HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 31 March 2005	2,631,915	17,759	2,649,674
Profit for the year	—	179,143	179,143
Transfer	46,067	(46,067)	—
Prior year final dividend paid	(46,743)	—	(46,743)
Interim dividend paid (Note 13)	(23,372)	—	(23,372)
At 31 March 2006	<u>2,607,867</u>	<u>150,835</u>	<u>2,758,702</u>
Representing:			
Final dividend proposed (Note 13)	—	49,340	49,340
Others	<u>2,607,867</u>	<u>101,495</u>	<u>2,709,362</u>
At 31 March 2006	<u>2,607,867</u>	<u>150,835</u>	<u>2,758,702</u>
At 31 March 2004	2,688,969	35,879	2,724,848
Loss for the year	—	(38,818)	(38,818)
Transfer	(38,876)	38,876	—
Prior year final dividend paid	—	(18,178)	(18,178)
Interim dividend paid (Note 13)	(18,178)	—	(18,178)
At 31 March 2005	<u>2,631,915</u>	<u>17,759</u>	<u>2,649,674</u>
Representing:			
Final dividend proposed (Note 13)	46,743	—	46,743
Others	<u>2,585,172</u>	<u>17,759</u>	<u>2,602,931</u>
At 31 March 2005	<u>2,631,915</u>	<u>17,759</u>	<u>2,649,674</u>

Pursuant to the Companies Law of the Cayman Islands and the Company's Articles of Association, the contributed surplus of the Company is available for distribution to shareholders in addition to retained earnings, provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

### 32. Future lease receipts

At the end of the year, future minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Not later than one year	78,495	93,105
Later than one year and not later than five years	<u>40,664</u>	<u>36,156</u>
	<u>119,159</u>	<u>129,261</u>

### 33. Capital commitments

	Group	
	2006	2005
	HK\$'000	HK\$'000
<b>Property, plant and equipment</b>		
Contracted but not provided for	—	14,749
Authorised but not contracted for	<u>—</u>	<u>21,888</u>
	<u>—</u>	<u>36,637</u>
<b>Investment properties</b>		
Contracted but not provided for	<u>98,499</u>	<u>—</u>
<b>Investments in associated companies</b>		
Contracted but not provided for	<u>544,351</u>	<u>—</u>
	<u>642,850</u>	<u>36,637</u>

### 34. Lease commitments

At the end of the year, the Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

	Group	
	2006	2005
	HK\$'000	HK\$'000
Not later than one year	6,418	5,852
Later than one year and not later than five years	<u>5,200</u>	<u>350</u>
	<u>11,618</u>	<u>6,202</u>

# Notes to the Financial Statements

## 35. Contingent liabilities

	Group		Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given in respect of banking facilities granted to subsidiaries	—	—	1,129,283	1,293,689
Guarantees given in respect of banking facilities granted to an investee company in proportion to the Group's 10% effective equity interest	—	100,000	—	100,000
Indemnity given in respect of banking facilities granted to an investee company in proportion to the Group's 12% effective equity interest	115,056	113,472	—	—
	<u>115,056</u>	<u>213,472</u>	<u>1,129,283</u>	<u>1,393,689</u>

## 36. Notes to the consolidated cash flow statement

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

	2006	2005
	HK\$'000	HK\$'000
Operating profit	942,168	478,144
Increase in fair value of investment properties	(672,460)	—
Depreciation of property, plant and equipment	3,412	4,265
Gain on disposal of investment properties, properties for sale and plant and equipment	(93,690)	(280,506)
Gain on disposal of subsidiaries	—	(2,258)
Provision for available-for-sale financial assets/other investments	70	1,261
Fair value gain on derivative financial instruments	(3,230)	—
Interest income	(23,032)	(8,376)
Interest expenses	4,033	7,586
Dividend income	(79,483)	(101,945)
Operating profit before working capital changes	77,788	98,171
Increase in properties for sale	—	(1,666)
Decrease in trade and other receivables	368	3,183
Decrease in trade and other payables and accruals	(6,354)	(6,318)
Net cash inflow generated from operations	<u>71,802</u>	<u>93,370</u>

### 36. Notes to the consolidated cash flow statement (continued)

#### (b) Disposal of subsidiaries

2005  
HK\$'000

##### Net assets disposed of

Property, plant and equipment and investment properties	70,597
Trade and other receivables	2,761
Bank balances and cash	992
Trade and other payables and accruals	(2,124)
Other long term loans	(96,917)
	(24,691)
Realisation of exchange fluctuation on disposal	(854)
Minority interests	(2,700)

(28,245)

Gain on disposal of subsidiaries

2,258

##### Consideration paid

(25,987)

##### Satisfied by:

Cash received	5,375
Cash paid	(31,362)
Net cash paid	(25,987)
Bank balances and cash of the subsidiaries disposed of	(992)
Net cash outflow	(26,979)

#### (c) Analysis of changes in financing

	Minority interests		Bank and other loans	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Beginning of the year	(20)	(11,381)	289,632	961,317
Exchange differences	20	—	—	894
Disposal of subsidiaries	—	(2,700)	—	(96,917)
Minority interests in share of profit and reserves	2,431	14,061	—	—
Net cash outflow from financing	—	—	(214,703)	(575,662)
End of the year	2,431	(20)	74,929	289,632

#### (d) Analysis of bank and other loans

	2006 HK\$'000	2005 HK\$'000
Long term bank loans (Note 27)	39,551	254,212
Other long term loans (Note 28)	35,378	35,420
	74,929	289,632

**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 2006		Principal Activities	Notes
				Group	Company		
<b>Winsor Properties Finance Ltd.</b>	Ordinary	HK\$	2	100	100	Group Finance Company	
<b>Winsor Properties (Hong Kong) Ltd., B.V.I.</b>	Ordinary	US\$	1	100	100	Investment Holding	
Adam Knitters Ltd.	Ordinary	HK\$	1,000	100	—	Property Investment	
	Deferred	HK\$	200,000	—	—		4
Allied Effort Ltd., B.V.I.	Ordinary	US\$	1	100	—	Investment Holding	
Baudinet Investment Ltd.	Ordinary	HK\$	18	100	—	Property Investment	
	Deferred	HK\$	2	—	—		4
Begin Land Ltd.	Ordinary	HK\$	90,000	100	—	Property Investment	
	Deferred	HK\$	10,000	—	—		4
Congenial Investments Ltd., B.V.I.	Ordinary	US\$	1	100	—	Investment	3
East Sun Estate Management Company Ltd.	Ordinary	HK\$	200	100	—	Property Management	
East Sun Textile Company, Ltd.	Ordinary	HK\$	20	100	—	Dormant	
	Deferred	HK\$	15,000,000	—	—		4
Hilwin Properties Ltd.	Ordinary	HK\$	450,000	100	—	Investment Holding	
	Deferred	HK\$	50,000	—	—		4
Hanbury Development Company Ltd.	Ordinary	HK\$	10,000	100	—	Dormant	
Libro Estates Ltd.	Ordinary	HK\$	90,000	100	—	Property Investment	
	Deferred	HK\$	10,000	—	—		4
Winner Godown Ltd.	Ordinary	HK\$	1,500,000	70	—	Godown Operation	
Winsor Air Cargo Centre Ltd.	Ordinary	HK\$	20	100	—	Dormant	
Winsor Estate Agents Ltd.	Ordinary	HK\$	20	100	—	Property Agent	
Winsor Estate Management Ltd.	Ordinary	HK\$	2	100	—	Property Management	
Winsor Parking Ltd.	Ordinary	HK\$	18,000,000	100	—	Property Investment	
	Deferred	HK\$	2,000,000	—	—		4
Winsor Properties Financial Services Ltd.	Ordinary	HK\$	840	95.24	—	Investment Holding and Property Investment	
Chericourt Company Ltd.	Ordinary	HK\$	1,000,000	95.24	—	Property Investment	
Zofka Properties Ltd.	Ordinary	HK\$	90,000	100	—	Property Investment	
	Deferred	HK\$	10,000	—	—		4
<b>Winsor Properties (Overseas) Ltd., B.V.I.</b>	Ordinary	US\$	1	100	100	Investment Holding	3
Zak Holdings Ltd., B.V.I.	Ordinary	US\$	1	100	—	Investment Holding	3
Winwin Investment Pte. Ltd., Singapore	Ordinary	SGD	2	100	—	Property Investment	
Curlew International Ltd., B.V.I.	Ordinary	US\$	1	100	—	Investment Holding	3
Winprop Pte. Ltd., Singapore	Ordinary	SGD	2	100	—	Investment Holding	2
Winance Investment Pte. Ltd., Singapore	Ordinary	SGD	2	100	—	Dormant	2
<b>Winsor Properties (China) Ltd., B.V.I.</b>	Ordinary	US\$	1	100	100	Investment Holding	3
Dhandia Ltd.	Ordinary	HK\$	1,000	100	—	Investment Holding	
Tat Yeung Properties Investment Ltd., B.V.I.	Ordinary	US\$	1,000	100	—	Investment Holding	3
Winsor Health Godown Ltd., B.V.I.	Ordinary	US\$	1,000	95	—	Investment Holding	3
South-China Cold Storage & Ice Co., Ltd., Mainland China (foreign wholly-owned enterprise)	Ordinary	US\$	5,000,000	95	—	Cold Storage	2

		Effective % shareholding held at 31 March 2006						
Associated companies	Issued Share Capital		Group	Company	Principal Activities		Notes	
Javary Ltd.	Ordinary	HK\$ 300	33.3	—	Property Investment		2	
Pangold Development Ltd.	Ordinary	HK\$ 100	20	—	Property Development			
Suzhou World Trade Centre, Mainland China	Ordinary	US\$ 6,500,000	24.8	—	Property Investment and Development		2	
Tat Yeung Trading Company Ltd., B.V.I.	Ordinary	US\$ 2	50	—	Investment Holding		3	
Universal Plus Ltd., B.V.I.	Ordinary	US\$ 100	20	—	Investment Holding		2	
Winnion Ltd.	Ordinary	HK\$ 100	30	—	Property Investment			
Winquest Investment Pte. Ltd., Singapore	Ordinary	SGD 1,000,000	30	—	Investment Holding			
Winwill Investment Pte Ltd, Singapore	Ordinary	SGD 10	20	—	Investment Holding			

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 financial statements 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\$70,392,000 (2005: HK\$64,597,000) and HK\$9,483,000 (2005: HK\$8,927,000) respectively.
3. The financial statements of these companies are not audited. The aggregate net liabilities and loss after taxation of these companies attributable to the Group amounted to HK\$2,375,000 (2005: HK\$1,497,000) and HK\$903,000 (2005: profit after taxation of HK\$31,000) respectively.
4. The deferred shares, which are held by Winsor Industrial Corporation, Limited and its subsidiaries, 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**

<b>Location</b>	<b>Lease Expiry</b>	<b>Site Area (sq. ft.)</b>	<b>Gross Floor Area (sq. ft.)</b>	<b>Stage of Completion</b>	<b>Type</b>	<b>Effective Interest</b>
<b>Investment Properties:</b>						
Regent Centre, 63-73 Wo Yi Hop Road, Lot 299 in D. D. 444, Kwai Chung, New Territories, HONG KONG.	2047	103,500	702,735 (remaining portion)	Completed	Industrial/ Godown	95.24%
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%
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%
102 How Ming Street, Kwun Tong Inland Lot 242, Kwun Tong, Kowloon, HONG KONG.	2047	95,940	1,151,000 (approximately)	Foundation works in progress. Completion is scheduled for the second half year of 2008.	Office	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%
<b>Properties held for operation:</b>						
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%

# Financial Assistance and Guarantees provided to Entities and Affiliated Companies

As at 31 March 2006

## Relevant advances to entities

As at 31 March 2006, there were no relevant advances made by the Group to entities which exceeded 8% of the Group's total assets as at 31 March 2006 of approximately HK\$5,115,466,000. The disclosure requirements under rule 13.20 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited were therefore not applicable to the Company as at that date.

## Combined balance sheet of affiliated companies

Loans advanced to and guarantees provided by the Group for the benefit of the Group's affiliated companies (as such term is defined in Chapter 13 of the Listing Rules and means associated companies in the context of the Group) as at 31 March 2006 in aggregate exceeded 8% of the Group's total assets as at 31 March 2006. In accordance with rule 13.22 of the Listing Rules, the combined balance sheet of the Group's affiliated companies as at 31 March 2006 and the Group's attributable interest therein are set out below:

	Combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Investment properties	69,077	21,066
Leasehold land	731,217	193,505
Other property, plant and equipment	44,025	10,918
Properties under development	1,422,490	293,991
Associated companies	(389,578)	(77,918)
Net current assets	14,758	1,560
Minority interests	(43,557)	(8,711)
Long term bank loans	(752,658)	(150,533)
Other long term loans	(191,239)	(38,248)
Deferred tax liabilities	(26,003)	(5,204)
Amounts and loans due to shareholders	(1,228,368)	(311,312)
Amounts and loans due from shareholders	389,564	77,915
	<u>39,728</u>	<u>7,029</u>

# Five Year Financial Summary

	2006 HK\$'000	2005 HK\$'000 Restated	2004 HK\$'000 Restated	2003 HK\$'000 Restated	2002 HK\$'000 Restated
<b>Group results for the year ended 31 March</b>					
<b>Turnover</b>	<b><u>933,163</u></b>	<b><u>508,936</u></b>	<b><u>220,813</u></b>	<b><u>312,124</u></b>	<b><u>245,604</u></b>
<b>Profit attributable to shareholders of the Company</b>	<b><u>816,627</u></b>	<b><u>459,809</u></b>	<b><u>99,342</u></b>	<b><u>115,812</u></b>	<b><u>90,869</u></b>
<b>Summary consolidated balance sheet</b>					
<b>As at 31 March</b>					
Property, plant and equipment	32,091	2,231,990	926,849	500,168	526,087
Investment properties	4,023,360	1,628,039	1,750,711	1,678,096	1,850,484
Associated companies	240,426	19,558	106,911	54,687	19,722
Available-for-sale financial assets	213,926	—	—	—	—
Loans and receivables	155,313	—	—	—	—
Other investments	—	438,176	582,155	607,316	476,292
Deferred tax assets	3,191	5,675	6,766	2,299	4,194
Net current assets/(liabilities)	<u>349,606</u>	<u>83,523</u>	<u>48,885</u>	<u>17,750</u>	<u>(156,553)</u>
<b>Total assets less current liabilities</b>	<b><u>5,017,913</u></b>	<b><u>4,406,961</u></b>	<b><u>3,422,277</u></b>	<b><u>2,860,316</u></b>	<b><u>2,720,226</u></b>
Share capital	2,596	2,596	2,596	2,596	2,596
Other reserves	914,233	3,025,071	2,174,879	1,785,546	1,874,724
Retained earnings	3,452,346	660,610	200,801	129,280	39,436
Proposed final dividend	<u>49,340</u>	<u>46,743</u>	<u>18,178</u>	<u>12,984</u>	<u>12,984</u>
<b>Equity attributable to shareholders of the Company</b>	<b>4,418,515</b>	<b>3,735,020</b>	<b>2,396,454</b>	<b>1,930,406</b>	<b>1,929,740</b>
Minority interests	<u>2,431</u>	<u>(20)</u>	<u>(11,381)</u>	<u>(24,933)</u>	<u>(7,832)</u>
<b>Total equity</b>	<b>4,420,946</b>	<b>3,735,000</b>	<b>2,385,073</b>	<b>1,905,473</b>	<b>1,921,908</b>
Long term bank loans	37,154	172,848	645,633	643,955	472,924
Other long term loans	35,378	35,420	145,496	155,717	159,221
Deferred tax liabilities	<u>524,435</u>	<u>463,693</u>	<u>246,075</u>	<u>155,171</u>	<u>166,173</u>
<b>Funds employed</b>	<b><u>5,017,913</u></b>	<b><u>4,406,961</u></b>	<b><u>3,422,277</u></b>	<b><u>2,860,316</u></b>	<b><u>2,720,226</u></b>