METRO HOLDINGS LIMITED

Annual Report

2006

美羅 METRO

Contents

Corporate Profile

The Metro Group's core businesses in property and retail span some of the key cities of Singapore, Malaysia, China and Indonesia. A team of 775 staff supports our businesses.

Metro, a familiar household name in the retail industry, serves our customers through a chain of four Metro department stores in Singapore and another four department stores in Jakarta and Bandung, Indonesia. The Metro shopping brand experience offers a wide range of quality merchandise on display over 783,000 square feet of downtown and suburban retail space.

The Group owns and operates several prime retail and office properties in Shanghai and Guangzhou, China and Penang, Malaysia. It also holds significant investments in certain property businesses in China.

Chairman's Statement

The Group will also focus on a successful launch of Metro City, Beijing while it continues to pursue investment and development opportunities in the region.

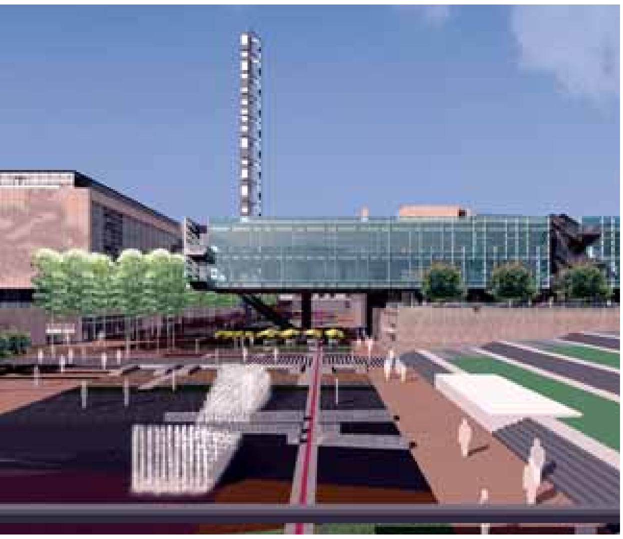
Group turnover from continuing operations rose from $184.9 million to $199.1 million with both the retail division reporting higher sales and the property division reporting higher rental income. Profit before tax increased from $36.6 million to $159.9 million, mainly due to the exceptional gain of $118 million arising from the disposal of the Group's interest in the junior bonds and preference shares of Orchard Square Capital Assets Ltd, the securitisation vehicle for the Group's previously held 27% interest in Ngee Ann City. The directors are pleased to propose a special gross dividend of 3 cents per share and a final gross dividend of 2 cents per share or $15.1 million and $10.1 million respectively, after deducting income tax.

Property

Our investments and property interests in China continued to expand during the year.

Metro City, Beijing will be the Group's entry into the retail property sector in Beijing, China. This 50:50 joint venture will see the launch of a retail mall, with in excess of 90,000 square metres of leasable space spread over six levels, on a site in east Beijing by the end of 2006.

The Group subscribed for US$27 million of bonds issued by the Shui On Land Ltd ("SOL") Group, as it added to the existing US$50 million investment in preference shares of SOL, a premier real estate developer in Shanghai, China. These bonds will generate a steady stream of interest income, in addition to the preference dividend. Both investments grant participating rights. SOL continues to develop its property portfolio in China comprising the urban, mixed-use Taipingqiao, residential Rainbow City and Chuangzhi Tiandi developments in Shanghai, Xihu Tiandi in Hangzhou, the Chongqing Tiandi and Wuhan Hankou Tiandi.



The Group's investments in International Commerce and Trade Plaza, a wholesale trade centre in Urumqi, China and in bonds issued by the majority owner of the 360-room 5 star Crowne Plaza Hotel in Beijing, China, are generating significant dividend and interest income.

The buoyant retail scene in Shanghai has enabled Metro City to continue to grow its rental income stream. Both Metro City and Metro Tower, the adjoining office block, enjoyed almost full occupancy.

Gurney Plaza's asset enhancement exercise has been completed and Penang's premier mall is now over 97% occupied. The hotel at Gurney Park, G Hotel, is expected to commence operations by the end of 2006.

Retail

The retail division performed creditably. Increases in sales volume and gross margins arose from a more upbeat economy, improved customer loyalty and a focus on improving margins.

Outlook

Rental income from the existing properties will remain stable whilst income from investments will grow. The Group will also focus on a successful launch of Metro City, Beijing while it continues to pursue investment and development opportunities in the region.

The retail division's continued efforts to build on its customer centric culture should position it to achieve its aim of higher sales and margins.

On behalf of the Board, I would like to thank all our customers, business associates and shareholders for their support and our staff for their dedicated efforts.

Ong Tjoe Kim
Chairman

Operations Review Property

Rainbow City
Shanghai

Wuhan Hankou Tiandi
Wuhan

Xintiandi, Taipingqiao
Shanghai

Chuangzhi Tiandi
Shanghai

ICT Plaza, Urumqi
Xinjiang

Chongqing Tiandi
Chongqing

Metro Tower and Metro City
Shanghai

GIE Tower
Guangzhou

Metro City, Beijing
Beijing

The Group's property division expanded it's presence in China with the signing of a joint venture agreement to develop a retail mall in East Beijing.

G Hotel and Gurney Plaza
Penang

Operations Review Property

Metro City, Beijing
Beijing

Corporate Avenue, Taipingqiao
Shanghai

Xintiandi, Taipingqiao
Shanghai

During the financial year, the Metro Group's property division marked its entry into the retail property sector of Beijing, China, with the signing of a joint venture agreement to develop a retail mall in East Beijing.

The division also operates four retail/leisure and office properties which it has developed in the cities of Shanghai and Guangzhou in China, and in Penang, Malaysia.

Higher rental income of Metro City resulted in the property division's turnover rising from $26.3 million to $31.8 million. Profit before tax rose from $28.5 million last year to $152.7 million due to exceptional gains of $118 million arising from the disposal of the Group's investment in 30% of the fixed income junior debt securities and preference shares issued by the special purpose vehicle that held the 27% interest in Ngee Ann City.

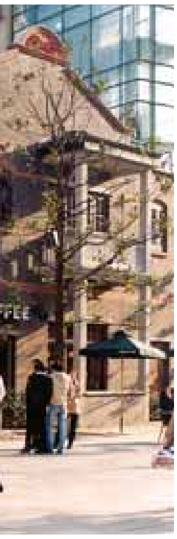
Metro City, Beijing

Through a 50:50 joint venture, the Group will develop a retail mall in the Chao Yang District in East Beijing, China. The mall will provide over 90,000 square metres of leasable space, spread over six levels including a basement level. With the mall scheduled to open at the end of 2006, efforts are currently focused on assembling a varied tenant-mix which will position the mall as a premier lifestyle retail destination for Beijing residents.

Shui On Land, Shanghai

The Group has added US$27 million of bonds to its initial investment of US$50 million of convertible redeemable participating preference shares of Shui On Land Ltd ("SOL"). The investments generate a fixed annual dividend and interest income. There are also participation rights on redemption or on conversion to ordinary shares upon an initial public offering of SOL.

SOL is a leading property developer in China, focusing on city core development projects (ie. large scale, urban mixed use



Chuangzhi Tiandi
Shanghai

Chongqing Tiandi
Chongqing

developments) and integrated residential development projects (ie. high quality, integrated residential projects targeting the urban middle classes). SOL's projects include Taipingqiao, Rainbow City and Chuangzhi Tiandi in Shanghai, Chongqing Tiandi, Wuhan Hankou Tiandi and Xihu Tiandi in Hangzhou.

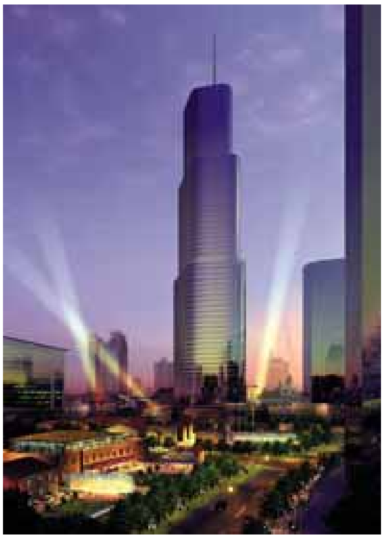
Taipingqiao is a city core development in the Luwan District of Shanghai. It comprises of a historic restoration zone, Xintiandi, with specialty food and beverage, entertainment and retail outlets, a corporate office zone and upmarket residential zones. Total gross floor area will eventually be approximately 1.1 million square metres. Current construction work is focused on completing the second phase of the Lakeville Regency residential zone.

Rainbow City is an integrated residential development project in Hongkou District, Shanghai, with a total gross floor area of about 1.1 million square metres. This upper-middle class residential project is being developed and sold in phases.

Chuangzhi Tiandi is a "live, work and play" lifestyle development with a strong emphasis on innovation, entrepreneurship, education and technology, situated close to major universities and colleges in Yangpu, Shanghai. Construction work is ongoing at the "Hub area" which will provide offices, learning centres, exhibitions and convention facilities and commercial outlets. The first phase of the "Live-Work" area with its residential units, offices and retails shops is due for completion by mid 2006.

Chongqing Tiandi is a city-core development with a planned gross floor area of 2.6 million square metres, situated on the south bank of the Jialing river, just upstream of the confluence of the Yangtze and Jialing rivers in the Yuzhong District of Chongqing. The development will feature residential villages on the hillsides and views of a man-made lake and the river. A commercial core with offices, exhibition space and hotels offering dining, shopping and entertainment amenities is also envisaged.

Operations Review Property



Wuhan Hankou Tiandi
Wuhan

Metro City, Shanghai
Shanghai

Metro City, Shanghai
Shanghai

METRO CITY
Tenants
BreadTalk
Buynow Computer World
Häagen Dazs
Hao Le Di
Hi-Fi Mart
Itoya
Kentucky Fried Chicken
Kodak Cinema
MEGABITE
PHYSICAL Fitness & Beauty Centre
Pizza Hut
Popular Bookmall
Prima Taste
Sega World
Starbucks Coffee
Sushi Tei
Swensens
Watsons

METRO TOWER
Tenants
Agricultural Bank of China
AIA
Exxon Mobil
KFC
Microsoft
Pizza Hut
Swatch Group

Wuhan Hankou Tiandi is a city-core development with a planned gross floor area of 1.4 million square metres, located next to the inner ring road of Wuhan which will have residential, office and retail components. The site is located in Hankou's Jiang An District at the prominent waterfront along the Yangtze river.

Xihu Tiandi is a leisure and lifestyle destination situated on the south-eastern bank of Hangzhou's famous West Lake. The development features food and beverage, retail and entertainment facilities in a 30,000 square metres lush garden and public park setting.

Metro City, Shanghai

Metro City is a lifestyle entertainment centre with 350,000 square feet of space located at Xujiahui, Shanghai. Xujiahui is a major retail and leisure hub strategically linked to major access roads and the Shanghai subway system that draws in very high shopper traffic from south-central Puxi.

Metro City is a popular information technology centre that also offers a variety of leisure and lifestyle choices including a cineplex, an amusement centre, fitness centres and a wide array of dining options. The retail mix also includes handphones, books, music and audio equipment. Metro City is fully tenanted. Rental income rose as a result of the ongoing asset enhancement exercises.

Metro Tower, Shanghai

Metro Tower, a 26-storey, Grade A office building located next to Metro City, offers 423,000 square feet of space. With a strong multi-national tenant base, it is almost fully occupied.

GIE Tower
Guangzhou

Gurney Plaza
Penang

GIE Tower, Guangzhou

GIE Tower is located in Huanshi Road East, in the central business district of Dongshan, Guangzhou. The Group owns 306,000 square feet of Grade A office space in this building and enjoys almost full occupancy.

Gurney Park, Penang

Gurney Plaza completed its asset enhancement exercise during the year which has helped to establish its position as the most popular premier lifestyle shopping, dining and entertainment destination in Penang, Malaysia. The 700,000 square feet mall fronts the Gurney Drive esplanade and has over 250 retail, entertainment and food and beverage outlets including a department store and supermarket as anchors. Occupancy is now over 97% and rental income has risen by over 20%.

Construction work on **G Hotel**, the hotel component of Gurney Park is in progress and hotel operations are expected to commence by end of 2006.

International Commerce and Trade Plaza, Urumqi

The Group has invested US$33 million in **International Commerce and Trade Plaza** ("ICT Plaza") a 290,000 square metres wholesale commercial trade center in Urumqi, Xinjiang, China. Urumqi is the commercial and trade center of Xinjiang and the Central Asian region. Our investment is structured so as to generate a fixed flow of dividend and interest income.

GIE TOWER

Tenants

Abbott Laboratories
Ericsson
Jebsen
KPMG
Schneider Electric
Sony
Xin Li Zi Wan Restaurant

GURNEY PLAZA

Tenants

Celebrity Fitness
Cold Storage
Golden Screen Cinemas
Makan Makan
Mekio
MPH Bookstores
Padini
Parkson Grand
Popular Bookshop
Redbox Karaoke
Reject Shop
Rozzini
Senq
Toys "Я" US

Operations Review Retail

Metro Paragon
Singapore

Metro Taman Anggrek
Indonesia

The Group's eight department stores provide our most discerning shoppers with fabulous shopping experiences – whatever their mood.

Metro Senayan Square
Indonesia

Metro Pondok Indah
Indonesia

Metro Sengkang
Singapore

Metro Bandung Supermall
Indonesia

Metro Tampines
Singapore

Metro Causeway Point
Singapore

Accessorize @ Metro Paragon
Singapore

Retail

Metro Pondok Indah, Ladies' Department
Indonesia

Metro Paragon, Men's Department
Singapore

Overall Business Review

Singapore

For the year under review Metro operated the four department stores that were in operation during the previous financial year. Increases in sales volumes and gross margins contributed positively to the group's profit performance.

Indonesia

Sales growth at the associate business in Indonesia for the year under review slowed down. Contribution to the group's profit performance continued to be positive.

Singapore
Department Stores
Metro Paragon
Metro Tampines
Metro Woodlands
Metro Sengkang

Merchandising and Marketing

We will continue to maintain the close working relationships that we have forged with our international and local business partners to offer our customers enhanced merchandise selections and improve on gross margins.

Two loyalty products, the "Metro Gift Card" and the "Metro Privilege Card" were launched. These cards boast store value features and are well accepted. Customer loyalty improved and discounts were cut, thus increasing gross profits.

Information Technology (IT)

The Metro IT infrastructure has been updated with new security features. To ensure high systems availability, new backup technology is being adopted. To increase the use of IT for operational and management efficiency, we plan to focus on investments in new groupware technology that will facilitate the setting up of a knowledge-based database.

Metro Paragon, Cosmetics Department
Singapore

Metro Paragon, Children's Department
Singapore

Metro Pondok Indah, Household Department
Indonesia

Metro Tampines
Singapore

Metro Paragon, Customer Service
Singapore

Human Resource

As service is our business, we believe that our people are our most valuable resource. With our attention on fostering a customer centric culture, we understand that training is integral to harnessing our people resource. Thus, we take pride in the fact that we are amongst the first 20 companies to embark on the training and development programme "Customer Centric Initiative (CCI)", a national initiative which aims to develop and inculcate a customer centric culture in the Singaporean workforce.

We also attained the "People Developer Standard" and "Singapore Service Class" certifications, and participated in the Singapore Learning Festival 2005 event, which featured "Service" as it's theme. At the individual level, our people received more than double the number of gold and silver excellence awards we received in the previous year.

Outlook

For the coming year the retail division aims to increase gross profit contributions from higher sales and gross margins. As our employees complete their CCI training, we expect our customer service levels to reach a higher plane.

Indonesia
Department Stores
Metro Pondok Indah
Metro Senayan Square
Metro Bandung Supermall
Metro Taman Anggrek

Financial Review

Performance

Revenue recorded by the Group for the year was $199.1 million, an increase of 7.6% over that of the previous financial year. Rental income of the property division's Metro City rose whilst sales of the department store business in Singapore were higher by 5.6% at $168.4 million. Property contributed 16% and retail 84% of total Group revenue.

The property division's profit before tax rose to $152.7 million from $28.5 million last year. Exceptional gains of $118 million arising from the disposal of the Group's 30% interest in the securitisation vehicle for the Group's previously held 27% interest in Ngee Ann City accounted for most of the increase. Excluding exceptional items, profit was $32.9 million, an increase of 30.8% over the previous year's $25.1 million. Income from new investments and improved rental yield from Metro City in Shanghai drove the improved performance. The retail division's profit before tax at $9.7 million was higher by 22.6% due to the higher sales achieved.

Assets

Total Group assets increased to $906.9 million from $813.5 million mainly due to the Group increasing its investment in the Shui On Land Ltd Group by $74 million. 64% of total Group assets are now invested in China compared with 48% last year.

Shareholders' Equity

Group shareholders' funds rose to $652.8 million as at 31 March 2006 from $609.0 million at 31 March 2005 as the year's profit contribution was added to the revenue reserve. The Group's net asset value per share rose to $1.03 against $0.97 last year.

Gearing

The Group's gearing (total liabilities) rose to 0.38 from 0.32, with a net cash position of 0.2 times of equity.

Financial Highlights

	2006 $'000	2005 $'000	% Change
Profit and Loss Accounts			
Turnover	**199,076**	184,937	7.65
Net profit before tax	**159,876**	36,574	337.13
Net profit attributable to shareholders	**148,368**	27,200	445.47
Balance Sheets			
Total assets	**906,888**	813,533	11.48
Total borrowings	**134,498**	95,514	40.81
Shareholders' funds	**652,756**	609,043	7.18
Financial Ratios			
Earnings per share after tax and minority interests (cents) – continuing	**23.66**	4.34	445.16
Return on shareholders' funds (%)	**23.66**	4.85	387.84
Return on total assets (%)	**17.35**	3.63	377.96
Dividends			
Final gross dividend rate (%)	**10.00**	10.00	–
Final net dividend per share (cents)	**1.60**	1.60	–
Special gross dividend rate (%)	**15.00**	–	100
Special net dividend per share (cents)	**2.40**	–	100
Dividend cover (times)	**5.92**	2.71	118.45
Net assets per share ($)	**1.03**	0.97	6.19
Debt/Equity ratio (net of cash) (times)	**(0.20)**	(0.08)	150.00
Interest cover (times)	**32.90**	26.59	23.73

Five Years Financial Summary

	2006	2005	2004	2003	2002
Financial Results ($'000)					
Turnover	**199,076**	184,937	217,073	239,796	246,195
Profit from operating activities before exceptional items and tax	**40,004**	33,144	20,776	41,803	33,078
Exceptional items	**119,872**	3,430	203,574	7,527	2,942
Net profit from operating activities before tax	**159,876**	36,574	224,350	49,330	36,020
Taxation	**(10,502)**	(7,966)	(1,661)	(10,372)	(8,212)
Profit from continuing operations after taxation	**149,374**	28,608	222,689	38,958	27,808
Profit/(loss) from discontinued operations	**6,060**	3,849	(331)	(1,057)	(1,600)
	155,434	32,457	222,358	37,901	26,208
Minority interests	**(1,006)**	(1,408)	217	556	588
Net profit attributable to shareholders	**154,428**	31,049	222,575	38,457	26,796
Net final dividend proposed	**10,092**	10,092	10,092	9,840	4,100
Net special dividend	**15,139**	–	73,801	–	–
Balance Sheets ($'000)					
Property, plant and equipment	**112,962**	174,615	135,004	136,859	138,478
Investment properties	**88,003**	89,017	89,582	635,549	636,678
Non-current assets	**289,940**	247,904	102,230	21,177	13,067
Current assets	**415,983**	301,997	369,915	128,313	126,302
Total assets	**906,888**	813,533	696,731	921,898	914,525
Current liabilities	**(128,035)**	(134,008)	(116,747)	(211,311)	(143,284)
Long term and deferred liabilities	**(117,602)**	(62,033)	(57,533)	(118,499)	(212,560)
Total net assets	**661,251**	617,492	522,451	592,088	558,681
Financed by:					
Share capital	**126,155**	126,155	126,155	126,155	105,129
Reserves	**526,601**	482,888	394,002	464,905	452,711
Shareholders' funds	**652,756**	609,043	520,157	591,060	557,840
Minority interests	**8,495**	8,449	2,294	1,028	841
	661,251	617,492	522,451	592,088	558,681

	2006	2005	2004	2003	2002
Financial Ratios					
Earnings per share after tax, minority interests and extraordinary items (cents)^†	**23.66**	4.34	35.27	6.18	4.41
Earnings per share after tax, minority interests but before extraordinary items (cents)^†	**23.66**	4.34	35.27	6.18	4.41
Return on shareholders' funds (%)^*	**23.66**	4.85	40.04	6.79	5.10
Return on total assets (%)^*	**17.35**	3.63	27.49	4.24	3.01
Dividends proposed					
Final gross dividend rate (%)	**10.00**	10.00	10.00	10.00	5.00
Final net dividend per share (cents)†	**1.60**	1.60	1.60	1.56	0.65
Special gross dividend rate (%)	**15.00**	–	75.00	–	–
Special net dividend per share (cents)	**2.40**	–	11.70	–	–
Dividend cover (times)^	**5.92**	2.71	2.65	3.96	6.78
Net assets per share ($)†	**1.03**	0.97	0.82	0.94	0.88
Debt/equity ratio (net of cash) (times)	**(0.20)**	(0.08)	(0.29)	0.29	0.38
Total liabilities to shareholders' funds (times)	**0.38**	0.32	0.34	0.56	0.64
Interest cover (times)^	**32.90**	26.59	102.38	10.20	4.75

Notes

^ *The financial ratios are based on continuing operations.*

* *In calculating return on shareholders' funds and return on total assets, the average basis has been used.*

† *Comparative figures for 2002 have been adjusted to reflect the bonus issue of 105,129,446 new ordinary shares issued during the financial year ended 31 March 2003.*

Group Corporate Structure

美羅 METRO

- **100%** Metro (Private) Ltd (Retail)
  - **50%** PT Metropolitan Retailmart (Retail)
- **100%** Orchard Square Devt Corp Pte Ltd (Property)
- **100%** Sun Capital Assets Pte Ltd (Property)
- **100%** Metro China Holdings Pte Ltd (Property)
  - **100%** Metro Properties (Shanghai) Pte Ltd (Metro Tower) (Property)
  - **100%** Metro Leisure (Shanghai) Pte Ltd (Metro City) (Property)
  - **100%** Metro City (Beijing) Pte Ltd (Metro City Beijing) (Property)
  - **94%** MetroProp (China) (Shui On Land) (Property)
  - **100%** Metro Xinjiang Investments Pte Ltd (ICT Plaza) (Property)
  - **100%** Crown Investments Ltd (Property)
- **100%** Metro Australia Holdings Pte Ltd (Property)
  - **85%** Hillfort Investments Pte Ltd (Property)
- **50%** Gurney Investments Pte Ltd (Property)
  - **97%** Etika Cekap Sdn Bhd (Gurney Park) (Property)
- **100%** Metrobilt Pte Ltd (Property)
  - **100%** Metrobilt Enterprise Ltd (GIE Tower) (Property)

RETAIL PROPERTY

Portfolio of Properties

Properties/Location	Tenure	Site area (sqm)	Lettable area (sqm)	Percentage owned by the Group
Retail and Office				
Metro City, Shanghai, China A 9-storey entertainment centre along Zhao Jia Bang Road, Shanghai	36 year term from 1993	15,342	33,143	60%†
Gurney Plaza, Penang, Malaysia A 8-storey 2-basement retail mall along Gurney Drive, Penang	Freehold	31,413	64,585	48.5%
GIE Tower, Guangzhou, China Part of a 7-storey shopping podium & 35-storey office tower along Huan Shi Dong Road, Guangzhou	50 year term from 1994	–	Retail – 10,029* Office – 18,361*	100%
Metro Tower, Shanghai, China A 26-storey office building along Tian Yao Qiao Road, Shanghai	50 year term from 1993	5,247	39,295*	60%
Industrial				
Warehouse, Singapore A single-storey warehouse & 3-storey office annexe along Pasir Panjang Road, Singapore	Freehold	2,971	1,747	100%

Properties/Location	Tenure	Site area (sqm)	Potential saleable/ Lettable area (sqm)	Percentage owned by the Group	Stage of development at June 2006/ Expected completion
Properties Under Development					
Gurney Park, Penang, Malaysia A 304-room hotel and commercial block along Gurney Drive, Penang	Freehold	12,058	Hotel – 304 rooms Commercial – 12,600	48.5%	80%/Late 2006 –/Deferred

Notes

* *Gross saleable/lettable*

† *Contractual joint venture*

Board of Directors

Seated: Mr Ong Tjoe Kim and Mr Chan U Seek
Standing (Left to Right): Mr Lee Khoon Choy, Mr Phua Bah Lee, Mr Jopie Ong Hie Koan and Mr Jackson Lee Chik Sin

Ong Tjoe Kim
Executive Chairman

Mr Ong Tjoe Kim is the Chairman of Metro Holdings Limited ("Metro"). He has served as Chairman of Metro since its incorporation and listing on the Stock Exchange of Singapore in 1973. He has extensive experience in the retail trade, having founded the first Metro store in High Street in 1957.

Jopie Ong Hie Koan
Group Managing Director

Mr Jopie Ong is the Group Managing Director of Metro, a position he has held since 1973. He was previously the Chairman of Transmarco Limited as well as a Director of Metrojaya Berhad, a company listed on the Kuala Lumpur Stock Exchange. Mr Ong joined Metro in 1964 and his experience at board level covers the retail, property development, construction, hotel and leisure industries.

Chan U Seek
Director

Mr Chan U Seek has been a Director of Metro since 1973. He has over 50 years' experience covering a wide spectrum of trading in Southeast Asia in products ranging from native produce to defence equipment and aviation, and manufacturing of optics.

Jackson Lee Chik Sin
Director

Mr Jackson Lee has been a Director of Metro since 1983. He was the Chief Executive of Transmarco Limited from December 1983 until 1995 when Metro disposed of its controlling interest in that company. He is Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees. Mr Lee also serves on the boards of City e-Solutions Ltd, Hong Leong Finance Ltd and Hong Fok Corporation Ltd. Mr Lee is a Fellow of the Institute of Chartered Accountants in Australia.

Lee Khoon Choy
Director

Mr Lee Khoon Choy was appointed Director of Metro in 1991. He is the Chairman of Eng Lee Investment Consultants Private Limited as well as a Director of Koh Brothers Ltd and L & M Group Investments Limited. Mr Lee has served as Singapore's Senior Minister of State (Foreign Affairs and Prime Minister's Office) and has been Singapore's Ambassador to eight countries – Egypt, Yugoslavia, Ethiopia, Pakistan, Lebanon, Indonesia, Japan and South Korea. He holds a Diploma in Journalism from London Polytechnic and was awarded honorary professorship by the China Academy of Social Science.

Phua Bah Lee
Director

Mr Phua Bah Lee joined the Board of Metro in 1993. He is also a Director of GP Batteries International Ltd, GP Industries Ltd, Pan United Corporation Ltd, QAF Ltd, Singapura Finance Ltd and Wing Tai Holdings Ltd. He was the Parliamentary Secretary of the Ministry of Communications from 1968 to 1971 and Senior Parliamentary Secretary of the Ministry of Defence from 1972 to 1988. He was a Member of Parliament for the Tampines Constituency from 1968 to 1988. He graduated from the Nanyang University, Singapore, with a Bachelor of Commerce degree.

Messrs. Ong Tjoe Kim, Chan U Seek, Jackson Lee Chik Sin, Lee Khoon Choy and Phua Bah Lee were last re-elected at Metro Holdings Ltd's Annual General Meeting on 22 July 2005.

Key Management

Ong Tjoe Kim
Executive Chairman

Mr Ong Tjoe Kim has served as Chairman of Metro, providing vision and guidance since its incorporation and listing on the Stock Exchange of Singapore in 1973. He has extensive experience in the retail trade, having founded the first Metro store in High Street in 1957.

Jopie Ong Hie Koan
Group Managing Director

Mr Jopie Ong has been the Group Managing Director of Metro since 1973. In this position, he has full executive responsibility over the business directions and operational affairs of the Metro Group.

Mr Ong joined Metro in 1964 and was responsible for growing the retail division, introducing into Singapore key luxury brands such as Cartier and Piaget. Under his guidance, Metro obtained its listed status in 1973. He was also instrumental in the setting up and listing of Transmarco Limited, a group that dealt in luxury brands, watches and computers and of which he assumed chairmanship. He also acted as Director of the listed Metrojaya Berhad, which operated the Metro retail arm in Malaysia, prior to its divestment. Mr Ong's experience at board level covers the retail, property development, construction, hotel and leisure industries.

Lawrence Chiang Kok Sung
Head, Corporate Affairs and Special Projects

Mr Lawrence Chiang is Head, Corporate Affairs and Special Projects of the Metro Group. He holds a key role in the Group's investment strategy and business development and in this role, he has initiated and overseen the completion of the Group's property development projects and joint ventures in Singapore, Malaysia and China. He continues to assume overall responsibility for the operations of the Group's property division.

Prior to his current position, Mr Chiang was the Group's financial controller, a position he held after joining Metro in 1989. He has more than 30 years of working experience in industries involved in property development and management, retail and department stores, cruise, hotel and trading operations. Mr Chiang is a member of the Institute of Chartered Accountants of New Zealand and Fellow of the Institute of Certified Public Accountants of Singapore, ACCA and the Institute of Chartered Secretaries and Administrators.

Wong Sioe Hong
Managing Director, Metro (Private) Limited

As Managing Director of Metro (Pte) Ltd since 1994, Mrs Wong has overall responsibility for all of the operations of the retail division of the Metro Group in Singapore and Indonesia. She also serves as the Honorary Treasurer of the Singapore Retailers Association as well as the Vice Chairman of the Orchard Road Business Association.

Mrs Wong first joined Metro's retail organisation in 1971. Prior to her appointment as Managing Director, she was the Director of Merchandise for the previous 15 years. She has played an instrumental role in transforming the Metro retail arm into a major retail operator in Singapore and continues to oversee the Group's retail expansion in the region. Mrs Wong holds a Bachelor of Science (Commerce) from the University of Santa Clara, USA.

David Lee Chin Yin
Group Financial Controller and Joint Company Secretary

Mr David Lee has been Group Financial Controller of the Metro Group since 1995. He has overall responsibility for the Group's finance, accounting, treasury and tax functions. Mr Lee joined the Metro Group in 1991 as its Group Internal Audit Manager after 15 years in the public accounting profession. Mr Lee is a member of the Institute of Chartered Accountants in England & Wales and the Institute of Certified Public Accountants of Singapore.

Corporate Governance Report

Metro Holdings Limited ("Metro" or "the Company") is committed to high standards of corporate governance. This Report describes the Company's corporate governance practices with specific reference to the Code of Corporate Governance ("Code"), pursuant to Rule 710(2) of the Listings Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

Board Matters

Principle 1: Board's Conduct of its Affairs

The Board oversees the business affairs of the Group and sets overall corporate strategy and direction. It approves the Group's strategic plans, key business initiatives and financial objectives, major investment and divestment and funding proposals. The Board also monitors operating and financial performance and oversees the processes for risk management, financial reporting and compliance and evaluating the adequacy of internal controls. It approves nominations to the Board of directors. Matters specifically reserved for Board's decisions are those involving material acquisitions and disposal of assets, corporate or financial restructuring, share issuances and dividends. The Board has adopted a set of internal guidelines on these matters. The Board has delegated certain of its functions to the Nominating, Audit and Remuneration Committees.

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings can be convened as warranted by circumstances. Management has access to the directors for guidance or exchange of views outside of the formal environment of the Board meetings.

Directors are briefed on regulatory changes, especially those on the Company's or director's disclosure obligations. In order to ensure that the Board is able to fulfil its responsibilities, prior to the Board meetings, the Management provides the Board with information containing relevant background or explanatory information required to support the decision-making process.

Newly-appointed directors will be given briefings by the Management on the business activities of the Group and its strategic directions as well as its corporate governance practices.

Principle 2: Board Composition and Balance

The Board comprises 6 directors. The Chairman, Mr Ong Tjoe Kim, and Group Managing Director, Mr Jopie Ong Hie Koan are the executive directors. The four non-executive and independent directors are Mr Chan U Seek, Mr Jackson Lee Chik Sin, Mr Lee Khoon Choy and Mr Phua Bah Lee.

The Board considers the Board's present size and composition appropriate taking into account the nature and scope of the Group's operations, the depth and breadth of knowledge, expertise and business experiences of the directors to govern and manage the Group's affairs and that two-third of the Board size is independent.

The Board has no dissenting view on the Chairman's statement for the year in review.

Principle 3: Chairman and Group Managing Director

The roles of Chairman and Group Managing Director are separate. The Group Managing Director is the son of the Chairman. The Chairman provides overall vision and strategic guidance and bears responsibility for the workings of the Board. The daily running of the Group is left to the Group Managing Director who bears full executive responsibility for the Group's operations. The Group Managing Director need not retire by rotation as provided by the Articles of Association of the Company.

The Chairman assumes the responsibilities of scheduling and preparing agendas for Board meetings and exercises control over the quality, quantity and timeliness of information flow between the Board and Management.

Principle 4: Board Membership

Principle 5: Board Performance

The Nominating Committee comprises three directors, two of whom, including the chairman, are independent directors. The committee chairman is Mr Phua Bah Lee and the other members are Mr Jopie Ong Hie Koan and Mr Jackson Lee Chik Sin.

The Nominating Committee recommends all appointments and re-nominations of directors to the Board and Board committees. The Company's Articles of Association provide for one-third of the directors, except for the Group Managing Director, to retire by rotation and be subject to re-election at every Annual General Meeting. A newly appointed director must also subject himself for retirement and re-election at the Annual General Meeting immediately following his appointment.

The Nominating Committee also determines the independence of directors and evaluates and assesses the effectiveness of the Board taking into consideration appropriate performance criteria.

The Board, through the delegation of its authority to the Nominating Committee, has used its best efforts to ensure that directors appointed to the Board possess the background, experience and knowledge in technology, business, finance and management skills critical to the Group's businesses and that each director, through his unique contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

Informal reviews of a Board's members' performance are undertaken on a continuous basis by the Nominating Committee with inputs from the other Board members and the Group Managing Director. Renewals or replacement of Board members do not necessarily reflect their contributions to-date, but may be driven by the need to position or shape the Board to be in line with the medium-term needs of the Company and its businesses.

Principle 6: Access to Information

Directors are given full access to the management team and company secretary, all Board and Board committees' minutes and all approval and information papers. Where a decision has to be made before a formal Board meeting is scheduled, a circulating Directors Resolution is done in accordance with the Company's Articles of Association and all necessary information is provided. The Company supports the directors, either individually or as a group, if they require independent professional advice in furthering their duties to the Company. The company secretary attends Board meetings of the Company.

Remuneration Matters

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The Remuneration Committee is chaired by Mr Chan U Seek with Mr Jackson Lee Chik Sin and Mr Phua Bah Lee as members. All are non-executive and independent directors.

The Remuneration Committee reviews and recommends to the Board the framework of remuneration for key executives and for directors serving on the Board and Board committees. The review of specific remuneration packages includes fees, salaries, bonuses and incentives. Executive directors have service contracts which include terms for termination under appropriate notice. Non-executive directors are remunerated based on basic fees for serving on the Board and Board committees as are the executive directors. Such fees are recommended for approval by shareholders as a lump sum payment at the Annual General Meeting.

The Remuneration Committee has access to expert professional advice on remuneration matters whenever there is a need to obtain such advice.

Breakdown of directors remuneration (in percentage terms) for current financial year:

	Base/Fixed Salary	Performance-Related Income/Bonuses	Director's Fees
Ong Tjoe Kim	73%	18%	9%
Jopie Ong Hie Koan	8%	91%	1%
Chan U Seek	–	–	100%
Jackson Lee Chik Sin	–	–	100%
Lee Khoon Choy	–	–	100%
Phua Bah Lee	–	–	100%

Number of directors in remuneration bands:

	Executive Directors		Non-executive Directors	
	2006	2005	2006	2005
$10,750,000 to $10,999,999	1	–	–	–
$3,000,000 to $3,249,999	–	1	–	–
$750,000 to $999,999	1	1	–	–
Below $250,000	–	–	4	4
	2	2	4	4

Number of top five executives in remuneration bands:

	2006
$1,500,000 to $1,749,000	1
$500,000 to $749,999	2
$250,000 to $499,999	2
	5

Number of employees who are immediate family members of the Chairman and Group Managing Director in remuneration bands:

	2006
$500,000 to $749,999	1
$250,000 to $499,999	1
Below $250,000	1
	3

The Company does not have a share option scheme.

Accountability and Audit

Principle 10: Accountability

Principle 11: Audit Committee

Principle 12: Internal Controls

Principle 13: Internal Audit

The Company has implemented quarterly financial reporting. It also provides the directors with management accounts on a monthly basis.

The Audit Committee comprises of the four non-executive independent directors. It is chaired by Mr Jackson Lee Chik Sin and the members are Mr Chan U Seek, Mr Lee Khoon Choy and Mr Phua Bah Lee. The Audit Committee has full authority to investigate matters relating to the Group and any matters within its terms of reference.

The Audit Committee reviews the scope, audit plan, results and effectiveness of the external and internal auditors. The internal audit function, which is outsourced, reports directly to the Audit Committee. It also reviews the independence and objectivity of the external auditors taking into consideration the non-audit services provided to the Company. It has reviewed the effectiveness of the system of internal controls with the external and internal auditors and is satisfied that there are adequate internal controls.

In addition, the Group has also put in place appropriate risk management policies and processes to evaluate the operating, investment and financial risks of the Group. In evaluating a new investment proposal or business opportunity, several factors will be considered by management and the Board before a decision is being taken. These factors, which are essentially designed to ensure that the rate of returns commensurate with the risk exposure taken, including evaluating (i) return on investment; (ii) the pay back period; (iii) cash flow generated from the operation; (iv) potential for growth; (v) investment climate; and (vi) political stability.

The main areas of financial risk faced by the Group are foreign currency exchange risk, interest rate risk, credit risk and liquidity risk. Further details of the financial risks and how the Group manages them are set out on page 85 of the annual report.

Quarterly and full year results are reviewed by the Audit Committee prior to their submission to the Board as are interested person transactions. Provision is made at least once annually for the Audit Committee to meet with the external and internal auditors without the presence of management.

The Audit Committee has undertaken a review of fees paid to the auditor for non-audit services and is satisfied with the independence and objectivity of the external auditors. It has recommended to the Board the re-appointment of Ernst & Young as the external auditors.

Communication with Shareholders

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

The Company does not practise selective disclosure. Shareholders are kept informed of the developments in the Group's businesses and operations through announcements via MASNET as well as through the annual report. Announcements are made as soon as possible to ensure timely dissemination of the information to shareholders and the public.

The participation of shareholders is encouraged at the Company's general meetings. The Board and Management are on hand at these meetings to address any questions that shareholders may have concerning the Company. The external auditors are also present to assist the Board in answering the relevant shareholders' queries.

To facilitate voting by shareholders, the Company's Articles allow shareholders to vote by proxies. Proxy forms can be sent to the Company by mail. At the Annual General Meetings, each distinct issue is voted via separate resolutions.

Dealings in Securities

The Group has adopted an internal code which prohibits dealings in securities of the Company by directors and employees while in possession of price-sensitive information, and during the period beginning two weeks and one month before the announcement of the quarterly and annual results respectively, and ending on the date of announcement.

It also discourages dealings on short term considerations. Directors and employees are required to report securities dealings to the company secretary who will assist to make the necessary announcements.

Interested Person Transactions

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual) $'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) $'000
Jopie Ong Hie Koan / Ong Tjoe Kim Rental and property management income from a company in which the interested persons have an interest	129	–

There were no other interested person transactions conducted during the current financial year.

Material Contracts

Except for the benefits under service contracts disclosed in Note 6 of the Notes to the Financial Statements, there were no other material contracts of the Company or its subsidiaries involving the interests of the chief executive officer (as defined in the SGX-ST Listing Manual), each director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

Board Composition

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Ong Tjoe Kim	Chairman	–	–	–
Jopie Ong Hie Koan	Member	–	Member	–
Chan U Seek	Member	Member	–	Chairman
Jackson Lee Chik Sin	Member	Chairman	Member	Member
Lee Khoon Choy	Member	Member	–	–
Phua Bah Lee	Member	Member	Chairman	Member

Directors' Attendance at Board and Committee Meetings Held During Financial Year

	MHL Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Ong Tjoe Kim	4	2	–	–	–	–	–	–
Jopie Ong Hie Koan	4	4	–	–	1	1	–	–
Chan U Seek	4	4	4	4	–	–	1	1
Jackson Lee Chik Sin	4	4	4	4	1	1	1	1
Lee Khoon Choy	4	3	4	3	–	–	–	–
Phua Bah Lee	4	4	4	4	1	1	1	1

Financial Statements

Contents

Report of the Directors

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Metro Holdings Limited (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 March 2006.

Directors

The directors of the Company in office at the date of this report are:

Ong Tjoe Kim (Chairman)
Jopie Ong Hie Koan (Group Managing Director)
Chan U Seek
Jackson Lee Chik Sin
Lee Khoon Choy
Phua Bah Lee

Arrangements to enable directors to acquire shares and debentures

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors of the Company who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), an interest in shares of the Company as stated below:

	Shareholdings registered in the name of the directors		Shareholdings in which the directors are deemed to have an interest	
Name of director	As at 1.4.2005	As at 31.3.2006	As at 1.4.2005	As at 31.3.2006
	Number of ordinary shares			
Ong Tjoe Kim	40,448,160	40,448,160	134,656,604	134,032,604
Jopie Ong Hie Koan	–	–	184,371,648	184,371,648
Chan U Seek	–	–	2,670,996	2,670,996
Phua Bah Lee	–	–	60,480	60,480

There was no change in any of the abovementioned interests between the end of the financial year and 21 April 2006.

By virtue of Section 7 of the Act, Mr Ong Tjoe Kim and Mr Jopie Ong Hie Koan with the above shareholdings are deemed to have interests in all the subsidiary companies of the Group.

No other director of the Company who held office at the end of the financial year had an interest in any other shares of the Company's subsidiary companies.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or has become entitled to receive benefits under contracts required to be disclosed by Section 201(8) of the Act except those disclosed in Note 6 to the financial statements.

Audit Committee

The Audit Committee comprises non-executive and independent directors, Mr Jackson Lee Chik Sin, who chairs the Audit Committee, Mr Chan U Seek, Mr Lee Khoon Choy and Mr Phua Bah Lee.

The Committee meets at least four times a year and performs its functions in accordance with the Act.

The Committee reviews the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It meets with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Group's system of internal accounting and financial controls. The Committee also reviews the annual financial statements of the Company and of the Group and the auditors' report thereon before submission to the Board, as well as interested person transactions. All major findings and recommendations are brought to the attention of the Board of Directors.

The Committee has also reviewed the fees paid to the external auditors and are of the opinion that their independence has not been impaired.

The Committee recommends that Ernst & Young be nominated for re-appointment as auditors at the forthcoming Annual General Meeting.

Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board,

Ong Tjoe Kim
Chairman

Jopie Ong Hie Koan
Group Managing Director

Singapore
8 June 2006

Statement by Directors Pursuant to Section 201(15) of the Singapore Companies Act, Chapter 50

We, Ong Tjoe Kim and Jopie Ong Hie Koan, being two of the directors of Metro Holdings Limited, do hereby state that, in the opinion of the directors:

(a) the balance sheets, consolidated profit and loss account, statements of changes in equity and consolidated statement of cash flows together with the notes thereto, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2006, and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

Ong Tjoe Kim
Chairman

Jopie Ong Hie Koan
Group Managing Director

Singapore
8 June 2006

Auditors' Report to the Members of Metro Holdings Limited

We have audited the accompanying financial statements of Metro Holdings Limited (the "Company") and its subsidiary companies (collectively, the "Group"), set out on pages 34 to 92 for the year ended 31 March 2006. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2006, and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
8 June 2006

Consolidated Profit and Loss Account for the financial year ended 31 March 2006

(In Singapore dollars)

	Note	2006 $'000	2005 $'000
Continuing operations			
Revenue	3	**199,076**	184,937
Cost of revenue	4	**(172,993)**	(164,385)
Gross profit		**26,083**	20,552
Other income	5	**43,634**	27,631
General and administrative expenses		**(27,847)**	(15,974)
Profit from operating activities	6	**41,870**	32,209
Finance costs	7	**(5,012)**	(1,429)
Share of associated companies' results		**3,146**	2,364
Exceptional items	8	**119,872**	3,430
Profit from continuing operations before taxation		**159,876**	36,574
Taxation	9	**(10,502)**	(7,966)
Profit from continuing activities after taxation		**149,374**	28,608
Profit from discontinued operations	10	**6,060**	3,849
Profit for the year		**155,434**	32,457
Attributable to:			
Shareholders of the Company		**154,428**	31,049
Minority interests		**1,006**	1,408
		155,434	32,457
		Cents	**Cents**
Earnings per share	11		
Basic and diluted – continuing operations		**23.66**	4.34
Basic and diluted – discontinued operations		**0.82**	0.58
		24.48	4.92

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets as at 31 March 2006

(In Singapore dollars)

	Note	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000 (Restated)
Non-current assets					
Property, plant and equipment	12	**112,962**	174,615	**3,736**	3,886
Investment property	13	**88,003**	89,017	**–**	–
Subsidiary companies	14	**–**	–	**427,000**	422,584
Associated companies	15	**53,655**	124,693	**500**	500
Amounts due from associated companies	16	**27,512**	28,707	**25,668**	25,648
Investments	17	**208,773**	94,504	**–**	–
		490,905	511,536	**456,904**	452,618
Current assets					
Property held for sale	18	**53,568**	52,273	**–**	–
Inventories	19	**13,923**	14,541	**–**	–
Accounts receivable	20	**17,721**	45,003	**29,796**	20,310
Tax recoverable		**1,327**	1,381	**1,327**	1,381
Investments	17	**60,755**	44,396	**–**	–
Cash and bank balances	21	**268,689**	144,403	**37,369**	521
		415,983	301,997	**68,492**	22,212
Current liabilities					
Bank borrowings	22	**47,604**	62,308	**11,407**	6,765
Accounts payable	23	**69,270**	65,873	**40,936**	23,085
Provision for taxation		**11,161**	5,827	**–**	–
		128,035	134,008	**52,343**	29,850
Net current assets/(liabilities)		**287,948**	167,989	**16,149**	(7,638)
Non-current liabilities					
Bank borrowings	22	**86,894**	33,206	**–**	–
Amounts owing to subsidiary companies	14	**–**	–	**311,913**	275,820
Deferred taxation	9	**30,708**	28,827	**643**	1,209
		(117,602)	(62,033)	**(312,556)**	(277,029)
Net assets		**661,251**	617,492	**160,497**	167,951
Equity attributable to equity holders of the Company					
Share capital	24	**126,155**	126,155	**126,155**	126,155
Reserves	25	**526,601**	482,888	**34,342**	41,796
		652,756	609,043	**160,497**	167,951
Minority interests		**8,495**	8,449	**–**	–
Total equity		**661,251**	617,492	**160,497**	167,951

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity for the financial year ended 31 March 2006

(In Singapore dollars)

	Note	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Share capital					
Balance at beginning and end of financial year	24	**126,155**	126,155	**126,155**	126,155
Capital reserve					
Balance at beginning of financial year					
– as previously reported		**178,431**	105,469	**90,189**	17,227
– effects of adopting FRS 27 and FRS 28	2	**–**	–	**(88,188)**	(11,275)
– as restated		**178,431**	105,469	**2,001**	5,952
Transfer from revenue reserve		**11,949**	–	**–**	–
Share of associated companies' revaluation surplus		**–**	47,600	**–**	–
Share of associated companies' deferred tax on revaluation surplus		**–**	(3,355)	**–**	–
Surplus/(deficit) on revaluation of land and buildings		**–**	44,505	**–**	(4,062)
Deferred tax on revaluation of land and buildings		**–**	(15,788)	**–**	111
Realisation of revaluation surplus transferred to profit and loss on					
– disposal of freehold property		**(388)**	–	**–**	–
– disposal of preference shares in an associated company, net of tax		**(5,199)**	–	**–**	–
Realisation of prior year's revaluation surplus on an investment property on disposal of interest in an associated company		**(100,190)**	–	**–**	–
Balance at end of financial year	25	**84,603**	178,431	**2,001**	2,001
Foreign currency translation reserve					
Balance at beginning of financial year					
– as previously reported		**(2,289)**	2,744	**(2,289)**	2,744
– effects of adopting FRS 27 and FRS 28	2	**–**	–	**(5,555)**	(8,438)
– effects of adopting FRS 21	2	**–**	–	**7,844**	5,694
– as restated		**(2,289)**	2,744	**–**	–
Foreign currency translation for the financial year		**(6,395)**	(5,033)	**–**	–
Balance at end of financial year	25	**(8,684)**	(2,289)	**–**	–
Net (losses)/gains recognised directly in equity					
– capital reserve		**(105,777)**	72,962	**–**	(3,951)
– foreign currency translation reserve		**(6,395)**	(5,033)	**–**	–
Total (losses)/gains recognised directly in equity		**(112,172)**	67,929	**–**	(3,951)

(In Singapore dollars)

	Note	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Revenue reserve					
Balance at beginning of financial year					
– as previously reported		**306,746**	285,789	**394,988**	374,031
– effects of adopting FRS 27 and FRS 28	2	**–**	–	**(347,349)**	(373,915)
– effects of adopting FRS 21	2	**–**	–	**(7,844)**	(5,694)
– effects of adopting FRS 39	2	**11,549**	–	**–**	–
– as restated		**318,295**	285,789	**39,795**	(5,578)
Dividend, less income tax	26	**(10,092)**	(10,092)	**(10,092)**	(10,092)
Transfer from capital reserve		**(11,949)**	–	**–**	–
Profit attributable for the year		**154,428**	31,049	**2,638**	55,465
Balance at end of financial year	25	**450,682**	306,746	**32,341**	39,795
Total shareholders' equity		**652,756**	609,043	**160,497**	167,951
Total gains for the year attributable to equity holders of the Company		**42,256**	98,978	**2,638**	51,514
Minority interests					
Balance at beginning of financial year		**8,449**	2,294	**–**	–
Net profit for the year		**1,006**	1,408	**–**	–
Foreign currency translation for the year		**(328)**	(110)	**–**	–
Quasi-equity loans granted to subsidiary companies		**1,199**	4,476	**–**	–
Disposal of subsidiary company		**(1,713)**	–	**–**	–
Disposal of property		**(68)**	–	**–**	–
Share of revaluation surplus		**–**	381	**–**	–
Dividend paid to minority shareholders		**(50)**	–	**–**	–
Balance at end of financial year		**8,495**	8,449	**–**	–
Total (losses)/gains recognised directly in equity attributable to minority interests		**(328)**	271	**–**	–
Total gains for the year attributable to minority interests		**678**	1,679	**–**	–
Total equity		**661,251**	617,492	**160,497**	167,951

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows for the financial year ended 31 March 2006

(In Singapore dollars)

	2006 $'000	2005 $'000
Cash flows from operating activities:		
Operating profit before reinvestment of working capital (Note a)		
Operating profit before reinvestment in working capital	**25,973**	30,273
(Increase)/decrease in inventories	**(2,056)**	164
Decrease/(increase) in accounts receivable	**33,530**	(2,130)
Increase in short term investments	**(5,736)**	(16,056)
Increase/(decrease) in accounts payable	**8,988**	(9,220)
Cash generated from operations	**60,699**	3,031
Interest expense paid	**(5,403)**	(3,134)
Interest income received	**9,759**	6,621
Income taxes paid	**(8,011)**	(5,429)
Net cash provided by operating activities	**57,044**	1,089
Cash flows from investing activities:		
Additions to property, plant and equipment	**(1,381)**	(2,570)
Additional investment in long term investments	**(115,114)**	(92,679)
Proceeds from sale of property, plant and equipment	**53,248**	226
Decrease/(increase) in amounts due from associated companies	**1,195**	(6,708)
Proceeds from disposal of unquoted bonds and preference shares in associated company	**86,438**	–
Proceeds from disposal of subsidiary company	**496**	–
Dividends received from investments	**11,830**	5,003
Net cash provided by/(used in) investing activities	**36,712**	(96,728)
Cash flows from financing activities:		
Drawdown of bank borrowings (net)	**39,535**	15,787
Receipt of minority interests' loans to subsidiary companies	**1,199**	4,475
Dividend paid to minority shareholders of subsidiary companies	**(50)**	–
Dividend paid	**(10,092)**	(10,092)
Net cash provided by financing activities	**30,592**	10,170
Net increase/(decrease) in cash and cash equivalents	**124,348**	(85,469)
Cash and cash equivalents at beginning of financial year (Note b)	**144,341**	229,810
Cash and cash equivalents at end of financial year (Note b)	**268,689**	144,341

(In Singapore dollars)

Notes to the Statement of Cash Flows

(a) Operating profit before reinvestment of working capital

Reconciliation between profit from operating activities before taxation and exceptional items and operating profit before reinvestment in working capital:

	2006 $'000	2005 $'000
Profit from operating activities before taxation and exceptional items		
– continuing operations	**40,004**	33,144
– discontinued operations	**5,645**	2,400
Profit from operating activities before taxation and exceptional items	**45,649**	35,544
Adjustments for:		
Interest expense	**5,403**	3,134
Depreciation of property, plant and equipment	**7,849**	8,196
Share of results of associated companies	**(3,146)**	(2,364)
Interest and investment income	**(25,913)**	(15,144)
Loss/(profit) on disposal of property, plant and equipment	**7**	(175)
Inventories written off	**2,569**	–
Provision for doubtful debts	**306**	494
Doubtful debts written off	**–**	59
Property, plant and equipment written off	**–**	105
Amortisation of discount on consolidation	**–**	(363)
Amortisation of discount on unquoted bonds	**(378)**	–
(Write-back of)/provision for obsolete inventory	**(437)**	508
Provision for impairment of investments	**–**	899
Changes in fair value of short term investments	**3,594**	–
Foreign exchange adjustments	**(9,530)**	(620)
Operating profit before reinvestment in working capital	**25,973**	30,273

(b) Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	2006 $'000	2005 $'000
Cash and bank balances (Note 21)	**268,689**	144,403
Bank overdrafts, secured (Note 22)	**–**	(62)
	268,689	144,341

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

(In Singapore dollars)

1. Corporate information

The financial statements of Metro Holdings Limited (the "Company") and subsidiary companies (collectively the "Group") for the financial year ended 31 March 2006 were authorised for issue in accordance with a resolution of the directors on 8 June 2006.

The Company is a Singapore incorporated limited liability company. It is domiciled in Singapore and has its registered office at 391B Orchard Road, #23-01, Tower B, Ngee Ann City, Singapore 238874.

The principal activities of the Company are that of a management, property investment and holding company.

The principal activities of the Group are those of management and holding companies, retailers and department store operators, property investment and developers, building contractors, manufacturer of watch components and hoteliers.

During the year, the Group disposed of its watch component manufacturing business and hotel operations. Except as disclosed, there have been no significant changes in the nature of the principal activities of the Company or the Group during the financial year.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost convention, except for land and buildings and investment properties that have been stated at directors' valuation, and held for trading financial assets that have been measured at their fair values.

The financial statements are presented in Singapore Dollars (SGD or $) and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

(a) Adoption of new and revised FRS

On 1 April 2005, the Group and the Company adopted all the new and revised FRS that are applicable in the current financial year. Except as disclosed below, the other new and revised FRS did not have any significant financial impact on the Group and Company's financial statements for the current and previous financial year.

2. Summary of significant accounting policies (cont'd)

2.2 Changes in accounting policies (cont'd)

(a) Adoption of new and revised FRS (cont'd)

(i) FRS 39 – Financial Instruments: Recognition and Measurement

The Group and the Company had adopted FRS 39 prospectively on 1 April 2005. On that date, financial assets and liabilities within the scope of FRS 39 are classified and measured in accordance with the requirements under FRS 39.

Under the transitional provisions of FRS 39, the change in accounting policy on 1 April 2005 resulted in a net credit adjustment of $11,549,000 to the Group's revenue reserve on that date. The adoption of FRS 39 has no impact on the Company's financial statements.

(ii) FRS 21 (revised) – The Effects of Changes in Foreign Exchange Rates

The Company had extended foreign currency loans to overseas subsidiary companies, associated companies and jointly controlled entities which were considered as part of the Company's net investment in these subsidiary companies, associated companies and jointly controlled entities. Previously, such exchange differences were taken as movements to the foreign currency translation reserve by the Company. With the adoption of FRS 21 (revised), the exchange differences for each reporting period are taken to the profit and loss account. Accordingly, the balance in the foreign currency translation reserve of the Company as at 1 April 2005 of $7,844,000 was adjusted to revenue reserve.

The adoption of FRS 21 (revised) had no impact on the Group financial statements as the exchange differences on such foreign currency loans are allowed to be taken to the foreign currency translation reserve.

(iii) FRS 27 (revised) – Consolidated and Separate Financial Statements
FRS 28 (revised) – Accounting for Investments in Associates

In compliance with FRS 27 and FRS 28, the Company changed its accounting policy for its investment in subsidiary and associated companies in its separate financial statements to the cost method with effect from 1 April 2005. Previously the Company accounted for these investments using the equity method.

The change in accounting policy has been accounted for retrospectively and resulted in a decrease of $398,466,000 and $42,626,000 respectively in the Company's total carrying amount of investment in its subsidiary and associated companies as at 1 April 2005.

(iv) FRS 16 (revised) – Property, plant and equipment

FRS 16 (revised) requires an entity to recognise in its financial statements the initial estimate of the costs of dismantling and removing, and restoring the item, the obligation for which the entity incurs when the item is acquired or as a result of using the item during a particular period for purposes other than to produce inventories during that period.

The Group and Company has applied FRS 16 (revised) prospectively as the adoption has no material impact on the financial statements of the Group and Company as at 1 April 2005. The adoption of FRS 16 (revised) resulted in a decrease in the Group's profit of $115,000 for the year ended 31 March 2006.

2. Summary of significant accounting policies (cont'd)

2.2 *Changes in accounting policies (cont'd)*

(b) *FRS and Interpretation of Financial Reporting Standard ("INT FRS") not yet effective*

The Group has not applied the following FRS and INT FRS that have been issued as at the balance sheet date but are only effective for annual financial periods beginning on or after 1 January 2006.

- FRS 106, Exploration for and Evaluation of Mineral Resources
- FRS 107, Financial Instruments: Disclosure
- FRS 40, Investment Property
- INT FRS 105, Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- INT FRS 104, Determining Whether an Arrangement Contains a Lease
- INT FRS 106, Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- INT FRS 107, Applying the Restatement Approach under FRS 29, Financial Reporting in Hyperinflationary Economies
- INT FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors
- INT FRS 109, Reassessment of Embedded Derivatives

With the exception of FRS 40, the Group expects that the adoption of the pronouncements listed above will have no material impact on the financial statements in the period of initial application, although additional disclosures in the financial statements will be required.

Under FRS 40, investment properties are permitted to be stated at either fair value or cost less accumulated depreciation. The Group expects to measure all its investment properties at fair value unless fair value is not reliably determinable on a ongoing basis. As a result of adopting FRS 40 the Group will reclassify its capital reserve pertaining to revaluation of its investment properties to revenue reserve on 1 April 2007.

At this juncture, the impact of adoption on 1 April 2007 cannot be reasonably determined as the Group is unable to estimate with reasonable accuracy the changes in fair value of its investment properties up to that date.

2.3 *Significant accounting estimates and judgements*

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Summary of significant accounting policies (cont'd)

2.3 Significant accounting estimates and judgements (cont'd)

(a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

- Income taxes

  The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected 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 recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 March 2006, the carrying amount of the Group's current and deferred tax provisions was $41,869,000 (2005: $34,654,000) and the carrying amount of the Group's tax recoverable was $1,327,000 (2005: $1,381,000).

- Impairment in value of available-for-sale investments

  Determining whether available-for-sale investments are other than temporarily impaired requires an assumption regarding the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including the factors such as industry and sector performance, changes in technology and operational and financing cashflows.

(b) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

- Operating lease commitments – As lessor

  The Group has entered into commercial property leases on its property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

- Valuation of investments

  Management exercises judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process. Also, judgement may be applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions can also materially affect these estimates and the resulting fair value estimates.

2. Summary of significant accounting policies (cont'd)

2.4 Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies as at the balance sheet date. The financial statements of the subsidiary companies are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiary companies are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiary companies are accounted for using the purchase method. 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 interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the profit and loss account on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

2.5 Functional and foreign currency

(a) Functional currency

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be SGD. Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in SGD.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary and joint venture companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. Summary of significant accounting policies (cont'd)

2.5 Functional and foreign currency (cont'd)

(b) Foreign currency transactions (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiary companies, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary company. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

Differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation are also taken directly to the foreign currency translation reserve until the disposal of the net investment, at which time they are recognised in the profit and loss account. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in the foreign currency translation reserve.

(c) Foreign currency translation

The results and financial position of foreign operations are translated into SGD using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing rate ruling at that balance sheet date; and
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the profit and loss account as a component of the gain or loss on disposal.

2.6 Subsidiary companies

A subsidiary company is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less any impairment losses.

Details of the Group's subsidiary companies are shown in Note 34.

2. Summary of significant accounting policies (cont'd)

2.7 Jointly controlled entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Group recognises its interest in joint ventures using proportionate consolidation. The Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements. The financial statements of joint ventures are prepared for the same reporting year as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

The joint ventures are proportionately consolidated until the date on which the Group ceases to have joint control over joint ventures.

In the Company's separate financial statements, interests in joint ventures are accounted for at cost less impairment losses.

Details of the Group's jointly controlled entities are shown in Note 34.

2.8 Associated companies

An associated company is an entity, not being a subsidiary company or a joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the board of directors.

The Group's investments in associated companies are accounted for using the equity method. Under the equity method, the investment in associated company is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associated company. The Group's share of the profit or loss of the associated company is recognised in the consolidated profit and loss account. Where there has been a change recognised directly in the equity of the associated company, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associated company. The associated company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated company.

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

Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associated company's profit or loss in the period in which the investment is acquired.

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.

The most recent available audited financial statements of the associated companies are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and un-audited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

2. Summary of significant accounting policies (cont'd)

2.8 *Associated companies (cont'd)*

In the Company's separate financial statements, investments in associated companies are accounted for at cost less impairment losses.

Details of the Group's associated companies are shown in Note 34.

2.9 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses. Land and buildings are subsequently revalued on an asset-by-asset basis, to their fair values. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are made every three years to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date.

When an asset is revalued, any increase in the carrying amount is credited directly to the capital reserve. However, the increase is recognised in the profit and loss account to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit and loss account. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the profit and loss account. However, the decrease is debited directly to the capital reserve to the extent of any credit balance existing in the reserve in respect of that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the capital reserve in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated. Land held on 999-year lease is regarded as equivalent to freehold and is included in freehold land and buildings under property, plant and equipment. Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Freehold buildings	50 years
Leasehold buildings	50 years or over the period of lease if less than 50 years
Plant, equipment, furniture and fittings	3 to 10 years
Motor vehicles	5 years
Operating supplies	5 to 20 years

Operating supplies comprise recreation accessories, tableware, kitchen utensils, linen and housekeeping equipment.

Construction-in-progress included in plant and equipment are not depreciated as these assets are not available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

2. Summary of significant accounting policies (cont'd)

2.9 *Property, plant and equipment (cont'd)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2.10 *Investment properties*

Investment properties are those properties which are held on long term basis for their investment potential and income. The fair value is determined by the directors on an annual basis based on independent professional valuation.

The net surplus on revaluation is credited to capital reserve and any net deficit is charged to the profit and loss account to the extent that it exceeds any net surplus held in capital reserve relating to previous revaluation of the same class of properties.

Surplus on revaluation is released to the profit and loss account upon sale of the properties.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated and provision for impairment loss is made, if any.

2.11 *Property held for sale*

Property held for sale pertains to a property which is intended for sale in the ordinary course of business.

Property held for sale is stated at the lower of cost and net realisable value. Cost includes cost of land and construction-related overhead expenditure and other costs incurred during the period of development.

2.12 *Inventories*

Inventories are stated at the lower of cost and net realisable value.

For retail inventories, cost comprises the weighted average cost (which includes the related charges incurred in importing such merchandise) of merchandise derived at using the Retail Inventory Method or is ascertained on a first-in-first-out basis.

For all other inventories, cost comprises the invoiced value of goods on a specific identification basis, the first-in-first-out basis or the weighted average basis as appropriate plus related charges incurred in importing such goods and in the case of work-in-progress and finished inventories, includes direct labour and attributable production overheads based on normal levels of activity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Net realisable value is arrived at after due allowance is made for all obsolete and slow-moving inventories.

2.13 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount.

2. Summary of significant accounting policies (cont'd)

2.13 Impairment of non-financial assets (cont'd)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.14 Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(a) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the profit and loss account.

The Group does not designate any financial assets not held for trading as financial assets at fair value through profit and loss.

2. Summary of significant accounting policies (cont'd)

2.14 *Financial assets (cont'd)*

(b) *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

(c) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, discounted cash flow analysis and option pricing models.

Where these financial instruments do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are stated at cost less impairment losses.

2.15 *Investment securities*

Investment securities are classified as financial assets through profit or loss, held-to-maturity investments or available-for-sale financial assets as appropriate.

The accounting policy for the aforementioned categories of financial assets is stated in 2.14.

2. Summary of significant accounting policies (cont'd)

2.16 Trade and other receivables

Trade and other receivables, including amounts due from subsidiary companies, associates, related companies and loans to related companies are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.14.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.20 below.

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

Cash and short term deposits carried in the balance sheets are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.14.

2.18 Payables

Liabilities for trade and other amounts payable, which are normally settled on 30-90 day terms, and payables to related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.19 Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.20 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or Group of financial assets is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

2. Summary of significant accounting policies (cont'd)

2.20 *Impairment of financial assets (cont'd)*

(a) *Assets carried at amortised cost (cont'd)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(b) *Assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

2.21 *Derecognition of financial assets and liabilities*

(a) *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. Summary of significant accounting policies (cont'd)

2.21 Derecognition of financial assets and liabilities (cont'd)

(a) Financial assets (cont'd)

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

2.22 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.23 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from the sale of goods is recognised upon passage of title to customers which generally coincides with their delivery and acceptance. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2. Summary of significant accounting policies (cont'd)

2.23 *Revenue recognition (cont'd)*

Rental income from properties is accounted for on a straight-line basis over the lease terms on ongoing leases. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

Fees and services income are recognised as revenue on an accrual basis upon services rendered.

Dividend income is recognised when the Group's right to receive payment has been established.

Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

2.24 *Borrowing costs*

Borrowing costs are recognised as expenses in the period in which they are incurred.

2.25 *Employee benefits*

(a) *Defined contribution plans*

Contributions to post-employment benefits under defined contribution plans made in accordance to the statutory regulations in the countries in which the Group's companies operate are recognised as compensation expenses in the same period as the employment that gives rise to the contributions.

(b) *Employee entitlements*

Provision is made for employee benefit entitlements accumulated as a result of services rendered by the employees up to the balance sheet date. These benefits include wages, salaries and annual leave. The provision has been calculated at nominal amounts based on current wage and salary rates.

2.26 *Income taxes*

(a) *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(b) *Deferred tax*

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences (unless the deferred tax liability arises from goodwill amortisation or the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss).

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Summary of significant accounting policies (cont'd)

2.26 Income taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised (unless the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss).

Deferred tax assets are recognised for deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.27 Non-current assets held for sale and discontinued operation

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. A component is deemed to be held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

2. Summary of significant accounting policies (cont'd)

2.27 *Non-current assets held for sale and discontinued operation (cont'd)*

Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all the assets and liabilities in the group) are measured in accordance with the applicable FRSs. Upon classification as held for sale, non-current assets and disposal groups are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in the profit and loss account.

2.28 *Leases*

(a) As lessee

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income (Note 2.23).

3. Revenue

Revenue of the Group represents invoiced trading sales, including concessionaire sales and services (after allowance for goods returned and trade discounts) and rental income. It excludes dividends, interest income and intra-group transactions.

Revenue generated by the Group's operations are as follows:

	Group	
	2006	2005
	$'000	$'000
Retail	**168,399**	159,531
Property	**30,677**	25,406
	199,076	184,937

Income from property includes rental income from investment property amounting to $8,291,000 (2005: $6,956,000).

4. Cost of revenue

	Group 2006 $'000	Group 2005 $'000
Retail	**159,909**	153,318
Property	**13,084**	11,067
	172,993	164,385

5. Other revenue

	Group 2006 $'000	Group 2005 $'000
Interest income		
– Unquoted bonds	**2,945**	5,138
– Fixed and call deposits	**6,661**	1,735
– Fixed notes	**1,508**	–
– Others	**423**	1
Amortisation of discount on unquoted bonds	**378**	–
Dividends, gross		
– Unquoted investments	**14,100**	4,676
– Quoted investments	**3,150**	1,817
Sundry income	**1,287**	1,581
Advisory fees from third parties	**4,512**	4,678
Profit on disposal of short term investments	**178**	1,594
Management fee from an associated company	**1,544**	1,589
Other fee income from unquoted investments	**496**	1,208
Amortisation of discount on consolidation	**–**	363
Foreign exchange gain/(loss)	**2,015**	(446)
Changes in fair value of short term investments	**(3,594)**	–
Other rental income	**8,031**	3,697
	43,634	27,631

6. Profit from operating activities

Profit from operating activities is stated after charging/(crediting):

	Group	
	2006	2005
	$'000	$'000
Staff costs (including Directors' emoluments)	**29,908**	21,421
Directors' emoluments –		
Directors of the Company		
– Other emoluments	**11,645**	3,818
– Fees payable	**315**	315
Directors of subsidiary companies	**1,221**	1,193
Contributions to CPF and other defined contribution schemes (including Directors' emoluments)	**1,568**	1,797
Depreciation of property, plant and equipment	**7,334**	5,945
Provision for impairment of short term investments	**–**	899
Audit fees –		
Auditors of the Company		
– Current year	**396**	376
– Under provision in respect of prior year	**26**	67
Other auditors	**203**	102
Other fees paid to auditors of the Company	**110**	186
(Write-back of)/provision for obsolete inventory	**(437)**	508
Provision for doubtful debts	**306**	494
Doubtful debts written-off	**–**	64
Loss/(profit) on disposal of property, plant and equipment	**7**	(175)
Inventories written off	**2,569**	–
Rental expense	**19,991**	19,570
Foreign exchange loss/(gain)	**2,015**	(446)
Key management compensation (including Directors' emoluments) (Note 31(b))	**14,462**	5,752

7. Finance costs

	Group	
	2006	2005
	$'000	$'000
Interest expense:		
– Bank loans	**5,007**	1,429
– Others	**5**	–
	5,012	1,429

8. Exceptional items

	Group 2006 $'000	Group 2005 $'000
Gain on disposal of preference shares in an associated company	**17,795**	–
Realisation of prior year's revaluation surplus on an investment property on disposal of interest in an associated company	**100,190**	–
Gain on disposal of subsidiary company	**1,175**	–
Surplus on revaluation of investment property	**712**	825
Write-back of provision no longer required upon liquidation of a subsidiary company	**–**	2,605
	119,872	3,430

9. Taxation

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2006 and 2005 are:

(i) Profit and loss account

	Group 2006 $'000	Group 2005 $'000
Provision for taxation:		
Current taxation – continuing operations		
– Singapore	**7,206**	1,531
– Overseas	**5,142**	2,577
– Under/(over) provision in respect of prior financial years	**77**	(103)
– Recoverable from a third party	**(3,420)**	–
	9,005	4,005
Deferred taxation – continuing operations		
– Singapore (reversal)	**(1,280)**	(100)
– Overseas	**146**	2,922
– Over provision in respect of prior financial years	**–**	(79)
	(1,134)	2,743
Withholding tax	**1,018**	230
	8,889	6,978
Associated companies	**1,613**	988
Income tax attributable to continuing operations	**10,502**	7,966
Income tax attributable to discontinued operations	**–**	–
Income tax expense recognised in the profit and loss account	**10,502**	7,966

9. Taxation (cont'd)

(a) *Major components of income tax expense (cont'd)*

(ii) Statements of changes in equity

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Deferred income tax related to items charged or credited directly to equity				
– Net surplus/(deficit) on revaluation of land and buildings	**–**	15,788	**–**	(111)
– Share of associated company's deferred tax on revaluation surplus	**–**	3,355	**–**	–
– Share of associated company's deferred tax on realisation of revaluation surplus	**(1,300)**	–	**–**	–
Income tax expense reported in equity	**(1,300)**	19,143	**–**	(111)

(b) *Relationship between tax expense and accounting profit*

A reconciliation of taxation determined on the results of the Group by applying the Singapore statutory income tax rate for the financial years ended 31 March is as follows:

	Group 2006 $'000	Group 2005 $'000
Profit from continuing operations before taxation	**159,876**	36,574
Profit from discontinued operations before taxation (Note 10)	**6,060**	3,849
Profit before taxation	**165,936**	40,423
Taxation calculated at Singapore statutory income tax rate of 20% (2005: 20%)	**33,187**	8,085
Expenses not deductible for tax purposes	**5,169**	828
Difference arising from tax rates applicable to foreign entities	**(893)**	256
Income not subject to tax	**(21,363)**	(1,314)
Utilisation of previously unrecognised tax assets	**(4,311)**	(1,351)
Income tax recoverable from third party	**(3,420)**	–
Deferred tax assets not recognised	**444**	620
Under/(over) provision in respect of prior financial years	**77**	(182)
Others	**(5)**	36
Share results of associated companies	**1,617**	988
Taxation recognised in the profit and loss account	**10,502**	7,966

9. Taxation (cont'd)

(c) *Deferred income tax*

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Balance at beginning of financial year	**28,827**	10,351	**1,209**	1,247
Effect of adopting FRS 39	**2,662**	–	**–**	–
Exchange adjustments	**353**	(55)	**(3)**	–
(Reversal)/charge to profit and loss account	**(1,134)**	2,743	**(563)**	73
Charge/(reversal) to capital reserve	**–**	15,788	**–**	(111)
Balance at end of financial year	**30,708**	28,827	**643**	1,209

The Group's share of jointly controlled entities' deferred tax liability balances amounted to $23,696,000 (2005: $23,544,000) (Note 30).

Deferred income tax as at 31 March relates to the following:

	Consolidated balance sheet		Consolidated profit and loss account		Company balance sheet	
	2006	2005	**2006**	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Deferred tax liabilities						
Differences in depreciation	**15,115**	14,214	**123**	197	**160**	–
Fair value changes	**1,213**	–	**(1,449)**	–	**–**	–
Revaluations surplus on land and building	**17,337**	17,983	**–**	–	**–**	160
Unremitted foreign sourced income	**645**	1,102	**(453)**	126	**483**	1,049
	34,310	33,299			**643**	1,209
Deferred tax assets						
Deferred income and other deferred tax assets	**(3,602)**	(4,472)	**645**	2,420	**–**	–
	30,708	28,287			**643**	1,209
Deferred income tax expense			**(1,134)**	2,743		

9. Taxation (cont'd)

Unrecognised tax losses

As at 31 March 2006, there were estimated tax losses and unabsorbed capital allowances amounting to $30,656,000 and $1,124,000 (2005: $46,409,000 and $7,017,000) respectively, available for offset against future taxable profits of certain subsidiary companies. No deferred tax asset is recognised due to the uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

10. Discontinued operations

Discontinued operations relate to the disposals of The Oasis Resort, Cairns together with its business assets and Swiss Profile (M) Sdn Bhd, a 51% owned subsidiary company involved in the manufacturing of watch components on 20 June 2005 and 30 September 2005 respectively.

In the last financial year, the Company's 85% owned subsidiary company, Hillfort Investments Pte Ltd executed a Put and Call Option Deed which granted an option to Sunland Group (Oasis) Pty Ltd ("Sunland Group") to purchase pursuant to a Hotel Sale Agreement, its entire stake in a property known as The Oasis Resort, Cairns together with all its business as a going concern. The Oasis Resort was reported in the "Property" segment. Sunland Group exercised its option to acquire The Oasis Resort and the sale was effective on 20 June 2005.

Details of the disposal of Swiss Profile (M) Sdn Bhd are disclosed in Note 14.

The results of the discontinued operations are as follows:

	Group	
	2006	2005
	$'000	$'000
Revenue	**4,151**	18,733
Cost of revenue	**(3,414)**	(14,080)
Gross profit	**737**	4,653
Other income	**5,869**	539
General and administrative expenses	**(569)**	(1,087)
Profit from operating activities	**6,037**	4,105
Finance costs	**(392)**	(1,705)
Exceptional items	**415**	1,449
Profit before taxation	**6,060**	3,849
Taxation	**–**	–
Profit after taxation	**6,060**	3,849

10. Discontinued operations (cont'd)

The impact of the discontinued operations on the consolidated cash flows of the Group is as follows:

	Group 2006 $'000	Group 2005 $'000
Operating cash flows	**1,871**	3,389
Investing cash flows	**52,005**	(332)
Financing cash flows	**(48,827)**	(3,875)
Total cash flows from/(used in) discontinued operations	**5,049**	(818)

11. Earnings per share

(a) *Continuing operations*

Basic earnings per share amounts are calculated by dividing the profit from continuing operations attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated using the same basis as the basic earnings per share as there are no potentially dilutive shares for the current and previous financial year.

The following tables reflects the profit and loss account and share data used in the computation of basic and diluted earnings per share from continuing operations for the years ended 31 March:

	Group 2006 $'000	Group 2005 $'000
Profit for the year attributable to ordinary equity holders of the Company	**154,428**	31,049
Less: Profit from discontinued operations attributable to ordinary equity holders of the Company	**(5,157)**	(3,675)
Profit from continuing operations attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per share	**149,271**	27,374
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation	**630,777**	630,777

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

(b) *Discontinued operations*

The basic and diluted loss per share from discontinued operations are calculated by dividing the "Profit from discontinued operations attributable to ordinary equity holders of the Company" by the "Weighted average number of ordinary shares for basic earnings computation" and "Weighted average number of ordinary shares adjusted by the effect of dilution" respectively. These profit and loss account and share data are presented above in caption (a) of this note.

12. Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Leasehold land and buildings $'000	Plant, equipment, furniture and fittings and operating supplies $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group							
Cost and valuation							
At 1 April 2004							
Cost	–	–	–	41,643	2,375	–	44,018
Valuation	16,662	42,523	70,771	–	–	–	129,956
	16,662	42,523	70,771	41,643	2,375	–	173,974
Exchange adjustments	24	97	(1,098)	(158)	(2)	–	(1,137)
Additions	–	–	–	1,266	455	849	2,570
Disposals/write-offs	–	–	–	(359)	(740)	–	(1,099)
Revaluation (deficit)/surplus	(660)	(4,218)	40,573	–	–	–	35,695
At 31 March 2005 and 1 April 2005							
Cost	–	–	–	42,392	2,088	849	45,329
Valuation	16,026	38,402	110,246	–	–	–	164,674
	16,026	38,402	110,246	42,392	2,088	849	210,003
Exchange adjustments	95	265	2,089	262	3	–	2,714
Reduction of cost	–	–	(1,395)	–	–	–	(1,395)
Additions	–	–	–	1,381	–	–	1,381
Disposals/write-offs	–	–	–	(196)	–	–	(196)
Discontinued operations	(13,621)	(37,867)	(1,372)	(16,289)	(195)	–	(69,344)
At 31 March 2006							
Cost	–	–	–	27,550	1,896	849	30,295
Valuation	2,500	800	109,568	–	–	–	112,868
	2,500	800	109,568	27,550	1,896	849	143,163
Accumulated depreciation							
At 1 April 2004	–	1,923	5,202	30,760	1,085	–	38,970
Exchange adjustments	–	31	(119)	(103)	(2)	–	(193)
Charge for 2005	–	936	2,669	4,171	420	–	8,196
Disposals/write-offs	–	–	–	(238)	(705)	–	(943)
Adjustments on revaluation	–	(2,890)	(7,752)	–	–	–	(10,642)
At 31 March 2005 and 1 April 2005	–	–	–	34,590	798	–	35,388
Exchange adjustments	–	2	(54)	195	2	–	145
Charge for 2006	–	184	4,664	2,650	351	–	7,849
Disposals/write-offs	–	–	–	(185)	–	–	(185)
Discontinued operations	–	(150)	(12)	(12,665)	(169)	–	(12,996)
At 31 March 2006	–	36	4,598	24,585	982	–	30,201
Net book value							
At 31 March 2006	2,500	764	104,970	2,965	914	849	112,962
At 31 March 2005	16,026	38,402	110,246	7,802	1,290	849	174,615

12. Property, plant and equipment (cont'd)

	Freehold land $'000	Freehold building $'000	Plant, equipment, furniture and fittings $'000	Motor vehicles $'000	Total $'000
Company					
Cost and valuation					
At 1 April 2004					
Cost	–	–	2,122	722	2,844
Valuation	6,350	1,150	–	–	7,500
	6,350	1,150	2,122	722	10,344
Additions	–	–	79	259	338
Disposals	–	–	(23)	(350)	(373)
Revaluation deficit	(3,850)	(350)	–	–	(4,200)
At 31 March 2005 and 1 April 2005					
Cost	–	–	2,178	631	2,809
Valuation	2,500	800	–	–	3,300
	2,500	800	2,178	631	6,109
Additions	–	–	60	–	60
Disposals	–	–	(6)	–	(6)
At 31 March 2006					
Cost	–	–	2,232	631	2,863
Valuation	2,500	800	–	–	3,300
	2,500	800	2,232	631	6,163
Accumulated depreciation					
At 1 April 2004	–	92	2,093	303	2,488
Charge for 2005	–	46	23	142	211
Disposals	–	–	(23)	(315)	(338)
Adjustment on revaluation	–	(138)	–	–	(138)
At 31 March 2005 and 1 April 2005	–	–	2,093	130	2,223
Charge for 2006	–	36	46	126	208
Disposals	–	–	(4)	–	(4)
At 31 March 2006	–	36	2,135	256	2,427
Net book value					
At 31 March 2006	2,500	764	97	375	3,736
At 31 March 2005	2,500	800	85	501	3,886

(a) The Group's freehold and leasehold land and buildings are stated at directors' valuation based on independent professional valuations carried out by DTZ Debenham Tie Leung (SEA) Pte Ltd and DTZ Debenham Tie Leung Ltd. The valuations are determined by reference to open market value on an existing use basis. The date of the valuations was 31 March 2005.

12. Property, plant and equipment (cont'd)

(b) If the Group's land and buildings were measured at cost less depreciation and impairment losses, the carrying amounts would be as follows:

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Freehold land				
Cost and net carrying amount	**1,231**	12,819	**1,231**	1,231
Freehold building				
Cost	**637**	38,931	**637**	637
Accumulated depreciation	**578**	6,637	**578**	541
Net carrying amount	**59**	32,294	**59**	96
Leasehold land and buildings				
Cost	**75,018**	77,813	**–**	–
Accumulated depreciation	**21,246**	17,209	**–**	–
Net carrying amount	**53,592**	60,604	**–**	–

(c) The Group's leasehold land and buildings with carrying amount of $104,970,000 (2005: $108,900,000) are pledged as security for bank loans (Note 22(c)).

(d) As at 31 March 2006, the Group's share of property, plant and equipment in jointly controlled entities amounted to $105,607,000 (2005: $109,433,000) (Note 30). This includes $104,970,000 pertaining to leasehold land and buildings. In accordance with the prevailing laws in the People's Republic of China, there are restrictions to the lease, pledge and transfer of such buildings.

(e) Included in construction-in-progress as at 31 March 2006 was an amount of $849,000 (2005: $849,000) relating to properties in the course of construction. These are held in trust by a Director on behalf of the Group.

13. Investment property

	Group	
	2006	2005
	$'000	$'000
Balance at beginning of financial year	**89,107**	89,582
Exchange adjustments	**(1,816)**	(1,390)
Revaluation surplus, net credited to profit and loss account	**712**	825
Balance at end of financial year	**88,003**	89,017

13. Investment property (cont'd)

The Group's investment property is as follows:

Name of building	Description	Tenure of land	Fair value 2006 $'000	Fair value 2005 $'000
GIE Tower, Guangzhou	Part of a 7-storey shopping podium & 35-storey office tower along Huan Shi Dong Road, Guangzhou	50 years' lease from 18 October 1994	**88,003**	89,017

The investment property at GIE Tower is stated at directors' valuation based on an independent professional valuation carried out by DTZ Debenham Tie Leung Ltd on 31 March 2006. The valuation is determined by reference to open market value on an existing use basis. The date of the valuation was 31 March 2006.

14. Subsidiary companies

	Company 2006 $'000	Company 2005 $'000 (Restated)
Unquoted equity shares, at cost	**21,828**	24,994
Amounts due from subsidiary companies	**459,014**	453,818
Impairment losses	**(53,842)**	(56,228)
Carrying amount of investments	**427,000**	422,584

Details of subsidiary companies are shown in Note 34.

	Company 2006 $'000	Company 2005 $'000 (Restated)
Movement in impairment loss is as follows:		
Balance at beginning of financial year	**56,228**	52,610
Disposal of a subsidiary company	**(2,671)**	–
Write-back of provision	**(353)**	–
Impairment loss for the year	**638**	3,618
Balance at end of financial year	**53,842**	56,228

Amounts due from subsidiary companies are non-trade related, unsecured, have no fixed terms of repayment and are interest free, except for an amount of $107,479,000 (2005: $115,282,000) which bears interest ranging from 2.998% to 6.64% (2005: 1.59% to 4.72%) per annum. These are considered quasi-equity in nature.

The amounts due to subsidiary companies are non-trade related, unsecured, interest-free and have no fixed terms of repayment, except for an amount of $3,236,000 (2005: nil) which bears interest ranging from 4.96% to 5.92% (2005: nil).

14. Subsidiary companies (cont'd)

Disposal of a subsidiary company

On 30 September 2005, the Company disposed of its entire interest of 51% in its subsidiary company, Swiss Profile (M) Sdn Bhd ("Swiss Profile") to PX Holdings S.A. for a total consideration of $496,000 (US$300,000). The disposal consideration was fully settled in cash. The Group's gain on disposal of the subsidiary company amounted to $1,175,000.

The value of assets and liabilities of Swiss Profile recorded in the consolidated financial statements as at 30 September 2005, and the cash flow effect of the disposal were as follows:

	$'000
Total assets	5,188
Total liabilities	(4,154)
Minority interest	(1,713)
Carrying value of net liabilities disposed	(679)

The cash flows attributable to the disposal of Swiss Profile are as follows:

	$'000
Operating	570
Investing	(103)
Financing	(552)
Net cash outflow	(85)

15. Associated companies

	Group		Company	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000 (Restated)
Unquoted equity shares, at cost	**7,273**	7,273	**500**	500
Unquoted redeemable preference shares, at cost	**–**	*	**–**	–
Unquoted bonds, at cost	**–**	68,500	**–**	–
	7,273	75,773	**500**	500
Share of post-acquisition reserves				
– capital reserve	**44,875**	50,074	**–**	–
– post-acquisition profit	**3,782**	2,427	**–**	–
– foreign currency translation reserve	**(2,275)**	(3,581)	**–**	–
	46,382	48,920	**–**	–
	53,655	124,693	**500**	500

* *Cost is $27.*

15. Associated companies (cont'd)

On 3 May 2005, the Company's wholly-owned subsidiary company, Sun Capital Assets Pte Ltd agreed to dispose of its 30% stake in the junior bonds and the redeemable preference shares of its associated company, Orchard Square Capital Assets Limited ("OSCAL") to Mayfair Holdings GmBH & Co Singapore KG for S$86.7 million. The consideration, less transaction expense, resulted in a net gain of $17,795,000. The disposal was approved by the Company's shareholders on 22 July 2005 and completed on 5 August 2005, resulting in OSCAL ceasing to be an associated company of the Group.

Details of the associated companies are shown in Note 34.

The summarised financial information of the associated companies are as follows:

	Group	
	2006	2005
	$'000	$'000
Assets and liabilities:		
Current assets	**74,610**	130,317
Non-current assets	**214,174**	768,973
Total assets	**288,784**	899,290
Current liabilities	**35,443**	102,426
Non-current liabilities	**141,902**	690,563
Total liabilities	**177,345**	792,989
Results:		
Revenue	**163,021**	215,928
Profit for the year	**6,538**	5,419

16. Amounts due from associated companies

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Amounts due from associated companies:				
– trade	**1,538**	–	**–**	–
– non-trade	**25,974**	28,707	**25,668**	25,648
	27,512	28,707	**25,668**	25,648

The amounts due from associated companies are unsecured, interest free and are not expected to be repaid within the next twelve months. These are considered quasi-equity in nature.

17. Investments

	Note	Group 2006 $'000	2005 $'000
Current:			
Held for trading investments			
Shares (quoted) [1]		**60,755**	42,396
Available-for-sale investments			
Shares (unquoted) [2]		**–**	2,000
		60,755	44,396
Non-current:			
Held-to-maturity investments			
Shareholders' loan	(a)	**25,079**	12,375
Secured loan notes (unquoted)	(b)	**65,409**	–
		90,488	12,375
Available-for-sale investments			
Shares (unquoted), at cost [2]	(a)	**29,229**	28,801
Convertible preference shares (unquoted), at cost [2]	(c)	**86,131**	53,328
Warrants (unquoted), at cost	(c)	**2,925**	–
		118,285	82,129
		208,773	94,504

[1] *In 2005, quoted shares were carried at the lower of cost and market value determined on a portfolio basis.*

[2] *In 2005, these assets were carried at cost less permanent diminution in value.*

(a) The shareholder's loan, which is denominated in US dollars, is extended to Hualing Asset Management Co Ltd ("Hualing"), incorporated in Urumqi, Xinjiang, the People's Republic of China. It bears interest at 7.776% per annum, matures in January 2008 and is secured against the first floor and part of the second floor of a commercial property owned by Hualing.

The unquoted shares, which are denominated in Chinese Renminbi, pertain to the Group's equity contribution equivalent to 25% of the registered capital of Hualing. This entitles the Group to receive a fixed return of 17.143% per annum. Although the Group's interest in Hualing is in excess of 20%, the investment in Hualing has not been accounted for as an associated company because the Group is unable to exercise significant influence over Hualing.

(b) The unquoted secured loan notes in Chigwell Holdings Limited ("Chigwell"), incorporated in Hong Kong, amounted to $24,270,000 and are denominated in US dollars. They bear interest at 15% per annum and mature on 7 December 2007 and are secured by a charge over the share capital of Chigwell.

The unquoted senior notes in Shui On Development (Holdings) Limited, amounting to $41,139,000 bear interest at 8.5% per annum and mature within 3 years. Shui On Development (Holdings) Limited has the right to redeem the bonds from 2005 onwards at a price ranging from 108.5% to 100% of the nominal amount plus accrued interest.

17. Investments (cont'd)

(c) This pertains to an investment in 30,000,000 and 20,000,000 senior and junior convertible redeemable participating preference shares in Shui On Land Limited ("SOL") which is denominated in US dollars. The senior tranche is entitled to a fixed cumulative cash dividend of 7.5% per annum, payable semi-annually and an additional cash dividend of 7.5% per annum which is payable upon redemption or on mandatory conversion. The junior tranche is entitled to cash dividend of 7% per annum payable semi-annually. On an initial public offering exercise of SOL, both the senior and junior preference shares are mandatorily converted into ordinary shares of SOL (Note 33).

The warrants of SOL mature in 2008 and are exercisable for cash or ordinary shares at a price of US$0.01 per ordinary share on selected dates prior to an initial public offering of SOL. Thereafter, the warrants may be exercisable at any time (Note 33).

18. Property held for sale

The Group's share of property held for sale is as follows:

	Group	
	2006	2005
	$'000	$'000
Property held for sale, at cost	**53,568**	52,273

The property is held by the Group's jointly controlled entity (Note 30) and has been pledged as security for bank loans (Note 22(c)).

19. Inventories

	Group	
	2006	2005
	$'000	$'000
Inventories held for resale	**13,768**	13,773
Finished goods	**–**	158
Raw materials	**155**	406
Work-in-progress	**–**	204
Total inventories at lower of cost and net realisable value	**13,923**	14,541
Inventories written-off during the year	**2,569**	–
Inventories are stated after deducting allowance for obsolete inventories of	**847**	1,284
Balance at 1 April	**1,284**	776
(Reversal)/charge to the profit and loss account	**(437)**	508
Balance at 31 March	**847**	1,284

20. Accounts receivable

	Note	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Trade accounts receivable	(a)	**2,352**	4,108	**–**	–
Other accounts receivable	(b)	**15,369**	40,895	**29,796**	20,310
		17,721	45,003	**29,796**	20,310

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
(a) Trade accounts receivable are stated after deducting allowance for doubtful debts of:	**959**	677	**–**	–
Movement in provision for doubtful debts is as follows:				
Balance at 1 April	**677**	234	**–**	–
Charge to the profit and loss account	**414**	494	**–**	–
Bad debts written-off	**(24)**	(51)	**–**	–
Write-back of provision	**(108)**	–	**–**	–
Balance at 31 March	**959**	677	**–**	–

The Group's share of jointly controlled entities' trade accounts receivable balances amounted to $718,000 (2005: $268,000) (Note 30).

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
(b) Other accounts receivable comprise:				
Amounts due from subsidiary companies	**–**	–	**29,321**	19,836
Deposits and prepayments	**3,212**	5,381	**114**	109
Proceeds from sale of investment property retained	**–**	26,900	**–**	–
Recoverables and sundry debtors	**12,144**	8,596	**361**	365
Staff loans	**13**	18	**–**	–
	15,369	40,895	**29,796**	20,310
Presented as:				
Financial assets	**12,157**	35,583	**29,682**	20,201
Non-financial assets	**3,212**	5,312	**114**	109
	15,369	40,895	**29,796**	20,310

20. Accounts receivable (cont'd)

Amounts due from subsidiary companies bear interest at rates varying between 2.12% to 4.69% (2005: 0.95% to 2.12%) per annum.

The proceeds from the sale of investment property retained as at 31 March 2005 was fully collected during the financial year. The said proceeds pertained to 5% of the sale consideration receivable from the buyer of the Group's interest in the Ngee Ann City investment property.

Included in recoverables and sundry debtors are proceeds amounting to approximately $270,000 (2005: $5,700,000) due on the liquidation of the maintenance fund for the Ngee Ann City investment property which was disposed off in previous years.

The Group's share of jointly controlled entities' other accounts receivable amounted to $426,000 as at 31 March 2006 (2005: $444,000) (Note 30).

21. Cash and bank balances

These comprise cash and bank balances and fixed deposits placed with financial institutions as follows:

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Fixed deposits	**252,826**	127,616	**36,905**	–
Cash on hand and at bank	**15,863**	16,787	**464**	521
	268,689	144,403	**37,369**	521

Fixed deposits are made for varying periods of not more than three months depending on the immediate cash requirement of the Group and bear interest ranging from 0.375% to 5.5% (2005: 0.31% to 5.39%) per annum. Cash on hand and at bank earns interest at floating rates based on daily bank deposit rates ranging from 0.2% to 3.3% (2005: 0.2% to 3.15%).

Fixed deposits of $118,749,000 (2005: $45,617,000) have been pledged to financial institutions as security for bank loans (Note 22).

The Group's share of jointly controlled entities' cash and bank balances as at the financial year end amounted to $13,175,000 (2005: $9,160,000) (Note 30).

22. Bank borrowings

	Note	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Current					
Bank revolving credit facilities					
– HK dollar, secured	(a)	**29,321**	19,836	**–**	–
– US dollar, unsecured	(b)	**14,642**	6,766	**11,407**	6,765
Australian dollar bank loan		**–**	23,606	**–**	–
Malaysian ringgit bank overdraft		**–**	62	**–**	–
Malaysian ringgit trade bills and trust receipts		**–**	406	**–**	–
Share of joint ventures' US dollar bank loans, secured (current)	(c)	**3,641**	11,632	**–**	–
		47,604	62,308	**11,407**	6,765
Non-current					
US dollar bank loans, secured	(d)	**78,157**	25,781	**–**	–
Share of joint ventures' US dollar bank loans, secured (non-current)	(c)	**8,737**	7,425	**–**	–
		86,894	33,206	**–**	–
Maturity of bank borrowings					
Repayable:					
Within 1 year		**47,604**	62,308	**11,407**	6,765
After 1 year but within 5 years		**86,894**	33,206	**–**	–
More than 5 years		**–**	–	**–**	–
Total		**134,498**	95,514	**11,407**	6,765

(a) The Hong Kong dollar revolving credit facility bears interest at rates ranging from 2.12% to 4.69% (2005: 0.95% to 2.12%) per annum and is secured by an equivalent amount in fixed deposits (Note 21).

(b) The US dollar revolving credit facilities bear interest at rates ranging from 4.06% to 6.07% (2005: 4.06%) per annum.

(c) The Group's share of US dollar denominated loans held by jointly controlled entities amounted to $12,378,000 (2005: $19,057,000) and bears interest at rates ranging from 4.05% to 5.93% (2005: 2.11% to 4.05%) per annum. The loans mature in November 2007 and are secured against the respective jointly controlled entities' property held for sale (Note 18) and leasehold properties (Note 12(c)).

(d) US dollar term bank loans are secured by equivalent amounts in fixed deposits (Note 21). Of this amount, $37,092,000 (2005: $25,281,000) matures on 24 June 2009 and bears interest ranging from 3.06% to 5.05% (2005: 1.87% to 3.06%) per annum. The balance of $41,065,000 (2005: nil) matures on 5 October 2008 and bears interest ranging from 4.18% to 5.21% (2005: nil) per annum.

23. Accounts payable

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Trade accounts payable	**25,446**	29,035	**–**	–
Other accounts payable	**43,824**	36,838	**40,936**	23,085
	69,270	65,873	**40,936**	23,085
Other accounts payable comprise:				
Amounts owing to subsidiary companies	**–**	–	**29,321**	19,835
Accruals	**18,142**	11,722	**11,152**	2,799
Refundable deposits	**7,168**	5,919	**–**	–
Sundry creditors	**18,514**	19,197	**463**	451
	43,824	36,838	**40,936**	23,085

The amounts owing to subsidiary companies bear interest ranging from 2.12% to 4.69% (2005: 0.95% to 2.12%) per annum and have no fixed terms of repayment.

The Group's share of jointly controlled entities' accounts payable as at 31 March 2006 amounted to $22,071,000 (2005: $21,035,000) (Note 30).

24. Share capital

	Group and Company			
	2006		2005	
	No. of shares '000	**$'000**	No. of shares '000	$'000
Ordinary shares				
Issued and fully paid:				
Balance at beginning and end of the year	**630,777**	**126,155**	630,777	126,155

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

On 30 January 2006, in accordance with the Companies (Amendment) Act 2005, the concepts of "par value" and "authorised capital" were abolished and on that date, the shares of the Company ceased to have a par value.

25. Reserves

	Note	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000
Capital reserve	(a)	**84,603**	178,431	**2,001**	2,001
Foreign currency translation reserve	(b)	**(8,684)**	(2,289)	**–**	–
Revenue reserve		**450,682**	306,746	**32,341**	39,795
		526,601	482,888	**34,342**	41,796
Made up of:					
Distributable reserves		**441,998**	304,457	**32,341**	39,795
Non-distributable reserves		**84,603**	178,431	**2,001**	2,001
		526,601	482,888	**34,342**	41,796

(a) *Capital reserve*

The capital reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in capital reserve. The reserve is stated net of tax.

	Group 2006 $'000	Group 2005 $'000	Company 2006 $'000	Company 2005 $'000 (Restated)
Net surplus on revaluation of:				
– Freehold land and buildings	**46,878**	44,875	**2,001**	2,001
– Leasehold land and buildings	**37,725**	133,556	**–**	–
	84,603	178,431	**2,001**	2,001

(b) *Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the effect of hedging net investment in foreign operations.

26. Dividends

	Group and Company	
	2006	2005
	$'000	$'000
Dividends paid during the year:		
First and final ordinary dividend of 2.0 cents (2005: 2.0 cents) per ordinary share, less income tax of 20% (2005: 20%)	**10,092**	10,092
Dividends proposed but not recognised as a liability as at 31 March 2006:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
First and final dividend of 2.0 cents (2005: 2.0 cents) per ordinary share, less income tax of 20%	**10,092**	10,092
Special dividend of 3.0 cents (2005: nil) per ordinary share, less income tax of 20%	**15,138**	–
	25,230	10,092

27. Operating lease commitments

(a) *As lessee*

The Group leases certain properties under non-cancellable lease arrangements which do not have any purchase options and expire at various dates till 2009. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. The future minimum rentals under these non-cancellable leases are:

	Group	
	2006	2005
	$'000	$'000
Not later than one year	**18,007**	16,523
Later than one year but not later than five years	**19,188**	30,792
Later than five years	**–**	–
	37,195	47,315

(b) *As lessor*

The Group has entered into commercial property leases on its property portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 8 years. Certain leases include a clause to enable upward revision of the rental charge on a periodic basis based on prevailing market conditions.

27. Operating lease commitments (cont'd)

(b) As lessor (cont'd)

Future minimum lease payments receivable under non-cancellable operating leases as at 31 March are as follows:

	Group	
	2006	2005
	$'000	$'000
Not later than one year	**20,432**	20,756
Later than one year but not later than five years	**40,553**	28,662
Later than five years	**14,019**	21,906
	75,004	71,324

28. Contingent liabilities

	Group		Company	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Trade and performance guarantees	**2,727**	2,763	**–**	–
Others	**146**	–	**–**	–
Amounts drawn down against guarantees given to banks for facilities granted to subsidiary companies	**–**	23,840	**–**	23,840
	2,873	26,603	**–**	23,840

The Group and Company has undertaken to provide financial support to certain subsidiary and associated companies for deficiencies in their shareholders' funds and to extend adequate funding to meeting their net current liability positions for the years ended 31 March 2006 and 2005.

29. Future capital expenditure and other commitments

	Group	
	2006	2005
	$'000	$'000
Capital expenditure not provided for in the Group's financial statements are as follows:		
Commitment in respect of proposed investment in joint venture company	**43,430**	–
Commitment in respect of shareholder's loans to jointly controlled entity	**40,400**	–
Commitment in respect of investment in Shui On Land Limited	**–**	30,938
Share of joint ventures' capital commitments in respect of plant and equipment	**144**	–
	83,974	30,938

30. Jointly controlled entities

(a) The Group's share of the assets and liabilities of the jointly controlled entities, which have been included in these financial statements, are as follows:

	Group's share	
	2006	2005
	$'000	$'000
Property, plant and equipment	**105,607**	109,433
Investments	**15**	15
Property held-for-sale	**53,568**	52,273
Trade debtors	**718**	268
Other debtors	**426**	444
Cash at bank	**13,175**	9,160
Bank borrowings	**(12,378)**	(19,058)
Other payables	**(22,071)**	(21,035)
Provision for taxation	**(1,891)**	(1,634)
Deferred tax liabilities	**(23,696)**	(23,544)
	113,473	106,322

(b) The Group's share of the results of the jointly controlled entities, which have been included in these financial statements, are as follows:

	Group's share	
	2006	2005
	$'000	$'000
Turnover	**22,052**	18,388
Profit before taxation	**14,419**	11,378
Taxation	**(4,666)**	(4,879)
Profit after taxation	**9,753**	6,499
Share of revaluation surplus	**37,726**	37,726

Details of the Group's jointly controlled entities are shown in Note 34.

31. Related party disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if:

(i) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or

(ii) it is subject to common control or common significant influence.

In addition to those disclosed in other parts of these financial statements, the following related party transactions took place during the financial year on terms agreed by the parties concerned:

(a) Sales and purchase of goods and services and other fees

	Group	
	2006	2005
	$'000	$'000
Purchases from associated companies	**94**	155
Management fee from associated companies	**(1,544)**	(1,589)
Sales to associated companies	**(3,247)**	(4,801)
Other fees from associated companies	**(66)**	(83)
Rental income from a company in which Directors have an interest *	**(129)**	(116)

* *The related party above refers to an entity affiliated with the controlling shareholder of the Company.*

(b) Compensation of key management personnel

	Group	
	2006	2005
	$'000	$'000
Short-term employee benefits	**14,214**	5,542
Provision for long-service benefits	**248**	210
Total compensation paid to key management personnel	**14,462**	5,752

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

32. Segment information

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the activities, namely property, retail and others.

Business segments

The retail segment is involved in the business of retailing and operating of departmental stores.

The property segment is involved in the leasing of shopping and office spaces owned by the Group, operating of hotels and investing in property-related investments.

Others pertain to the manufacturing of watch-components.

On 20 June 2005 and 30 September 2005 respectively, the Group disposed of The Oasis Resort and its watch-component manufacturing business. These operations were included in the "Property" and "Others" segments respectively.

Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

32. Segment information (cont'd)

Business segments

	Continuing operations				Discontinued operations			
	Property $'000	Retail $'000	Inter-segment elimi-nations $'000	Total $'000	Others $'000	Property $'000	Total $'000	Total $'000
2006								
Sales to external customers	30,677	168,399	–	199,076	1,101	3,050	4,151	203,227
Inter-segment sales	1,090	–	(1,090)	–	–	–	–	–
Segment revenue	31,767	168,399	(1,090)	199,076	1,101	3,050	4,151	203,227
Segment results	35,458	8,912	(2,500)	41,870	(14)	6,051	6,037	47,907
Finance costs	(5,012)	–	–	(5,012)	(4)	(388)	(392)	(5,404)
Share of results of associated companies	2,406	740	–	3,146	–	–	–	3,146
Exceptional items	119,872	–	–	119,872	–	415	415	120,287
Profit before taxation	152,724	9,652	(2,500)	159,876	(18)	6,078	6,060	165,936
Taxation				(10,502)	–	–	–	(10,502)
Profit for the year				149,374	(18)	6,078	6,060	155,434
2005								
Sales to external customers	25,406	159,531	–	184,937	3,077	15,656	18,733	203,670
Inter-segment sales	889	–	(889)	–	–	–	–	–
Segment revenue	26,295	159,531	(889)	184,937	3,077	15,656	18,733	203,670
Segment results	25,193	6,856	160	32,209	(529)	4,634	4,105	36,314
Finance costs	(1,429)	–	–	(1,429)	(18)	(1,687)	(1,705)	(3,134)
Share of results of associated companies	1,347	1,017	–	2,364	–	–	–	2,364
Exceptional items	3,430	–	–	3,430	74	1,375	1,449	4,879
Profit before taxation	28,541	7,873	160	36,574	(473)	4,322	3,849	40,423
Taxation				(7,966)	–	–	–	(7,966)
Profit for the year				28,608	(473)	4,322	3,849	32,457

32. Segment information (cont'd)

Business segments (cont'd)

	Property $'000	Retail $'000	Others $'000	Total $'000
Assets and liabilities				
2006				
Segment assets	777,095	47,299	–	824,394
Tax recoverable	1,327	–	–	1,327
Investment in associated companies	70,895	10,272	–	81,167
Total assets	849,317	57,571	–	906,888
Segment liabilities	174,365	29,403	–	203,768
Provision for taxation	8,238	2,924	–	11,162
Deferred taxation	30,553	155	–	30,708
Total liabilities	213,156	32,482	–	245,638
Significant non-cash items				
Capital expenditure	357	921	103	1,381
Depreciation and amortisation	5,203	2,131	–	7,334
Assets and liabilities				
2005				
Segment assets	605,466	47,312	5,974	658,752
Tax recoverable	1,381	–	–	1,381
Investment in associated companies	142,926	10,474	–	153,400
Total assets	749,773	57,786	5,974	813,533
Segment liabilities	127,503	29,775	4,109	161,387
Provision for taxation	3,601	2,226	–	5,827
Deferred taxation	28,549	278	–	28,827
Total liabilities	159,653	32,279	4,109	196,041
Significant non-cash items				
Capital expenditure	1,323	914	333	2,570
Depreciation and amortisation	3,114	2,831	–	5,945

32. Segment information (cont'd)

Geographical segments

The following table presents revenue and expenditure information regarding the Group's geographical segments for the financial years ended 31 March 2006 and 2005 and certain asset information regarding geographical segments as at 31 March 2006 and 2005:

	Asean $'000	Hong Kong and China $'000	Australia $'000	Group $'000
2006				
Segment revenue	169,835	30,342	3,050	203,227
Less: Sales attributable to discontinued operations	(1,101)	–	(3,050)	(4,151)
Revenue from continuing operations	168,734	30,342	–	199,076
Other geographical information:				
Segment assets	244,387	580,007	–	824,394
Investment in associated companies	80,620	547	–	81,167
Capital expenditure	1,084	230	67	1,381
2005				
Segment revenue	162,670	25,344	15,656	203,670
Less: Sales attributable to discontinued operations	(3,077)	–	(15,656)	(18,733)
Revenue from continuing operations	159,593	25,344	–	184,937
Other geographical information:				
Segment assets	212,307	389,888	56,557	658,752
Investment in associated companies	153,110	290	–	153,400
Capital expenditure	1,585	919	66	2,570

33. Financial instruments

(a) *Financial risk management objectives and policies*

The Group is exposed to interest rate, foreign currency, credit and liquidity risks. The Group's risk management approach seeks to minimise the potential material adverse impact of these exposures.

Interest rate risk

The Group's exposure to market risk for changes in the interest rate environment principally relates to its investment portfolio and debt obligations. The investment portfolio includes shareholders' loans and debentures as well as surplus funds placed with reputable financial institutions as short term deposits at the most favourable interest rates available.

The Group manages its interest rate exposure in relation to debt obligations by spreading out the timing of interest rate fixing, maintaining a mix of fixed and floating rate borrowings wherever market conditions allow and reviewing the debt portfolio for the use of hedging instruments such as interest rate swaps and other interest rate derivatives.

As at 31 March 2006, the Group does not have any derivatives or hedging instruments.

Foreign currency risk

The Group is exposed to the effects of foreign currency exchange rate fluctuations, primarily in relation to Chinese renmimbi and United States dollars but also to Malaysian ringgit, Indonesian rupiah and Australian dollars.

Whenever possible, the Group seeks to maintain a natural hedge through the matching of liabilities, including borrowings, against assets in the same currency or against the entity's functional currency, in particular its future revenue stream. Transactional exposures in currencies other than the entity's functional currency are kept to a minimal level.

The Group enters into hedges of its net investment in foreign operations to manage its foreign currency translation risk. Exchange differences on the Group's net investment in the foreign subsidiary companies are dealt with through the foreign currency translation reserve. This currency translation risk is regularly monitored.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy to ensure that credit customers are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Collaterals are obtained when required. The carrying amounts of investments, trade and other receivables and cash represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentrations of credit risk. Financial transactions and the placement of surplus funds in short term interest-bearing deposits are restricted to reputable financial institutions.

Liquidity risk

The Group's cash and short term deposits, operating cash flows, availability of banking facilities and debt maturity profile are actively managed to ensure adequate working capital requirements and that repayment and funding needs are met.

33. Financial instruments

(b) Fair values

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments carried at fair value

The Group has carried all investment securities that are classified as held for trading or available-for-sale financial assets, at their fair value as required by FRS 39, except as disclosed below.

Financial instruments whose carrying amount approximate fair value

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, bank overdrafts, current trade and other payables and current bank loans, based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Financial instruments carried at other than fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the Group and Company's financial instruments that are carried in the financial statements at other than fair values as at 31 March.

	Group				Company			
	Carrying amount		Fair value		Carrying amount		Fair value	
	2006	2005	2006	2005	2006	2005	2006	2005
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
Unquoted shares	29,229	30,801	(i)	(i)	–	–	–	–
Unquoted warrants	2,925	–	(i)	(i)	–	–	–	–
Unquoted convertible preference shares	86,131	53,328	(i)	(i)	–	–	–	–
Amounts due from associated companies	27,512	28,707	(ii)	(ii)	25,668	25,648	(ii)	(ii)
Amounts due from subsidiary companies	–	–	–	–	459,014	453,818	(ii)	(ii)
Financial liabilities:								
Amounts due to subsidiary companies	–	–	–	–	311,913	275,820	(ii)	(ii)

(i) The unquoted shares, warrants and convertible preference shares have been stated at cost because of the lack of market prices and assumptions used in valuation models to value these investments cannot be reasonably determined. However, the cash flows from these investments are expected to be in excess of their carrying amounts.

The unquoted warrants and convertible preference shares pertain to investments in Shui On Land Limited (Note 17). Subsequent to the year end, Shui On Land announced the initial public offering of its shares, which was withdrawn shortly after, due to weak market sentiment. Again, the financial effects of these events on the fair values of these investments have not been disclosed as they cannot be estimated reliably.

33. Financial instruments (cont'd)

(b) *Fair values (cont'd)*

(ii) The amounts due from/(to) subsidiaries and associated companies have no repayment terms and are repayable only when the cash flows of the borrower permits. Accordingly, the fair values of these balances are not determinable as the timing of the future cash flows arising from the balances cannot be estimated reliably.

Methods and assumptions used to determine fair values

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values as mentioned earlier, are as follows:

Financial assets and liabilities	Methods and assumptions
• Investment securities (quoted shares)	Fair value has been determined by reference to published market prices or broker quotes at the balance sheet date without factoring in transaction costs.
• Investment securities (unquoted debentures) • Other receivables (non-current) • Bank loans and debentures (non-current)	Fair value has been determined using discounted estimated cash flows. Where repayment terms are not fixed, future cash flows are projected based on management's best estimates. The discount rates used are the current market incremental lending rates for similar types of lending and borrowing arrangements.

During the year, no amount (2005: nil) has been recognised in the profit and loss account in relation to the change in fair value of financial assets or financial liabilities estimated using a valuation technique.

(c) *Interest rate risk*

The following table sets out the carrying amount, by maturity, of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Within 1 year $'000	1-2 years $'000	2-3 years $'000	Total $'000
Assets/(liabilities)				
2006				
Group				
Fixed rate				
Secured loan notes	–	24,270	41,139	65,409
Shareholders' loans	–	25,079	–	25,079
Cash assets	15,863	–	–	15,863
Floating rate				
Fixed deposits	252,826	–	–	252,826
Share of a joint venture's bank loans	(3,641)	(8,737)	–	(12,378)
Bank borrowings	(43,963)	(37,093)	(41,064)	(122,120)
Company				
Floating rate				
Cash assets	37,369	–	–	37,369
Bank borrowings	(11,407)	–	–	(11,407)

34. Subsidiary, associated companies and jointly controlled entities

Investments in the unquoted equity interests in subsidiary companies at cost at 31 March are:

Name of company	Cost to Company 2006 $'000	2005 $'000
Metro (Private) Limited	**8,914**	8,914
Orchard Square Development Corporation Pte Ltd	**7,576**	7,576
Metrobilt Pte Ltd	**4,038**	4,038
Swiss Profile (M) Sdn Bhd ^	**–**	3,166
Metro Australia Holdings Pte Ltd	**1,000**	1,000
Meren Pte Ltd	**300**	300
Metro China Holdings Pte Ltd	*****	*
Sun Capital Assets Pte Ltd	*****	*
	21,828	24,994

* *Cost is $2.*

Details of subsidiary and associated companies and jointly controlled entities at 31 March are:

Subsidiary companies (Country of incorporation)	Place of business	Percentage of equity held by the Group 2006 %	2005 %
HELD BY THE COMPANY –			
Retailers and department store operators			
Metro (Private) Limited (Singapore)	Singapore	**100.0**	100.0
Property			
Orchard Square Development Corporation Pte Ltd (Singapore)	Singapore	**100.0**	100.0
Investment holding			
Metrobilt Pte Ltd (Singapore)	Singapore	**100.0**	100.0
Metro China Holdings Pte Ltd (Singapore)	People's Republic of China	**100.0**	100.0
Metro Australia Holdings Pte Ltd (Singapore)	Singapore	**100.0**	100.0
Sun Capital Assets Pte Ltd (Singapore)	Singapore	**100.0**	100.0
Investment trading			
Meren Pte Ltd (Singapore)	Singapore	**100.0**	100.0

34. Subsidiary, associated companies and jointly controlled entities (cont'd)

	Subsidiary companies (Country of incorporation)	Place of business	Percentage of equity held by the Group 2006 %	2005 %
	Manufacturing and distribution			
& ^	Swiss Profile (M) Sdn Bhd (Malaysia)	Malaysia	**–**	51.0
	Dormant company			
①	Sun Cruises Holdings Pte Ltd (Singapore)	Singapore	**–**	69.79
	HELD BY SUBSIDIARY COMPANIES –			
	Retailers and department store operators			
	The Marketing Co Pte Ltd (Singapore)	Singapore	**100.0**	100.0
	Property			
	Hillfort Investments Pte Ltd (Singapore)	Australia	**85.0**	85.0
+	Guangzhou International Electronics Building Co Ltd (People's Republic of China)	People's Republic of China	**100.0**	100.0
	Investment holding			
	Metro Xinjiang Investments Pte Ltd (Singapore)	People's Republic of China	**100.0**	100.0
	Metro Properties (Shanghai) Pte Ltd (Singapore)	People's Republic of China	**100.0**	100.0
	Metro Leisure (Shanghai) Pte Ltd (Singapore)	People's Republic of China	**100.0**	100.0
+	Metrobilt South China Ltd (Hong Kong)	Hong Kong	**100.0**	100.0
+	Metrobilt Enterprise Ltd (Hong Kong)	People's Republic of China	**100.0**	100.0
+	MetroProp (China) (Mauritius)	People's Republic of China	**94.0**	94.0
# ②	Metro City (Beijing) Pte Ltd (Singapore)	People's Republic of China	**100.0**	–
# +	Crown Investments Ltd (Mauritius)	People's Republic of China	**100.0**	–
	Building Contractors			
	Metrobilt Construction Pte Ltd (Singapore)	Singapore	**70.0**	70.0

34. Subsidiary, associated companies and jointly controlled entities (cont'd)

	Subsidiary companies (Country of incorporation)	Place of business	Percentage of equity held by the Group 2006 %	2005 %
	Dormant companies			
①	M & B Trading & Agencies Pte Ltd (Singapore)	Singapore	**–**	100.0
	Idea Shoppe Pte Ltd (Singapore)	Singapore	**100.0**	100.0
+	Metro Factory Outlet (Malaysia) Sdn Bhd (Malaysia)	Malaysia	**100.0**	100.0
①	Sun Cruises Ltd (Bermuda)	Bermuda	**–**	69.79
①	Sun Vista Ltd (Bermuda)	Bermuda	**–**	69.79
	Associated companies (Country of incorporation)			
	Retailers and department store operators			
&	PT Metropolitan Retailmart (Indonesia)	Indonesia	**50.0**	50.0
	Intrad Pte Ltd (Singapore)	Singapore	**50.0**	50.0
	Property			
&	Etika Cekap Sdn Bhd (Malaysia)	Malaysia	**48.5**	48.5
&	Etika Utama Sdn Bhd (Malaysia)	Malaysia	**48.5**	48.5
&	Gurney Plaza Sdn Bhd (Malaysia)	Malaysia	**48.5**	48.5
&	Gurney Hotel Sdn Bhd (Malaysia)	Malaysia	**48.5**	48.5
&	Unojaya Sdn Bhd (Malaysia)	Malaysia	**48.5**	48.5
&	Ghotel Sdn Bhd (formerly known as Laser Access Sdn Bhd) (Malaysia)	Malaysia	**48.5**	48.5
& ^	Orchard Square Capital Assets Limited (Singapore)	Singapore	**–**	30.0

34. Subsidiary, associated companies and jointly controlled entities (cont'd)

	Associated companies (Country of incorporation)	Place of business	Percentage of equity held by the Group 2006 %	2005 %
	Investment holding			
	Gurney Investments Pte Ltd (Singapore)	Singapore	**50.0**	50.0
	SOS Shanghai Pte Ltd (Singapore)	Singapore	**50.0**	50.0
	Leisure			
+	Shanghai Target Club Co Ltd (People's Republic of China)	People's Republic of China	**33.4**	33.4
	Jointly controlled entities (Country of incorporation)			
	Property			
+ @	Shanghai Metro Cultural and Entertainment Co Ltd (People's Republic of China)	People's Republic of China	**60.0**	60.0
+ @	Shanghai Huimei Property Co Ltd (People's Republic of China)	People's Republic of China	**60.0**	60.0

+ *Audited by associated firms of Ernst & Young, Singapore.*

& *Audited by other firms. These foreign subsidiary and associated companies are not considered significant as defined under Clause 718 of the Listing Manual of the Singapore Exchange Securities Trading Limited.*

Incorporated during the financial year.

^ *Disposed off during the financial year.*

① *Liquidated during the financial year.*

② *Not required to be audited as company was incorporated for less than one year.*

@ *The Group has not accounted for its interests in Shanghai Metro Cultural and Entertainment Co Ltd and Shanghai Huimei Property Co Ltd as subsidiary companies although its interests is in excess of 50% because under the joint venture agreements, the joint venture parties are entitled to a share of the profits of the joint ventures in proportion to their respective capital contributions but have joint control of the jointly controlled entities.*

35. Comparatives

Certain comparative figures have been restated due to changes in accounting policies as described in Note 2.2 and to be consistent with the current year's presentation:

	Company 2005	
	As restated $'000	As previously reported $'000
Balance Sheet		
Subsidiary companies	**422,584**	367,211
Associated companies	**500**	68,794
Amounts due from associated companies	**25,648**	–
Accounts receivable	**20,310**	475,371
Accounts payable	**(23,085)**	(300,147)
Amounts owing to subsidiary companies	**(275,820)**	–
Reserves	**41,796**	482,888

Statistics of Shareholdings as at 12 June 2006

Class of Shares – Ordinary shares
Voting Rights – One vote per share

Distribution of Shareholders

(by size of Shareholdings)

Size of Shareholdings			No. of Shareholders	% Shareholders	No. of Shares	% of Shareholdings
1	–	999	292	7.08	92,404	0.01
1,000	–	10,000	1,978	47.95	12,141,796	1.93
10,001	–	1,000,000	1,820	44.12	89,254,593	14.15
1,000,001	–	and above	35	0.85	529,287,883	83.91
			4,125	**100.00**	**630,776,676**	**100.00**

Twenty Largest Shareholders

(as shown in the Register of Members)

	Name of Shareholders	No. of Shares	% of Shareholdings
1	Eng Kuan Company Pte Ltd	90,062,952	14.28
2	Ngee Ann Development Pte Ltd	57,300,800	9.08
3	Mayban Nominees (Singapore) Private Limited	45,285,158	7.18
4	Morgan Stanley Asia (Singapore) Securities Pte Ltd	44,465,000	7.05
5	Ong Tjoe Kim	40,448,160	6.41
6	DBS Nominees Pte Ltd	36,796,802	5.83
7	HSBC (Singapore) Nominees Pte Ltd	34,098,260	5.41
8	Citibank Nominees Singapore Pte Ltd	26,488,160	4.20
9	Dynamic Holdings Pte Ltd	21,356,190	3.39
10	United Overseas Bank Nominees Pte Ltd	17,406,813	2.76
11	Leroy Singapore Pte Ltd	15,952,506	2.53
12	Gan Teng Siew Realty Sdn Bhd	13,674,240	2.17
13	Ong Sioe Hong	12,253,078	1.94
14	DBS Vickers Securities (Singapore) Pte Ltd	8,826,252	1.40
15	Phillip Securities Pte Ltd	6,441,788	1.02
16	DBSN Services Pte Ltd	6,289,706	1.00
17	OCBC Nominees Singapore Pte Ltd	5,819,462	0.92
18	Oversea Chinese Bank Nominees Pte Ltd	4,406,404	0.70
19	Raffles Nominees Pte Ltd	4,358,942	0.69
20	Shaw Vee King	4,342,720	0.69
	Total	**496,073,393**	**78.65**

Statistics of Shareholdings as at 12 June 2006

Substantial Shareholders
(as shown in the Register of Members)

Name of Shareholders	No. of Shares Direct Interest	No. of Shares Deemed Interest
Ong Tjoe Kim (Note 1)	40,448,160	134,032,604
Jopie Ong Hie Koan (Note 2)	–	184,371,648
Eng Kuan Company Private Limited	90,062,952	42,000,000
Dynamic Holdings Pte Ltd	21,356,190	15,000,000
Ong Ling Ling (Note 3)	48,000	36,356,190
Ong Jenn (Note 3)	48,000	36,356,190
Ong Ching Ping (Note 3)	48,000	36,356,190
Ong Sek Hian (Wang ShiXian) (Note 3)	48,000	36,356,190
Ngee Ann Development Pte Ltd	57,300,800	–
Ngee Ann Kongsi (Note 4)	–	57,300,800
Takashimaya Co Limited (Note 5)	–	57,300,800
Mercury Special Situations Funds LP (Note 6)	8,911,217	–
Mercury Special Situations Offshore Fund Ltd (Note 6)	11,157,242	–
Silvercrest Real Estate Fund (International) (Note 6)	2,964,471	–
Silvercrest Real Estate Fund (Note 6)	536,487	–
Silvercreek SAV LLC (Note 6)	1,217,197	–
Mercury Real Estate Securities Fund LP (Note 6)	2,856,882	–
Mercury Real Estate Securities Offshore Fund Ltd (Note 6)	6,356,504	–
Mercury Asia Real Estate Securities Fund LP (Note 6)	756,000	–
Mercury Asia Real Estate Securities Offshore Fund Ltd (Note 6)	476,000	–

Note 1 Mr Ong Tjoe Kim is deemed to be interested in the shares of the Company through his interests in Eng Kuan Company Private Limited by virtue of Section 7 of the Companies Act, Chapter 50 and interests held through his spouses.

Note 2 Mr Jopie Ong Hie Koan is deemed to be interested in the shares of the Company through his interests in Eng Kuan Company Private Limited, Dynamic Holdings Pte Ltd and Leroy Singapore Pte Ltd by virtue of Section 7 of the Companies Act, Chapter 50.

Note 3 Ms Ong Ling Ling, Mr Ong Jenn, Ms Ong Ching Ping and Mr Ong Sek Hian (Wang ShiXian) are deemed to be interested in the shares of the Company through their interests in Dynamic Holdings Pte Ltd by virtue of Section 7 of the Companies Act, Chapter 50.

Note 4 Ngee Ann Kongsi is deemed to be interested in the shares of the Company through their interests in Ngee Ann Development Pte Ltd by virtue of Section 7 of the Companies Act, Chapter 50.

Note 5 Takashimaya Co Limited is deemed to be interested in the shares of the Company through their interests in Ngee Ann Development Pte Ltd by virtue of Section 7 of the Companies Act, Chapter 50.

Note 6 These companies/funds are managed by a common investment manager, Mercury Real Estate Advisors LLC.

Based on the Register of Shareholders, and to the best knowledge of the Company, the percentage of shareholding held in the hands of public as at 12 June 2006 is approximately 44.83%. Therefore, Company complies with Rule 723 of the Listing Manual.

Directors' Shareholdings

(including deemed interests as 21 April 2006)

	No. of Shares	
Name of Directors	Shareholdings registered in the name of the directors	Shareholdings in which the directors are deemed to have interest
Ong Tjoe Kim	40,448,160	134,032,604
Jopie Ong Hie Koan	–	184,371,648
Chan U Seek	–	2,670,996
Phua Bah Lee	–	60,480

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-Third Annual General Meeting of the Company will be held at Mandarin Court D, 4th Floor, Grand Tower, Meritus Mandarin Singapore, 333 Orchard Road, Singapore 238867 on 21 July 2006 at 11:00 a.m. for the purpose of transacting the following business:

ORDINARY BUSINESS

1 To receive and consider the Directors' Report and Audited Accounts for the year ended 31 March 2006 and the Auditor's Report thereon. *(Resolution 1)*

2 To approve the payment of a first and final dividend of 2.0 cents per ordinary share (less income tax) for the year ended 31 March 2006. *(Resolution 2)*

3 To approve the payment of a special dividend of 3.0 cents per ordinary share (less income tax) for the year ended 31 March 2006. *(Resolution 3)*

4 To consider and if thought fit, to pass the following resolutions:

(a) That pursuant to Section 153(6) of the Companies Act, Chapter 50, Mr Ong Tjoe Kim be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting. *(Resolution 4)*

(b) That pursuant to Section 153(6) of the Companies Act, Chapter 50, Mr Lee Khoon Choy be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting. *[see Explanatory Note (a)]* *(Resolution 5)*

(c) That pursuant to Section 153(6) of the Companies Act, Chapter 50, Mr Chan U Seek be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting. *[see Explanatory Note (a)]* *(Resolution 6)*

(d) That pursuant to Section 153(6) of the Companies Act, Chapter 50, Mr Jackson Lee Chik Sin be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting. *[see Explanatory Note (a)]* *(Resolution 7)*

(e) That pursuant to Section 153(6) of the Companies Act, Chapter 50, Mr Phua Bah Lee be and is hereby re-appointed as a Director of the Company to hold such office until the next Annual General Meeting. *[see Explanatory Note (a)]* *(Resolution 8)*

5 To approve the Directors' Fees of $245,000 for the year ended 31 March 2006 (2005: $245,000). *(Resolution 9)*

6 To re-appoint auditors and to authorise the Directors to fix their remuneration. *(Resolution 10)*

7 To transact any other business of an Annual General Meeting.

SPECIAL BUSINESS

8 To consider and, if thought fit, to pass the following resolution as ordinary resolution:

"That notwithstanding the provisions of the Articles of Association of the Company, pursuant to Section 161 of the Companies Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to issue shares in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit, provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution does not exceed 50 per cent of the total number of shares issued by the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders of the Company does not exceed 20 per cent of the total number of shares issued by the Company;

(ii) for the purpose of determining the aggregate number of shares that may be issued under (i) above, the percentage of the number of shares to be issued shall be based on the total number of shares issued by the Company at the time this Resolution is passed, after adjusting for

(a) new shares arising from the conversion or exercise of any convertible securities or employee share options or vesting of share awards that are outstanding or subsisting at the time this Resolution is passed; and

(b) any subsequent consolidation or subdivision of shares; and

(iii) (unless revoked or varied by the Company in general meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
[see Explanatory Note (b)] *(Resolution 11)*

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed on 2 August 2006 for the preparation of dividend warrants.

Duly completed transfers received by the Company's Registrar, Tricor Barbinder Share Registration Services, 8 Cross Street #11-00 PWC Building, Singapore 048424 to the close of business at 5:00 p.m. on 1 August 2006 will be registered to determine shareholders' entitlement to the proposed dividend. The dividend, if approved, will be paid on 15 August 2006 to shareholders registered in the books of the Company on 1 August 2006.

In respect of shares in securities accounts with the Central Depository (Pte) Limited ("CDP"), the said dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to holders of shares in accordance with its practice.

By Order of the Board

Tan Ching Chek and Lee Chin Yin
Joint Company Secretaries

Singapore
5 July 2006

Notice of Annual General Meeting

Explanatory Notes:

(a) Mr Jackson Lee Chik Sin, Mr Lee Khoon Choy, Mr Chan U Seek and Mr Phua Bah Lee, if re-appointed, will remain as Audit Committee Members and are considered independent directors for purposes of Rule 704(8) of the Listing Manual of Singapore Exchange Securities Trading Limited. Mr Jackson Lee Chik Sin, if re-appointed, will remain as Chairman of the Audit Committee.

(b) The proposed ordinary resolution 11 in item 8 above, if passed, will empower the Directors of the Company from the date of the above meeting until the next Annual General Meeting to issue shares in the Company up to the limit as specified in the resolution for such purposes as they consider would be in the interests of the Company. This authority will continue in force until the next Annual General Meeting of the Company, unless previously revoked or varied at a general meeting.

Notes to Proxy Form:

(i) A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

(ii) If a proxy is to be appointed, the form must be deposited at the registered office of the Company, 391B Orchard Road #23-01 Tower B, Ngee Ann City Singapore 238874 not less than 48 hours before the meeting.

(iii) The form of proxy must be signed by the appointor or his attorney duly authorised in writing.

(iv) In the case of joint shareholders, all holders must sign the form of proxy.

Proxy Form

METRO HOLDINGS LIMITED
Company Registration No.: 197301792W
(Incorporated in Singapore)

Annual General Meeting

IMPORTANT

1. For investors who have used their CPF monies to buy Metro Holdings Limited shares, this Annual Report is sent to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is FOR USE ONLY BY MEMBERS whose shares in Metro Holdings Limited are registered in their names. It is not valid for use by CPF investors and persons whose shares are not registered in their own names, and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We____(Name)

of ____(Address)

being a member/members of METRO HOLDINGS LIMITED hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing whom, the chairman of the meeting, as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held on 21 July 2006 and at any adjournment thereof in the following manner:

No.	Resolutions relating to	For	Against
1.	Adoption of Reports and Accounts		
2.	Declaration of First and Final Dividend		
3.	Declaration of Special Dividend		
4.	(a) Re-appointment of Mr Ong Tjoe Kim pursuant to Section 153(6) of Companies Act, Chapter 50		
	(b) Re-appointment of Mr Lee Khoon Choy pursuant to Section 153(6) of Companies Act, Chapter 50		
	(c) Re-appointment of Mr Chan U Seek pursuant to Section 153(6) of Companies Act, Chapter 50		
	(d) Re-appointment of Mr Jackson Lee Chik Sin pursuant to Section 153(6) of Companies Act, Chapter 50		
	(e) Re-appointment of Mr Phua Bah Lee pursuant to Section 153(6) of Companies Act, Chapter 50		
5.	Approval of Directors' Fees		
6.	Re-appointment of Auditors and authorisation of directors to fix their remuneration		
7.	Any other business		
8.	SPECIAL BUSINESS Approval of Ordinary Resolution pursuant to Section 161 of Companies Act, Chapter 50		

If you wish to exercise all your votes For or Against, please tick with '✓'. Alternatively, please indicate the number of votes For or Against each resolution.

If this form of proxy contains no indication as to how the proxy should vote in relation to each resolution, the proxy shall, as in the case of Any Other Business raised at the meeting, vote as the proxy deems fit.

Dated this ________ day of ____________ 2006.

Total No. of Shares Held	

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. A proxy need not be a member of the Company.

4. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 391B Orchard Road #23-01 Tower B, Ngee Ann City Singapore 238874 not less than 48 hours before the time set for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

GENERAL

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Corporate Data

Board of Directors

Ong Tjoe Kim
Executive Chairman

Jopie Ong Hie Koan
Group Managing Director

Chan U Seek

Jackson Lee Chik Sin

Lee Khoon Choy

Phua Bah Lee

Secretaries

Tan Ching Chek

Lee Chin Yin

Auditors

Ernst & Young
Mrs Fang Ai Lian
Engagement Partner
(Since financial year ended 31 March 2003)

Principal Bankers

DBS Bank Ltd

United Overseas Bank Ltd

Agricultural Bank of China

Registrars

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
8 Cross Street
#11-00 PWC Building
Singapore 048424
Telephone : (65) 6236 3333

Registered Office & Business Address

391B Orchard Road
#23-01 Tower B Ngee Ann City
Singapore 238874
Telephone : (65) 6733 3000
Facsimile : (65) 6735 3515
Website : www.metro.com.sg

METRO HOLDINGS LIMITED
Company Registration No.: 197301792W

391B Orchard Road #23-01 Tower B Ngee Ann City Singapore 238874
Tel: (65) 6733 3000 Fax: (65) 6735 3515

www.metro.com.sg