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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

**If you have sold or transferred** all your shares in **Tai Sang Land Development Limited**, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, stockbroker, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**TAI SANG LAND DEVELOPMENT LIMITED**  
**大生地產發展有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 89)**

**MAJOR TRANSACTION**  
**DISPOSAL OF A SUBSIDIARY**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Adjustment Assets”	the total assets of the Property Company excluding (i) the Properties; (ii) fixed assets; (iii) leasehold improvements, (iv) rent arrears in relation to the Properties; and (v) pre-paid expenses in relation to the Properties (including renovation works but excluding government rates) based on the Completion Balance Sheet
“Adjustment Liabilities”	the total liabilities of the Company excluding (i) tenancy deposits under the tenancies, sub-tenancies and licences in respect of the Properties; and (ii) any deferred tax liability, based on the Completion Balance Sheet
“Agreement”	the conditional agreement dated 3 July 2006 entered into by the Company and the Purchaser pursuant to which the Company agreed to sell the Sale Shares to the Purchaser and the Purchaser agreed to purchase the Sale Shares
“Assignment of Rental Proceeds”	the assignment of rental proceeds made between the Property Company and The Hongkong and Shanghai Banking Corporation Limited dated 10 January 2000
“Board”	the board of Directors
“Canteen Space”	the canteen space located at 19th Floor of Phase II of Warehouse Centre
“Company”	Tai Sang Land Development Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Agreement
“Completion Balance Sheet”	the balance sheet of the Property Company as at the Completion Date
“Completion Date”	the Initial Completion Date or the Deferred Completion Date (if any)
“Conditions”	the conditions precedent to Completion, as more particularly set out under the section headed “2. THE AGREEMENT — Conditions” of this circular
“Consideration”	the sum of HK\$270,000,000 being the aggregate amount payable by the Purchaser to the Company under the Agreement

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## DEFINITIONS

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“Deferred Completion Date”	the date to which the Completion is deferred as notified by the Company to the Purchaser, or by the Purchaser to the Company, in the event that the Purchaser or the Seller (as the case may be) failed to comply with all its completion obligations on the Initial Completion Date
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by the Company to the Purchaser pursuant to the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Completion Date”	the later of 31 July 2006 or five business days from the fulfillment or waiver of all the Conditions, or such other date as may be agreed by the parties to the Agreement
“Latest Practicable Date”	24 July 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the outstanding principal of the loan owing by the Property Company to the Company as at the Completion Date, together with all interest accrued thereon up to and including the Completion Date
“Loan Repayment”	the repayment of the Loan by the Purchaser on behalf of the Property Company to the Company at Completion on a dollar for dollar basis
“Majority Shareholders”	Kam Chan & Company, Limited, Gold Fortune Investment Co. Ltd., Suremark Limited, Montgomery Securities Limited and Holston Investment Limited, which together hold approximately 55.01% of the issued share capital of the Company as at the Latest Practicable Date
“Mortgage”	the mortgage made between the Property Company and The Hongkong and Shanghai Banking Corporation Limited dated 10 January 2000 and registered in the Land Registry by Memorial No. ST1136439

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## DEFINITIONS

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“Properties”	the Factory Units A and B on G/F, Upper G/F, 2/F to 12/F, Container Parking Space No. 1 of Phase I; the Factory Units A and B on G/F, 10/F to 12/F, 14/F to 18/F, the Canteen on 19/F, Container Parking Space nos. 1 and 2 of Phase II; the Vehicle Parking Space Nos. P1 to P23 on 1/F; the Lorry Parking Space Nos. L1 to L23 on 1/F; the Reserved Areas of the Warehouse Centre owned by the Property Company
“Property Company”	Lee Sang On Investment Company, Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Purchaser”	MGI HK Investments, a company incorporated in the Cayman Islands
“Sale Shares”	915,960 shares of HK\$1 each in the Property Company representing the entire issued share capital of the Property Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of Shares
“Shares”	share of HK\$1 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warehouse Centre”	Tai Sang Shatin Warehouse Centre, No. 6 Wong Chuk Yeung Street, Fo Tan, New Territories, Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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# TAI SANG LAND DEVELOPMENT LIMITED 大生地產發展有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 89)**

*Executive Directors:*

Mr. Ma Ching Wai, William (*Chairman*)  
Mr. Ma Ching Hang, Patrick (*Deputy Chairman*)  
Mr. Ma Ching Kuen, Alfred (*Managing Director*)  
Ms. Ma Ching Sau, Amy (*Managing Director*)  
Ms. Ma Ching Man, Katy  
Ms. Ma Ching Keung, Ruth  
Ms. Ma Ching Kwai, Ida  
Mr. Ma Ching Yeung, Philip

*Registered office:*

26th to 28th Floors  
Tai Sang Commercial Building  
24-34 Hennessy Road  
Hong Kong

*Non-executive Director:*

Mr. Cheung Wing Yui, Edward

*Independent non-executive Directors:*

Mr. Chau Kwok Fun, Kevin  
Mr. Tan Soo Kiu  
Mr. Wong Hing Kwok, William

27 July 2006

*To the Shareholders*

Dear Sir or Madam,

## **MAJOR TRANSACTION DISPOSAL OF A SUBSIDIARY**

### **1. INTRODUCTION**

The Company announced on 5 July 2006 that the Company and the Purchaser had entered into the Agreement pursuant to which the Company has conditionally agreed to sell to the Purchaser the Sale Shares. The Sale Shares represent the entire issued share capital of the Property Company.

The Disposal and the Loan Repayment together constitute a major transaction for the Company under the Listing Rules. The main purpose of this circular is to provide you with details of the Disposal and the Loan Repayment.

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## LETTER FROM THE BOARD

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### 2. THE AGREEMENT

#### The date

3 July 2006

#### The parties

Seller : the Company

Purchaser : MGI HK Investments, a company incorporated in the Cayman Islands.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are independent of the Company and its connected persons as defined under the Listing Rules.

#### Assets to be disposed of

The Company has pursuant to the Agreement conditionally agreed to sell to the Purchaser the Sale Shares. The Sale Shares represent the entire issued share capital of the Property Company.

#### *Information on the Property Company*

The Property Company is incorporated in Hong Kong with limited liability on 21 August 1963 with an issued share capital of HK\$915,960 divided into 915,960 shares of HK\$1 each and is a wholly-owned subsidiary of the Company. The principal activity of the Property Company is the holding of the Properties.

The Properties are located at the Warehouse Centre, which were completed in 1987, and comprise factory units and parking spaces. The aggregate book value of the Properties as at 31 December 2005 was HK\$215,000,000. All the Properties, other than the Canteen Space which is retained for the Group's use, are held by the Property Company for rental purpose and currently generate gross rental income of approximately HK\$1,320,000 per month.

The Properties were valued at HK\$230,000,000 as at 30 June 2006 by AA Property Services Limited, an independent property valuer, and the valuation report is set out in Appendix II of this circular.

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## LETTER FROM THE BOARD

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### *Financial information on the Property Company*

The net asset value, net profits before and after taxation and the turnover in respect of the Property Company for the two years ended 31 December 2005 and 2004 are extracted from the audited financial statements of the Property Company, and their respective percentage (%) over the audited consolidated net asset value, the audited consolidated net profits before and after taxation and the turnover of the Group for the two years ended 31 December 2005 and 2004 are as follows:

	Year ended 31 December 2005		Year ended 31 December 2004	
	HK\$	%	HK\$	%
Net asset value	107,133,849	5.48	90,576,559	5.32
Net profits before taxation	23,972,325	7.47	17,169,418	6.23
Net profits after taxation	19,763,150	7.16	14,150,753	5.85
Turnover	14,854,111	8.26	13,809,511	7.81

As at the date of the Agreement, an amount of approximately HK\$28,400,000 was due and owing by the Property Company to the Company.

After Completion, the Company will no longer have any interest in the Property Company and the Property Company will cease to be a subsidiary of the Company.

### **Conditions**

Completion is subject to the following conditions:

- (a) (i) the obtaining of written approval of the Shareholders of the transactions contemplated under the Agreement from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at a general meeting to approve the transactions contemplated by the Agreement in accordance with Rule 14.44 of the Listing Rules; or
- (ii) where the Stock Exchange considers that no written approval from the Shareholders may be obtained under Rule 14.44 of the Listing Rules, the Shareholders in general meeting having passed resolution(s) approving the transactions contemplated by the Agreement and the entering into by the Company of the Agreement;
- (b) the Company having delivered to the Purchaser the release or discharge of the Assignment of Rental Proceeds and the Mortgage, both duly executed by The Hongkong and Shanghai Banking Corporation Limited and attested by a practising solicitor in Hong Kong together with certified copy(ies) of the relevant and valid power of attorney and power of substitution (if any) created by The Hongkong and Shanghai Banking Corporation Limited authorizing due execution of such release by the attorney, the completed Memorial Form (in respect of the Mortgage only) and Memorandum of Satisfaction and the relevant filing fee



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## LETTER FROM THE BOARD

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PROVIDED that this condition shall be deemed to have been satisfied upon the Company's solicitors delivering written undertakings on Completion to the Purchaser and the Purchaser's solicitors to deliver such documents referred to above to the Purchaser's solicitors within 21 days following Completion;

- (c) the Company having provided the Purchaser with the unaudited management accounts of the Property Company made up from the first day of the calendar month in which the Completion Date falls to the Completion Date evidencing that save and except the Loan and the tenancy rental deposits under the tenancies in respect of the Properties, all amounts owed to the Property Company from any person and all amounts owed by the Property Company to any person (including, without limitation, all non-trade and bank indebtedness) have been repaid; and
- (d) where applicable, the Company having obtained the necessary consents from its banks such that the entering into of the Agreement by the Company and the transactions contemplated thereunder will not constitute a default under any of the bank facility documents of which the Company and/or the Property Company is a party.

The Purchaser may in writing waive in whole or in part all or any of the Conditions (other than Condition (a) which cannot be waived) or extend the period in which all or any of the Conditions are to be satisfied. An announcement will be made by the Company if the Purchaser does waive any of the Conditions.

If (i) any fact which would prevent any of the Conditions from being satisfied on the Completion Date comes to the knowledge of the Purchaser; or (ii) any of the Conditions is not fulfilled or waived by the Purchaser on or before 30 September 2006, the Purchaser may terminate the Agreement by notice in writing to the Company. If the Agreement is terminated, all obligations of the Purchaser and the Company under the Agreement shall end except for those expressly stated to continue without limit in time but all rights and liabilities which have accrued before termination shall continue to exist.

Subject to fulfillment or waiver of the Conditions, Completion shall take place on the Completion Date.

In relation to Condition (a) above, the Company had already obtained the Majority Shareholders' written approval with respect to the Agreement and the transactions contemplated thereunder. Accordingly, that Condition has been fulfilled.

### **The Consideration**

The aggregate amount payable by the Purchaser to the Company under the Agreement shall be HK\$270,000,000 of which the consideration for the Sale Shares shall be HK\$270,000,000 less the amount of the Loan, subject to adjustments as set out below. The parties have agreed that the total consideration payable under the Agreement is HK\$270,000,000, and since it is agreed that the Loan will be repaid by the Purchaser on behalf of the Property Company to the Company at Completion on a dollar for dollar basis, the sum after deducting the Loan amount from HK\$270,000,000 is the consideration for the Sale Shares.

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## LETTER FROM THE BOARD

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The Consideration has been / shall be paid by the Purchaser as follows:

- (a) an amount of HK\$8,400,000 being earnest moneys has been paid by the Purchaser to the Company's solicitors and held in escrow prior to the signing of the Agreement;
- (b) the sum of HK\$18,600,000 has been paid by the Purchaser to the Company's solicitors as stakeholders upon signing of the Agreement, which together with the sum of HK\$8,400,000 referred to in paragraph (a) above, shall be treated as deposit and held in escrow by the Company's solicitors and released to the Company upon Completion; and
- (c) the balance of the Consideration in the sum of HK\$243,000,000 shall be paid by the Purchaser to the Company upon Completion of which:
  - (i) an amount required for the release and discharge of the Mortgage and the Assignment of Rental Proceeds shall be paid to The Hongkong and Shanghai Banking Corporation Limited, if such amount has not been paid by the Company prior to Completion; and
  - (ii) an amount representing the amount of the Loan shall be paid to the Company for the purpose of the Loan Repayment.

Under the Agreement, following Completion, the Completion Balance Sheet will be prepared and the Consideration will be adjusted in the following manner:

- (1) if the amount of the Adjustment Assets is greater than the amount of the Adjustment Liabilities, the Purchaser shall pay to the Company an amount equal to such excess; and
- (2) if the amount of the Adjustment Assets is less than the amount of Adjustment Liabilities, the Company shall pay to the Purchaser an amount equal to such deficit.

It is expected that any adjustments to the Consideration would not affect the classification of the notifiable transaction of the Company in respect of the Disposal. However, if any adjustments to the Consideration are required to be made under the Agreement and such adjusted amount of the Consideration results in a change of classification of notifiable transaction under Chapter 14 of the Listing Rules in respect of the Disposal and the Loan Repayment, the Company will re-comply with the disclosure and shareholders' approval requirements.

The Consideration was arrived at after arms length negotiations between the Company and the Purchaser by reference to current market conditions and is comparable to the market price of similar properties in the same area.

The Consideration represents an excess of HK\$55,000,000 and HK\$40,000,000 over the fair values of the Properties as at 31 December 2005 and 30 June 2006, respectively.

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## LETTER FROM THE BOARD

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### Other principal terms of the Agreement

The Agreement provides that on Completion, the Purchaser and the Company will enter into a licence agreement pursuant to which the Company will be granted a licence to use and occupy the Canteen Space at the nominal licence fee of HK\$1 for a maximum period of three months. The Canteen Space is intended to be used by the Group.

### 3. REASONS FOR AND BENEFITS OF THE DISPOSAL

The Properties were valued at HK\$230,000,000 as at 30 June 2006 by AA Property Services Limited, an independent property valuer, and the Company considers the Consideration attractive when compared such valuation with the valuation of the Properties as at 31 December 2005 of HK\$215,000,000 also made by AA Property Services Limited. The Consideration represents a premium of approximately 17.4% of HK\$230,000,000, being the value of the Properties based on the valuation as at 30 June 2006. The Company considers that the Disposal gives the Company an opportunity to dispose of the Properties at an attractive price in comparison to the current yield on the Properties. Given that the Company does not own the entire floor areas of Warehouse Centre where the Properties are situated, the Group may encounter difficulties in proposing application for change of use or future development of Warehouse Centre, hence it is beneficial for the Group as a whole to dispose of the Properties at an attractive price.

The Directors (including the independent non-executive Directors) consider that the Consideration and the terms of the Disposal are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

### 4. FINANCIAL EFFECTS OF THE DISPOSAL

Following the completion of the Disposal, the Property Company will no longer be a subsidiary of the Company and the financial results of the Property Company after the Disposal will not be consolidated into the Group's financial results for the year ending 31 December 2006. The following analysis was based on the audited financial information as at 31 December 2005 and has not taken into account the financial results for the period from 1 January 2006 up to the Completion Date.

#### 4.1 Gain on disposal

According to the audited consolidated financial statements of the Group, the fair value of the Properties was HK\$215,000,000 as at 31 December 2005. Accordingly, the Disposal at the Consideration of HK\$270,000,000 will give rise to a gain of approximately HK\$55,000,000 for the Group based on its fair value as at 31 December 2005 and before the deduction of the direct expenses attributable to the Disposal of approximately HK\$3,500,000 and written back of the deferred tax liability of the Group in relation to the holding of the Properties of HK\$32,000,000 as at 31 December 2005.

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## LETTER FROM THE BOARD

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### 4.2 Net asset value

As at 31 December 2005, the audited consolidated net asset of the Group was approximately HK\$1,954.6 million, representing an audited consolidated net asset value per Share of approximately HK\$6.79 (on the basis of 287,669,676 Shares in issue as at 31 December 2005).

On the basis of the abovementioned gain on the Disposal of approximately HK\$55,000,000, less the settlement of the direct expenses of approximately HK\$3,500,000, the total assets of the Group as at 31 December 2005 would have been increased by HK\$51,500,000. The deferred tax liabilities of the Group in relation to the holding of the Properties would have been reduced by approximately HK\$32,000,000 as at 31 December 2005 following the Disposal.

### 4.3 Liability

As approximately HK\$42,500,000 of the proceeds of the Disposal will be used to repay the outstanding mortgage loans in relation to the Property, the Group's total liabilities will accordingly be reduced by that amount.

### 4.4 Earnings

The Properties have contributed stable rental income to the Group, with rental income for the year ended 31 December 2005 amounting to approximately HK\$14.9 million. The operating results (before the fair value gains of the Properties and taxation) generated from the Properties were approximately HK\$4 million.

Although the Group will no longer receive the rental income from the Properties following the Completion of the Disposal, the Group will be able to save on operating expenses in relation to the Properties (approximately HK\$8.5 million for the year ended 31 December 2005) and interest expenses (approximately HK\$2.4 million for the year ended 31 December 2005).

### 4.5 Cash position

As at 31 December 2005, the bank balances and cash of the Group amounted to approximately HK\$23.2 million.

Although part of the proceeds will be used to repay the mortgage loans on the Properties, the bank balances and cash of the Group will be improved by approximately HK\$220.7 million (i.e. the remaining balance of the proceeds from the Disposal after deducting related expenses of approximately HK\$3.5 million and transfer of rental deposit of approximately HK\$3.3 million). Accordingly, the cash flow position of the Group will continue to be satisfactory and will not be adversely affected by the loss of rental income (as abovementioned, amounted to HK\$14.9 million for the year ended 31 December 2005) from the Properties.

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## **LETTER FROM THE BOARD**

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### **5. USE OF PROCEEDS**

The gross proceeds receivable by the Company pursuant to the Agreement are HK\$270,000,000 and the net proceeds are expected to be approximately HK\$220,000,000. The Company intends to apply approximately HK\$60,000,000 out of the net proceeds to reduce its other bank borrowings with the remaining balance being retained for working capital purposes pending investment opportunities which the Company may consider attractive. Currently the Company has not identified any investment opportunities yet.

### **6. PRINCIPAL ACTIVITIES OF THE GROUP AND THE PURCHASER**

The principal activities of the Company are investment holding and property investment. The activities of the principal subsidiary companies include property rental, property development, finance, estate management and agency, investment holding, motor vehicle rental, property trading and management service.

The principal activities of the Purchaser are investment holding and property investment.

### **7. MAJOR TRANSACTION**

As the amount of the relevant percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules exceeds 25%, the Disposal and the Loan Repayment together constitute a major transaction for the Company under the Listing Rules and is subject to approval by the Shareholders by a majority vote at a general meeting, or obtaining of a written approval approving the Disposal and the Loan Repayment from a Shareholder or a closely allied group of Shareholders which in aggregate hold more than 50% of the issued share capital giving the right to attend and vote at that general meeting of the Company, provided that no Shareholder is required to abstain from voting at the said meeting. To the best of the knowledge, information and belief of the Directors, no Shareholder has a material interest in the Disposal or the Agreement, and therefore no Shareholder is required to abstain from voting at the general meeting of the Company if such meeting were convened to approve the Disposal, the Agreement and the transactions contemplated thereunder (including the Loan Repayment).

The Company has obtained the written approval of the Majority Shareholders, who are a closely allied group of Shareholders, with respect to the Disposal, the Agreement and the transactions contemplated thereunder (including the Loan Repayment). The Majority Shareholders have also undertaken with the Purchaser that if the Company is required by the Stock Exchange to convene a general meeting to approve the Disposal, the Agreement and the transactions contemplated thereunder (including the Loan Repayment), they will (a) vote in favour of the resolution(s) to be proposed at such meeting and (b) continue to hold in aggregate more than 50% of the issued share capital of the Company prior to the close of such meeting.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Majority Shareholders are together interested in 158,246,458 Shares representing approximately 55.01% of the issued share capital of Company. Details of the Majority Shareholders and their respective shareholding in the Company are as follows:

<b>Name of Majority Shareholder</b>	<b>No. of Shares held</b>	<b>Approximate shareholding percentage</b>
Kam Chan & Company, Limited	112,248,758	39.02%
Gold Fortune Investment Co. Ltd.	15,488,636	5.38%
Suremark Limited	3,964,405	1.38%
Montgomery Securities Limited	5,406,422	1.88%
Holston Investment Limited	21,138,237	7.35%

Mr. William Ma Ching Wai, a Director, has a controlling interest in each of Holston Investment Limited and Kam Chan & Company, Limited. Each of Gold Fortune Investment Co. Ltd., Suremark Limited and Montgomery Securities Limited is a wholly-owned subsidiary of Kam Chan & Company, Limited, and Kam Chan & Company, Limited controls the board of each of Gold Fortune Investment Co. Ltd., Suremark Limited and Montgomery Securities Limited.

### 8. ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the Appendices to this circular.

Yours faithfully,  
By order of the Board of  
**Tai Sang Land Development Limited**  
**William Ma Ching Wai**  
*Chairman*

**1. INDEBTEDNESS STATEMENT**

As at the close of business on 30 June 2006, the Group had outstanding indebtedness of approximately HK\$482.5 million, comprising bank overdrafts of HK\$6.3 million, short-term bank loans of HK\$53.9 million and long-term bank loans of HK\$422.3 million.

**Borrowing**

The following table illustrates the Group's bank borrowings as at 30 June 2006:

	<b>As at 30 June 2006</b>
	<i>HK\$'000</i>
<b>Current:</b>	
Bank overdrafts	6,268
Short-term bank loans	53,900
Current portion of long-term bank loans	137,648
<b>Non-Current:</b>	
Long-term bank loans, net of current portion	<u>284,689</u>
	<u>482,505</u>

As at 30 June 2006, the Group's bank overdrafts, short-term bank loans and long-term bank loans of approximately HK\$478.8 million were secured by certain properties under development and related leasehold land, investment properties and the rental income thereon.

Certain bank deposit of HK\$1,000,000 have been pledged for available banking facilities as at 30 June 2006.

**Contingent liabilities**

As at 30 June 2006, the Company had provided guarantees to bankers for credit facilities granted to subsidiaries of HK\$344.4 million.

Save as disclosed above or otherwise disclosed herein, and apart from intra-group liabilities, the Group did not, as at the close of business on 30 June 2006, have any outstanding loan capital issued or agreed to issued, shares or debentures, mortgages loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptance, acceptance credits, guarantees or other material contingent liabilities.

The Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 30 June 2006.

**2. FINANCIAL AND TRADING PROSPECTS**

As mentioned in the 2005 annual report of the Company, the Group had already applied for the change of usage of Express Industrial Building to hotel development and is waiting for the Lands Department to advise of the land premium payable. Though the Disposal, the Group will further reduce its holding in godown or industrial use properties, of which the rental growth is considered rather flat as compared with the residential and commercial sectors. The Group can therefore restructure the property mix of its existing investment portfolio and focus on properties that provide higher return and re-development opportunities such as the residential development of the final phase of Flora Villas and No. 1 Barker Road which are expected to be completed by the end of 2006.

**3. WORKING CAPITAL**

The Directors are of the opinion that, taking into account the presently available banking facilities, the internal financial resources of the Group, the receipts of the proceeds from the Disposal, the Group has sufficient working capital for its present requirements, that is for at least the next twelve months commencing from the date of this circular.



Set out below are the texts of the letter and valuation certificate received from AA Property Services Limited in connection with their valuation as at 30 June 2006 of the Properties, which has been prepared for the purpose of inclusion into this circular:

**AA Property Services Ltd.**

環亞物業顧問有限公司

Valuation . Agency . Auction . Investment Consultancy . Project &amp; Building Management

Room 602  
Mirror Tower  
No. 61 Mody Road  
Tsimshatsui East  
Kowloon

27 July, 2006

The Directors  
Tai Sang Land Development Limited  
26th - 28th Floors  
Tai Sang Commercial Building  
Nos.24-34 Hennessy Road  
Wan Chai  
Hong Kong

Dear Sirs,

In accordance with your instruction for us to value the property interests owned by Lee Sang On Investment Company Limited, a wholly-owned subsidiary of Tai Sang Land Development Limited (together hereinafter referred to as “the Group”), we confirm that we have made inspection and relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 30 June, 2006.

Our valuation of the property interests is our opinion of the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Our valuation has been made on the assumption that the property interests are to be sold on the open market in their existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to increase the value of such property interests. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property interests and no allowance has been made for the property interests to be sold in one lot or to a single purchaser.

We have valued the property interests on open market basis assuming sale with the benefit of vacant possession with reference to comparable market transactions and where appropriate on the basis of capitalisation of the net income receivable before taxes with due allowance for reversionary income potential.

We have relied to a very considerable extent on the information provided by you and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, rentals, site and floor areas and all other relevant matters.

We have caused searches to be made at the relevant Land Registry in respect of the property interests under consideration. However, we have not scrutinized the original documents to verify ownership or to verify any lease amendments which may not appear on the copies handed to us. All documents and leases have been used as reference only and all dimensions, measurements and areas are approximate. No on-site measurements have been taken.

We have inspected the exterior and, where possible, the interior of the properties included in the valuation certificate attached, in respect of which we have been provided with such information as we have required for the purpose of valuation. No structural survey has been made. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests have been carried out on any of the building services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In this valuation, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the rules governing the listing of securities issued by the Stock Exchange of Hong Kong Limited; and the HKIS Valuation Standards on Properties (1st Edition) published by the Hong Kong Institute of Surveyors and effective from 1 January, 2005.

Our summary of valuation and the valuation certificate are attached.

Yours faithfully,  
For and on behalf of  
**A A PROPERTY SERVICES LIMITED**

**PATRICK W.C. LAI**  
**MRICS, MHKIS, MCI Arb., RPS**  
*Executive Director*

*Note:*

Patrick W C Lai, Chartered Valuation Surveyor, has been a qualified valuer with A A Property Services Ltd. since 1991 and has over 15 years of experience in the valuation of property located in Hong Kong and the People's Republic of China. Mr. Lai is on the List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in connection with Takeovers and Mergers under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

**SUMMARY OF VALUATION**

Property held by the Group for investment:

<b>Property</b>	<b>Capital value in existing state as at 30 June, 2006</b>
Whole Block of Phase I and Ground Floor, 1st Floor, 10th to 12th Floors and 14th to 19th Floors of Phase II, Tai Sang Shatin Warehouse Centre No.6 Wong Chuk Yeung Street Fo Tan Sha Tin New Territories	HK\$230,000,000

## VALUATION CERTIFICATE

Property held by the Group for investment:

Property	Description	Particulars of Occupancy	Capital value in existing state as at 30 June, 2006
Whole Block of Phase I, Ground Floor, 1st Floor, 10th to 12th Floors and 14th to 19th Floors of Phase II, Tai Sang Shatin Warehouse Centre, No.6 Wong Chuk Yeung Street, Fo Tan, Sha Tin, New Territories	The property comprises the whole block of Phase I and 11 floors of Phase II of a twin-tower warehouse development including all car parking spaces within the development.	All warehouse units of Phase I are subject to various tenancies mostly for terms of 2 years with the latest expiry date on 15th June, 2008.	HK\$230,000,000
7,165/10,000th shares of and in Sha Tin Town Lot No.134	The Phase I block consists of 14 storeys and Phase II block consists of 19 storeys (excluding the roof level on 19th floor). Phases I and II are connected together by a 2-storeyed podium on the ground and first floors where parking, loading and unloading facilities are available. 2nd to 12th floors of Phase II are also connected to the respective floors of Phase I by elevated bridges.	All warehouse units of Phase II are subject to various tenancies with the latest expiry date on 31st March, 2008.	
	The development was completed in two phases in about 1987 and about 1989 respectively.	The majority of the carparking spaces are subject to monthly licences whilst the remaining are vacant.	
	The property contains a total gross floor area, excluding parking area, loading and unloading area and canteen area, of approximately 305,084 square feet (or approximately 28,343 square metres).	The total monthly rent and licence fees receivable from the property was HK\$1,416,083 as at 30th June, 2006 inclusive of rates.	
	The property contains a total saleable floor area, excluding parking area, loading and unloading area and canteen area, of approximately 248,864 square feet (or approximately 23,120 square metres).	The property was occupied for warehouse and carparking purposes.	
	By virtue of section 6 of the New Territories Leases (Extension) Ordinance Chapter 150 the lease term of the property is extended until the expiry of 30th June, 2047.		
	The annual government rent for the property is equal to 3% of the rateable value of the property.		

*Notes:*

1. The registered owner of the property is Lee Sang On Investment Company Limited, a wholly-owned subsidiary of Tai Sang Land Development Limited.
2. The property is subject to a mortgage in favour of The Hong Kong and Shanghai Banking Corporation Limited vide memorial no.ST1136439 dated 10th January, 2000.

**1. RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

**2. DISCLOSURE OF DIRECTORS' INTERESTS**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

*Interest in Shares*

Name of Director	Personal interest	Corporate interest (Notes (a) & (b))	Joint interest (Note (c))	Total	Approx. %
William Ma Ching Wai	3,644,013	158,246,458	38,115	161,928,586	56.2898
Patrick Ma Ching Hang	261	8,732,013	38,115	8,770,389	3.0488
Alfred Ma Ching Kuen	7,200	—	—	7,200	0.0025
Amy Ma Ching Sau	20,570	—	—	20,570	0.0072
Katy Ma Ching Man	97,767	—	—	97,767	0.0340
Ruth Ma Ching Keung	2,772	—	—	2,772	0.0010
Ida Ma Ching Kwai	19,712	—	—	19,712	0.0069
Philip Ma Ching Yeung	3,157,522	—	—	3,157,522	1.0976

*Interest in shares of associated corporations*

<b>Name of associated corporation</b> <i>(Note (d))</i>	<b>Name of Director</b>	<b>Personal interest</b>	<b>Joint interest</b> <i>(Note (e))</i>	<b>Total</b>	<b>Approx.</b> %
Tai Sang Cold Storage & Godown Company Limited	Alfred Ma Ching Kuen	9,886	—	9,886	0.1765
Kam Hang Company Limited	Patrick Ma Ching Hang	—	47	47	0.94
Kam Hang Company Limited	Katy Ma Ching Man	—	47	47	0.94
Kam Hang Company Limited	Alfred Ma Ching Kuen	23	—	23	0.46
Kam Hang Company Limited	Ida Ma Ching Kwai	23	—	23	0.46

*Notes:*

- (a) Kam Chan & Company, Limited and its associates and Holston Investment Limited directly or indirectly owned 137,108,221 and 21,138,237 Shares respectively. Mr. William Ma Ching Wai is a substantial shareholder of these companies.
- (b) Tai Sang International Limited directly owned 8,732,013 Shares. Mr. Patrick Ma Ching Hang is a substantial shareholder of this company.
- (c) These 38,115 Shares are jointly held by Mr. William Ma Ching Wai and Mr. Patrick Ma Ching Hang.
- (d) Tai Sang Cold Storage & Godown Company Limited and Kam Hang Company Limited are subsidiaries of the Company.
- (e) These 47 shares in Kam Hang Company Limited are jointly held by Mr. Patrick Ma Ching Hang and Ms. Katy Ma Ching Man.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

Pursuant to a tenancy agreement dated 6 September 2005 (the “Tenancy Agreement”) between (i) Tai Sang Bank Limited as agent for the landlords, namely Kam Chan & Company, Limited (“Kam Chan”) and other certain relatives of Mr. Ma Ching Wai William (“Mr. Ma”), an executive Director, and companies controlled by certain relatives of Mr. Ma; and (ii) the Company as tenant, the office premises located at 26th to 28th Floors of Tai Sang Commercial Building situated at 24-34 Hennessy Road, Wanchai, Hong Kong (the “Premises”) were leased to the Company for a term of 2 years and 11 months commencing from 7 September 2005 and ending on 6 August 2008 at a monthly rental of HK\$61,932 and monthly management fee and air-conditioning charges of HK\$33,348. Kam Chan is

an associate of Mr. Ma and Mr. Ma is a director of Kam Chan. All the other executive Directors are directors and shareholders of Kam Chan. Hence, as at the Latest Practicable Date, all the executive Directors had direct or indirect interest in the Premises which were leased to the Company under the Tenancy Agreement. The transactions under the Tenancy Agreement constitute continuing connected transactions of the Company under the Listing Rules. Details of the Tenancy Agreement were disclosed in the announcement of the Company dated 6 September 2005 and the annual report of the Company for the financial year ended 31 December 2005.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2005 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors is materially interested in any contracts or arrangements subsisting at the date of this circular which is significant in relation to the business of the Group. In addition, Mr. Cheung Wing Yui, Edward, a non-executive Director, is a consultant of Woo, Kwan, Lee & Lo, a solicitors firm which provided professional services to the Group (including in relation to the Disposal and the Agreement) and charged usual professional fees in respect thereof.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as were known to the Directors and chief executive of the Company, the following parties (other than Directors or chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Personal interest	Corporate interest (Note)	Total	Approx. %
Kam Chan & Company, Limited	112,248,758	24,859,463	137,108,221	47.6617
Holston Investment Limited	21,138,237	—	21,138,237	7.3481
Good Fortune Investment Co., Ltd.	15,488,636	—	15,488,636	5.3842

*Note:* Good Fortune Investment Co., Ltd., Suremark Limited (beneficially interested in 3,964,405 Shares) and Montgomery Securities Limited (beneficially interested in 5,406,422 Shares) are wholly-owned subsidiaries of Kam Chan & Company, Limited. Kam Chan & Company, Limited is therefore deemed interested in the Shares beneficially owned by these companies.

As at the Latest Practicable Date, so far as were known to the Directors and chief executive of the Company, the following parties (other than Directors or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name of subsidiary	Name of shareholder	Approx. %
Kam Cheung Investment Company Limited	Chiu Kee Company Limited	15
	Champion Enterprises Limited	10
On Ah Enterprises Limited	Champion Enterprises Limited	10
	Ma's Enterprises Co Ltd	10
	Ma Kam Ming, deceased	10
Pentacontinental Land Investment Co Ltd	Chiu Kee Company Limited	18
	Champion Enterprises Limited	10
Tai Fung Investment Company Limited	Champion Enterprises Limited	10
	Ma's Enterprises Co Ltd	10
	Ma Kam Ming, deceased	10
Tai Sang Cold Storage & Godown Company Ltd	Heptacontinental Development Co Ltd	19
	Champion Enterprises Limited	10

Save as disclosed above, as at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, no other person (other than Directors or chief executive of the Company) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group.



**4. MATERIAL CONTRACTS**

The Agreement, not being a contract in the ordinary course of business, has been entered into by members of the Group, within the two years preceding the date of this circular and is or may be material.

**5. LITIGATION**

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries are engaged in any litigation or claim of material importance and no litigation or claim of material importance was pending or threatened against any members of the Group.

**6. QUALIFICATION AND CONSENT OF THE EXPERT**

The following is the qualification of the expert who has been named in this circular or has given opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
AA Property Services Limited	Property valuers

AA Property Services Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and valuation certificate and the reference to its name in the form and context in which they respectively appear.

AA Property Services Limited has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

AA Property Services Limited has no direct or indirect interest in any assets which have since 31 December 2005 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**7. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Group other than contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

**8. SECRETARY AND QUALIFIED ACCOUNTANT OF THE COMPANY**

The secretary of the Company is Ms. Katy Ma Ching Man, who joined the Company and was appointed a Director and also the Company Secretary of the Company in 1972. She holds a Bachelor Degree of Arts.

The qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Ms. Tang Mei Yee, who holds a Master Degree in Language and Law and is a member of The Hong Kong Institute of Certified Public Accountants, a fellow of The Association of Chartered and Certified Accountants, the United Kingdom and a member of The Hong Kong Institute of Chartered Secretaries.

#### **9. COMPETING INTERESTS OF THE DIRECTORS**

As at the Latest Practicable Date, all Directors except the non-executive Directors are directors and shareholders of Kam Chan & Company, Limited which is also engaged in property development and property investment and which may be in competition with the business carried on by the Group.

The Directors are of the view that the Group is capable of carrying on its business independently from the property development and property investment business. When making decisions on the property development and property investment business, the relevant Directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interests of the Group.

#### **10. MISCELLANEOUS**

- (a) The registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (b) The registered office of the Company is at 26th-28th Floors, Tai Sang Commercial Building, 24 - 34 Hennessy Road, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

#### **11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at Woo, Kwan, Lee & Lo at 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong up to and including 10 August 2006:

- (a) the Company's memorandum and articles of association;
- (b) the letter and valuation certificate relating to the Properties issued by AA Property Services Limited set out in Appendix II to this circular;
- (c) the material contract referred to in the paragraph headed "Material contracts" in this Appendix;
- (d) the letter of consent referred to in the section headed "Qualification and consent of the expert" in this Appendix; and
- (e) the annual reports of the Company for the two financial years ended 31 December 2005 and 2004.