



**TAI SANG LAND  
DEVELOPMENT LIMITED**

**Annual Report 2005**

**大生地產發展有限公司**

**二零零五年度年報**

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# BOARD OF DIRECTORS AND CORPORATE INFORMATION

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## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

### **Board of Directors**

*Mr. William MA Ching Wai, Chairman*

Aged 52. Joined the Company and appointed a Director in 1974. Appointed Chairman of the Board of Directors in 1984. He is currently the Chairman of Kam Chan & Company, Limited and Tai Sang Bank Limited. Brother of Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung, Ms. Ida Ma Ching Kwai and Mr. Philip Ma Ching Yeung.

*Mr. Patrick MA Ching Hang, BSc., Deputy Chairman*

Aged 47. Joined the Company and appointed a Director of the Company in 1981. Appointed Deputy Chairman of the Board of Directors in 2005. He is currently a director of Kam Chan & Company, Limited and the Director and General Manager of Tai Sang Bank Limited. Brother of Mr. William Ma Ching Wai, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung, Ms. Ida Ma Ching Kwai and Mr. Philip Ma Ching Yeung.

*Mr. Alfred MA Ching Kuen, BSc., Managing Director*

Aged 53. Joined the Company and appointed a Director of the Company in 1976. Appointed a Managing Director of the Company in 1984. He is currently a director of Kam Chan & Company, Limited and Tai Sang Bank Limited. Brother of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung, Ms. Ida Ma Ching Kwai and Mr. Philip Ma Ching Yeung.

*Ms. Amy MA Ching Sau, BSc., Managing Director*

Aged 55. Joined the Company and appointed a Director of the Company in 1974. Appointed a Managing Director of the Company in 1991. She is currently a director of Kam Chan & Company, Limited and Tai Sang Bank Limited. Sister of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung, Ms. Ida Ma Ching Kwai and Mr. Philip Ma Ching Yeung.

*Ms. Katy MA Ching Man, BA, Director and Company Secretary*

Aged 56. Joined the Company and appointed a Director and also Company Secretary of the Company in 1972. She is currently a director of Kam Chan & Company, Limited and Tai Sang Bank Limited. Sister of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Ruth Ma Ching Keung, Ms. Ida Ma Ching Kwai and Mr. Philip Ma Ching Yeung.

*Ms. Ruth MA Ching Keung, MBA, Director*

Aged 55. Joined the Company and appointed a Director of the Company in 1972. She is currently a director of Kam Chan & Company, Limited. Sister of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man, Ms. Ida Ma Ching Kwai and Mr. Philip Ma Ching Yeung.

*Ms. Ida MA Ching Kwai, BSc., Director*

Aged 48. Joined the Company and appointed a Director of the Company in 1983. She is currently a director of Kam Chan & Company, Limited and Tai Sang Bank Limited. Sister of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung and Mr. Philip Ma Ching Yeung.

*Mr. Philip MA Ching Yeung, BSc.(Hon.), Director*

Aged 43. Joined the Company in 1987 and appointed a Director of the Company in 1997. He is currently a director of Kam Chan & Company, Limited and Tai Sang Bank Limited. Brother of Mr. William Ma Ching Wai, Mr. Patrick Ma Ching Hang, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung and Ms. Ida Ma Ching Kwai.

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*Mr. Edward CHEUNG Wing Yui, BComm., CPA(Aust.), Solicitor of the Supreme Court of England, Solicitor of the Supreme Court of Hong Kong, Advocate and Solicitor of the Supreme Court of Singapore, Non-executive Director*

Aged 56. Appointed a Director of the Company in 1983. Redesignated as Non-executive Director since 21st May 2004. He has been a practising solicitor in Hong Kong since 1979 and is a senior partner of Woo, Kwan, Lee & Lo Solicitors. He is a director of a number of other publicly listed companies. He is also a Council Member and Executive Committee Member of Open University of Hong Kong, the Vice Chairman of the Mainland Legal Affairs Committee of The Law Society of Hong Kong, a Member of the Board of Review (Inland Revenue), a Committee Member of the Community Chest Charitable Event Organising Committee and a Voting Member of The Hong Kong Jockey Club.

*Mr. Kevin CHAU Kwok Fun, Bsc., Independent Non-executive Director*

Aged 46. Appointed an Independent Non-executive Director of the Company in 1996. He is currently the Executive Vice-chairman of Sincere Watch (Hong Kong) Limited ("Sincere Watch") (Stock Code: 444). He is responsible for the overall development of the Sincere Watch Group's business, strategic planning as well as positioning and management of the Sincere Watch Group. Prior to joining Sincere Watch, he was a principal officer of an investment company in Hong Kong dealing in real estates and food and beverage industry in the PRC.

*Mr. TAN Soo Kiu, Associate member of CPA(Aust.), Independent Non-executive Director*

Aged 69. Appointed an Independent Non-executive Director of the Company in 2004. He is currently a retired person. He had been the General Manager of the Company for 11 years from 1991 to 2002 and had held various senior positions with banking institutions in Malaysia and Hong Kong for over 20 years before 1991.

*Mr. William WONG Hing Kwok, MBA, Independent Non-executive Director*

Aged 59. Appointed an Independent Non-executive Director of the Company in 2004. He is currently an owner of a company engaging in retail and food and beverage business in Shanghai, the PRC. He had various experience and exposures in different industries, including manufacturing of garment, property development, retail and food and beverage.

#### **Senior Management**

*Mr. Ted MOK Tat Hung, FHKIS, RPS(GP), ARICS., MCI Arb, Chief Executive*

Aged 56. Joined the Company in 1981 and now holds the position of Chief Executive of the Company. Has 38 years of experience in real estate development and management.

#### **BANKERS:**

Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
United Commercial Bank  
Tai Sang Bank Limited

#### **SOLICITORS:**

Woo, Kwan, Lee & Lo

#### **AUDITORS:**

PricewaterhouseCoopers

#### **REGISTERED OFFICE:**

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

#### **REGISTRAR AND TRANSFER OFFICE:**

Computershare Hong Kong Investor Services Limited  
Hopewell Centre, 17th Floor,  
183 Queen Road East, Hong Kong.

# CHAIRMAN'S STATEMENT

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## PROFIT FOR THE YEAR

I am pleased to report that the Group has achieved a profit increase of about 12.7% for the year ended 31st December 2005. The profit attributable to equity holders of the Company for 2005 was HK\$266.5 million as compared to the restated HK\$236.5 million for 2004.

These results reflect the adoption of new Hong Kong Financial Reporting Standards effective after 1st January 2005. After adjusting for the impact of adopting Hong Kong Accounting Standard ("HKAS") 40 and Interpretation 21 on investment properties and income taxes, HKAS 17 on amortisation for leasehold land, and HKAS 23 on borrowing costs, the underlying profit after taxation was around HK\$51.5 million, and the corresponding figure for 2004 was HK\$54.6 million.

## DIVIDEND

Your Directors have resolved to recommend a final dividend of HK 8 cents (2004: HK 6 cents) per ordinary share.

## BUSINESS REVIEW

The principal activities of the Group remain to be property investment.

In Hong Kong, the rental income increased 10.9% to HK\$120.1 million on a better renewal rate in all sectors. However, the lack of gain from property disposal together with the reduction in dividend contribution from The Yangtze Ventures Limited in 2005, caused a drop in the underlying contribution from Hong Kong operation.

The property occupancy rates of Montgomery Plaza in the US raised to 98.5% as at the year end of 2005 and the average office rent per square feet stabilised at around US\$37 on lease renewal. The rental income from Montgomery Plaza slightly increased by 2.2% to HK\$50.3 million as compared to last year. Benefited from the decrease in interest expenses on a rearrangement of the loan financing in the US by the end of year 2004, the contribution from US operation increased.

While the hotel development project of 43 Heung Yip Road was pending for the land premium to be agreed with the Lands Department, the final phase development of Floral Villas, Tso Wo Hang, Sai Kung, was started in December 2005. Three luxury seaview houses will be built and are expected to be completed by the end of 2006. Occupation permit of No.1 Barker Road has been issued in September 2005 and the Certificate of Compliance is pending for issuance. Feasibility studies are carried out to change the use of certain properties of the Group.

The Group will continue its proportion of investments in venture capital fund which has shown satisfactory results.

## CASH FLOW

The Group generated cash inflow of approximately HK\$51.2 million from operating activities after the service of interest of HK\$16.4 million and profits tax of HK\$4.2 million. The Group received dividends of HK\$16.5 million and added new bank borrowing of HK\$11.0 million. The Group applied the fund for addition of property, plant and equipment, investment properties and leasehold land of HK\$36.9 million and payment of dividends of HK\$38.7 million, the balance of cash and cash equivalents increased by HK\$7.5 million to HK\$23.2 million. The cash flows were also funded by long term and short term borrowings.

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## **LOAN FINANCING**

The construction loan for the development of No. 1 Barker Road was re-arranged during the year and will be due for repayment upon completion of the project. Bank financing has been solicited to re-finance the repayment of this newly arranged construction loan.

## **PROSPECTS**

Benefited by the continuous strong economic growth in China and the various favorable supportive measures from China, we have seen a full recovery of consumer confidence as well as economic growth in Hong Kong during 2005. Nevertheless, future growth rate may be affected by the extent of global interest rates rise and the level of energy costs as well as, to a lesser extent, the rise of exchange rate of RMB. Return from property investments will however remain healthy. Coupled with the completion of our projects at the Peak and in Sai Kung, the overall outlook of the Group in the coming year remains positive.

Barring any unforeseen circumstances, the Group will continue to pursue its prudent policy and maintain stable earnings for the coming year.

In closing, I wish to thank my fellow directors for their valuable guidance and to all staff members for their dedication and hard work.

**William Ma Ching Wai**  
*Chairman*

Hong Kong, 27th March 2006

# MANAGEMENT DISCUSSION AND ANALYSIS

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## 1 The Group's liquidity and financial resources

During the relevant year, the Group's total bank borrowings increased by HK\$10.2 million to HK\$462.0 million. The total equity increased by HK\$253.2 million to HK\$1,954.6 million (2004: \$1,701.4 million, as restated) and long term bank loans outstanding as at 31st December 2005 amounted HK\$426.6 million (2004: HK\$434.1 million). The debt to equity ratio was 23.6% (2004: 26.6%, as restated). The banking facilities available are sufficient for the Group's working capital. The Group's financial flexibility remains healthy.

## 2 Capital structure of the Group

The capital structure of the Group had not changed materially from the last annual report. The Group borrowings are primarily denominated in Hong Kong and United States dollars. The Group therefore has no significant exposure to foreign exchange fluctuation.

The maturity of the Group's long term bank loans is as follows:

	2005	2004
	HK\$'000	HK\$'000
- within one year	98,017	77,054
- in the second year	34,975	27,739
- in the third to fifth years inclusive	293,619	203,151
- after the fifth year	—	126,178
	<u>426,611</u>	<u>434,122</u>

The Group's total bank borrowings are secured by certain leasehold land, investment properties and rental income thereon and properties under development with an aggregate net book value of HK\$1,596.5 million (2004 : HK\$1,418.5 million, as restated).

## 3 Significant investments held and their performance and future prospects

The Group holds 12% equity interest in The Yangtze Ventures Limited and The Yangtze Ventures II Limited (collectively "Yangtze"). The investment made by the Group in them was HK\$12 million respectively and totalled HK\$24 million. The cumulative dividend received from The Yangtze Ventures Limited up to 31st December 2005 amounted to HK\$36 million.

The investment portfolio of Yangtze now includes 65.5 million shares in China Infrastructure Group, which is listed on Hong Kong's GEM Board, and investments in 8 other companies respectively specialised in manufacturing and research and development of animal feedstuff, integrated circuits, biopharmaceutical products, chinese medical products, energy alternative fuel, environmental friendly product, engaged in operating Interactive Voice Response platform for China Mobile and engaged in radio monitoring and measuring in China.

## 4 Details of number and remuneration of employees

Including the directors of the Group as at 31st December 2005, the Group employed a total of 170 full-time employees. In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes and mandatory provident fund schemes.

# REPORT OF THE DIRECTORS

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The directors of Tai Sang Land Development Limited (the "Company") submit their report together with the audited financial statements of the Company and its subsidiary companies (collectively the "Group") for the year ended 31st December 2005.

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are investment holding and property investment. The activities of the principal subsidiary companies are shown in note 32 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5(c) to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2005 are set out in the consolidated income statement on page 18 of this annual report.

The directors have declared an interim dividend of HK7 cents (2004: HK5 cents) per ordinary share, totalling HK\$20,136,877 (2004: HK\$14,383,484), which was paid on 14th October 2005.

The directors recommend the payment of a final dividend of HK8 cents (2004: HK6 cents) per ordinary share, totalling HK\$23,013,574 (2004: HK\$17,260,181).

The total dividends for the year ended 31st December 2005 amounted to HK15 cents (2004: HK11 cents) per ordinary share.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 28 to the financial statements.

## DONATIONS

During the year, the Group made charitable and other donations of HK\$310,159 (2004: HK\$147,596).

## PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties are set out in notes 14 and 15 to the financial statements respectively.

## PRINCIPAL PROPERTIES

Details of the Group's significant properties are set out on pages 65 to 66 of this annual report.

## PURCHASE, SALE AND REDEMPTION OF SHARES

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

## BORROWINGS

Particulars of the bank loans and overdrafts are shown in notes 24 and 25 to the financial statements.



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## **DISTRIBUTABLE RESERVES**

Distributable reserves of the Company at 31st December 2005, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$405,041,593 (2004: HK\$279,120,595).

## **FIVE-YEAR FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 67 of this annual report.

## **DIRECTORS**

The directors during the year and up to the date of this report were:

### *Executive directors:*

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

### *Independent non-executive directors:*

Kevin Chau Kwok Fun  
Tan Soo Kiu  
William Wong Hing Kwok

### *Non-executive director:*

Edward Cheung Wing Yui

In accordance with Article 103 of the Company's Articles of Association, Mr. William Ma Ching Wai, Ms. Katy Ma Ching Man, Ms. Ida Ma Ching Kwai and Mr. Kevin Chau Kwok Fun retire by rotation and, being eligible, offer themselves for re-election.

## **DIRECTORS' SERVICE CONTRACTS**

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

Biographical details of directors and senior management are set out on pages 1 and 2 of this annual report.

## **DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS**

Details of directors' and senior management's emoluments are set out in note 8 to the financial statements.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

At 31st December 2005, the interests and short positions of each director and chief executive in the shares or underlying shares of the Company, as recorded in the register maintained by the Company under Section 352 of the Securities and Futures Ordinance ("SFO") or as notified to the Company were as follows:

### Ordinary shares of HK\$1 each

	Capacity			Total	Percentage
	Beneficial interest (personal)	Corporate interests (notes (a) and (b))	Joint interests (note (c))		
Directors:					
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%
Kevin Chau Kwok Fun	—	—	—	—	—
Tan Soo Kiu	—	—	—	—	—
William Wong Hing Kwok	—	—	—	—	—
Edward Cheung Wing Yui	—	—	—	—	—
Chief Executive:					
Ted Mok Tat Hung	—	—	—	—	—

### Notes:

- Kam Chan & Company, Limited ("Kam Chan & Co") and its associates and Holston Investment Limited directly or indirectly owned 137,108,221 and 21,138,237 ordinary shares in the Company respectively. Mr. William Ma Ching Wai is a substantial shareholder of these companies.
- Tai Sang International Limited directly owned 8,732,013 ordinary shares in the Company. Mr. Patrick Ma Ching Hang is a substantial shareholder of this company.
- Mr. William Ma Ching Wai and Mr. Patrick Ma Ching Hang jointly held 38,115 ordinary shares in the Company.
- Mr. Alfred Ma Ching Kuen beneficially held 9,886 shares (or 0.1765%) in the issued share capital of a subsidiary company, Tai Sang Cold Storage & Godown Company Limited.
- Mr. Patrick Ma Ching Hang and Ms. Katy Ma Ching Man jointly and beneficially held 47 shares (or 0.94%) and Mr. Alfred Ma Ching Kuen and Ms. Ida Ma Ching Kwai each beneficially held 23 shares (or 0.46%) in the issued share capital of a subsidiary company, Kam Hang Company Limited.
- In addition, certain directors of the Company hold non-beneficial interests in certain subsidiary companies in trust to the absolute benefit of the Company, the details of which are available for inspection at the Company's registered office.
- Other than as stated above, no directors or chief executive of the Company had any interest or short position in the shares or underlying shares of the Company or any of its associated corporation.
- At no time during the year was the Company or any of its subsidiary companies a party to any arrangements to enable the directors and the chief executive of the Company (including their spouse and children under 18 year of age) to acquire the benefits by acquisition of shares, or underlying shares of, the Company or its associated corporations.

## **SUBSTANTIAL SHAREHOLDERS**

At 31st December 2005, the interest and short position of substantial shareholders in the shares or underlying shares of the Company, as recorded in the register maintained by the Company under Section 336 of the SFO or as notified to the Company were as follows:

### **Ordinary shares of HK\$1 each**

	Capacity		Total	Percentage
	Beneficial owner	Corporate interests (note)		
Substantial shareholders:				
Kam Chan & Co	112,248,758	24,859,463	137,108,221	47.6617%
Holston Investment Limited	21,138,237	—	21,138,237	7.3481%
Gold Fortune Investment Co. Ltd.	15,488,636	—	15,488,636	5.3842%

All interests stated above represent long positions.

Note:

Gold Fortune Investment Co. Ltd, Suremark Limited (beneficially interested in 3,964,405 shares in the Company) and Montgomery Securities Limited (beneficially interested in 5,406,422 shares in the Company) are wholly owned subsidiary companies of Kam Chan & Co. The aggregate shareholding of these three companies are deemed to be the corporate interest of Kam Chan & Co in the ordinary shares in the Company.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Except for the continuing connected transaction, no other contract of significance in relation to the Group's business to which the Company or any of its subsidiary companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## **MAJOR CUSTOMERS AND SUPPLIERS**

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

– the largest supplier	16.0%
– five largest suppliers	45.1%

None of the directors, their associates or any shareholders (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the suppliers noted above.

During the year, the Group earned less than 30% of its turnover from its five largest customers.

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## **CONTINUING CONNECTED TRANSACTION**

On 6th September 2005, a tenancy agreement was entered into between Tai Sang Bank Limited ("TSB") as agent for the landlords and the Company as tenant for the lease of office premises located at 26th to 28th floors of Tai Sang Commercial Building, 24-34 Hennessy Road, Wanchai, Hong Kong for a term of 2 years and 11 months commencing from 7th September 2005 to 6th August 2008 at a monthly rental of HK\$61,932 together with monthly management fees and air-conditioning charges of HK\$33,348.

One of the landlords, Kam Chan & Co, is an associate of Mr. William Ma Ching Wai (with Mr. William Ma Ching Wai interested in more than 30% of its issued voting share capital) and a substantial shareholder of the Company directly or indirectly interested in approximately 47.66% of the issued share capital of the Company. The rest of the landlords are also connected persons to the Company by virtue of their being relatives of Mr. William Ma Ching Wai or companies controlled by the relatives of Mr. William Ma Ching Wai and are therefore deemed associates of Mr. William Ma Ching Wai under Rule 14A.11(4)(c) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). TSB is an associate of Kam Chan & Co (with Kam Chan & Co indirectly interested in more than 30% of its issued voting share capital) and is therefore also a connected person of the Company under Rule 14A.11(4) of the Listing Rules. Accordingly, the tenancy agreement constitutes a continuing connected transaction of the Company for the purpose of the Listing Rules. Details of the tenancy agreement were set out in the announcement of the Company dated 6th September 2005. The amount paid to the landlords by the Company for the period from 7th September 2005 to 31st December 2005 was HK\$362,064.

The independent non-executive directors of the Company have reviewed the above continuing connected transaction and confirmed that this transaction has been entered into:

- (i) on normal commercial terms;
- (ii) in the ordinary and usual course of business of the Group; and
- (iii) in accordance with the relevant agreement governing it and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For the purposes of Rule 14A.38 of the Listing Rules, the auditors of the Company have performed certain agreed-upon procedures on the above continuing connected transaction in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and reported that the above continuing connected transaction has been:

- (i) approved by the board of directors of the Company;
- (ii) entered into in accordance with the terms of the tenancy agreement; and
- (iii) the amount paid for the year under the tenancy agreement did not exceed the annual cap amount of HK\$1,143,360 as disclosed in the Company's announcement dated 6th September 2005.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to and within the knowledge of the directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares as at date of this annual report.

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## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at 31st December 2005, all directors except for non-executive directors are directors and shareholders of Kam Chan & Co, is also engaged in property development and property investment, 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.

## **CORPORATE GOVERNANCE**

During the year ended 31st December 2005, save as disclosed below, the Company complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules.

Under the Code Provision A.4.1 of the Code, non-executive directors should be appointed for a specific term. On 21st May 2005, each of the non-executive directors of the Company agreed that, subject to the provisions contained in the Articles of Association of the Company, the term of office of all non-executive directors (including independent non-executive directors) shall be respectively for one to three years and the Code Provision A.4.1 of the Code has been complied with as from 21st May 2005.

The Code Provisions in B.1 of the Code relate to the establishment of a remuneration committee and its composition, authority and duties. The Company established a remuneration committee on 4th April 2005 and the Code Provisions in B.1 of the Code have been complied with as from 4th April 2005.

## **CONFIRMATION OF INDEPENDENCE**

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

## **AUDITORS**

The financial statements for the year have been audited by PricewaterhouseCoopers who retire and being eligible, offer themselves for re-appointment.

On behalf of the Board

**William Ma Ching Wai**  
*Chairman*

Hong Kong, 27th March 2006

# CORPORATE GOVERNANCE REPORT

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The Board of Directors (the "Board") of Tai Sang Land Development Limited (the "Company") and its subsidiary companies (collectively the "Group") present their corporate governance report for the year ended 31st December 2005.

## **1 CORPORATE GOVERNANCE PRACTICES**

Sound corporate governance practices are crucial to the smooth, effective and transparent operation of the Group and the ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholder value. The Group is committed to maintain high standards corporate governance in its day-to-day operations.

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited for the year ended 31st December 2005.

## **2 DIRECTORS' SECURITIES TRANSACTIONS**

The Group has adopted the codes of conduct regarding securities transactions by directors (as defined in the Code) on terms no less exacting than the required standard set out in the Model Codes for Securities Transactions of Listed Issuers (the "Model Codes") contained in Appendix 10 of the Listing Rules.

On specific enquires made, all directors have confirmed that, for the year ended 31st December 2005, they have complied with the required standard set out in the Model Codes and the Company's code of conduct regarding directors' securities transactions.

## **3 BOARD OF DIRECTORS**

### **(a) Composition of the Board**

The Board of the Company oversees the management, businesses, strategic directions and financial performance of the Group.

The Board currently comprises a total of 12 directors, including 8 executive directors, 1 non-executive director and 3 independent non-executive directors. The biographies of the directors are set out on pages 1 to 2 of this annual report.

The executive committee of the Board, comprising the Chairman, Deputy Chairman, 2 Managing Directors and 4 Executive Directors, meets regularly to review and discuss management reports on the performance of the Company, current plans and long term opportunities, and any other issues of immediate concern.

All directors keep abreast of their collective responsibility. The Group provides briefings and other training to develop and refresh the directors' knowledge and skills. The Group continuously updates all directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and to enhance their awareness of good corporate governance practices.

Every director is aware that he/she should give sufficient time and attention to the affairs of the Group. Directors have satisfactory attendance rates at both board meetings and committee meetings, including Audit Committee and Remuneration Committee meetings.

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### 3 BOARD OF DIRECTORS (Continued)

(b) Board meetings

Full board meetings are held formally at least 4 times a year and involve the active participation, either in person or through other electronic means of communication, of a majority of directors.

During the year, the Board had held 4 full board meetings. Attendance of individual director is as follows:

	<b>Attendance</b>	<b>Percentage</b>
Executive directors		
– Mr. William Ma Ching Wai	4/4	100%
– Mr. Patrick Ma Ching Hang	4/4	100%
– Mr. Alfred Ma Ching Kuen	4/4	100%
– Ms. Amy Ma Ching Sau	4/4	100%
– Ms. Katy Ma Ching Man	4/4	100%
– Ms. Ruth Ma Ching Keung	4/4	100%
– Ms. Ida Ma Ching Kwai	4/4	100%
– Mr. Philip Ma Ching Yeung	4/4	100%
Non-executive director		
– Mr. Edward Cheung Wing Yui	3/4	75%
Independent non-executive directors		
– Mr. Kevin Chau Kwok Fun	3/4	75%
– Mr. Tan Soo Kiu	4/4	100%
– Mr. William Wong Hing Kwok	3/4	75%

At the meetings the directors discuss and formulate overall strategies for the Group, monitor financial performance and discuss the annual and interim results, as well as other significant matters.

At least 14 days notice of the board meetings is given to all directors, and all directors are given an opportunity to include matters for discussion in the agenda.

An agenda and accompanying board papers are sent in full to all directors in a timely manner and at least 4 days before the intended date of a full board meeting. They also have unrestricted access to the advice and service of the Company Secretary, who assists the Chairman in preparing the agenda for meetings, is responsible for providing directors with board papers and related materials and ensures that board procedures are followed.

The Audit Committee and Remuneration Committee also follow the applicable practices and procedures used in board meetings for committee meetings.

The Company Secretary keeps detailed minutes of each meeting, which are available to all directors. A draft of the minutes is circulated to all directors for comment and approval as soon as practicable after the meeting.

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#### 4 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Board has appointed a Chairman who ensures that the Board works effectively and that all important issues are discussed in a timely manner. The positions of the Chairman and Chief Executive Officer are held by separate individuals as to maintain an effective segregation of duties.

Chief Executive Officer is responsible for the day-to-day management of the Group's operations and conducts regular meetings with the executive committee, at which operational issues and financial performance are evaluated.

#### 5 TERMS OF APPOINTMENTS AND RE-ELECTION OF DIRECTORS

Non-executive directors are appointed for a specific term of one to three years. All directors retire from office by rotation and are subject to re-election at an annual general meeting at least once every three years. At every annual general meeting, one-third of the directors for the time being shall retire from office and be eligible for re-election.

The Company's articles of association provide that directors appointed to fill a casual vacancy shall hold office until the first annual general meeting after their appointment, and shall be subject to re-election by the shareholders.

#### 6 REMUNERATION OF DIRECTORS

The remuneration for the executive directors comprises directors' fees, basic salaries and discretionary bonuses. Quarter accommodations are provided to certain directors. Details of the amount of emoluments of directors paid for the year ended 31st December 2005 are set out in note 8 to the financial statements in this annual report.

The Remuneration Committee of the Company was established in April 2005. The Remuneration Committee comprises two independent non-executive directors, Mr. Tan Soo Kiu and Mr. William Wong Hing Kwok and an executive director, Ms. Katy Ma Ching Man and was established with specific terms of reference in accordance with the requirement of the Code. Its terms of reference are made available on the website of the Company. This committee is chaired by Ms. Katy Ma Ching Man.

The Remuneration Committee is responsible for formulating and recommending remuneration policy to the board and determining the remuneration of executive directors and members of senior management, as well as reviewing and making recommendations on the Group's share option scheme, bonus structure, provident fund and other compensation-related issues. The committee shall consult with the Chairman on its proposals and recommendations, and has access to professional advice if deemed necessary.

During the year, the Remuneration Committee had held 1 meeting. Attendance of individual member is as follows:

	<b>Attendance</b>	<b>Percentage</b>
Committee member		
– Ms. Katy Ma Ching Man	1/1	100%
– Mr. Tan Soo Kiu	1/1	100%
– Mr. William Wong Hing Kwok	1/1	100%



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## 7 AUDIT COMMITTEE

The Audit Committee was established in 1999 with specific written terms of reference which deal clearly with its authority and duties. The terms of reference in accordance with the requirement of the Code are made available on the website of the Company.

The Audit Committee is responsible for the following:

- making recommendations on the appointment, reappointment and removal of external auditors and considering the terms of such appointments;
- developing and implementing policies on the engagement of external auditors for non-audit services;
- monitoring the integrity of the financial statements, annual and interim reports and the auditors' report to ensure that the information presents a true and balanced assessment of the Group's financial position;
- ensuring that management has fulfilled its duty to maintain an effective internal control system.

Its members include 4 non-executive directors, 3 of whom are independent non-executive directors. This Committee is chaired by Mr. Kevin Chau Kwok Fun. The other members are Mr. Edward Cheung Wing Yui, Mr. Tan Soo Kiu and Mr. William Wong Hing Kwok.

During the year, the Audit Committee had held 2 meetings. Attendance of individual member is as follows:

	<b>Attendance</b>	<b>Percentage</b>
Committee member		
– Mr. Kevin Chau Kwok Fun	2/2	100%
– Mr. Edward Cheung Wing Yui	2/2	100%
– Mr. Tan Soo Kiu	2/2	100%
– Mr. William Wong Hing Kwok	1/2	50%

## 8 FINANCIAL REPORTING

The Board, supported by the accounts department, is responsible for keeping proper accounting records and the preparation of the financial statements of the Company and the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted and the financial statements comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently.

The reporting responsibilities of directors and external auditors are set out in the Auditors' Report on page 17.

## 9 INTERNAL CONTROL

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness through the Audit Committee. The Board requires management to establish and maintain sound and effective internal controls. Evaluation of the Group's internal controls is conducted by the Internal Auditor on an on-going basis. Such evaluation covers all material controls, including financial, operational and compliance controls and risk management functions. Internal Auditor will report to the Audit Committee twice each year on significant findings on internal controls. Copy of minutes of the Audit Committee meeting will also be sent to the Board for information.

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## 10 AUDITORS' REMUNERATION

During 2005, fees paid to PricewaterhouseCoopers ("PwC") and other auditors of subsidiary companies for taxation service were HK\$236,500 and HK\$467,766 respectively. Fees payable for audit and audit-related services to PwC and other auditors were HK\$1,552,000 and HK\$356,900 respectively.

On behalf of the Board

**William Ma Ching Wai**  
*Chairman*

Hong Kong, 27th March 2006

# AUDITORS' REPORT

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## **AUDITORS' REPORT TO THE SHAREHOLDERS OF TAI SANG LAND DEVELOPMENT LIMITED** *(incorporated in Hong Kong with limited liability)*

We have audited the financial statements on pages 18 to 64 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### **Respective responsibilities of directors and auditors**

The Hong Kong Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Basis of opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 27th March 2006

# CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2005

	Note	2005 HK\$	2004 HK\$ (Restated)
<b>Continuing operations:</b>			
Turnover	5	179,890,656	176,845,066
Cost of sales		(47,242,264)	(53,802,709)
Gross profit		132,648,392	123,042,357
Fair value gains on investment properties	15	267,262,343	212,943,662
Other gains, net		9,666,178	23,062,176
Administrative expenses		(58,293,599)	(53,320,630)
Other operating expenses		(13,132,547)	(14,224,790)
Operating profit	7	338,150,767	291,502,775
Finance costs	9	(17,419,927)	(15,918,285)
Profit before income tax from continuing operations		320,730,840	275,584,490
Income tax expense	10	(44,576,013)	(22,342,151)
Profit for the year from continuing operations		276,154,827	253,242,339
<b>Discontinued operation:</b>			
Loss for the year from discontinued operation	6	—	(11,463,119)
Profit for the year		276,154,827	241,779,220
Attributable to:			
Equity holders of the Company	11	266,522,121	236,508,935
Minority interests		9,632,706	5,270,285
		276,154,827	241,779,220
Dividends	12	43,150,451	31,643,665
Dividends per share	12		
Interim – paid		HK7 cents	HK5 cents
Final – proposed		HK8 cents	HK6 cents
Total		HK15 cents	HK11 cents
Earnings per share (basic and diluted)	13		
– continuing operations		HK92.6 cents	HK86.2 cents
– discontinued operation		—	HK(4.0) cents
		HK92.6 cents	HK82.2 cents

The notes on pages 24 to 64 are an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

## AT 31ST DECEMBER 2005

	Note	2005 HK\$	2004 HK\$ (Restated)
<b>Non-current assets</b>			
Property, plant and equipment	14	120,743,197	94,159,617
Investment properties	15	2,266,720,000	1,995,545,000
Leasehold land	16	154,597,699	157,743,309
Available-for-sale financial assets	18	36,208,673	—
Loan to an investee company	18	11,999,988	—
Investment securities	19	—	39,595,529
		<u>2,590,269,557</u>	<u>2,287,043,455</u>
<b>Current assets</b>			
Properties for sale	20	104,033,731	104,428,684
Debtors and prepayments	21	17,730,567	18,662,391
Current income tax recoverable		236,735	125,233
Bank balances and cash	22	38,541,986	28,298,812
Restricted bank deposit	22	1,002,938	990,223
		<u>161,545,957</u>	<u>152,505,343</u>
<b>Current liabilities</b>			
Rental and other deposits		29,266,465	26,268,784
Creditors and accruals	23	37,789,002	32,420,063
Current income tax liabilities		4,036,493	2,297,693
Short term bank loans – secured	24	31,000,000	10,000,000
Short term bank loans – unsecured	24	—	4,000,000
Bank overdrafts – secured	24	4,390,749	3,707,717
Current portion of long term bank loans – secured	25	98,017,344	77,054,249
		<u>204,500,053</u>	<u>155,748,506</u>
Net current liabilities		<u>(42,954,096)</u>	<u>(3,243,163)</u>
Total assets less current liabilities		<u>2,547,315,461</u>	<u>2,283,800,292</u>
<b>Non-current liabilities</b>			
Long term bank loans – secured	25	(328,593,612)	(357,068,492)
Deferred income tax liabilities	26	(264,089,195)	(225,346,833)
		<u>(592,682,807)</u>	<u>(582,415,325)</u>
Net assets		<u>1,954,632,654</u>	<u>1,701,384,967</u>

	Note	2005 HK\$	2004 HK\$ (Restated)
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	27	287,669,676	287,669,676
Reserves	28	1,568,760,780	1,334,416,452
Proposed final dividend	28	23,013,574	17,260,181
		<u>1,879,444,030</u>	<u>1,639,346,309</u>
Minority interests		<u>75,188,624</u>	<u>62,038,658</u>
Total equity		<u><u>1,954,632,654</u></u>	<u><u>1,701,384,967</u></u>

On behalf of the Board

**William Ma Ching Wai**  
*Director*

**Alfred Ma Ching Kuen**  
*Director*

The notes on pages 24 to 64 are an integral part of these consolidated financial statements.

# BALANCE SHEET

## AT 31ST DECEMBER 2005

	Note	2005	2004
		HK\$	HK\$ (Restated)
<b>Non-current assets</b>			
Property, plant and equipment	14	1,880,987	2,254,484
Investment properties	15	191,000,000	156,000,000
Subsidiary companies	17	57,794,247	57,639,884
Available-for-sale financial assets	18	132,797	—
Investment securities	19	—	12,649
		<u>250,808,031</u>	<u>215,907,017</u>
<b>Current assets</b>			
Debtors and prepayments	21	889,116	546,159
Amounts due from subsidiary companies	17	802,736,584	636,851,055
Bank balances and cash	22	3,528,615	1,311,978
Restricted bank deposit	22	1,002,938	990,223
		<u>808,157,253</u>	<u>639,699,415</u>
<b>Current liabilities</b>			
Rental and other deposits		2,797,815	2,598,990
Creditors and accruals	23	3,124,324	2,712,946
Amounts due to subsidiary companies	17	48,359,184	2,651,681
Short term bank loan – unsecured	24	—	4,000,000
		<u>54,281,323</u>	<u>11,963,617</u>
<b>Net current assets</b>		<u>753,875,930</u>	<u>627,735,798</u>
<b>Total assets less current liabilities</b>		1,004,683,961	843,642,815
<b>Non-current liabilities</b>			
Deferred income tax liabilities	26	(26,132,302)	(19,968,230)
<b>Net assets</b>		<u>978,551,659</u>	<u>823,674,585</u>
<b>Equity</b>			
Capital and reserves attributable to the Company's equity holders			
Share capital	27	287,669,676	287,669,676
Reserves	28	667,868,409	518,744,728
Proposed final dividend	28	23,013,574	17,260,181
<b>Total equity</b>		<u>978,551,659</u>	<u>823,674,585</u>

On behalf of the Board

**William Ma Ching Wai**  
Director

**Alfred Ma Ching Kuen**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2005

	Attributable to equity holders of the Company								
	Share capital HK\$	Share premium HK\$	Investment properties revaluation reserve HK\$	Investment revaluation reserve HK\$	Exchange reserve HK\$	Retained profits HK\$	Total reserves HK\$	Minority interests HK\$	Total HK\$
At 1st January 2005, as previously reported as equity	287,669,676	129,651,602	973,155,396	—	7,014,586	527,889,524	1,637,711,108	—	1,925,380,784
At 1st January 2005, as previously separately reported as minority interests	—	—	—	—	—	—	—	73,754,807	73,754,807
	287,669,676	129,651,602	973,155,396	—	7,014,586	527,889,524	1,637,711,108	73,754,807	1,999,135,591
Prior period adjustments for changes in accounting policies	—	—	(973,155,396)	—	—	687,120,921	(286,034,475)	(11,716,149)	(297,750,624)
At 1st January 2005, as restated before opening adjustment	287,669,676	129,651,602	—	—	7,014,586	1,215,010,445	1,351,676,633	62,038,658	1,701,384,967
Opening adjustment for changes in accounting policies	—	—	—	6,665,014	—	—	6,665,014	4,480,194	11,145,208
At 1st January 2005, as restated after opening adjustment	287,669,676	129,651,602	—	6,665,014	7,014,586	1,215,010,445	1,358,341,647	66,518,852	1,712,530,175
Net fair value gain/(loss) on available-for-sale financial assets	—	—	—	(2,703,851)	—	—	(2,703,851)	332,926	(2,370,925)
Exchange translation differences	—	—	—	—	150,897	—	150,897	—	150,897
Net income/(loss) recognised directly in equity	—	—	—	(2,703,851)	150,897	—	(2,552,954)	332,926	(2,220,028)
Profit for the year	—	—	—	—	—	266,522,121	266,522,121	9,632,706	276,154,827
Recognition of impairment of available-for-sale financial assets	—	—	—	7,000,000	—	—	7,000,000	—	7,000,000
Realised upon disposal of available-for-sale financial assets	—	—	—	(139,402)	—	—	(139,402)	—	(139,402)
Total recognised income for 2005	—	—	—	4,156,747	150,897	266,522,121	270,829,765	9,965,632	280,795,397
Dividends paid	—	—	—	—	—	(37,397,058)	(37,397,058)	(1,295,860)	(38,692,918)
At 31st December 2005	287,669,676	129,651,602	—	10,821,761	7,165,483	1,444,135,508	1,591,774,354	75,188,624	1,954,632,654
At 1st January 2004, as previously reported as equity	287,669,676	129,651,602	768,987,123	—	7,235,563	503,807,424	1,409,681,712	—	1,697,351,388
At 1st January 2004, as previously separately reported as minority interests	—	—	—	—	—	—	—	70,879,271	70,879,271
	287,669,676	129,651,602	768,987,123	—	7,235,563	503,807,424	1,409,681,712	70,879,271	1,768,230,659
Prior period adjustments for changes in accounting policies	—	—	(768,987,123)	—	—	503,461,054	(265,526,069)	(10,970,998)	(276,497,067)
At 1st January 2004, as restated	287,669,676	129,651,602	—	—	7,235,563	1,007,268,478	1,144,155,643	59,908,273	1,491,733,592
Exchange translation differences, recognised directly in equity	—	—	—	—	(220,977)	—	(220,977)	—	(220,977)
Profit for the year, as restated	—	—	—	—	—	236,508,935	236,508,935	5,270,285	241,779,220
Total recognised income/(loss) for 2004	—	—	—	—	(220,977)	236,508,935	236,287,958	5,270,285	241,558,243
Dividends paid	—	—	—	—	—	(28,766,968)	(28,766,968)	(3,139,900)	(31,906,868)
At 31st December 2004, as restated	287,669,676	129,651,602	—	—	7,014,586	1,215,010,445	1,351,676,633	62,038,658	1,701,384,967

The notes on pages 24 to 64 are an integral part of these consolidated financial statements.



# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2005

	Note	2005 HK\$	2004 HK\$
<b>Operating activities</b>			
Net cash generated from continuing operations	31(a)	73,297,990	56,809,517
Interest received		392,723	112,710
Interest paid		(16,779,208)	(16,096,786)
Hong Kong profits tax paid		(4,373,711)	(6,757,620)
Hong Kong profits tax refunded		200,118	—
Overseas taxation paid		(32,760)	(24,960)
<b>Net cash from operating activities</b>		<b>52,705,152</b>	<b>34,042,861</b>
<b>Investing activities</b>			
Additions of property, plant and equipment		(31,629,409)	(6,323,329)
Additions of investment properties		(4,362,657)	(2,673,958)
Additions of leasehold land		(892,644)	(3,836)
Proceeds on disposal of available-for-sale financial assets		160,861	—
Proceeds on disposal of plant and equipment		3,681,217	—
Proceed on disposal of investment property		320,000	12,800,000
Proceed on disposal of a subsidiary company	31(b)	—	59,500
Dividends received		16,527,065	21,243,130
Purchase of investment securities		—	(2,772,777)
Loan to an investee company		—	(6,000,000)
Increase in restricted bank deposit		(12,715)	(990,223)
<b>Net cash (used in)/from investing activities</b>		<b>(16,208,282)</b>	<b>15,338,507</b>
<b>Financing activities</b>			
Loans borrowed		138,378,094	181,554,385
Repayments of loans		(127,392,324)	(207,250,800)
Dividends paid to shareholders		(37,397,058)	(28,766,968)
Dividends paid to minority interests		(1,295,860)	(3,139,900)
<b>Net cash used in financing activities</b>		<b>(27,707,148)</b>	<b>(57,603,283)</b>
<b>Net cash from/(used in) continuing operations</b>		<b>8,789,722</b>	<b>(8,221,915)</b>
Effect of foreign currency translation		150,897	(220,977)
Net cash used in discontinued operation	6	(1,473,381)	(84,318)
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>7,467,238</b>	<b>(8,527,210)</b>
Cash and cash equivalents at 1st January		15,710,735	24,237,945
<b>Cash and cash equivalents at 31st December</b>		<b>23,177,973</b>	<b>15,710,735</b>
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash (excluding balances held in trust)		27,568,722	19,418,452
Bank overdrafts		(4,390,749)	(3,707,717)
		<b>23,177,973</b>	<b>15,710,735</b>

The notes on pages 24 to 64 are an integral part of these consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## 1 GENERAL INFORMATION

Tai Sang Land Development Limited (the “Company”) and its subsidiary companies (collectively the “Group”) is principally engaged in property investment, property development and estate management and agency.

The Company is a limited liability company incorporated in Hong Kong. The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars (HK\$), unless otherwise stated, which are the Group’s functional and presentation currency. These consolidated financial statements have been approved for issue by the Board of Directors on 27th March 2006.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

In 2005, the Group adopted the new/revised standards and interpretations of HKFRSs, which include all Hong Kong Accounting Standards (“HKASs”) and applicable Interpretations (“Ints”), and are effective for the accounting periods commencing on or after 1st January 2005. The changes to the Group’s accounting policies and the effect of adopting these new policies are set out in note 2(b) below.

The Group has not early adopted certain new and revised HKFRSs which have been published and are effective for accounting periods beginning on or after 1st January 2006. They are listed as follows:

#### HKAS 19 (Amendment) - Employee Benefits

This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements.

#### HKAS 39 (Amendment) - The Fair Value Option

This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

#### HKAS 39 and HKFRS 4 (Amendment) - Financial Guarantee Contracts

This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date.

#### HKFRS 7 - Financial Instruments: Disclosures, and a complementary Amendment to HKAS 1 - Presentation of Financial Statements - Capital Disclosures

This amendment introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in HKAS 32 "Financial Instruments: Disclosure and Presentation". It is applicable to all entities that report under HKFRS. The amendment to HKAS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

#### HKFRS Int 4 - Determining whether an Arrangement contains a Lease

This interpretation requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets ("the asset"); and (b) the arrangement conveys a right to use the asset.

The Group has already commenced an assessment of the potential impact of these new and revised HKFRSs. Based on the preliminary assessment, the Group believes that the adoption of these HKFRSs will mainly affect disclosures and will not result in substantial changes to the Group's accounting policies.

### (b) Changes in accounting policies

The adoption of the following HKFRSs that necessitates material changes in accounting policies or presentation of the financial statements is summarised as follows:

#### (i) Presentation of financial statements

The adoption of HKAS 1 "Presentation of Financial Statements" has affected the presentation of minority interests and other disclosures.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (ii) Leasehold land

The adoption of revised HKAS 17 “Leases” has resulted in a change in the accounting policy relating to the reclassification of leasehold land from properties to operating lease prepayments.

The up-front prepayments made for the leasehold land are initially stated at cost and expensed in the income statement on a straight-line basis over the period of the leases or where there is impairment, the impairment is expensed in the income statement.

In prior years, the leasehold interest in land as included in other properties, properties under development and properties for sale were stated at cost less accumulated amortisation and impairment, at cost or carrying amount less impairment and at the lower of cost and net realisable value respectively.

#### (iii) Investment properties

The adoption of HKAS 40 “Investment Property” has resulted in a change in the accounting policy whereby changes in fair values of investment properties are recorded in the income statement. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

#### (iv) Deferred taxation

The adoption of revised HKAS Int 21 “Income Taxes: Recovery of Revalued Non-Depreciable Assets” has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

#### (v) Borrowing costs

HKAS 23 “Borrowing Costs” requires borrowing costs to be expensed, unless the entity chooses its accounting policy to capitalise borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset.

In prior years, the Group capitalised interest expenses for prepaid lease premium on land which was used for development purpose. Following the adoption of HKAS 23, the Group changes its accounting policy in respect of such borrowing costs and these costs are expensed as incurred.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Changes in accounting policies (Continued)

(vi) Available-for-sale financial assets

The adoption of HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement” has resulted in a change in the accounting policy relating to the recognition, measurement, derecognition and disclosure of financial assets and liabilities.

In accordance with provisions of HKAS 39, the Group reclassified their investments into loans and receivables and available-for-sale financial assets. Loans and receivables are carried initially at fair value and subsequently at amortised cost less any provision for impairment. Available-for-sale financial assets are carried at fair value with any unrealised gains and losses taken to equity. In prior years, investments of the Group were included in investment securities which were stated at cost less any provision for impairment.

HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities on a retrospective basis. Accordingly, the Group redesignates all investments into available-for-sale financial assets and loans and receivables as at 1st January 2005.

(vii) Discontinued operation

Pursuant to HKFRS 5, the Group’s interests in Montgomery Golf Corporation (“MGC”), a wholly owned subsidiary company, were classified as discontinued operation subsequent to the winding up of the golf trading business in 2005 as detailed in note 6 below.

The adoption of HKFRS 5 has resulted in certain changes in presentation of financial statements. A single amount on the face of the income statement comprising the aggregate of the post-tax loss relating to discontinued operation was disclosed. In prior years, results of discontinued operations were incorporated in the individual lines on the face on the income statement. An analysis of the revenue, expense, pre-tax loss of discontinued operation was also disclosed in the notes to the financial statements.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

#### (viii) Effect of changes in accounting policies

All changes in the accounting policies in notes (i) to (vii) above have been applied retrospectively except for HKAS 32 and 39 as mentioned in note (vi) above.

The effects of the changes in accounting policies on the Group's and the Company's reserves as at 1st January 2004 and 2005 and the profit for the year ended 31st December 2004 and 2005 are summarised below:

#### Group

	Increase/(decrease) in reserves at			Increase/(decrease) in profit for the year		Increase/(decrease) in earnings per share	
	1st January 2005		1st January 2004	2005	2004	2005	2004
	HK\$ Opening adjustment	HK\$ Prior period adjustments	HK\$ Prior period adjustments	HK\$	HK\$	HK cents	HK cents
Leasehold land	—	(93,083,267)	(89,212,639)	(3,885,060)	(3,870,628)	(1.3)	(1.3)
Investment properties	—	—	—	267,262,343	208,385,574	89.6	71.0
Available-for-sale financial assets	6,665,014	—	—	—	—	—	—
Deferred income tax liabilities	—	(175,390,761)	(159,195,671)	(37,303,572)	(16,940,242)	(12.4)	(5.7)
Borrowing costs	—	(17,560,447)	(17,117,759)	(1,369,857)	(442,688)	(0.5)	(0.2)
	6,665,014	(286,034,475)	(265,526,069)	224,703,854	187,132,016	75.4	63.8

#### Company

	Increase/(decrease) in reserves at			Increase/(decrease) in profit for the year	
	1st January 2005		1st January 2004	2005	2004
	HK\$ Opening adjustment	HK\$ Prior period adjustments	HK\$ Prior period adjustments	HK\$	HK\$
Investment properties	—	—	—	35,000,000	30,500,000
Available-for-sale financial assets	111,371	—	—	—	—
Deferred income tax liabilities	—	(19,968,230)	(14,127,235)	(6,164,072)	(5,840,995)
	111,371	(19,968,230)	(14,127,235)	28,835,928	24,659,005

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to 31st December.

Subsidiary companies are those entities in which the Company, directly or indirectly, controls the composition of their board of directors, controls more than half of their voting power or holds more than half of their issued share capital.

Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

### (d) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK\$, which are the Company's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Foreign currency translation (Continued)

#### (iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### (e) Property, plant and equipment

#### (i) Properties under development

Properties under development are interests in buildings on which construction work has not been completed. Properties under development are carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any impairment losses.

#### (ii) Buildings

Buildings are stated at cost less accumulated depreciation and impairment losses.

Depreciation of buildings is provided to write off the cost less accumulated impairment losses on a straight-line basis over 40 years.

#### (iii) Plant and equipment

Plant and equipment, comprising plant and machinery, furniture and equipment, leasehold improvements and motor vehicles, are stated at cost less accumulated depreciation and impairment losses.

Depreciation of plant and equipment is calculated using straight-line method to allocate cost to their residual values over their estimated useful lives of 6 to 10 years.

#### (iv) Residual value and useful lives

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



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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group companies, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers.

The fair value of an investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

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

Changes in fair values are recognised in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

### (g) Impairment of assets

Assets that have an indefinite useful life and are not subject to depreciation/amortisation are at least tested annually for impairment or are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Investments

Prior to 1st January 2005, the Group classified its investments in securities other than subsidiary companies as investment securities.

Investment securities were stated at cost less any provision for impairment losses.

From 1st January 2005 onwards, the Group classifies its investments in the following two categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in non-current assets when the maturities are greater than 12 months after the balance sheet date.

#### (ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives and included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices.

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

#### (i) Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Cost comprises development expenditure and other associated expenditures, including interest capitalised. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Trade and other debtors

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

(k) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash investments with maturity within three months from the date of investment and bank overdrafts.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is not more likely than that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(m) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (n) Contingent liabilities and contingent assets

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

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

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

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

### (o) Revenue and income recognition

The Group recognises income on the following bases:

#### (i) Rental income

Rental income is recognised on a straight-line basis over the terms of the lease agreements.

#### (ii) Agency commission and management fees

Agency commission and management fees are recognised on an accrual basis.

#### (iii) Dividend income

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

#### (iv) Income on sale of goods

Income on sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

#### (v) Income on sale of investments

Income on sale of investments is recognised when the title to the investments is passed to the purchaser.

#### (vi) Income on sale of properties

Income on sale of properties is recognised either upon the completion of the sale and purchase agreement or when the relevant project is completed which is determined by the issuance of occupation permit, whichever is later.

#### (vii) Interest income

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Retirement benefit obligations

The Group's contributions to the defined contribution retirement schemes are available to all employees in Hong Kong and the United States of America ("US"). The assets of the schemes are held separately from those of the Group in independently administered funds.

The US subsidiary companies, which participate in the US government benefit schemes, are required to contribute to the schemes for the retirement benefits of eligible employees. The government authorities are responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the schemes is to pay the ongoing contributions required by the schemes.

The Group's contributions to the aforesaid defined contribution retirement schemes are calculated either based on certain percentages of the applicable payroll costs or fixed sums that are determined with reference to the requirements of the respective territories and are charged to the income statement as incurred.

(q) Borrowings

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

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(o)(i) above.

Direct costs incurred specifically to earn revenues from an operating lease are deferred and allocated to income over the lease term in proportion to the recognition of the lease income.

(ii) Operating lease charges

When the Group has the use of assets under operating leases, rental payments applicable to such operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease periods.

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## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### (s) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

## **3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

### (a) Investment properties

The fair values of investment properties are determined by independent valuers on an open market basis.

In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

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

The fair value of available-for-sale financial assets which are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

### (c) Impairment of investments

The guidance of HKAS 39 is followed by the Group in determining when an investment has other-than-temporary impairment. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, 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 factors such as industry and sector performance, changes in technology and operational and financing cash flow.

### (d) Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment. The Group will revise the depreciation charge where useful lives and residual values are different to previous estimates, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

#### 4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk and interest rate risk.

(a) Foreign exchange risk

The Group operates in the US and Hong Kong and is primarily exposed to foreign exchange risk arising from US dollar. The foreign exchange risk exposure is not significant to the Group under the existing economic environment.

(b) Credit risk

The Group normally does not grant credit periods to its customers and has no significant concentrations of credit risk with any counterparty.

(c) Liquidity risk

The Group adopts a prudent liquidity risk management and maintains sufficient cash on hand and the availability of funding through an adequate amount of committed credit facilities.

(d) Interest rate risk

The Group is primarily exposed to interest rate risk arises from bank borrowings. The Group policy is to maintain all its bank borrowings in floating rate instruments except when the interest rate is expected to increase in the long term.

#### 5 TURNOVER, REVENUE AND SEGMENT INFORMATION

(a) Revenues recognised during the year are as follows:

	2005	2004
	HK\$	HK\$
Turnover		
Property rental	170,400,464	155,357,421
Property sales	535,000	12,800,000
Property related services	8,955,192	8,687,645
	<u>179,890,656</u>	<u>176,845,066</u>

(b) Operating lease arrangement

The Group leases out investment properties and properties for sale under lease terms generally in the range of two to ten years.

As at 31st December 2005, the future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	Group		Company	
	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$
Not later than one year	127,106,000	124,703,000	10,678,000	9,429,000
Later than one year but not later than five years	120,247,000	120,685,000	4,441,000	10,433,000
Later than five years	12,470,000	13,565,000	—	—
	<u>259,823,000</u>	<u>258,953,000</u>	<u>15,119,000</u>	<u>19,862,000</u>

## 5 **TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)**

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

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format and geographical segments as the secondary reporting format. The continuing operations of the Group is organised into three main business segments, namely property rental, property sales and property related services, and are located in Hong Kong and North America.

There are no sales between the geographical segments.

Primary reporting format - business segments

	2005			
	Continuing operations			
	Property rental	Property sales	Property related services	Total
	HK\$	HK\$	HK\$	HK\$
Turnover				
Total revenue	170,400,464	535,000	13,508,241	184,443,705
Inter-segment revenue	—	—	(4,553,049)	(4,553,049)
External revenue	<u>170,400,464</u>	<u>535,000</u>	<u>8,955,192</u>	<u>179,890,656</u>
Segment results	<u>112,597,040</u>	<u>(295,431)</u>	<u>7,214,236</u>	<u>119,515,845</u>
Fair value gains on investment properties	267,262,343	—	—	267,262,343
Unallocated income, net				9,666,178
Unallocated costs				(58,293,599)
Operating profit				<u>338,150,767</u>
Finance costs				(17,419,927)
Profit before income tax from continuing operations				<u>320,730,840</u>
Income tax expense				(44,576,013)
Profit for the year				<u>276,154,827</u>
Segment assets	2,411,714,097	104,036,394	11,298,086	2,527,048,577
Unallocated assets				224,766,937
Total assets				<u>2,751,815,514</u>
Segment liabilities	426,777,146	1,461,920	13,113,530	441,352,596
Unallocated liabilities				355,830,264
Total liabilities				<u>797,182,860</u>
Other segment items are as follows:				
Capital expenditure				
— segment	27,294,018	—	—	27,294,018
— unallocated				12,281,963
Depreciation and amortisation				
— segment	2,571,667	343,115	—	2,914,782
— unallocated				6,947,983
Impairment of available-for-sale financial assets				
— unallocated				7,000,000



## 5 **TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)**

Primary reporting format - business segments (Continued)

	2004 (Restated)				Discontinued operation
	Continuing operations				
	Property rental	Property sales	Property related services	Total	
	HK\$	HK\$	HK\$	HK\$	Sales of golf related products
					HK\$
Turnover					
Total revenue	155,357,421	12,800,000	13,016,462	181,173,883	5,419,752
Inter-segment revenue	—	—	(4,328,817)	(4,328,817)	—
External revenue	155,357,421	12,800,000	8,687,645	176,845,066	5,419,752
Segment results	99,646,903	4,664,268	4,506,396	108,817,567	(11,463,119)
Fair value gains on investment properties	212,943,662	—	—	212,943,662	
Unallocated income				23,062,176	
Unallocated costs				(53,320,630)	
Operating profit				291,502,775	
Finance costs				(15,918,285)	
Profit before income tax from continuing operations				275,584,490	
Income tax expense				(22,342,151)	
Profit for the year from continuing operations				253,242,339	
Loss for the year from discontinued operation				(11,463,119)	
Profit for the year				241,779,220	
Segment assets	2,083,190,457	109,818,029	8,593,671	2,201,602,157	1,391,925
Unallocated assets				236,554,716	—
Total assets				2,438,156,873	1,391,925
Segment liabilities	413,582,202	1,310,478	10,555,356	425,448,036	2,865,306
Unallocated liabilities				309,850,489	—
Total liabilities				735,298,525	2,865,306
Other segment items are as follows:					
Capital expenditure					
— segment	9,193,859	—	—	9,193,859	19,305
— unallocated				4,134,990	
Depreciation and amortisation					
— segment	2,570,166	343,114	—	2,913,280	145,954
— unallocated				7,027,032	
Impairment of plant and equipment					
— segment	—	—	—	—	905,564
Provision for impairment of trade debtors					
— segment	—	—	—	—	596,248
Write-off for inventories					
— segment	—	—	—	—	6,275,724

## 5 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Secondary reporting format - geographical segments

	2005			
	Turnover	Segment results	Total assets	Capital expenditure
	HK\$	HK\$	HK\$	HK\$
Continuing operations				
Hong Kong	129,554,413	93,447,417	2,237,491,246	33,482,403
North America	50,336,243	26,068,428	514,324,268	6,093,578
	<u>179,890,656</u>	<u>119,515,845</u>	<u>2,751,815,514</u>	<u>39,575,981</u>
	2004 (Restated)			
	Turnover	Segment results	Total assets	Capital expenditure
	HK\$	HK\$	HK\$	HK\$
Continuing operations				
Hong Kong	127,609,377	83,970,436	1,987,662,173	11,210,158
North America	49,235,689	24,847,131	450,494,700	2,118,698
	<u>176,845,066</u>	<u>108,817,567</u>	<u>2,438,156,873</u>	<u>13,328,856</u>
Discontinued operation				
North America	5,419,752	(11,463,119)	1,391,925	19,305

## 6 DISCONTINUED OPERATION

On 21st June 2004, the Board of Directors of the Company passed a resolution approving the discontinuance of the business of MGC, which was incorporated in the US and engaged in trading of golf related products. MGC was liquidated in 2005.

The turnover, results, cash flows and net liabilities of MGC reflected in the consolidated financial statements are as follows:

	2005	2004
	HK\$	HK\$
Turnover	—	5,419,752
Cost of sales	—	(5,638,063)
Gross loss	—	(218,311)
Other operating expenses	—	(3,467,272)
Impairment and provision	—	(7,777,536)
Loss for the year	—	<u>(11,463,119)</u>
Net operating cash outflow	(1,473,381)	(65,013)
Net investing cash outflow	—	(19,305)
Total net cash outflow	<u>(1,473,381)</u>	<u>(84,318)</u>
Total assets	—	1,391,925
Total liabilities	—	(2,865,306)
Net liabilities	—	<u>(1,473,381)</u>

## 6 DISCONTINUED OPERATION (Continued)

Loss for the year from discontinued operation is stated after charging the following:

	2005	2004
	HK\$	HK\$
Cost of goods sold	—	2,746,232
Depreciation	—	145,954
Impairment of plant and equipment	—	905,564
Operating lease rental for office premises	—	1,477,022
Provision for impairment of trade debtors	—	596,248
Write-off for inventories	—	6,275,724
Staff costs	—	1,123,411
	<u>                    </u>	<u>                    </u>

## 7 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2005	2004
	HK\$	HK\$ (Restated)
Crediting		
Gross rental income from		
— investment properties	155,250,400	138,686,920
— properties for sale	15,150,064	16,670,501
Dividend income from available-for-sale financial assets/investment securities <sup>1</sup>		
— listed	927,065	843,130
— unlisted	15,600,000	20,400,000
Interest income <sup>1</sup>	392,723	112,710
Gain on disposal of investment property	—	5,007,380
Gain on disposal of available-for-sale financial assets <sup>1</sup>	139,113	—
Gain on disposal of plant and equipment	1,474,069	—
Realisation of deferred gain <sup>1</sup>	—	1,819,046
	<u>                    </u>	<u>                    </u>
Charging		
Amortisation of leasehold land	4,381,369	4,356,623
Auditors' remuneration	1,908,900	1,724,313
Cost of properties sold	51,838	—
Depreciation	5,481,396	5,583,689
Impairment of available-for-sale financial assets <sup>1</sup>	7,000,000	—
Loss on disposal of investment property	130,000	—
Loss on disposal of plant and equipment	—	99,376
Loss on disposal of a subsidiary company	—	1,015,162
Outgoings in respect of		
— investment properties	35,859,241	36,024,283
— properties for sale	4,244,431	3,912,509
Operating lease rental for office premises	1,159,361	1,267,558
Staff costs (note 8)	40,313,849	39,946,427
	<u>                    </u>	<u>                    </u>

<sup>1</sup> Included in other gains, net

## 8 STAFF COSTS (INCLUDING DIRECTOR'S EMOLUMENTS)

	2005	2004
	HK\$	HK\$
Salaries, housing and other allowances, benefits in kind	37,418,984	37,226,073
Bonuses	2,141,740	2,079,372
Retirement benefit costs	753,125	640,982
	<u>40,313,849</u>	<u>39,946,427</u>

### (a) Directors' emoluments

The aggregate amounts of emoluments paid to the directors of the Company during the year are as follows:

	2005	2004
	HK\$	HK\$
Fees	533,400	533,400
Salaries, housing and other allowances, benefits in kind	15,786,185	15,344,275
Bonuses	2,141,740	2,079,372
Retirement benefit costs	60,000	60,000
	<u>18,521,325</u>	<u>18,017,047</u>

The remuneration of every director for the year ended 31st December 2005 is set out below:

Name of director	Fees	Salaries, housing and other allowances, benefits in kind	Bonuses	Retirement benefit costs	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Mr. William Ma Ching Wai	15,400	9,700,010	1,428,800	12,000	11,156,210
Mr. Patrick Ma Ching Hang	12,000	—	—	—	12,000
Mr. Alfred Ma Ching Kuen	12,000	579,121	97,706	12,000	700,827
Ms. Amy Ma Ching Sau	12,000	1,340,075	226,090	12,000	1,590,165
Ms. Katy Ma Ching Man	22,000	1,153,262	194,572	12,000	1,381,834
Ms. Ruth Ma Ching Keung	12,000	708,455	—	—	720,455
Ms. Ida Ma Ching Kwai	12,000	—	—	—	12,000
Mr. Philip Ma Ching Yeung	12,000	2,305,262	194,572	12,000	2,523,834
Mr. Edward Cheung Wing Yui	106,000	—	—	—	106,000
Mr. Kevin Chau Kwok Fun	106,000	—	—	—	106,000
Mr. Tan Soo Kiu	106,000	—	—	—	106,000
Mr. William Wong Hing Kwok	106,000	—	—	—	106,000
	<u>533,400</u>	<u>15,786,185</u>	<u>2,141,740</u>	<u>60,000</u>	<u>18,521,325</u>

## 8 STAFF COSTS (INCLUDING DIRECTOR'S EMOLUMENTS) (Continued)

### (a) Directors' emoluments (Continued)

The remuneration of every director for the year ended 31st December 2004 is set out below:

Name of director	Fees	Salaries, housing and other allowances, benefits in kind	Bonuses	Retirement benefit costs	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Mr. William Ma Ching Wai	15,400	9,329,702	1,387,200	12,000	10,744,302
Mr. Patrick Ma Ching Hang	12,000	—	—	—	12,000
Mr. Alfred Ma Ching Kuen	12,000	569,160	94,860	12,000	688,020
Ms. Amy Ma Ching Sau	12,000	1,317,024	219,504	12,000	1,560,528
Ms. Katy Ma Ching Man	22,000	1,133,424	188,904	12,000	1,356,328
Ms. Ruth Ma Ching Keung	12,000	709,541	—	—	721,541
Ms. Ida Ma Ching Kwai	12,000	—	—	—	12,000
Mr. Philip Ma Ching Yeung	12,000	2,285,424	188,904	12,000	2,498,328
Mr. Edward Cheung Wing Yui	106,000	—	—	—	106,000
Mr. Kevin Chau Kwok Fun	106,000	—	—	—	106,000
Mr. Tan Soo Kiu	106,000	—	—	—	106,000
Mr. William Wong Hing Kwok	106,000	—	—	—	106,000
	<u>533,400</u>	<u>15,344,275</u>	<u>2,079,372</u>	<u>60,000</u>	<u>18,017,047</u>

The fees paid by the Group to the non-executive directors for the year amounted to HK\$424,000 (2004: HK\$424,000).

The above analysis includes four (2004: four) individuals whose emoluments were among the five highest paid individuals in the Group.

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2004: four) directors whose emoluments are reflected in the analysis above. The emoluments payable to the remaining one (2004: one) individual during the year are as follows:

	2005	2004
	HK\$	HK\$
Salaries, housing and other allowances, benefits in kind	3,346,471	3,314,253
Bonuses	448,436	447,484
Retirement benefit costs	12,000	12,000
	<u>3,806,907</u>	<u>3,773,737</u>

During the year, no emolument was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

## 8 STAFF COSTS (INCLUDING DIRECTOR'S EMOLUMENTS) (Continued)

### (c) Key management remuneration

Remuneration for key management, including amounts paid to the Company's directors and the highest paid employee as disclosed in notes (a) and (b) above, is as follows:

	2005	2004
	HK\$	HK\$
Fees	109,400	109,400
Salaries, housing and other allowances, benefits in kind	20,064,517	19,591,805
Bonuses	2,590,176	2,526,856
Retirement benefit costs	72,000	72,000
	<u>22,836,093</u>	<u>22,300,061</u>

## 9 FINANCE COSTS

	2005	2004
	HK\$	HK\$ (Restated)
Interest expenses		
— bank loans and overdrafts wholly repayable within five years	18,303,161	16,015,999
— bank loans not wholly repayable within five years	—	127,280
	<u>18,303,161</u>	<u>16,143,279</u>
Amount capitalised in properties under development	(883,234)	(224,994)
	<u>17,419,927</u>	<u>15,918,285</u>

## 10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits for the year. No overseas taxation has been provided as there is no estimated taxable profit for the overseas subsidiary companies for the year (2004: HK\$Nil).

The amount of income tax charged to the consolidated income statement represents:

	2005	2004
	HK\$	HK\$ (Restated)
Current income tax		
— Current year provision	6,562,302	5,924,432
— Over provision in prior years	(728,651)	(1,473,126)
Deferred income tax (note 26)	38,742,362	17,890,845
	<u>44,576,013</u>	<u>22,342,151</u>

## 10 INCOME TAX EXPENSE (Continued)

The tax on the Group's profit before income tax from continuing operations differs from the theoretical amount that would arise using the taxation rate of Hong Kong where the Company operates and the difference is set out as follows:

	2005	2004
	HK\$	HK\$ (Restated)
Profit before income tax from continuing operations	320,730,840	275,584,490
Calculated at a taxation rate of 17.5% (2004: 17.5%)	56,127,897	48,227,286
Income not subject to tax	(3,043,850)	(5,359,951)
Expenses not deductible for tax purposes	2,914,122	1,483,165
Deferred tax on tax losses and other temporary differences not recognised	(11,096,792)	(22,621,032)
Effect of different taxation rates in other countries	403,287	2,085,809
Over provision in prior years	(728,651)	(1,473,126)
Income tax expense	44,576,013	22,342,151

## 11 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$192,153,984 (2004: HK\$46,233,906, as restated).

## 12 DIVIDENDS

	2005	2004
	HK\$	HK\$
Interim, paid, of HK7 cents (2004: HK5 cents) per ordinary share	20,136,877	14,383,484
Final, proposed, of HK8 cents (2004: HK6 cents) per ordinary share	23,013,574	17,260,181
	43,150,451	31,643,665

At a meeting held on 27th March 2006, the directors declared a final dividend of HK8 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2006.

### 13 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to the Company's equity holders of HK\$266,522,121 (2004: HK\$236,508,935, as restated) and on 287,669,676 (2004: 287,669,676) ordinary shares in issue during the year. Details of basic earnings per share are analysed as follows:

	2005	2004
	HK cents	HK cents (Restated)
Basic earnings per share		
— continuing operations	92.6	86.2
— discontinued operation	—	(4.0)
	92.6	82.2

As there are no dilutive potential ordinary shares as at 31st December 2005 and 2004, the dilutive earnings per share is equal to the basic earnings per share.

### 14 PROPERTY, PLANT AND EQUIPMENT

Group

	Properties under development	Buildings	Plant and equipment	Total
	HK\$	HK\$	HK\$	HK\$
Cost				
At 1st January 2005, as previously reported	265,023,506	96,632,459	58,856,635	420,512,600
Adjustment for leasehold land (note 2(b)(ii))	(224,305,363)	(24,560,071)	—	(248,865,434)
Borrowing costs previously capitalised for prepaid lease premium on land (note 2(b)(v))	(17,560,447)	—	—	(17,560,447)
At 1st January 2005, as restated	23,157,696	72,072,388	58,856,635	154,086,719
Additions	20,762,055	—	13,558,625	34,320,680
Disposals	—	—	(6,288,667)	(6,288,667)
At 31st December 2005	43,919,751	72,072,388	66,126,593	182,118,732
Accumulated depreciation				
At 1st January 2005, as previously reported	—	22,132,578	41,942,862	64,075,440
Adjustment for leasehold land (note 2(b)(ii))	—	(4,148,338)	—	(4,148,338)
At 1st January 2005, as restated	—	17,984,240	41,942,862	59,927,102
Depreciation charge	—	1,816,594	3,664,802	5,481,396
Disposals	—	—	(4,032,963)	(4,032,963)
At 31st December 2005	—	19,800,834	41,574,701	61,375,535
Net book value				
At 31st December 2005	43,919,751	52,271,554	24,551,892	120,743,197



## 14 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	Properties under development	Buildings	Plant and equipment	Total
	HK\$	HK\$	HK\$	HK\$
Cost				
At 1st January 2004, as previously reported	258,232,082	96,632,459	59,282,866	414,147,407
Adjustment for leasehold land (note 2(b)(ii))	(224,301,527)	(24,560,071)	—	(248,861,598)
Borrowing costs previously capitalised for prepaid lease premium on land (note 2(b)(v))	(17,117,759)	—	—	(17,117,759)
At 1st January 2004, as restated	16,812,796	72,072,388	59,282,866	148,168,050
Additions	6,344,900	—	4,385,461	10,730,361
Disposals	—	—	(4,811,692)	(4,811,692)
<b>At 31st December 2004</b>	<b>23,157,696</b>	<b>72,072,388</b>	<b>58,856,635</b>	<b>154,086,719</b>
Accumulated depreciation and impairment				
At 1st January 2004, as previously reported	—	19,829,989	40,768,576	60,598,565
Adjustment for leasehold land (note 2(b)(ii))	—	(3,662,343)	—	(3,662,343)
At 1st January 2004, as restated	—	16,167,646	40,768,576	56,936,222
Depreciation charge	—	1,816,594	3,913,049	5,729,643
Impairment charge	—	—	905,564	905,564
Disposals	—	—	(3,644,327)	(3,644,327)
<b>At 31st December 2004</b>	<b>—</b>	<b>17,984,240</b>	<b>41,942,862</b>	<b>59,927,102</b>
Net book value				
<b>At 31st December 2004</b>	<b>23,157,696</b>	<b>54,088,148</b>	<b>16,913,773</b>	<b>94,159,617</b>

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## 14 PROPERTY, PLANT AND EQUIPMENT (Continued)

*Company*

	Plant and equipment	
	2005	2004
	HK\$	HK\$
Cost		
At 1st January	7,380,888	7,262,019
Additions	169,872	137,903
Disposals	(475,258)	(19,034)
At 31st December	<u>7,075,502</u>	<u>7,380,888</u>
Accumulated depreciation		
At 1st January	5,126,404	4,785,501
Depreciation charge	298,734	344,808
Disposals	(230,623)	(3,905)
At 31st December	<u>5,194,515</u>	<u>5,126,404</u>
Net book value		
At 31st December	<u>1,880,987</u>	<u>2,254,484</u>

**Note:**

Certain Group's properties under development with an aggregate net book value of HK\$40,947,000 (2004: HK\$21,066,000, as restated) and related leasehold land (note 16) have been pledged to financial institutions to secure credit facilities for the Group totalling HK\$120,000,000 (2004: HK\$100,000,000) of which HK\$71,041,000 (2004: HK\$49,703,000) were utilised as at 31st December 2005.

## 15 INVESTMENT PROPERTIES

	Group		Company	
	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$
At 1st January	1,995,545,000	1,788,735,000	156,000,000	125,500,000
Additions	4,362,657	2,673,958	—	—
Disposals	(450,000)	(7,792,620)	—	—
Disposals of a subsidiary company	—	(1,015,000)	—	—
Fair value gains	267,262,343	212,943,662	35,000,000	30,500,000
At 31st December	<u>2,266,720,000</u>	<u>1,995,545,000</u>	<u>191,000,000</u>	<u>156,000,000</u>

### Notes:

- (a) Certain Group's investment properties with an aggregate net book value of HK\$1,502,940,000 (2004: HK\$1,343,220,000) have been pledged to financial institutions to secure credit facilities for the Group totalling approximately HK\$504,068,000 (2004: HK\$521,419,000) of which HK\$390,961,000 (2004: HK\$398,127,000) were utilised as at 31st December 2005.
- (b) The investment properties in Hong Kong of the Group and the Company were valued on an open market basis at 31st December 2005 by AA Property Services Limited, an independent professional property valuer.
- (c) The Group's overseas investment properties were valued on an open market basis at 31st December 2005 by Mr David K Bohegian, Member of The Appraisal Institute, of Martorana Bohegian & Company, an independent professional property valuer.
- (d) The interests in investment properties at their net book values are analysed as follows:

	Group		Company	
	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$
In Hong Kong, held on:				
Leases of over 50 years	359,570,000	318,445,000	14,000,000	12,000,000
Leases of between 10 and 50 years	1,421,210,000	1,248,880,000	177,000,000	144,000,000
Outside Hong Kong, held on:				
Freehold	485,940,000	428,220,000	—	—
	<u>2,266,720,000</u>	<u>1,995,545,000</u>	<u>191,000,000</u>	<u>156,000,000</u>

## 16 LEASEHOLD LAND

	Group	
	2005	2004
	HK\$	HK\$ (Restated)
At 1st January	157,743,309	161,752,982
Additions	892,644	3,836
Amortisation	(4,038,254)	(4,013,509)
At 31st December	<u>154,597,699</u>	<u>157,743,309</u>

The Group's interests in leasehold land represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2005	2004
	HK\$	HK\$ (Restated)
In Hong Kong, held on leases of between 10 and 50 years	<u>154,597,699</u>	<u>157,743,309</u>

Certain leasehold land with carrying amount of HK\$52,622,000 (2004: HK\$54,217,000, as restated) and related properties under development (note 14) have been pledged for banking facilities of the Group (note 25).

## 17 SUBSIDIARY COMPANIES

### (a) Investments in subsidiary companies

	2005	2004
	HK\$	HK\$
Unlisted shares, at cost	128,899,568	128,900,568
Less: provision	(71,105,321)	(71,260,684)
	<u>57,794,247</u>	<u>57,639,884</u>

Details of principal subsidiary companies as at 31st December 2005, which, in the directors' opinion, materially affect the results and/or assets of the Group, are set out in note 32.

### (b) Amounts due from/(to) subsidiary companies

	2005	2004
	HK\$	HK\$
Amounts due from subsidiary companies	849,281,672	823,824,462
Less: provision	(46,545,088)	(186,973,407)
	<u>802,736,584</u>	<u>636,851,055</u>
Amounts due to subsidiary companies	(48,359,184)	(2,651,681)
	<u>754,377,400</u>	<u>634,199,374</u>

## 18 AVAILABLE-FOR-SALE FINANCIAL ASSETS AND LOAN TO AN INVESTEE COMPANY

### (a) Available-for-sale financial assets

	<b>Group 2005</b>	<b>Company 2005</b>
	HK\$	HK\$
At 1st January 2005	38,740,748	124,020
Disposals	(161,150)	—
Net revaluation (loss)/surplus transferred to equity	(2,370,925)	8,777
	<u>36,208,673</u>	<u>132,797</u>
At 31st December 2005	<u>36,208,673</u>	<u>132,797</u>
Available-for-sale financial assets include the following:		
Listed equity securities in Hong Kong, at market value	27,208,661	132,797
Unlisted equity securities (note)	9,000,012	—
	<u>36,208,673</u>	<u>132,797</u>

#### Note:

Unlisted securities represent 12% equity interests each in The Yangtze Ventures Limited and The Yangtze Ventures II Limited ("Yangtze Group"). Yangtze Group is principally engaged in the investments of container ports, manufacturing and research and development of animal feedstuff, integrated circuits, biopharmaceutical products, chinese medical products, energy alternative fuel, environmental friendly product, engaged in operating Interactive Voice Response platform for China Mobile and engaged in radio monitoring and measuring in China.

### (b) Loan to an investee company

It represents a loan to Yangtze Ventures II Limited. The amount is unsecured, interest free and repayable in 2010.

## 19 INVESTMENT SECURITIES

	<b>Group 2004</b>	<b>Company 2004</b>
	HK\$	HK\$
Equity securities, at cost		
Listed in Hong Kong	18,811,062	12,649
Less: provision	(3,215,533)	—
	<u>15,595,529</u>	<u>12,649</u>
Unlisted	12,000,012	—
Loan to an investee company	11,999,988	—
	<u>39,595,529</u>	<u>12,649</u>
Market value of listed investments	<u>26,740,737</u>	<u>124,020</u>

## 20 PROPERTIES FOR SALE

The Group's interests in properties for sale at their net book values are analysed as follows:

	Group	
	2005	2004
	HK\$	HK\$ (Restated)
In Hong Kong, held on:		
Leases of over 50 years	22,710,956	22,736,101
Leases of between 10 and 50 years	81,322,775	81,692,583
	<u>104,033,731</u>	<u>104,428,684</u>

**Note:**

During the year, amortisation for leasehold land classified under properties for sale of HK\$343,115 (2004: HK\$343,114, as restated) was charged to the consolidated income statement.

## 21 DEBTORS AND PREPAYMENTS

	Group		Company	
	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$
Trade debtors (note)	720,917	1,279,781	—	—
Prepayments and deposits	17,009,650	17,382,610	889,116	546,159
	<u>17,730,567</u>	<u>18,662,391</u>	<u>889,116</u>	<u>546,159</u>

**Note:**

Trade debtors represent rental and management fee receivables and receivables on sales of properties. Sales are made on open account terms and the Group normally does not grant credit periods to trade debtors.

At 31st December 2005, the ageing analysis of the Group's trade debtors was as follows:

	Group	
	2005	2004
	HK\$	HK\$
Current	584,269	369,239
31-60 days	65,049	160,602
61-90 days	—	90,090
Over 90 days	71,599	659,850
	<u>720,917</u>	<u>1,279,781</u>

The carrying amounts of debtors and prepayments are approximately their fair values as at 31st December 2005.

## 21 DEBTORS AND PREPAYMENTS (Continued)

Included in the trade debtors, prepayments and deposits are the following amounts denominated in a currency other than the functional currency of the Group:

	<b>Group</b>	
	2005	2004
	HK\$	HK\$
US dollars	12,390,908	11,096,818

## 22 BANK BALANCES AND CASH

	<b>Group</b>		<b>Company</b>	
	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$
Bank balances and cash (notes a and b)	38,541,986	28,298,812	3,528,615	1,311,978
Restricted bank deposit (note c)	1,002,938	990,223	1,002,938	990,223
	<u>39,544,924</u>	<u>29,289,035</u>	<u>4,531,553</u>	<u>2,302,201</u>

### Notes:

- (a) Included bank balances and cash of HK\$10,973,264 (2004: HK\$8,880,360) are held in trust in respect of buildings managed by the Group on behalf of third parties.
- (b) Included in bank balances and cash are fixed deposits of HK\$10,253,567 (2004: HK\$4,669,371) with maturity periods ranging from 14 days to one month and with effective interest rates from 2.86% to 3.31% per annum (2004: 0.13% to 0.70% per annum).
- (c) Restricted bank deposit of the Company is pledged to secure an overdraft credit facility provided by a financial institution to the Company. The effective interest rate on restricted bank deposit was 2.88% per annum (2004: 0.01% per annum).
- (d) Included in the bank balances and cash are the following amounts denominated in a currency other than the functional currency of the Group:

	<b>Group</b>	
	2005	2004
	HK\$	HK\$
US dollars	13,914,319	10,934,758

## 23 CREDITORS AND ACCRUALS

	Group		Company	
	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$
Trade creditors (note)	4,543,631	4,475,091	614,650	449,490
Other creditors	23,454,256	20,862,866	2,064,674	1,818,456
Accruals	9,791,115	7,082,106	445,000	445,000
	<u>37,789,002</u>	<u>32,420,063</u>	<u>3,124,324</u>	<u>2,712,946</u>

### Note:

At 31st December 2005, the ageing analysis of the trade creditors was as follows:

	Group		Company	
	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$
Current	4,299,391	3,172,691	405,140	440,336
31-60 days	212,086	20,471	208,126	8,108
61-90 days	3,960	153,501	—	—
Over 90 days	28,194	1,128,428	1,384	1,046
	<u>4,543,631</u>	<u>4,475,091</u>	<u>614,650</u>	<u>449,490</u>

The carrying amounts of creditors and accruals are approximately their fair values as at 31st December 2005.

Included in the trade creditors, other creditors and accruals are the following amounts denominated in a currency other than the functional currency of the Group:

	Group	
	2005	2004
	HK\$	HK\$
US dollars	<u>8,612,869</u>	<u>10,041,353</u>

## 24 SHORT TERM BANK LOANS AND BANK OVERDRAFTS

The short term bank loans and bank overdrafts of the Group of approximately HK\$35,391,000 (2004: HK\$13,708,000) are secured by certain investment properties (note 15) and the rental income thereon. All the short term bank loans and bank overdrafts are denominated in Hong Kong dollars.

The effective interest rates per annum at the balance sheet date were as follows:

	Group		Company	
	2005	2004	2005	2004
Short term bank loans	4.75% - 4.89%	1.56% - 1.76%	—	1.76%
Bank overdrafts	7.75%	5.00%	—	—

The carrying amounts of the short term bank loans and bank overdrafts are approximately their fair values as at 31st December 2005.



## 25 LONG TERM BANK LOANS – SECURED

	Group	
	2005	2004
	HK\$	HK\$
Bank loans - secured		
— wholly repayable within five years	426,610,956	291,203,341
— not wholly repayable within five years	—	142,919,400
	<u>426,610,956</u>	<u>434,122,741</u>
Amounts due within one year included under current liabilities	(98,017,344)	(77,054,249)
	<u>328,593,612</u>	<u>357,068,492</u>

The maturity of the Group's long term bank loans is as follows:

	Group	
	2005	2004
	HK\$	HK\$
— within one year	98,017,344	77,054,249
— in the second year	34,974,879	27,739,239
— in the third to fifth years inclusive	293,618,733	203,150,846
— after the fifth year	—	126,178,407
	<u>426,610,956</u>	<u>434,122,741</u>

The effective interest rates per annum at balance sheet date were as follows:

	Group	
	2005	2004
Hong Kong dollars bank loans	4.95% - 5.61%	1.07% - 1.45%
US dollars bank loan	4.58%	4.58%

The carrying amounts of the long term bank loans are approximately their fair values as at 31st December 2005.

The carrying amounts of the long term bank loans are denominated in the following currencies:

	Group	
	2005	2004
	HK\$	HK\$
Hong Kong dollars	287,275,254	291,203,341
US dollars	139,335,702	142,919,400
	<u>426,610,956</u>	<u>434,122,741</u>

The Group's long term bank loans are secured by certain properties under development (note 14) and related leasehold land (note 16), investment properties (note 15) and the rental income thereon.

## 26 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The movements on the net deferred tax liabilities of the Group and the Company are as follows:

	Group		Company	
	2005	2004	2005	2004
	HK\$	HK\$ (Restated)	HK\$	HK\$ (Restated)
At 1st January	225,346,833	207,455,988	19,968,230	14,127,235
Deferred income tax charged to income statement	38,742,362	17,890,845	6,164,072	5,840,995
At 31st December	264,089,195	225,346,833	26,132,302	19,968,230

As at 31st December 2005, the Group's overseas subsidiary companies had unrecognised tax losses carried forward to reduce future taxable income for Federal and State income tax purposes of the US of HK\$297,642,000 (2004: HK\$282,686,000) and HK\$89,398,000 (2004: HK\$75,583,000) respectively. HK\$50,163,000 (2004: HK\$38,281,000) out of these tax losses for both Federal and State income taxes will expire in various dates through 2025 (2004: 2025). The Company and its subsidiary companies in Hong Kong had unrecognised tax losses of HK\$30,346,000 (2004: HK\$28,567,000, as restated) to carry forward against future taxable income. Such tax losses have no expiry date.

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

### Group

Deferred tax assets	Tax losses		Accelerated accounting depreciation		Total	
	2005	2004	2005	2004	2005	2004
	HK\$	HK\$ (Restated)	HK\$	HK\$	HK\$	HK\$ (Restated)
At 1st January	8,467,926	8,990,750	261,618	322,986	8,729,544	9,313,736
Credited/(charged) to consolidated income statement	1,038,015	(522,824)	(41,351)	(61,368)	996,664	(584,192)
At 31st December	9,505,941	8,467,926	220,267	261,618	9,726,208	8,729,544

  

Deferred tax liabilities	Revaluation of investment properties		Accelerated tax depreciation		Total	
	2005	2004	2005	2004	2005	2004
	HK\$	HK\$ (Restated)	HK\$	HK\$	HK\$	HK\$ (Restated)
At 1st January	(192,898,846)	(176,462,099)	(41,177,531)	(40,307,625)	(234,076,377)	(216,769,724)
Charged to consolidated income statement	(37,264,500)	(16,436,747)	(2,474,526)	(869,906)	(39,739,026)	(17,306,653)
At 31st December	(230,163,346)	(192,898,846)	(43,652,057)	(41,177,531)	(273,815,403)	(234,076,377)

## 26 DEFERRED INCOME TAX (Continued)

Company

### Deferred tax assets

	Tax losses	
	2005	2004
	HK\$	HK\$ (Restated)
At 1st January	6,149,903	6,632,064
Charged to income statement	(58,019)	(482,161)
At 31st December	<u>6,091,884</u>	<u>6,149,903</u>

Deferred tax liabilities	Revaluation of investment properties		Accelerated tax depreciation		Total	
	2005	2004	2005	2004	2005	2004
	HK\$	HK\$ (Restated)	HK\$	HK\$ (Restated)	HK\$	HK\$ (Restated)
At 1st January	(25,760,165)	(20,422,665)	(357,968)	(336,634)	(26,118,133)	(20,759,299)
Credited/(charged) to income statement	(6,125,000)	(5,337,500)	18,947	(21,334)	(6,106,053)	(5,358,834)
At 31st December	<u>(31,885,165)</u>	<u>(25,760,165)</u>	<u>(339,021)</u>	<u>(357,968)</u>	<u>(32,224,186)</u>	<u>(26,118,133)</u>

## 27 SHARE CAPITAL

	2005	2004
	HK\$	HK\$
Authorised:		
400,000,000 ordinary shares of HK\$1 each	<u>400,000,000</u>	<u>400,000,000</u>
Issued and fully paid:		
287,669,676 ordinary shares of HK\$1 each	<u>287,669,676</u>	<u>287,669,676</u>

## 28 RESERVES

### Group

	Share premium	Investment properties revaluation reserve	Investment revaluation reserve	Exchange reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2005, as previously reported	129,651,602	973,155,396	—	7,014,586	527,889,524	1,637,711,108
Prior period adjustments:						
Adjustment for leasehold land (note 2(b)(ii))	—	(52,572,647)	—	—	(40,510,620)	(93,083,267)
Transfer of revaluation reserve to retained profits (note 2(b)(iii))	—	(920,582,749)	—	—	920,582,749	—
Deferred tax arising from the revaluation of investment properties (note 2(b)(iv))	—	—	—	—	(175,390,761)	(175,390,761)
Borrowing costs previously capitalised for prepaid lease premium on land (note 2(b)(v))	—	—	—	—	(17,560,447)	(17,560,447)
	<u>129,651,602</u>	<u>—</u>	<u>—</u>	<u>7,014,586</u>	<u>1,215,010,445</u>	<u>1,351,676,633</u>
At 1st January 2005, as restated before opening adjustment	129,651,602	—	—	7,014,586	1,215,010,445	1,351,676,633
Opening adjustment for fair value gains on available-for-sale financial assets (note 2(b)(vi))	—	—	6,665,014	—	—	6,665,014
	<u>129,651,602</u>	<u>—</u>	<u>6,665,014</u>	<u>7,014,586</u>	<u>1,215,010,445</u>	<u>1,358,341,647</u>
At 1st January 2005, as restated after opening adjustment	129,651,602	—	6,665,014	7,014,586	1,215,010,445	1,358,341,647
Net fair value loss on available-for-sale financial assets	—	—	(2,703,851)	—	—	(2,703,851)
Recognition of impairment of available-for-sale financial assets	—	—	7,000,000	—	—	7,000,000
Realised upon disposal of available-for-sale financial assets	—	—	(139,402)	—	—	(139,402)
Exchange translation differences	—	—	—	150,897	—	150,897
Profit attributable to equity holders of the Company	—	—	—	—	266,522,121	266,522,121
Dividends paid						
2004 final dividend	—	—	—	—	(17,260,181)	(17,260,181)
2005 interim dividend	—	—	—	—	(20,136,877)	(20,136,877)
	<u>129,651,602</u>	<u>—</u>	<u>10,821,761</u>	<u>7,165,483</u>	<u>1,444,135,508</u>	<u>1,591,774,354</u>
Representing:						
Reserves	129,651,602	—	10,821,761	7,165,483	1,421,121,934	1,568,760,780
2005 final dividend proposed (note 12)	—	—	—	—	23,013,574	23,013,574
	<u>129,651,602</u>	<u>—</u>	<u>10,821,761</u>	<u>7,165,483</u>	<u>1,444,135,508</u>	<u>1,591,774,354</u>

## 28 RESERVES (Continued)

Group (Continued)

	Share premium	Investment properties revaluation reserves	Exchange reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2004, as previously reported	129,651,602	768,987,123	7,235,563	503,807,424	1,409,681,712
Prior period adjustments:					
Adjustment on leasehold land (note 2(b)(ii))	—	(52,572,647)	—	(36,639,992)	(89,212,639)
Transfer of revaluation reserve to retained profits (note 2(b)(iii))	—	(716,414,476)	—	716,414,476	—
Deferred tax arising from the revaluation of investment properties (note 2(b)(iv))	—	—	—	(159,195,671)	(159,195,671)
Borrowing costs previously capitalised for prepaid lease premium on land (note 2(b)(v))	—	—	—	(17,117,759)	(17,117,759)
At 1st January 2004, as restated	129,651,602	—	7,235,563	1,007,268,478	1,144,155,643
Exchange translation differences	—	—	(220,977)	—	(220,977)
Profit attributable to equity holders of the Company, as restated	—	—	—	236,508,935	236,508,935
Dividends paid					
2003 final dividend	—	—	—	(14,383,484)	(14,383,484)
2004 interim dividend	—	—	—	(14,383,484)	(14,383,484)
<b>At 31st December 2004, as restated</b>	<b>129,651,602</b>	<b>-</b>	<b>7,014,586</b>	<b>1,215,010,445</b>	<b>1,351,676,633</b>
Representing:					
Reserves	129,651,602	—	7,014,586	1,197,750,264	1,334,416,452
2004 final dividend proposed (note 12)	—	—	—	17,260,181	17,260,181
	<b>129,651,602</b>	<b>—</b>	<b>7,014,586</b>	<b>1,215,010,445</b>	<b>1,351,676,633</b>

## 28 RESERVES (Continued)

### Company

	Share premium	Investment properties revaluation reserves	Investment revaluation reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2005, as previously reported	129,651,602	147,200,942	—	279,120,595	555,973,139
Prior period adjustments:					
Transfer of revaluation reserve to retained profits (note 2(b)(iii))	—	(147,200,942)	—	147,200,942	—
Deferred tax arising from the revaluation of investment properties (note 2(b)(iv))	—	—	—	(19,968,230)	(19,968,230)
	129,651,602	—	—	406,353,307	536,004,909
At 1st January 2005, as restated before opening adjustment	129,651,602	—	—	406,353,307	536,004,909
Opening adjustment for fair value gains on available-for-sale financial assets (note 2(b)(vi))	—	—	111,371	—	111,371
	129,651,602	—	111,371	406,353,307	536,116,280
At 1st January 2005, as restated after opening adjustment	129,651,602	—	111,371	406,353,307	536,116,280
Fair value gains on available-for-sale financial assets	—	—	8,777	—	8,777
Profit for the year	—	—	—	192,153,984	192,153,984
Dividends paid					
2004 final dividend	—	—	—	(17,260,181)	(17,260,181)
2005 interim dividend	—	—	—	(20,136,877)	(20,136,877)
	129,651,602	—	120,148	561,110,233	690,881,983
At 31st December 2005	129,651,602	—	120,148	561,110,233	690,881,983
Representing:					
Reserves	129,651,602	—	120,148	538,096,659	667,868,409
2005 final dividend proposed (note 12)	—	—	—	23,013,574	23,013,574
	129,651,602	—	120,148	561,110,233	690,881,983

## 28 RESERVES (Continued)

Company (Continued)

	Share premium	Investment properties revaluation reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$
At 1st January 2004, as previously reported	129,651,602	116,700,942	286,312,662	532,665,206
Prior period adjustments:				
Transfer of revaluation reserve to retained profits (note 2(b)(iii))	—	(116,700,942)	116,700,942	—
Deferred tax arising from the revaluation of investment properties (note 2(b)(iv))	—	—	(14,127,235)	(14,127,235)
At 1st January 2004, as restated	129,651,602	—	388,886,369	518,537,971
Profit for the year, as restated	—	—	46,233,906	46,233,906
Dividends paid				
2003 final dividend	—	—	(14,383,484)	(14,383,484)
2004 interim dividend	—	—	(14,383,484)	(14,383,484)
At 31st December 2004, as restated	<u>129,651,602</u>	<u>—</u>	<u>406,353,307</u>	<u>536,004,909</u>
Representing:				
Reserves	129,651,602	—	389,093,126	518,744,728
2004 final dividend proposed (note 12)	—	—	17,260,181	17,260,181
	<u>129,651,602</u>	<u>—</u>	<u>406,353,307</u>	<u>536,004,909</u>

## 29 CONTINGENT LIABILITIES

As at 31st December 2005, the Company had provided guarantees to bankers for credit facilities granted to subsidiary companies of HK\$323,431,000 (2004: HK\$304,911,000).

### 30 COMMITMENTS

(a) Capital commitments

As at 31st December 2005, the Group had capital commitments as follows:

	<b>Group</b>	
	2005	2004
	HK\$	HK\$
Contracted but not provided for		
— properties under development	9,663,000	26,996,000
— plant and equipment	1,168,000	—
	<u>10,831,000</u>	<u>26,996,000</u>
Authorised but not contracted for		
— properties under development	<u>40,900,000</u>	<u>—</u>

(b) Other commitments

As at 31st December 2005, the Group had other commitments as follows:

	<b>Group</b>	
	2005	2004
	HK\$	HK\$
Contracted but not provided for (note)	<u>29,166,000</u>	<u>—</u>

**Note:**

The other commitments represents the contracted strengthening work for Tai Sang Container and Godown Centre located in Tsing Yi.

(c) Commitments under operating leases

As at 31st December 2005, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<b>Group and Company</b>	
	2005	2004
	HK\$	HK\$
Land and buildings		
Not later than one year	743,000	511,000
Later than one year but not later than five years	<u>1,177,000</u>	<u>—</u>
	<u>1,920,000</u>	<u>511,000</u>



### 31 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

- (a) Reconciliation of profit before income tax from continuing operations to net cash generated from continuing operations

	2005	2004
	HK\$	HK\$ (Restated)
Profit before income tax from continuing operations	320,730,840	275,584,490
Finance costs	17,419,927	15,918,285
Realisation of deferred gain	—	(1,819,046)
Depreciation on plant and equipment	5,481,396	5,583,689
Amortisation of leasehold land	4,381,369	4,356,623
Fair value gains on investment properties	(267,262,343)	(212,943,662)
Loss/(gain) on disposal of investment property	130,000	(5,007,380)
Gain on disposal of available-for-sale financial assets	(139,113)	—
(Gain)/loss on disposal of plant and equipment	(1,474,069)	99,376
Loss on disposal of a subsidiary company	—	1,015,162
Interest and dividend income	(16,919,788)	(21,355,840)
Impairment of available-for-sale financial assets	7,000,000	—
	<u>69,348,219</u>	<u>61,431,697</u>
Operating profit before working capital changes	69,348,219	61,431,697
Decrease/(increase) in properties for sale	51,838	(439,253)
Increase in debtors and prepayments	(1,957,656)	(2,845,405)
Increase/(decrease) in rental and other deposits	2,997,681	(191,025)
Increase/(decrease) in creditors and accruals	2,857,908	(1,146,497)
	<u>73,297,990</u>	<u>56,809,517</u>
Net cash generated from continuing operations	<u>73,297,990</u>	<u>56,809,517</u>

- (b) Disposal of a subsidiary company

	2004
	HK\$ (Restated)
Net assets realised:	
Investment properties	1,015,000
Other assets	59,662
	<u>1,074,662</u>
Loss on disposal of a subsidiary company	(1,015,162)
	<u>59,500</u>
Satisfied by:	
Cash	<u>59,500</u>

## 32 PRINCIPAL SUBSIDIARY COMPANIES

At 31st December 2005, the Company had the following principal subsidiary companies which, in the opinion of the directors, materially affect the results and/or assets of the Group. Montgomery Lands, Incorporated, Central Financial Management Company Inc. and MLI Business Management, Inc. are incorporated and operate in the United States of America. All other subsidiary companies are incorporated and operate in Hong Kong.

Name	Percentage of issued capital held				Ordinary share capital		Principal activities
	By Company		By subsidiary company		Number	Par value per share	
	2005	2004	2005	2004			
Ballington Limited	100	100	—	—	10,000	HK\$1	e
Cambella Limited	100	100	—	—	1,000	HK\$1	a
Central Financial Management Company Inc.	—	—	100	100	10,000	US\$1	d
Chi Ho Investment Company Limited	100	100	—	—	100	HK\$100	a b g
Chi Ning Investment Company Limited	100	100	—	—	421,290	HK\$1	e
Etrema Company Limited	100	100	—	—	1,000	HK\$1	b
Fung Chau Investment Company Limited	100	100	—	—	1,070,030	HK\$1	a g
Golden Ocean Corporation Limited	100	100	—	—	531,510	HK\$1	a
Kam Cheung Investment Company Limited	75	75	—	—	1,200,000	HK\$1	a e
Kam Chung Industrial Company Limited	100	100	—	—	1,149,430	HK\$1	a g
Kam Hang Company Limited	95	95	—	—	5,000	HK\$100	a
Kam Yiu Company Limited	100	100	—	—	73,000	HK\$1	a
Lee Sang On Investment Company, Limited	100	100	—	—	915,960	HK\$1	a
MLI Business Management, Inc.	—	—	100	100	1,000	US\$1	h
Montgomery Enterprises Limited	100	100	—	—	1,190,840	HK\$1	a e g
Montgomery Lands, Incorporated	—	—	100	100	20,000	US\$1	a
On Ah Enterprises Limited	65	65	—	—	100,000	HK\$1	a
Pentacontinental Land Investment Company Limited	53.6	53.6	—	—	2,000,000	HK\$1	a e
Satvision Limited	100	100	—	—	1,000	HK\$1	a
Tai Fung Investment Company Limited	65	65	—	—	1,400,000	HK\$1	a e
Tai Land Finance Company Limited	100	100	—	—	100,000	HK\$1	c
Tai Sang Cold Storage and Godown Company Limited	58	58	—	—	5,600,000	HK\$1	e
Tai Sang Estate Agency Limited	100	100	—	—	100,000	HK\$1	d e
TSE (Floral Villas) Limited	—	—	100	100	100	HK\$1	d
TSE (Kam Yuen Mansion) Limited	—	—	100	100	1,000	HK\$1	d
TSL Construction and Engineering Limited	100	100	—	—	2	HK\$1	a
Welldicker Industrial Limited	100	100	—	—	2	HK\$1	e
Xin Kuok Investments Limited	100	100	—	—	2	HK\$1	f

Principal activities:

a = property rental

b = property development

c = finance

d = estate management and agency

e = investment holding

f = motor vehicle rental

g = property sale

h = management service

# SCHEDULE OF THE GROUP'S SIGNIFICANT PROPERTIES AT 31ST DECEMBER 2005

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## A PROPERTIES FOR INVESTMENT

Description	Lot Number	Type #	Appro. G.F.A. (M <sup>2</sup> )	Group's interest	Lease term
<b>Hong Kong</b>					
Tai Sang Container and Godown Centre 2-10 Cheung Fai Road Tsing Yi Island	T.Y.T.L. 56	G	118,025	100.0%	Medium term
Tai Sang Shatin Warehouse Centre Phase I 6 Wong Chuk Yeung Street, Shatin	S.T.T.L. 134	G	17,199	100.0%	Medium term
Tai Sang Shatin Warehouse Centre Phase II (portion) 6 Wong Chuk Yeung Street, Shatin	S.T.T.L. 134	G	11,144	100.0%	Medium term
Express Industrial Building 43 Heung Yip Road Aberdeen	A.I.L. 353	I	11,766	100.0%	Long term
Heung Wah Industrial Building (portion) 12 Wong Chuk Hang Road, Aberdeen	A.I.L. 340	I	6,947	95.0%	Long term
Chin Fat Factory Building (portion) 3 Tsat Po Street San Po Kong	K.I.L. 4438 & 4439	I	996	65.0%	Medium term
House of Corona (portion) 50 Hung To Road Kwun Tong	K.T.I.L. 284	I	699	65.0%	Medium term
Kam Yuen Mansion (portion), 3 Old Peak Road,	I.L. 646 Sec. A & Sec. B	R	2,944	75.0%	Long term
Sea and Sky Court (portion) 92 Stanley Main Street Stanley	S.I.L. 8	R	319	100.0%	Long term
Mercantile House 186 & 190 Nathan Road, Tsim Sha Tsui	K.I.L.9735 & 2/70 shares of 8631	R & C	1,078	100.0%	Medium term
Yue Wah Mansion (portion) 34-62 Yue Man Square 407-431 Kwun Tong Road, Kwun Tong	K.T.I.L. 309	R & C	2,279	65.0%	Medium term
Continental Mansion (portion), 294-304 King's Road, North Point	R.P. of I.L. 7185	R & C	1,078	53.6%	Long term
Shing Wah Building (portion) 31 Shing Fong Street, Kwai Chung	K.C.T.L. 232	C	607	100.0%	Medium term
Kin Wah Mansion (portion) 176-178 Tung Lo Wan Road	I.L. 3578, 3579 & 3581	C	590	100.0%	Long term
Viking Court (portion) 165-166 Connaught Road West Western District	M.L. 342 & 343	C	585	100.0%	Long term
Kam Wah Building (portion) 21 Shek Yam Road Kwai Chung	K.C.T.L. 171	C	262	95.0%	Medium term
Floral Villas (portion) Tso Wo Hang, Sai Kung	D.D. 252 Lot 314	R & C	4,623	100.0%	Medium term
<b>Overseas</b>					
Montgomery Plaza 456 Montgomery Street San Francisco United States of America	—	C	15,638 <sup>^</sup>	100.0%	Freehold

## B PROPERTIES FOR OWN OPERATIONS

Description	Lot Number	Type #	Appro. G.F.A. (M <sup>2</sup> )	Group's interest	Lease term
<b>Hong Kong</b> No. 20 & No.22 (portion) Severn Road, The Peak	R.B.L. 1137	D	1,282	100.0%	Medium term

## C PROPERTIES UNDER DEVELOPMENT

Description	Lot Number	Type #	Appro. G.F.A. (M <sup>2</sup> )	Group's interest	Expected completion
<b>Hong Kong</b> Floral Villas (portion) Tso Wo Hang, Sai Kung	D.D. 252 Lot 314	R	1,144	100.0%	2006
No. 20 & No. 22 (portion) Severn Road, The Peak	R.B.L. 1137	R	623	100.0%	Planning
No. 1, Barker Road	R.B.L. 810	R	1,352	100.0%	2006

## D PROPERTIES FOR RENTAL/RESALE

Description	Lot Number	Type #	Appro. G.F.A.	Group's interest	Expected completion
<b>Hong Kong</b> Floral Villas (portion) Tso Wo Hang, Sai Kung	D.D.252 Lot 314	R	4,090	100.0%	Existing
Sheung Wan Tai Sang Commercial Building (portion) 77-91 Queen's Road West, Sheung Wan	I.L. 3752 to 3758	C	5,860	100.0%	Existing
Shing Wah Building (portion) 31 Shing Fong Street, Kwai Chung	K.C.T.L. 232	C	1,756	100.0%	Existing
Kam Wah Building (portion) 21 Shek Yam Road, Kwai Chung	K.C.T.L. 171	C	1,724	100.0%	Existing

### Type #

G	:	Godown
I	:	Industrial
R	:	Residential
C	:	Commercial
D	:	Director's residence
^	:	Net rentable area
G.F.A.	:	Gross floor area

## FIVE-YEAR FINANCIAL SUMMARY

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
	(Restated)	(Restated)	(Restated)	(Restated)	
<b>RESULTS</b>					
<b>(HK\$ thousand)</b>					
Profit/(loss) attributable to:					
- Equity holders of the Company	(89,196)	(81,154)	(73,327)	236,509	266,522
- Minority interests	2,639	1,134	4,852	5,270	9,633
	<u>(86,557)</u>	<u>(80,020)</u>	<u>(68,475)</u>	<u>241,799</u>	<u>276,155</u>
Earnings/(loss) per share	<u>HK(31.0) cents</u>	<u>HK(28.2) cents</u>	<u>HK(25.5) cents</u>	<u>HK 82.2 cents</u>	<u>HK 92.6 cents</u>
<b>ASSETS AND LIABILITIES</b>					
<b>(HK\$ thousand)</b>					
Total assets	2,533,558	2,396,514	2,237,802	2,439,549	2,751,816
Total liabilities	(895,158)	(876,347)	(816,886)	(738,164)	(797,183)
Total equity	<u>1,638,400</u>	<u>1,520,167</u>	<u>1,420,916</u>	<u>1,701,385</u>	<u>1,954,633</u>

**Note:**

The comparative figures have been restated as a result of the prior period adjustments in respect of the adoption of new HKFRSs which are effective for the accounting periods commencing on or after 1st January 2005.