



**TAI SANG LAND  
DEVELOPMENT LIMITED**

**Annual Report 2006**

**大生地產發展有限公司**

**二零零六年度年報**

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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 53. 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 and Mr. Philip Ma Ching Yeung.

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

Aged 48. 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 and Mr. Philip Ma Ching Yeung.

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

Aged 54. Joined the Company and appointed a Director of the Company in 1976. Appointed 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 and Mr. Philip Ma Ching Yeung.

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

Aged 56. Joined the Company and appointed a Director of the Company in 1974. Appointed 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 and Mr. Philip Ma Ching Yeung.

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

Aged 57. 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 and Mr. Philip Ma Ching Yeung.

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

Aged 56. 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 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 and Ms. Ruth Ma Ching Keung.

*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 57. Appointed a Director of the Company in 1983. Redesignated as Non-executive Director since 21st May 2004. He has been a practicing solicitor in Hong Kong since 1979 and is a consultant of the law firm Woo, Kwan, Lee & Lo. He is a non-executive director of five other publicly listed companies and an independent non-executive director of four other publicly listed companies. He is a member of the Board of Review (Inland Revenue Ordinance), a member of Campaign Committee of The Community Chest, a council member of The Open University of Hong Kong and a fellow member of the Institute of Directors. He was also the vice chairman of the Mainland Legal Affairs Committee of the Law Society of Hong Kong until January 2006 and was a director of Po Leung Kuk.

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*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 the food and beverage industry in the US and 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 58. 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 57. Joined the Company in 1981 and now holds the position of Chief Executive of the Company. Has 39 years of experience in real estate development and management.

#### **BANKERS:**

Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited  
United Commercial Bank  
Bank of China (Hong Kong) Limited  
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's consolidated profit attributable to equity holders of the Company amounted to HK\$308.6 million, representing an increase of HK\$42.1 million or 15.8% as compared to HK\$266.5 million for the previous year. This included fair value gains on investment properties net of the corresponding deferred income tax amounting to HK\$248.9 million and the corresponding figure for 2005 was HK\$222.2 million. When excluding these impacts, the underlying profit for the year was HK\$59.7 million, increased by HK\$15.4 million or 34.8% over the corresponding figure of HK\$44.3 million for 2005.

## DIVIDEND

Your Directors have resolved to recommend a final dividend of HK11 cents (2005: HK8 cents) per ordinary share.

## BUSINESS REVIEW

In Hong Kong, the rental income increased slightly by 1.6 % to HK\$122 million. The disposal of Tai Sang Shatin Warehouse Centre (the "Shatin Warehouse Centre") in July 2006 caused a drop in rental income amounting to HK\$5.5 million as compared to last year. Nevertheless, such drop was alleviated by the rise in rental in all sectors on a better renewal rate with an extent of 10% increment. The gain on disposal of Shatin Warehouse Centre of HK\$39.1 million together with the relevant deferred income tax written back of HK\$24.8 million contributed significantly to the operating results of Hong Kong, which was however reduced by the increase in the improvement and repair expenditures by HK\$25.5 million this year.

In the USA, the rental income from Montgomery Plaza dropped by 15% as compared to last year to HK\$43 million. The property occupancy rates of Montgomery Plaza in the USA maintained at 93.5% and the weighted average office rent per square feet reduced further to US\$32.4 at the end of 2006. The average contract rental rate has steadily decreased over the past few years as leases negotiated in the late 1990's/2000, at historically high rental rates, burned off. The drop in rental income together with the increase in interest expenses and property maintenance expenses caused an operating deficit of HK\$2 million for the year. The rental and operating expenditures may remain at current level in the coming year.

The land modification premium for the hotel development project at 43 Heung Yip Road has been received and an appeal for reduction of the land premium will be submitted to the Lands Department. Application for occupation permit for the final phase development of Floral Villas, Tso Wo Hang, Sai Kung, of three luxury seaview houses has been made. Interior decorations are being carried out. The houses will be leased out upon completion. Application for the issuance of the Certificate of Compliance of No.1 Barker Road has been submitted. Feasibility studies are carried out to change the use of certain properties of the Group.

## CASH FLOW

The Group generated cash inflow of approximately HK\$26.3 million from operating activities after paying profits tax of HK\$5.2 million.

The Group received proceeds on disposal of a subsidiary company of HK\$268 million after deduction of the incidental cost. The Group also received proceeds on disposal of two investment properties and plant and equipment of HK\$1.8 million and HK\$0.6 million respectively. The Group received dividends of HK\$1.1 million. The Group applied the fund for additions of property, plant and equipment, properties under development, investment properties and leasehold land in an aggregate of HK\$35.1 million. The Group generated net cash inflow of HK\$237.4 million from these investing activities.

The Group had applied the cash inflow to repay bank borrowings of HK\$203.4 million, pay dividends of HK\$45.8 million and interest of HK\$24.2 million. After these cash outflow of HK\$273.4 million for financing activities, the Group's balance of cash and cash equivalents decreased by HK\$9.8 million to HK\$13.4 million. The cash flows were also funded by long term and short term borrowings.

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### **SUBSEQUENT EVENT**

As contained in the Company's announcement on 20th March 2007, the Company entered into a sale and purchase agreement to dispose of the entire interest in Fung Chau Investment Company Limited, a wholly owned subsidiary company of the Company, to a third party at a total consideration of HK\$40.8 million. The estimated gain on disposal is approximately HK\$39 million.

### **PROSPECTS**

The mainland economy will continue to grow at a healthy pace this year and in turn the economy of Hong Kong will remain steady. The impact of the continuous appreciation of the RMB will not be significant. Financial market and tourism will still be benefited as a result of the strong economy of the mainland provided interest rates are steady in 2007.

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, 26th March 2007

# MANAGEMENT DISCUSSION AND ANALYSIS

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## 1. The Group's liquidity and financial resources

During the year, the Group's total bank borrowings decreased by HK\$202.4 million to HK\$259.6 million. The total equity increased by HK\$302.4 million to HK\$2,257.0 million (2005: \$1,954.6 million) and long term bank loans outstanding as at 31st December 2006 amounted HK\$229.2 million (2005: HK\$426.6 million). The debt to equity ratio was 11.5% (2005: 23.6%). 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:

	2006	2005
	HK\$'000	HK\$'000
- within one year	94,563	98,017
- in the second year	2,623	34,975
- in the third to fifth years inclusive	131,974	293,619
	<u>229,160</u>	<u>426,611</u>

The Group's bank borrowings of HK\$246.8 million (2005: HK\$462.0 million) are secured by certain properties with an aggregate carrying amount of HK\$1,555.5 million (2005: HK\$1,596.5 million).

## 3. Significant investment 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 fair value of the Group's equity interest in Yangtze as at 31st December 2006 amounted to HK\$50 million whereas the cost of investment was HK\$24 million. The increase in value was attributable to the revaluation surplus of certain listed and unlisted investments of Yangtze.

During the year, Yangtze disposed of its investment in Beijing Hi Sunray Information Technology Limited and realised a substantial gain of approximately 3.7 times over the cost of investment and also reduced 22% of its interest in Carling Technology (Gushan) Limited ("Carling"), which manufactures and sells biodiesel and other by-products, at a premium to its entry cost.

Two of the investee companies in the investment portfolio of Yangtze, being Walcom International Limited, a producer of animal feedstuff, and Cosmedia Group Holdings Limited, a provider of entertainment programs in the PRC, listed on the London's Alternative Investment Market during the year. Two other investee companies, Carling and Rongxing Industrial Development Limited which engages in radio monitoring and measuring in the PRC, are aiming for listing in Hong Kong and Singapore respectively in the second half of 2007.

## 4. Details of number and remuneration of employees

Including the directors of the Group as at 31st December 2006, the Group employed a total of 168 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 2006.

## 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 33 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 2006 are set out in the consolidated income statement on page 21 of this annual report.

The directors have declared an interim dividend of HK7 cents (2005: HK7 cents) per ordinary share, totalling HK\$20,136,877 (2005: HK\$20,136,877), which was paid on 19th October 2006.

The directors recommend the payment of a final dividend of HK11 cents (2005: HK8 cents) per ordinary share, totalling HK\$31,643,664 (2005: HK\$23,013,574).

The total dividends for the year ended 31st December 2006 amounted to HK18 cents (2005: HK15 cents) per ordinary share.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 20 to the financial statements.

## DONATIONS

During the year, the Group made charitable and other donations of HK\$676,826 (2005: HK\$310,159).

## PROPERTY, PLANT AND EQUIPMENT, PROPERTIES UNDER DEVELOPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment, properties under development and investment properties are set out in notes 6, 7 and 8 to the financial statements respectively.

## PRINCIPAL PROPERTIES

Details of the Group's significant properties are set out on page 62 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 16 and 17 to the financial statements.



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## **DISTRIBUTABLE RESERVES**

Distributable reserves of the Company at 31st December 2006, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$559,287,921 (2005: HK\$405,041,593).

## **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 63 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	
Philip Ma Ching Yeung	
Ida Ma Ching Kwai	(resigned on 19th March 2007)

### *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. Alfred Ma Ching Kuen, Mr. Philip Ma Ching Yeung, Ms. Ruth Ma Ching Keung and Mr. Edward Cheung Wing Yui 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 23 to the financial statements.

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

At 31st December 2006, 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
	Personal interest	Corporate interests	Joint interests		
		(notes (a) and (b))	(note (c))		
Directors:					
William Ma Ching Wai	4,668,254	160,134,973	38,115	164,841,342	57.3023%
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	47,828	—	—	47,828	0.0166%
Philip Ma Ching Yeung	101,732	—	—	101,732	0.0354%
Ida Ma Ching Kwai	121,089	—	—	121,089	0.0421%
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 138,996,736 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 years 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 2006, 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
	Personal interest	Corporate interests (note)		
Substantial shareholders:				
Kam Chan & Co	112,248,758	26,747,978	138,996,736	48.3182%
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 5,852,920 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 as mentioned in the section headed "Continuing Connected Transaction" below, no other contracts 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	16.7%
– five largest suppliers	46.3%

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 48.32% 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 an 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. The amount paid to the landlords by the Company for the year ended 31st December 2006 was HK\$1,143,360 (2005: 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.

In accordance with Rule 14A.38 of the Listing Rules, the board of directors engaged the auditor of the Company to perform certain factual finding 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. The auditor has reported the factual findings on the transaction based on the agreed upon procedures to the board of directors.

## **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 2006, all directors except for non-executive directors are directors and shareholders of Kam Chan & Co, which is also engaged in property development and property investment, and 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 businesses 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 2006, the Company complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

### **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.

### **AUDITOR**

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, 26th March 2007

# 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 2006.

## **1 CORPORATE GOVERNANCE PRACTICES**

The Group is committed to maintain a high standard of corporate governance practices and procedures.

For the year under review, the Company has complied with all the applicable, as code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

## **2 DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the codes of conduct regarding directors' securities transactions (as defined in the CG 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 2006, they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

## **3 BOARD OF DIRECTORS**

### (a) Composition of the Board

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

The Board currently comprises a total of 11 (subsequent to resignation of Ms. Ida Ma Ching Kwai on 19th March 2007) directors, with 7 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 3 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 5 full board meetings. Attendance of individual director is as follows:

	<b>Attendance</b>	<b>Percentage</b>
Executive directors		
– Mr. William Ma Ching Wai	5/5	100%
– Mr. Patrick Ma Ching Hang	5/5	100%
– Mr. Alfred Ma Ching Kuen	5/5	100%
– Ms. Amy Ma Ching Sau	5/5	100%
– Ms. Katy Ma Ching Man	5/5	100%
– Ms. Ruth Ma Ching Keung	4/5	80%
– Ms. Ida Ma Ching Kwai	5/5	100%
– Mr. Philip Ma Ching Yeung	5/5	100%
Non-executive director		
– Mr. Edward Cheung Wing Yui	3/5	60%
Independent non-executive directors		
– Mr. Kevin Chau Kwok Fun	5/5	100%
– Mr. Tan Soo Kiu	4/5	80%
– Mr. William Wong Hing Kwok	5/5	100%

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 provides leadership for the Board and 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.

#### 6 REMUNERATION OF DIRECTORS

The remuneration for the executive directors comprises directors' fees, basic salaries, discretionary bonuses, retirement benefits, housing and other allowances. Quarter accommodations are provided to certain directors. Details of the amount of emoluments of directors paid during the year ended 31st December 2006 are set out in note 23(a) to the financial statements.

The Remuneration Committee of the Company was established in April 2005. The Remuneration Committee comprised 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 CG Code. Its terms of reference are made available on the website of the Company.

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 mechanism, retirement benefit scheme 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 2 meeting. Attendance of individual member is as follows:

	<b>Attendance</b>	<b>Percentage</b>
Committee member		
– Ms. Katy Ma Ching Man	2/2	100%
– Mr. Tan Soo Kiu	2/2	100%
– Mr. William Wong Hing Kwok	2/2	100%



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## 7 AUDIT COMMITTEE

The Audit Committee was established in year 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 CG Code is 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 independent auditor's report to ensure that the information presents a true and balanced assessment of the Group's financial position; and
- ensuring that management has fulfilled its duty to maintain an effective internal control system.

Its members include 4 non-executive directors, the majority of whom are independent non-executive directors. Audit Committee is chaired by Mr. Kevin Chau Kwok Fun and 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	2/2	100%

## 8 FINANCIAL REPORTING

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the Company's and the Group's performance, position and prospects.

The Board is responsible for keeping proper accounting records and the preparation of the financial statements of the Company and the Group. The financial statements are prepared in accordance with Hong Kong Financial Reporting 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 auditor are set out in the Independent Auditor's Report on page 17 of this annual report.

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## 9 INTERNAL CONTROL

The Board is responsible for the internal control of the Group and for reviewing its effectiveness through the Audit Committee. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

Evaluation of the Group's internal controls is conducted by the Internal Auditor on an on-going basis. Such evaluation covers significant internal controls, including financial reporting, 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.

## 10 COMMUNICATION WITH SHAREHOLDERS

The Board and senior management maintain a continuing dialogue with the Company's shareholders and investors through various channels including the Company's annual general meeting. The Chairman, the Deputy Chairman, Managing Directors, other members of the Board and external auditor attend the annual general meeting. The directors will answer questions raised by the shareholders on the performance of the Group. The Company holds press conference once a year following annual general meeting at which the Chairman and senior management of the Group are available to answer questions regarding the performance of the Group. Our corporate website which contains corporate information, interim and annual reports, announcements and circulars issued by the Group as well as the recent developments of the Group enables the Company's shareholders to have a timely and updated information of the Group.

## 11 AUDITORS' REMUNERATION

Fees for audit and audit-related services to PricewaterhouseCoopers ("PwC") and other auditors were HK\$1,487,000 and HK\$291,070 respectively for the year. During 2006, fees for non-audit services to PwC and other auditors were HK\$424,040 and HK\$280,582 respectively.

On behalf of the Board

**William Ma Ching Wai**  
*Chairman*

Hong Kong, 26th March 2007

# INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Tai Sang Land Development Limited (the "Company") set out on pages 18 to 61, which comprise the consolidated and Company balance sheets as at 31st December 2006, and the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Directors' responsibility for the financial statements**

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2006 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 26th March 2007

# CONSOLIDATED BALANCE SHEET

## AT 31ST DECEMBER 2006

	Note	2006	2005
		HK\$	HK\$
<b>Non-current assets</b>			
Property, plant and equipment	6	81,063,676	76,823,446
Properties under development	7	63,793,184	43,919,751
Investment properties	8	2,342,170,000	2,266,720,000
Leasehold land	9	150,675,374	154,597,699
Available-for-sale financial assets	11	67,386,452	36,208,673
Loan to an investee company	11	11,999,988	11,999,988
		<u>2,717,088,674</u>	<u>2,590,269,557</u>
<b>Current assets</b>			
Properties for sale	12	103,690,616	104,033,731
Debtors and prepayments	13	18,389,369	17,730,567
Current income tax recoverable		549,815	236,735
Bank balances and cash	14	30,900,815	39,544,924
		<u>153,530,615</u>	<u>161,545,957</u>
<b>Current liabilities</b>			
Rental and other deposits		27,282,804	29,266,465
Creditors and accruals	15	49,827,476	37,789,002
Current income tax liabilities		2,034,479	4,036,493
Short term bank loans - secured	16	25,565,000	31,000,000
Bank overdrafts - secured	16	4,879,032	4,390,749
Current portion of long term bank loans	17	94,563,211	98,017,344
		<u>204,152,002</u>	<u>204,500,053</u>
Net current liabilities		<u>(50,621,387)</u>	<u>(42,954,096)</u>
Total assets less current liabilities		<u>2,666,467,287</u>	<u>2,547,315,461</u>
<b>Non-current liabilities</b>			
Long term bank loans	17	(134,597,057)	(328,593,612)
Deferred income tax liabilities	18	(274,852,310)	(264,089,195)
		<u>(409,449,367)</u>	<u>(592,682,807)</u>
Net assets		<u>2,257,017,920</u>	<u>1,954,632,654</u>

	<u>Note</u>	<u>2006</u>	<u>2005</u>
		HK\$	HK\$
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	287,669,676	287,669,676
Reserves	20	1,856,659,130	1,568,760,780
Proposed final dividend	20	31,643,664	23,013,574
		<u>2,175,972,470</u>	<u>1,879,444,030</u>
Minority interests		<u>81,045,450</u>	<u>75,188,624</u>
Total equity		<u><u>2,257,017,920</u></u>	<u><u>1,954,632,654</u></u>

On behalf of the Board

**William Ma Ching Wai**  
*Director*

**Alfred Ma Ching Kuen**  
*Director*

The notes on pages 24 to 61 are an integral part of these consolidated financial statements.

# BALANCE SHEET

## AT 31ST DECEMBER 2006

	Note	2006	2005
		HK\$	HK\$
<b>Non-current assets</b>			
Property, plant and equipment	6	1,634,317	1,880,987
Investment properties	8	192,000,000	191,000,000
Subsidiary companies	10	55,566,389	57,794,247
Available-for-sale financial assets	11	159,414	132,797
		<u>249,360,120</u>	<u>250,808,031</u>
<b>Current assets</b>			
Debtors and prepayments	13	933,561	889,116
Amounts due from subsidiary companies	10	948,962,323	802,736,584
Bank balances and cash	14	4,826,241	4,531,553
		<u>954,722,125</u>	<u>808,157,253</u>
<b>Current liabilities</b>			
Rental and other deposits		2,839,207	2,797,815
Creditors and accruals	15	11,759,183	3,124,324
Amounts due to subsidiary companies	10	29,526,949	48,359,184
		<u>44,125,339</u>	<u>54,281,323</u>
Net current assets		<u>910,596,786</u>	<u>753,875,930</u>
Total assets less current liabilities		1,159,956,906	1,004,683,961
<b>Non-current liabilities</b>			
Deferred income tax liabilities	18	(26,901,703)	(26,132,302)
Net assets		<u>1,133,055,203</u>	<u>978,551,659</u>
<b>Equity</b>			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	287,669,676	287,669,676
Reserves	20	813,741,863	667,868,409
Proposed final dividend	20	31,643,664	23,013,574
Total equity		<u>1,133,055,203</u>	<u>978,551,659</u>

On behalf of the Board

**William Ma Ching Wai**  
Director

**Alfred Ma Ching Kuen**  
Director

The notes on pages 24 to 61 are an integral part of these consolidated financial statements.

# CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2006

	Notes	2006 HK\$	2005 HK\$
Revenue	5	175,670,220	179,890,656
Cost of sales	21	(78,083,594)	(47,242,264)
Gross profit		97,586,626	132,648,392
Fair value gains on investment properties	8	301,132,692	267,262,343
Other gains, net	22	40,169,880	9,666,178
Administrative expenses	21	(63,130,288)	(58,293,599)
Other operating expenses	21	(14,880,742)	(13,525,270)
Operating profit		360,878,168	337,758,044
Finance income	24	1,012,886	392,723
Finance costs	24	(21,361,174)	(17,419,927)
Finance costs, net		(20,348,288)	(17,027,204)
Profit before income tax		340,529,880	320,730,840
Income tax expense	25	(23,497,897)	(44,576,013)
Profit for the year		317,031,983	276,154,827
Attributable to:			
Equity holders of the Company	20, 26	308,569,898	266,522,121
Minority interests		8,462,085	9,632,706
		317,031,983	276,154,827
Dividends	27	51,780,541	43,150,451
Dividends per share	27		
Interim – paid		HK7 cents	HK7 cents
Final – proposed		HK11 cents	HK8 cents
Total		HK18 cents	HK15 cents
Earnings per share (basic and diluted)	28	HK107.3 cents	HK92.6 cents

The notes on pages 24 to 61 are an integral part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2006

	Note	2006	2005
		HK\$	HK\$
<b>Operating activities</b>			
Net cash generated from continuing operations	29(a)	31,436,206	73,285,275
Hong Kong profits tax paid		(5,206,722)	(4,373,711)
Hong Kong profits tax refunded		71,434	200,118
Overseas taxation paid		(24,960)	(32,760)
<b>Net cash from operating activities</b>		<b>26,275,958</b>	<b>69,078,922</b>
<b>Investing activities</b>			
Additions of property, plant and equipment		(8,956,462)	(13,518,073)
Additions of properties under development		(20,320,269)	(18,111,336)
Additions of investment properties		(5,667,308)	(4,362,657)
Additions of leasehold land		(118,696)	(892,644)
Interest received		1,012,886	392,723
Proceeds on disposal of available-for-sale financial assets		—	160,861
Proceeds on disposal of plant and equipment		599,900	3,681,217
Proceeds on disposal of investment properties		1,800,000	320,000
Proceed on disposal of a subsidiary company, net of incidental expense	29(b)	268,000,000	—
Dividends received		1,071,570	16,527,065
<b>Net cash from/(used in) investing activities</b>		<b>237,421,621</b>	<b>(15,802,844)</b>
<b>Financing activities</b>			
Interest paid		(24,234,697)	(16,779,208)
Loans borrowed		121,447,612	138,378,094
Repayments of loans		(324,846,790)	(127,392,324)
Dividends paid to shareholders		(43,150,451)	(37,397,058)
Dividends paid to minority interests		(2,677,360)	(1,295,860)
<b>Net cash used in financing activities</b>		<b>(273,461,686)</b>	<b>(44,486,356)</b>
<b>Net cash (used in)/from continuing operations</b>		<b>(9,764,107)</b>	<b>8,789,722</b>
<b>Net cash used in discontinued operation</b>		<b>—</b>	<b>(1,473,381)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(9,764,107)</b>	<b>7,316,341</b>
Exchange translation differences		3,315	150,897
Cash and cash equivalents at 1st January		23,177,973	15,710,735
<b>Cash and cash equivalents at 31st December</b>		<b>13,417,181</b>	<b>23,177,973</b>
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and cash (excluding balances held in trust)		19,296,213	28,571,660
Restricted bank deposit		(1,000,000)	(1,002,938)
Bank overdrafts		(4,879,032)	(4,390,749)
		<b>13,417,181</b>	<b>23,177,973</b>

The notes on pages 24 to 61 are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2006

Attributable to equity holders of the Company								
	Share capital HK\$	Share premium HK\$	Investment revaluation reserve HK\$	Exchange reserve HK\$	Retained profits HK\$	Total reserves HK\$	Minority interests HK\$	Total HK\$
At 1st January 2006	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
Net fair value gain on available-for-sale financial assets	—	—	31,105,678	—	—	31,105,678	72,101	31,177,779
Exchange translation differences	—	—	—	3,315	—	3,315	—	3,315
Net income recognised directly in equity	—	—	31,105,678	3,315	—	31,108,993	72,101	31,181,094
Profit for the year	—	—	—	—	308,569,898	308,569,898	8,462,085	317,031,983
Total recognised income for 2006	—	—	31,105,678	3,315	308,569,898	339,678,891	8,534,186	348,213,077
Dividends paid	—	—	—	—	(43,150,451)	(43,150,451)	(2,677,360)	(45,827,811)
At 31st December 2006	287,669,676	129,651,602	41,927,439	7,168,798	1,709,554,955	1,888,302,794	81,045,450	2,257,017,920
At 1st January 2005	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 (loss)/gain 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 (loss)/income 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
Realisation 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

The notes on pages 24 to 61 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 rental, 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 dollar (HK\$), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26th March 2007.

## 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 all 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 judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

In 2006, the Group adopted the following new/revised standards, interpretations and amendments of HKFRSs, which include all Hong Kong Accounting Standards (“HKASs”) and applicable Interpretations (“Ints”), which are effective for the accounting periods beginning on 1st January 2006 and relevant to the Group’s operation.

HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of these amendments and interpretations did not have significant impact on the Group’s results or net asset value.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The HKICPA has issued certain new standards, interpretations and amendments which are relevant to the Group and are effective from accounting periods beginning from 1st January 2007.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Presentation of Financial Statements – Capital Disclosures
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Reporting and Impairment

The Group has not early adopted the above standards, interpretations and amendments in the consolidated financial statements for the year ended 31st December 2006. The Group is in the process of making an assessment of the impact of these standards, interpretations and amendments. Nevertheless it is not expected to have significant impact on the Group's results of operation and financial position.

### (b) Consolidation

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

Subsidiary companies are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Segment reporting

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.

### (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 Hong Kong dollar, which is the Company's functional and presentation currency.

#### (ii) Transactions and balances

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

#### (iii) Group companies

The results and financial positions 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.

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Property, plant and equipment

#### (i) 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.

#### (ii) 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

#### (iii) Subsequent costs, residual value and useful lives

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

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

### (f) 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.

### (g) 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 were a finance lease.

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Investment properties (Continued)

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 semi-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 under development and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

### (h) Leasehold land

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.

### (i) Impairment of assets

Assets that have an indefinite useful life or are not subject to depreciation/amortisation are tested for impairment annually or 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)

### (j) Investments

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.

#### (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.

Regular 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 investments.

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.

### (k) 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)

(l) 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.

(m) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposit held at call with banks, other short-term highly liquid investment with original maturities within three months and bank overdrafts.

(n) Provisions

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

(o) 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.

(p) 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.



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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Contingent liabilities and contingent assets (Continued)

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.

(q) 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 investments

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

(v) Income on sale of properties

Income on sale of properties is recognised on the transfer of risks and rewards of ownership.

(vi) 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)

### (r) Retirement benefit obligations

The Group's contributions to the defined contribution retirement schemes are available to all employees in Hong Kong and 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 salary scale as stipulated under the requirements of the respective territories and are charged to the income statement as incurred.

### (s) 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 as incurred.

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.

### (t) 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(q)(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.

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

(t) Operating leases (Continued)

(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.

(u) Dividend distribution

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

## **3 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 arising from bank borrowings. The Group's 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.

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#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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 judgment, 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.

Were the capitalisation rates or market rates differ by 10%, the fair value gain would be reduced or increased by HK\$212,875,000 or HK\$260,180,000 (2005: HK\$205,896,000 or HK\$251,651,000) respectively and the deferred tax charge thereon would be reduced or increased by HK\$28,750,000 or HK\$35,138,000 (2005: HK\$28,179,000 or HK\$34,440,000) respectively.

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

The fair values of quoted investments are based on current bid prices. The fair value of investments which are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance 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 judgment. In making this judgment, 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.

## 5 REVENUE AND SEGMENT INFORMATION

(a) Revenue recognised during the year is as follows:

	2006	2005
	HK\$	HK\$
Turnover		
Property rental		
– investment properties	149,575,669	155,250,400
– properties for sale	15,372,662	15,150,064
Property sales	1,800,000	535,000
Property related services	8,921,889	8,955,192
	<u>175,670,220</u>	<u>179,890,656</u>

(b) Operating lease arrangement

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

As at 31st December 2006, the future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	Group		Company	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
Not later than one year	105,288,000	127,106,000	5,017,000	10,678,000
Later than one year but not later than five years	94,319,000	120,247,000	281,000	4,441,000
Later than five years	7,192,000	12,470,000	—	—
	<u>206,799,000</u>	<u>259,823,000</u>	<u>5,298,000</u>	<u>15,119,000</u>

(c) 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 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.

Segment assets consist primarily of property, plant and equipment, properties, leasehold land, debtors and prepayments and operating cash. Unallocated assets include properties for corporate use, available-for-sale financial assets, loan to an investee company, current income tax recoverable and bank balances and cash which are for the corporate use.

Segment liabilities comprise rental and other deposits, creditors and accruals, borrowings for properties development and investment. Unallocated liabilities include current and deferred income tax liabilities and corporate borrowings.

## 5 REVENUE AND SEGMENT INFORMATION (Continued)

An analysis of the Group's revenue and results for the year, assets, liabilities and other segment items by business and geographical segments is as follows:

Primary reporting format - business segments

	2006			
	Property rental	Property sales	Property related services	Total
	HK\$	HK\$	HK\$	HK\$
Revenue				
Total revenue	164,948,331	1,800,000	13,810,056	180,558,387
Inter-segment revenue	—	—	(4,888,167)	(4,888,167)
External revenue	<u>164,948,331</u>	<u>1,800,000</u>	<u>8,921,889</u>	<u>175,670,220</u>
Segment results	<u>74,494,643</u>	<u>106,885</u>	<u>8,104,356</u>	<u>82,705,884</u>
Fair value gains on investment properties	301,132,692	—	—	301,132,692
Unallocated income				40,169,880
Unallocated costs				(63,130,288)
Operating profit				360,878,168
Finance income				1,012,886
Finance costs				(21,361,174)
Profit before income tax				340,529,880
Income tax expense				(23,497,897)
Profit for the year				<u>317,031,983</u>
Segment assets	2,500,347,944	103,693,185	11,931,293	2,615,972,422
Unallocated assets				254,646,867
Total assets				<u>2,870,619,289</u>
Segment liabilities	264,807,902	1,464,378	12,351,512	278,623,792
Unallocated liabilities				334,977,577
Total liabilities				<u>613,601,369</u>
Other segment items are as follows:				
Capital expenditure				
- segment	28,453,756	—	—	28,453,756
- unallocated				11,149,213
Depreciation and amortisation				
- segment	3,215,980	343,115	—	3,559,095
- unallocated				7,799,532

## 5 REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments (Continued)

	2005			
	Property rental	Property sales	Property related services	Total
	HK\$	HK\$	HK\$	HK\$
Revenue				
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>112,204,317</u>	<u>(295,431)</u>	<u>7,214,236</u>	<u>119,123,122</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				337,758,044
Finance income				392,723
Finance costs				(17,419,927)
Profit before income tax				320,730,840
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 REVENUE AND SEGMENT INFORMATION (Continued)

Secondary reporting format - geographical segments

		2006			
		Revenue	Segment results	Total assets	Capital expenditure
		HK\$	HK\$	HK\$	HK\$
Hong Kong		132,660,833	68,663,571	2,323,467,950	33,935,661
North America		43,009,387	14,042,313	547,151,339	5,667,308
		<u>175,670,220</u>	<u>82,705,884</u>	<u>2,870,619,289</u>	<u>39,602,969</u>
		2005			
		Revenue	Segment results	Total assets	Capital expenditure
		HK\$	HK\$	HK\$	HK\$
Hong Kong		129,554,413	93,314,822	2,237,491,246	33,482,403
North America		50,336,243	25,808,300	514,324,268	6,093,578
		<u>179,890,656</u>	<u>119,123,122</u>	<u>2,751,815,514</u>	<u>39,575,981</u>



## 6 PROPERTY, PLANT AND EQUIPMENT

Group

	<b>Buildings</b>	<b>Plant and equipment</b>	<b>Total</b>
	HK\$	HK\$	HK\$
<b>Cost</b>			
At 1st January 2006	72,072,388	66,126,593	138,198,981
Additions	—	13,943,532	13,943,532
Disposals	—	(6,060,245)	(6,060,245)
At 31st December 2006	<u>72,072,388</u>	<u>74,009,880</u>	<u>146,082,268</u>
<b>Accumulated depreciation</b>			
At 1st January 2006	19,800,834	41,574,701	61,375,535
Depreciation charge	1,816,594	5,157,897	6,974,491
Disposals	—	(3,331,434)	(3,331,434)
At 31st December 2006	<u>21,617,428</u>	<u>43,401,164</u>	<u>65,018,592</u>
<b>Net book value</b>			
At 31st December 2006	<u>50,454,960</u>	<u>30,608,716</u>	<u>81,063,676</u>
<b>Cost</b>			
At 1st January 2005	72,072,388	58,856,635	130,929,023
Additions	—	13,558,625	13,558,625
Disposals	—	(6,288,667)	(6,288,667)
At 31st December 2005	<u>72,072,388</u>	<u>66,126,593</u>	<u>138,198,981</u>
<b>Accumulated depreciation</b>			
At 1st January 2005	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	<u>19,800,834</u>	<u>41,574,701</u>	<u>61,375,535</u>
<b>Net book value</b>			
At 31st December 2005	<u>52,271,554</u>	<u>24,551,892</u>	<u>76,823,446</u>

## 6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Plant and equipment	
	2006	2005
	HK\$	HK\$
Cost		
At 1st January	7,075,502	7,380,888
Additions	66,130	169,872
Disposals	(287,204)	(475,258)
At 31st December	<u>6,854,428</u>	<u>7,075,502</u>
Accumulated depreciation		
At 1st January	5,194,515	5,126,404
Depreciation charge	239,964	298,734
Disposals	(214,368)	(230,623)
At 31st December	<u>5,220,111</u>	<u>5,194,515</u>
Net book value		
At 31st December	<u>1,634,317</u>	<u>1,880,987</u>

## 7 PROPERTIES UNDER DEVELOPMENT

	Group	
	2006	2005
	HK\$	HK\$
At 1st January	43,919,751	23,157,696
Additions	19,873,433	20,762,055
At 31st December	<u>63,793,184</u>	<u>43,919,751</u>

Certain Group's properties under development with an aggregate book value of approximately HK\$44,956,000 (2005: HK\$40,947,000) and related leasehold land (note 9) have been pledged to financial institutions to secure credit facilities for the Group totalling HK\$120,000,000 (2005: HK\$120,000,000) of which approximately HK\$79,285,000 (2005: HK\$71,041,000) were utilised as at 31st December 2006.

## 8 INVESTMENT PROPERTIES

	Group		Company	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
At 1st January	2,266,720,000	1,995,545,000	191,000,000	156,000,000
Additions	5,667,308	4,362,657	—	—
Disposals	(1,350,000)	(450,000)	—	—
Disposals of a subsidiary company (note 29(b))	(230,000,000)	—	—	—
Fair value gains	301,132,692	267,262,343	1,000,000	35,000,000
At 31st December	<u>2,342,170,000</u>	<u>2,266,720,000</u>	<u>192,000,000</u>	<u>191,000,000</u>

### Notes:

- (a) Certain Group's investment properties with an aggregate net book value of HK\$1,459,500,000 (2005: HK\$1,502,940,000) have been pledged to financial institutions to secure credit facilities for the Group totalling approximately HK\$284,621,000 (2005: HK\$504,068,000) of which HK\$167,516,000 (2005: HK\$390,961,000) were utilised as at 31st December 2006.
- (b) The interests in investment properties at their net book values are analysed as follows:

	Group		Company	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
In Hong Kong, held on:				
Leases of over 50 years	403,270,000	359,570,000	15,000,000	14,000,000
Leases of between 10 and 50 years	1,412,400,000	1,421,210,000	177,000,000	177,000,000
Outside Hong Kong, held on:				
Freehold	526,500,000	485,940,000	—	—
	<u>2,342,170,000</u>	<u>2,266,720,000</u>	<u>192,000,000</u>	<u>191,000,000</u>

- (c) The investment properties in Hong Kong of the Group and the Company were valued on an open market basis at 31st December 2006 by AA Property Services Limited, an independent professional property valuer.
- (d) The Group's overseas investment properties were valued on an open market basis at 31st December 2006 by Mr. David K Bohegian, Member of The Appraisal Institute, of Martorana Bohegian & Company, an independent professional property valuer.

## 9 LEASEHOLD LAND

	Group	
	2006	2005
	HK\$	HK\$
At 1st January	154,597,699	157,743,309
Additions	118,696	892,644
Amortisation	(4,041,021)	(4,038,254)
At 31st December	<u>150,675,374</u>	<u>154,597,699</u>

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

	Group	
	2006	2005
	HK\$	HK\$
In Hong Kong, held on leases of between 10 and 50 years	<u>150,675,374</u>	<u>154,597,699</u>

Certain leasehold land with carrying amount of approximately HK\$51,028,000 (2005: HK\$52,622,000) and related properties under development have been pledged for banking facilities of the Group (note 7).

## 10 SUBSIDIARY COMPANIES

### (a) Investments in subsidiary companies

	2006	2005
	HK\$	HK\$
Unlisted shares, at cost	126,892,071	128,899,568
Less: provision	(71,325,682)	(71,105,321)
	<u>55,566,389</u>	<u>57,794,247</u>

During the year, the Company disposed of the entire interest of Lee Sang On Investment Company Limited, a wholly owned subsidiary company, to a third party at a total consideration of HK\$270,000,000. Details of assets and liabilities disposed of were set out in note 29(b).

Details of principal subsidiary companies as at 31st December 2006, which, in the directors' opinion, materially affect the results and/or assets of the Group, are set out in note 33.

## 10 SUBSIDIARY COMPANIES (Continued)

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

	2006	2005
	HK\$	HK\$
Amounts due from subsidiary companies	996,050,052	849,281,672
Less: provision	(47,087,729)	(46,545,088)
	<u>948,962,323</u>	<u>802,736,584</u>
Amounts due to subsidiary companies	(29,526,949)	(48,359,184)
	<u>919,435,374</u>	<u>754,377,400</u>

The amounts due from/(to) subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

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

(a) Available-for-sale financial assets

	Group		Company	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
At 1st January	36,208,673	38,740,748	132,797	124,020
Disposals	—	(161,150)	—	—
Net revaluation surplus/(loss) transferred to equity	31,177,779	(2,370,925)	26,617	8,777
At 31st December	<u>67,386,452</u>	<u>36,208,673</u>	<u>159,414</u>	<u>132,797</u>
Available-for-sale financial assets include the following:				
Listed equity securities in Hong Kong, at market value				
	29,386,440	27,208,661	159,414	132,797
Unlisted equity securities (note)	38,000,012	9,000,012	—	—
	<u>67,386,452</u>	<u>36,208,673</u>	<u>159,414</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 and radio monitoring and measuring in the PRC.

(b) Loan to an investee company

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

## 12 PROPERTIES FOR SALE

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

	Group	
	2006	2005
	HK\$	HK\$
In Hong Kong, held on:		
Leases of over 50 years	22,700,331	22,710,956
Leases of between 10 and 50 years	80,990,285	81,322,775
	<u>103,690,616</u>	<u>104,033,731</u>

### Note:

During the year, amortisation for leasehold land classified under properties for sale of HK\$343,115 (2005: HK\$343,115) was charged to the consolidated income statement.

## 13 DEBTORS AND PREPAYMENTS

	Group		Company	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
Trade debtors	578,213	720,917	—	—
Prepayments and deposits	17,811,156	17,009,650	933,561	889,116
	<u>18,389,369</u>	<u>17,730,567</u>	<u>933,561</u>	<u>889,116</u>

The trade debtors represent rental and management fee receivables. Sales are made on open account terms and the Group normally does not grant credit period to trade debtors.

At 31st December 2006, the ageing analysis of the Group's trade debtors was as follows:

	Group	
	2006	2005
	HK\$	HK\$
Current	464,328	584,269
31-60 days	83,859	65,049
61-90 days	8,732	—
Over 90 days	21,294	71,599
	<u>578,213</u>	<u>720,917</u>

The carrying amounts of debtors and prepayments approximate their fair values as at 31st December 2006 and 2005.

### 13 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:

	Group	
	2006	2005
	HK\$	HK\$
US dollars	12,254,109	12,390,908

### 14 BANK BALANCES AND CASH

	Group		Company	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
Bank balances and cash (notes a and b)	29,900,815	38,541,986	3,826,241	3,528,615
Restricted bank deposit (note c)	1,000,000	1,002,938	1,000,000	1,002,938
	30,900,815	39,544,924	4,826,241	4,531,553

#### Notes:

- Included bank balances and cash of HK\$11,604,602 (2005: HK\$10,973,264) are held in trust in respect of buildings managed by the Group on behalf of third parties.
- Included in bank balances and cash are fixed deposits of HK\$13,639,632 (2005: HK\$10,253,567) with maturity periods ranging from 14 days to one month (2005: 14 days to one month) and with effective interest rates from 2.81% to 3.16% (2005: 2.86% to 3.31%) per annum.
- Restricted bank deposit of the Company is pledged to secure an overdraft credit facility provided by a financial institution to the Company. The maturity period of the restricted bank deposit was one month (2005: one month) and the effective interest rate was 3.13% (2005: 2.88%) per annum.
- Included in the bank balances and cash are the following amounts denominated in a currency other than the functional currency of the Group:

	Group	
	2006	2005
	HK\$	HK\$
US dollars	3,870,476	13,914,319

## 15 CREDITORS AND ACCRUALS

	Group		Company	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
Trade creditors	15,317,146	4,543,631	721,404	614,650
Other creditors	32,302,270	23,454,256	10,991,900	2,064,674
Accruals	2,208,060	9,791,115	45,879	445,000
	<u>49,827,476</u>	<u>37,789,002</u>	<u>11,759,183</u>	<u>3,124,324</u>

At 31st December 2006, the ageing analysis of the trade creditors was as follows:

	Group		Company	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
Current	11,273,644	4,299,391	326,825	405,140
31-60 days	3,898,777	212,086	393,244	208,126
61-90 days	124,500	3,960	—	—
Over 90 days	20,225	28,194	1,335	1,384
	<u>15,317,146</u>	<u>4,543,631</u>	<u>721,404</u>	<u>614,650</u>

The carrying amounts of creditors and accruals approximate their fair values as at 31st December 2006 and 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	
	2006	2005
	HK\$	HK\$
US dollars	<u>8,158,725</u>	<u>8,612,869</u>

## 16 SHORT TERM BANK LOANS AND BANK OVERDRAFTS

The short term bank loans and bank overdrafts of the Group are secured by certain investment properties (note 8) and the rental income thereon. All the short term bank loans and bank overdrafts are denominated in Hong Kong dollar.

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

	Group	
	2006	2005
Short term bank loans	4.68% to 4.96%	4.75% to 4.89%
Bank overdrafts	7.75%	7.75%

The carrying amounts of the short term bank loans and bank overdrafts approximate their fair values as at 31st December 2006 and 2005.



## 17 LONG TERM BANK LOANS

	<b>Group</b>	
	2006	2005
	HK\$	HK\$
Bank loans wholly repayable within five years		
- secured	216,357,165	426,610,956
- unsecured	12,803,103	—
	<u>229,160,268</u>	<u>426,610,956</u>
Amounts due within one year included under current liabilities		
- secured	(81,760,108)	(98,017,344)
- unsecured	(12,803,103)	—
	<u>(94,563,211)</u>	<u>(98,017,344)</u>
	<u>134,597,057</u>	<u>328,593,612</u>

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

	<b>Group</b>	
	2006	2005
	HK\$	HK\$
- within one year	94,563,211	98,017,344
- in the second year	2,623,077	34,974,879
- in the third to fifth years inclusive	131,973,980	293,618,733
	<u>229,160,268</u>	<u>426,610,956</u>

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

	<b>Group</b>	
	2006	2005
Hong Kong dollar bank loans	4.63% to 4.98%	4.95% to 5.61%
US dollar bank loan	6.75%	4.58%

The carrying amounts of the long term bank loans approximate their fair values as at 31st December 2006 and 2005.

## 17 LONG TERM BANK LOANS (Continued)

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

	Group	
	2006	2005
	HK\$	HK\$
Hong Kong dollar	92,088,333	287,275,254
US dollar	137,071,935	139,335,702
	<u>229,160,268</u>	<u>426,610,956</u>

The Group's long term bank loans are secured by certain properties under development (note 7) and related leasehold land (note 9), certain investment properties (note 8) and the rental income thereon.

## 18 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	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
At 1st January	264,089,195	225,346,833	26,132,302	19,968,230
Deferred income tax charged to income statement (note 25)	20,803,415	38,742,362	769,401	6,164,072
Disposal of a subsidiary company (note 29(b))	(10,040,300)	—	—	—
At 31st December	<u>274,852,310</u>	<u>264,089,195</u>	<u>26,901,703</u>	<u>26,132,302</u>

As at 31st December 2006, 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\$284,091,000 (2005: HK\$297,642,000) and HK\$99,769,000 (2005: HK\$89,398,000) respectively. HK\$47,040,000 (2005: HK\$50,163,000) out of these tax losses for both Federal and State income taxes will expire in various dates through 2026 (2005: 2025). The Company and its subsidiary companies in Hong Kong had unrecognised tax losses of HK\$29,509,000 (2005: HK\$30,346,000) to carry forward against future taxable income. Such tax losses have no expiry date.

## 18 DEFERRED INCOME TAX (Continued)

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

### Group

Deferred income tax assets	Tax losses		Accelerated accounting depreciation		Total	
	2006	2005	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	9,505,941	8,467,926	220,267	261,618	9,726,208	8,729,544
Credited/(charged) to consolidated income statement	2,707,731	1,038,015	(192,166)	(41,351)	2,515,565	996,664
At 31st December	12,213,672	9,505,941	28,101	220,267	12,241,773	9,726,208
Deferred income tax liabilities	Revaluation of investment properties		Accelerated tax depreciation		Total	
	2006	2005	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	(230,163,346)	(192,898,846)	(43,652,057)	(41,177,531)	(273,815,403)	(234,076,377)
(Charged)/credited to consolidated income statement						
- origination and reversal of temporary differences	(46,305,916)	(37,264,500)	(1,788,380)	(2,474,526)	(48,094,296)	(39,739,026)
- reversal upon disposal of a subsidiary company	24,775,316	—	—	—	24,775,316	—
Disposal of a subsidiary company	—	—	10,040,300	—	10,040,300	—
At 31st December	(251,693,946)	(230,163,346)	(35,400,137)	(43,652,057)	(287,094,083)	(273,815,403)

## 18 DEFERRED INCOME TAX (Continued)

### Company

#### Deferred income tax assets

	Tax losses	
	2006	2005
	HK\$	HK\$
At 1st January	6,091,884	6,149,903
Charged to income statement	(597,516)	(58,019)
At 31st December	<u>5,494,368</u>	<u>6,091,884</u>

#### Deferred income tax liabilities

	Revaluation of investment properties		Accelerated tax depreciation		Total	
	2006	2005	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	(31,885,165)	(25,760,165)	(339,021)	(357,968)	(32,224,186)	(26,118,133)
(Charged)/credited to income statement	(175,000)	(6,125,000)	3,115	18,947	(171,885)	(6,106,053)
At 31st December	<u>(32,060,165)</u>	<u>(31,885,165)</u>	<u>(335,906)</u>	<u>(339,021)</u>	<u>(32,396,071)</u>	<u>(32,224,186)</u>

## 19 SHARE CAPITAL

	2006	2005
	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>

## 20 RESERVES

### Group

	Share premium	Investment revaluation reserve	Exchange reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2006	129,651,602	10,821,761	7,165,483	1,444,135,508	1,591,774,354
Net fair value gain on available-for-sale financial assets	—	31,105,678	—	—	31,105,678
Exchange translation differences	—	—	3,315	—	3,315
Profit attributable to equity holders of the Company	—	—	—	308,569,898	308,569,898
Dividends paid					
2005 final dividend	—	—	—	(23,013,574)	(23,013,574)
2006 interim dividend	—	—	—	(20,136,877)	(20,136,877)
At 31st December 2006	<u>129,651,602</u>	<u>41,927,439</u>	<u>7,168,798</u>	<u>1,709,554,955</u>	<u>1,888,302,794</u>
Representing:					
Reserves	129,651,602	41,927,439	7,168,798	1,677,911,291	1,856,659,130
2006 final dividend proposed (note 27)	—	—	—	31,643,664	31,643,664
	<u>129,651,602</u>	<u>41,927,439</u>	<u>7,168,798</u>	<u>1,709,554,955</u>	<u>1,888,302,794</u>
At 1st January 2005	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
Realisation 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)
At 31st December 2005	<u>129,651,602</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 27)	—	—	—	23,013,574	23,013,574
	<u>129,651,602</u>	<u>10,821,761</u>	<u>7,165,483</u>	<u>1,444,135,508</u>	<u>1,591,774,354</u>

## 20 RESERVES (Continued)

Company

	Share premium	Investment revaluation reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$
At 1st January 2006	129,651,602	120,148	561,110,233	690,881,983
Fair value gain on available-for-sale financial assets	—	26,617	—	26,617
Profit for the year	—	—	197,627,378	197,627,378
Dividends paid				
2005 final dividend	—	—	(23,013,574)	(23,013,574)
2006 interim dividend	—	—	(20,136,877)	(20,136,877)
At 31st December 2006	<u>129,651,602</u>	<u>146,765</u>	<u>715,587,160</u>	<u>845,385,527</u>
Representing:				
Reserves	129,651,602	146,765	683,943,496	813,741,863
2006 final dividend proposed (note 27)	—	—	31,643,664	31,643,664
	<u>129,651,602</u>	<u>146,765</u>	<u>715,587,160</u>	<u>845,385,527</u>
At 1st January 2005	129,651,602	111,371	406,353,307	536,116,280
Fair value gain 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)
At 31st December 2005	<u>129,651,602</u>	<u>120,148</u>	<u>561,110,233</u>	<u>690,881,983</u>
Representing:				
Reserves	129,651,602	120,148	538,096,659	667,868,409
2005 final dividend proposed (note 27)	—	—	23,013,574	23,013,574
	<u>129,651,602</u>	<u>120,148</u>	<u>561,110,233</u>	<u>690,881,983</u>

## 21 COSTS AND EXPENSES BY NATURE

	2006	2005
	HK\$	HK\$
Cost of sales		
Costs of properties sold	1,350,000	487,316
Outgoings in respect of		
– investment properties	59,595,972	35,859,241
– properties for sale	11,738,979	4,244,431
Others	5,398,643	6,651,276
	<u>78,083,594</u>	<u>47,242,264</u>
Administrative and other operating expenses		
Amortisation of leasehold land	4,384,136	4,381,369
Auditors' remuneration	1,758,070	1,908,900
Depreciation	6,974,491	5,481,396
Operating lease rental for office premises to a related company	1,143,360	1,159,361
Staff costs (note 23)	44,531,410	40,313,849
Gain on disposal of plant and equipment, net	(617,096)	(1,474,069)
Others	19,836,659	20,048,063
	<u>78,011,030</u>	<u>71,818,869</u>

## 22 OTHER GAINS, NET

	2006	2005
	HK\$	HK\$
Dividend income from available-for-sale financial assets		
– listed	1,071,570	927,065
– unlisted	—	15,600,000
Gain on disposal of a subsidiary company	39,098,310	—
Gain on disposal of listed available-for-sale financial assets	—	139,113
Impairment of available-for-sale financial assets	—	(7,000,000)
	<u>40,169,880</u>	<u>9,666,178</u>

## 23 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2006	2005
	HK\$	HK\$
Salaries	28,505,176	27,020,244
Housing and other allowances, benefits in kind	10,500,118	8,628,490
Bonuses	4,896,335	4,139,177
Retirement benefit costs	629,781	525,938
	<u>44,531,410</u>	<u>40,313,849</u>

### (a) Directors' emoluments

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

	2006	2005
	HK\$	HK\$
Fees	581,800	533,400
Salaries	10,263,295	8,321,695
Housing and other allowances, benefits in kind	9,327,518	7,464,490
Bonuses	2,141,740	2,141,740
Retirement benefit costs	132,361	60,000
	<u>22,446,714</u>	<u>18,521,325</u>

The remuneration of every director for the year ended 31st December 2006 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\$	HK\$
Mr. William Ma Ching Wai	17,000	3,429,120	8,175,518	1,428,800	12,000	13,062,438
Mr. Patrick Ma Ching Hang	13,200	—	—	—	—	13,200
Mr. Alfred Ma Ching Kuen	13,200	586,236	—	97,706	12,000	709,142
Ms. Amy Ma Ching Sau	13,200	1,356,540	—	226,090	12,000	1,607,830
Ms. Katy Ma Ching Man	23,200	1,167,432	—	194,572	12,000	1,397,204
Ms. Ruth Ma Ching Keung	13,200	2,556,535	—	—	72,361	2,642,096
Ms. Ida Ma Ching Kwai	13,200	—	—	—	—	13,200
Mr. Philip Ma Ching Yeung	13,200	1,167,432	1,152,000	194,572	12,000	2,539,204
Mr. Edward Cheung Wing Yui	115,600	—	—	—	—	115,600
Mr. Kevin Chau Kwok Fun	115,600	—	—	—	—	115,600
Mr. Tan Soo Kiu	115,600	—	—	—	—	115,600
Mr. William Wong Hing Kwok	115,600	—	—	—	—	115,600
	<u>581,800</u>	<u>10,263,295</u>	<u>9,327,518</u>	<u>2,141,740</u>	<u>132,361</u>	<u>22,446,714</u>



## 23 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

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

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

Name of director	Fees	Salaries	Housing and other allowance, benefits in kind	Bonuses	Retirement benefit costs	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Mr. William Ma Ching Wai	15,400	3,387,520	6,312,490	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	1,153,262	1,152,000	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>8,321,695</u>	<u>7,464,490</u>	<u>2,141,740</u>	<u>60,000</u>	<u>18,521,325</u>

The fees paid by the Group to the independent non-executive directors for the year amounted to HK\$462,400 (2005: HK\$424,000).

The above analysis includes four (2005: 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 (2005: four) directors whose emoluments are reflected in the analysis above. The emoluments payable to the remaining one (2005: one) individual during the year are as follows:

	2006	2005
	HK\$	HK\$
Salaries	2,690,616	2,650,471
Housing and other allowances, benefits in kind	704,600	696,000
Bonuses	1,016,872	448,436
Retirement benefit costs	12,000	12,000
	<u>4,424,088</u>	<u>3,806,907</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.

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## 23 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

### (c) Key management remuneration

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

	2006	2005
	HK\$	HK\$
Fees	119,400	109,400
Salaries	13,885,089	11,904,027
Housing and other allowances, benefits in kind	10,032,118	8,160,490
Bonuses	3,158,612	2,590,176
Retirement benefit costs	144,361	72,000
	<u>27,339,580</u>	<u>22,836,093</u>

## 24 FINANCE INCOME AND COSTS

	2006	2005
	HK\$	HK\$
Finance income		
Interest income from banks	(1,012,886)	(392,723)
Finance costs		
Interest expenses on bank loans and overdrafts wholly repayable within five years	23,022,654	18,303,161
Less: amount capitalised in properties under development	(1,661,480)	(883,234)
	<u>21,361,174</u>	<u>17,419,927</u>
Finance costs, net	<u>20,348,288</u>	<u>17,027,204</u>

## 25 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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 (2005: HK\$Nil).

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

	2006	2005
	HK\$	HK\$
Current income tax		
- current year provision	2,941,757	6,562,302
- over provision in prior years	(247,275)	(728,651)
	<u>2,694,482</u>	<u>5,833,651</u>
Deferred income tax (note 18)		
- origination and reversal of temporary differences	45,578,731	38,742,362
- reversal upon disposal of a subsidiary company	(24,775,316)	—
	<u>20,803,415</u>	<u>38,742,362</u>
	<u>23,497,897</u>	<u>44,576,013</u>

The tax on the Group's profit before income tax 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:

	2006	2005
	HK\$	HK\$
Profit before income tax	<u>340,529,880</u>	<u>320,730,840</u>
Calculated at a taxation rate of 17.5% (2005: 17.5%)	59,592,729	56,127,897
Effect of different taxation rates		
in other countries	(443,516)	403,287
Income not subject to tax	(7,615,981)	(3,043,850)
Expenses not deductible for tax purposes	1,736,370	2,914,122
Deferred tax on tax losses and other		
temporary differences not recognised	(4,749,114)	(11,096,792)
Over provision in prior years	(247,275)	(728,651)
Reversal of deferred income tax upon disposal		
of a subsidiary company	(24,775,316)	—
Income tax expense	<u>23,497,897</u>	<u>44,576,013</u>

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## 26 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\$197,627,378 (2005: HK\$192,153,984).

## 27 DIVIDENDS

	<u>2006</u>	<u>2005</u>
	HK\$	HK\$
Interim, paid, of HK7 cents (2005: HK7 cents) per ordinary share	20,136,877	20,136,877
Final, proposed, of HK11 cents (2005: HK8 cents) per ordinary share	<u>31,643,664</u>	<u>23,013,574</u>
	<u>51,780,541</u>	<u>43,150,451</u>

At a meeting held on 26th March 2007, the directors proposed final dividend of HK11 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2007.

## 28 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to the Company's equity holders of HK\$308,569,898 (2005: HK\$266,522,121) and on 287,669,676 (2005: 287,669,676) ordinary shares in issue during the year.

As there are no dilutive potential ordinary shares as at 31st December 2006 and 2005, the diluted earnings per share is equal to the basic earnings per share.

## 29 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2006	2005
	HK\$	HK\$
Profit before income tax	340,529,880	320,730,840
Finance income	(1,012,886)	(392,723)
Finance costs	21,361,174	17,419,927
Depreciation	6,974,491	5,481,396
Amortisation of leasehold land	4,384,136	4,381,369
Fair value gains on investment properties	(301,132,692)	(267,262,343)
(Gain)/loss on disposal of investment properties	(450,000)	130,000
Gain on disposal of available-for-sale financial assets	—	(139,113)
Gain on disposal of plant and equipment	(617,096)	(1,474,069)
Gain on disposal of a subsidiary company	(39,098,310)	—
Dividend income	(1,071,570)	(16,527,065)
Impairment of available-for-sale financial assets	—	7,000,000
	<u>29,867,127</u>	<u>69,348,219</u>
Operating profit before working capital changes	29,867,127	69,348,219
Decrease in properties for sale	—	51,838
Increase in debtors and prepayments	(145,312)	(1,957,656)
Decrease/(increase) in restricted bank deposit	2,938	(12,715)
(Decrease)/increase in rental and other deposits	(1,983,661)	2,997,681
Increase in creditors and accruals	3,695,114	2,857,908
	<u>31,436,206</u>	<u>73,285,275</u>

### (b) Disposal of a subsidiary company

	2006
	HK\$
Net assets realised:	
Investment property	230,000,000
Other assets	171,680
Deferred income tax liabilities	(10,040,300)
	<u>220,131,380</u>
Gain on disposal of a subsidiary company	39,098,310
	<u>259,229,690</u>
Satisfied by:	
Cash	270,000,000
Other incidental expense	(2,000,000)
	<u>268,000,000</u>
Creditors and accruals	(8,770,310)
	<u>259,229,690</u>

### 30 FINANCIAL GUARANTEES

As at 31st December 2006, the Company had provided guarantees to bankers for credit facilities granted to subsidiary companies and utilised of approximately HK\$122,967,000 (2005: HK\$323,431,000).

### 31 COMMITMENTS

#### (a) Capital commitments

As at 31st December 2006, the Group had capital commitments as follows:

	Group	
	2006	2005
	HK\$	HK\$
Contracted but not provided for		
- properties under development	26,468,000	9,663,000
- plant and equipment	1,131,000	1,168,000
	<u>27,599,000</u>	<u>10,831,000</u>
Authorised but not contracted for		
- properties under development	—	40,900,000

#### (b) Other commitments

As at 31st December 2006, the Group had other commitments as follows:

	Group	
	2006	2005
	HK\$	HK\$
Contracted but not provided for (note)	<u>3,939,000</u>	<u>29,166,000</u>

Note:

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

#### (c) Commitments under operating leases

As at 31st December 2006, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group and Company	
	2006	2005
	HK\$	HK\$
Land and buildings		
Not later than one year	743,000	743,000
Later than one year but not later than five years	434,000	1,177,000
	<u>1,177,000</u>	<u>1,920,000</u>

### 32 SUBSEQUENT EVENT

On 20th March 2007, the Company entered into a conditional sale and purchase agreement to dispose of the entire interest in Fung Chau Investment Company Limited, a wholly owned subsidiary company of the Company which owns a property in Kwai Chung, to a third party at a total consideration of HK\$40,800,000. Completion is expected to take place in May 2007. The estimated gain on disposal is approximately HK\$39,000,000.

### 33 PRINCIPAL SUBSIDIARY COMPANIES

At 31st December 2006, 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	
	2006	2005	2006	2005			
Ballington Limited	100	100	—	—	10,000	HK\$1	e
Cambella Limited	100	100	—	—	1,000	HK\$1	a b
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
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
La Bizplace Limited (formerly known as Asianpac Investment Limited)	100	100	—	—	2	HK\$1	h
Lee Sang On Investment Company, Limited	—	100	—	—	915,960	HK\$1	a
MLI Business Management, Inc	—	—	100	100	1,000	US\$1	i
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 = property sub-letting

i = management service

\* Fung Chau Investment Company Limited will be disposed of to a third party as disclosed in note 32 to the financial statements.

# SCHEDULE OF THE GROUP'S SIGNIFICANT PROPERTIES AT 31ST DECEMBER 2006

## 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
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%	2007
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%	2007

## D PROPERTIES FOR RENTAL/RESALE

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	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
<sup>^</sup>	:	Net rentable area
G.F.A.	:	Gross floor area

\* The property will be disposed of to a third party as disclosed in note 32 to the financial statements.



## FIVE-YEAR FINANCIAL SUMMARY

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>RESULTS</b>					
<b>(HK\$ thousand)</b>					
(Loss)/profit attributable to:					
- Equity holders	(81,154)	(73,327)	236,509	266,522	308,570
- Minority interests	1,134	4,852	5,270	9,633	8,462
	<u>(80,020)</u>	<u>(68,475)</u>	<u>241,779</u>	<u>276,155</u>	<u>317,032</u>
(Loss)/earnings per share	<u>HK(28.2) cents</u>	<u>HK(25.5) cents</u>	<u>HK 82.2 cents</u>	<u>HK 92.6 cents</u>	<u>HK107.3 cents</u>
<b>ASSETS AND LIABILITIES</b>					
<b>(HK\$ thousand)</b>					
Total assets	2,396,514	2,237,802	2,439,549	2,751,816	2,870,619
Total liabilities	(876,347)	(816,886)	(738,164)	(797,183)	(613,601)
Total equity	<u>1,520,167</u>	<u>1,420,916</u>	<u>1,701,385</u>	<u>1,954,633</u>	<u>2,257,018</u>