

NOTES TO THE FINANCIAL STATEMENTS

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.

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.

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.

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.

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).

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.

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.

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.

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.

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.

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

| | Buildings | Plant and equipment | Total |
|---------------------------------|-------------------|--------------------------------|--------------------|
| | HK\$ | HK\$ | HK\$ |
| Cost | | | |
| 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> |
| Accumulated depreciation | | | |
| 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> |
| Net book value | | | |
| At 31st December 2006 | <u>50,454,960</u> | <u>30,608,716</u> | <u>81,063,676</u> |
| Cost | | | |
| 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> |
| Accumulated depreciation | | | |
| 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> |
| Net book value | | | |
| 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

| | Group | |
|--|---------------------|---------------------|
| | 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:

| | Group | |
|---|--------------------|--------------------|
| | 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:

| | Group | |
|-----------------------------|----------------|----------------|
| | 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.

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> |

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.