



**TAI SANG LAND
DEVELOPMENT LIMITED**

Annual Report 2007

大生地產發展有限公司

二零零七年度年報

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BOARD OF DIRECTORS AND CORPORATE INFORMATION

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

Mr. William MA Ching Wai, Chairman

Aged 54. 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 49. 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 55. 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 57. 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 58. 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 57. 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 44. 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 58. 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.

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

Aged 47. 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 70. Appointed an Independent Non-executive Director of the Company in 2004. He is currently a retired person. He had been the General Manager of the Company for 11 years from 1991 to 2002 and had held various senior positions with banking institutions in Malaysia and Hong Kong for over 20 years before 1991.

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

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

Senior Management

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

Aged 58. Joined the Company in 1981 and now holds the position of Chief Executive of the Company. Has 40 years of experience in real estate development and management.

BANKERS:

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

SOLICITORS:

Woo, Kwan, Lee & Lo

AUDITORS:

PricewaterhouseCoopers

REGISTERED OFFICE:

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

REGISTRAR AND TRANSFER OFFICE:

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

WEBSITE ADDRESS:

www.taisangland.com.hk
www.irasia.com/listco/hk/taisangland/index.htm

CHAIRMAN'S STATEMENT

PROFIT FOR THE YEAR

I am pleased to report that the Group's consolidated profit for 2007 was HK\$774.8 million, representing an increase of HK\$457.8 million or 144% as compared to HK\$317.0 million for 2006. It included HK\$836.2 million fair value gains on investment properties and a provision of HK\$158.7 million for related deferred income tax on the fair value gains. The corresponding fair value gains on investment properties and provision for deferred income tax for 2006 were HK\$301.1 million and HK\$46.3 million respectively. The significant increase of HK\$535.1 million in fair value gains was mainly attributable to the reclassification of No. 1 Barker Road as an investment property of the Group upon the issuance of the certificate of compliance by the third quarter of 2007. Excluding these items, the underlying profit was approximately HK\$97.3 million, increased by HK\$35.1 million or 56.4%, over the corresponding figure of HK\$62.2 million for 2006. Earnings per share for the year was HK\$2.63 (2006: HK\$1.07).

The turnover of the Group for the year was HK\$176.8 million, representing an increase of HK\$1.1 million or 0.6% as compared with HK\$175.7 million for 2006.

DIVIDEND

Your Directors have resolved to recommend a final dividend of HK 11 cents (2006: HK 11 cents) and a special dividend of HK 10 cents (2006: HK Nil cents) per ordinary share.

BUSINESS REVIEW

In Hong Kong, the rental income increased slightly by 0.6% to HK\$122.7 million. Excluding the impact of the drop in rental contributed from the properties disposed of in 2006 or first half of 2007, there was an average of 10% increase in the rental income from residential and godown properties as compared to last year. The occupancy rate of all properties is expected to maintain at high level and the renewal rental is expected to have a moderate growth in the coming year.

During 2007, the Group disposed of a subsidiary company which held a property at Kwai Chung and recorded a gain of HK\$39.6 million which was comparable to the gain on disposal of a subsidiary company which held a property at Shatin of HK\$39.1 million in 2006. The increase in the Group's profit in 2007 was mainly contributed by the gain on disposal of House M7 of Floral Villas, Tso Wo Hang, Sai Kung of HK\$32.0 million.

In the USA, the rental income from Montgomery Plaza increased by 5.4% to HK\$45.4 million. The office spaces occupancy of Montgomery Plaza increased to 100% at the end of 2007 and the average office rent per square feet increased by 11.5% to US\$36.1. The interest expenses and property maintenance expenses remained steady during 2007. However, the interest expense is expected to drop in the coming year, which in line with the cut in Federal interest rate by the United States government.

The land modification premium of HK\$210 million for the hotel development project at 43 Heung Yip Road was paid during the year. The development project will be progressed along with the availability of the MTR access at Wong Chuk Hang, which is considered essential to the success of the project. The development cost will be financed by internal generated fund and bank borrowings. The sales and purchase agreements of the other two luxury seaview houses M8 and M9 of Floral Villas, Tso Wo Hang, Sai Kung, were also signed during the year. As the disposals were completed in January 2008, the two properties were revalued accordingly at the year end and the fair value gains of HK\$98 million was taken up in this year. As the Group applied the sales proceeds from the disposal of the subsidiary company and the investment properties to reduce the Group's bank borrowings, the interest expenses of the Group is expected to drop further in the coming year.

CASH FLOW

The Group generated cash inflow of approximately HK\$70.8 million from operating activities after paying profits tax of HK\$2.3 million.

Other than the proceeds received on disposal of a subsidiary company of HK\$40.8 million, the Group also received proceeds on disposal of an investment property of HK\$68.0 million and dividends from its investments of HK\$5.8 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\$243.4 million. The Group has a net cash outflow of HK\$128.2 million for these investing activities.

The Group had received a net cash inflow from bank borrowings of HK\$164.0 million and paid dividends of HK\$60.3 million and interest of HK\$20.1 million. There was a net cash inflow of HK\$83.6 million from financing activities. Due to the cash inflow from operating and financing activities for the investing activities, the Group's balance of cash and cash equivalents increased by HK\$26.3 million to HK\$40.7 million.

PROSPECTS

The past year has been a prosperous one. The buoyant China economy has been particularly contributory to the success of Hong Kong in the past and will continue to be so in the coming years.

However inflation will play a major role to affect the economy worldwide and especially China as well as Hong Kong in 2008. Liquidity may be tightened up and funds may flow to the United States due to the financial strain there following the rapidly deteriorating home mortgage loan market.

We believe the nature of real estate will continue to hedge against inflation. Barring unforeseeable interest rates downward trend reversal, the property market shall remain to be good investment.

Our core business in real estate holding and warehouse storage business will have a healthy and steady growth in 2008. It is however important to note that the Group may not have as much property sale contribution in 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, 2nd April 2008

MANAGEMENT DISCUSSION AND ANALYSIS

(a) The Group's liquidity and financial resources

During the year, the Group's total bank borrowings increased by HK\$159.8 million to HK\$419.4 million. The total equity increased by HK\$734.6 million to HK\$2,991.6 million (2006: HK\$2,257.0 million) and long term bank loans outstanding as at 31st December 2007 amounted HK\$219.4 million (2006: HK\$229.2 million). The debt to equity ratio was 14.0% (2006: 11.5%). The banking facilities available are sufficient for the Group's working capital. The Group's financial flexibility remains healthy.

(b) 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:

	2007	2006
	HK\$'000	HK\$'000
- within one year	87,222	94,563
- in the second year	2,835	2,623
- in the third to fifth years inclusive	129,300	131,974
	219,357	229,160

The Group's bank borrowings of HK\$419.4 million (2006: HK\$246.8 million) are secured by certain properties with an aggregate carrying amount of HK\$1,407.9 million (2006 : HK\$1,555.5 million).

(c) 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 2007 amounted to HK\$58.0 million whereas the cost of investment was HK\$24.0 million. Yangtze declared and paid the Group a dividend of HK\$4.8 million during the year. The cumulated dividend received from Yangtze since 2004 was HK\$40.8 million.

After the listing of Gushan Environmental Energy Limited, which manufactures and sells biodiesel and other by-products, by the end of 2007 on the New York Stock Exchange market, Yangtze now holds 4 listed companies, with an aggregate market value of HK\$446 million.

The Group will consider to make further investments in the similar venture funds in the future.

(d) Details of number and remuneration of employees

Including the directors of the Group as at 31st December 2007, the Group employed a total of 149 full-time employees. In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes, mandatory provident fund schemes and long service payments.

REPORT OF THE DIRECTORS

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 2007.

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 34 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 2007 are set out in the consolidated income statement on page 21 of this annual report.

The directors declared an interim dividend of HK9 cents (2006: HK7 cents) per ordinary share, totalling HK\$25,890,271 (2006: HK\$20,136,877), which was paid on 15th October 2007.

The directors recommend the payment of a final dividend of HK11 cents (2006: HK11 cents) per ordinary share, totalling HK\$31,643,664 (2006: HK\$31,643,664) and a special dividend of HK10 cents (2006: HKNil cents) per ordinary share, totalling HK\$28,766,968 (2006: HK\$ Nil).

The total dividends for the year ended 31st December 2007 amounted to HK30 cents (2006: HK18 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\$245,151 (2006: HK\$676,826).

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 pages 64 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.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2007, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$608,245,490 (2006: HK\$559,287,921).

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 65 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. Patrick Ma Ching Hang, Ms. Amy Ma Ching Sau, Mr. Tan Soo Kiu and Mr. William Wong Hing Kwok 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 2007, 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 (notes (a) and (b))	Joint interests (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%
Edward Cheung Wing Yui	—	—	—	—	—
Kevin Chau Kwok Fun	—	—	—	—	—
Tan Soo Kiu	—	—	—	—	—
William Wong Hing Kwok	—	—	—	—	—
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%), Mr. William Ma Ching Wai and Mr. Patrick Ma Ching Hang jointly and beneficially held 1 share (or 0.02%) and Mr. Alfred Ma Ching Kuen 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 2007, 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 Connecting 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	12.5%
– five largest suppliers	43.9%

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.

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 2007 was HK\$1,143,360 (2006: HK\$1,143,360).

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 independent 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 independent 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

At 31st December 2007, 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 in 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 2007, 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, 2nd April 2008

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest in general.

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting year ended 31st December 2007.

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") in Appendix 10 of the Listing Rules.

On specific enquires made, all directors have confirmed that, for the year ended 31st December 2007, they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

BOARD OF DIRECTORS

(a) Composition of the Board

The Board currently comprises of 7 executive directors, 1 non-executive director and 3 independent non-executive directors. Non-executive directors represents one-third of the total Board members. Biographical details of the directors and their relationships, where applicable, are set out on pages 1 to 2 of this annual report.

(b) Board meetings

The Board holds at least four regular meetings a year and will meet more frequently as and when required. It involves the active participation, either in person or through other electronic means of communication, of a majority of directors. The Board discusses and formulates overall strategies for the Group, monitors financial performance and discusses the annual and interim results, as well as other significant matters. All directors are aware of their collective and individual responsibility to all the shareholders.

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

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

BOARD OF DIRECTORS (Continued)

(c) Division of Responsibilities and Board operations

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 and business decisions are made and financial performance are evaluated.

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.

(d) Non-executive directors

All non-executive directors have entered into letters of appointment with the Company for a specific term of three years. All Directors are subject to retirement from office by rotation and re-election at the annual general meeting once every three years in accordance with the Company's articles of association.

(e) Confirmation of independence

The independence of the independent non-executive directors were assessed in accordance with the applicable Listing Rules. Each of the independent non-executive directors has provided an annual written confirmation of their independence that they meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors are independent.

(f) Nomination of directors

The Board is responsible for reviewing its composition, identifying and selecting suitable Board members, considering appointment or re-appointment of the directors and succession planning for the directors. The Board shall exercise its power under Articles 94 and 95 of the Articles of Association of the Company to appoint directors (when necessary) either to fill up casual vacancy or as an addition member to the Board which appointments shall be subject to the confirmation by shareholders of the Company at the next general meeting.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

(a) Emolument policy

The Company's emolument policy is to ensure that the remuneration offered to employees including executive directors and senior management is based on the skills, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive directors and senior management are determined by reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each director and executive. The emolument policy for non-executive directors is to ensure that the non-executive directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in the Board Committees.

Details of the directors' emoluments for the year ended 31st December 2007 are set out in note 23(a) to the financial statements.

(b) Remuneration Committee

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 structure, retirement benefit scheme and other compensation related issues. The committee shall consult with the Chairman of the Board on its proposals and recommendations, and has access to professional advice if deemed necessary.

During the year, the Remuneration Committee has held 2 meetings. Attendance records of individual member are as follows:

	Attendance	Percentage
Committee member		
– Ms. Katy Ma Ching Man (Chairman)	2/2	100%
– Mr. Tan Soo Kiu	2/2	100%
– Mr. William Wong Hing Kwok	2/2	100%

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 major duties of the Audit Committee are summarised below:

- (i) to make recommendations on the appointment, reappointment and removal of external auditors and considering the terms of such appointments;
- (ii) to develop and implement policies on the engagement of external auditors for non-audit services;
- (iii) to monitor 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
- (iv) to review and ensure that management has fulfilled its duty to maintain an effective internal control system.

The Audit Committee comprises of four non-executive directors, the majority of whom are independent non-executive directors. The 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 records of individual member are as follows:

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

The work performed by the Audit Committee during the financial year ended 31st December 2007 are summarised below:

- (i) proposed the appointment of PricewaterhouseCoopers ("PwC") as Independent Auditor of the Company;
- (ii) reviewed and discussed with the Independent Auditor in respect of the Group's consolidated financial statements for the year ended 31st December 2006;
- (iii) reviewed and discussed with the Independent Auditor in respect of the Group's interim report for the six months period ended 30th June 2007;
- (iv) reviewed and assessed the adequacy and effectiveness of the Group's internal control and risk management systems.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board is responsible for the preparation of the financial statements which should give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows for such reporting period. The financial statements are prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. 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.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for the designing, implementing and maintaining 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 of 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 material 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.

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 conferences 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.

AUDITORS' REMUNERATION

The fees in respect of audit and audit-related services provided to the Company and its subsidiary companies by PwC and other auditors were HK\$1,626,000 and HK\$368,098 respectively for the year. Fees for non-audit services, which mainly consist of taxation services, provided by PwC and other auditors were HK\$225,100 and HK\$145,517 respectively.

On behalf of the Board

William Ma Ching Wai
Chairman

Hong Kong, 2nd April 2008

INDEPENDENT AUDITOR'S REPORT

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") and its subsidiary companies (collectively the "Group") set out on pages 18 to 63, which comprise the consolidated and company balance sheets as at 31st December 2007, 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 2007 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, 2nd April 2008

CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER 2007

	Note	2007	2006
		HK\$	HK\$
Non-current assets			
Property, plant and equipment	6	91,722,727	81,063,676
Properties under development	7	—	63,793,184
Investment properties	8	3,366,974,800	2,342,170,000
Leasehold land	9	92,589,909	150,675,374
Available-for-sale financial assets	11	99,376,310	79,386,440
		<u>3,650,663,746</u>	<u>2,717,088,674</u>
Current assets			
Investment properties for sale	8	130,000,000	—
Properties for sale	12	102,132,538	103,690,616
Debtors and prepayments	13	21,175,437	18,389,369
Current income tax recoverable		152,211	549,815
Cash and cash equivalents	14	40,707,162	19,296,213
		<u>294,167,348</u>	<u>141,926,013</u>
Current liabilities			
Rental and other deposits		44,806,149	27,282,804
Creditors and accruals	15	43,284,728	38,222,874
Current income tax liabilities		12,699,160	2,034,479
Short term bank loans	16	200,000,000	25,565,000
Bank overdrafts	16	—	4,879,032
Current portion of long term bank loans	17	87,222,044	94,563,211
		<u>388,012,081</u>	<u>192,547,400</u>
Net current liabilities		<u>(93,844,733)</u>	<u>(50,621,387)</u>
Total assets less current liabilities		<u>3,556,819,013</u>	<u>2,666,467,287</u>
Non-current liabilities			
Long term bank loans	17	(132,134,780)	(134,597,057)
Deferred income tax liabilities	18	(433,097,745)	(274,852,310)
		<u>(565,232,525)</u>	<u>(409,449,367)</u>
Net assets		<u>2,991,586,488</u>	<u>2,257,017,920</u>

	<u>Note</u>	<u>2007</u>	<u>2006</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	2,546,623,780	1,856,659,130
Proposed dividends	20	60,410,632	31,643,664
		<u>2,894,704,088</u>	<u>2,175,972,470</u>
Minority interests		96,882,400	81,045,450
		<u>2,991,586,488</u>	<u>2,257,017,920</u>

On behalf of the Board

William Ma Ching Wai
Director

Alfred Ma Ching Kuen
Director

The notes on pages 24 to 63 are an integral part of these consolidated financial statements.

BALANCE SHEET

AT 31ST DECEMBER 2007

	Note	2007	2006
		HK\$	HK\$
Non-current assets			
Property, plant and equipment	6	1,255,122	1,634,317
Investment properties	8	217,000,000	192,000,000
Subsidiary companies	10	557,863,736	555,003,710
Available-for-sale financial assets	11	205,110	159,414
		<u>776,323,968</u>	<u>748,797,441</u>
Current assets			
Debtors and prepayments	13	1,210,404	933,561
Amounts due from subsidiary companies	10	482,673,882	449,525,002
Cash and cash equivalents	14	21,802,034	4,826,241
		<u>505,686,320</u>	<u>455,284,804</u>
Current liabilities			
Rental and other deposits		3,186,215	2,839,207
Creditors and accruals	15	14,626,008	11,759,183
Amounts due to subsidiary companies	10	30,237,894	29,526,949
		<u>48,050,117</u>	<u>44,125,339</u>
Net current assets		<u>457,636,203</u>	<u>411,159,465</u>
Total assets less current liabilities		1,233,960,171	1,159,956,906
Non-current liabilities			
Deferred income tax liabilities	18	(31,384,853)	(26,901,703)
Net assets		<u>1,202,575,318</u>	<u>1,133,055,203</u>
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	19	287,669,676	287,669,676
Reserves	20	854,495,010	813,741,863
Proposed dividends	20	60,410,632	31,643,664
Total equity		<u>1,202,575,318</u>	<u>1,133,055,203</u>

On behalf of the Board

William Ma Ching Wai
Director

Alfred Ma Ching Kuen
Director

The notes on pages 24 to 63 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2007

	Note	2007 HK\$	2006 HK\$
Revenues	5	176,808,161	175,670,220
Cost of sales	21	(44,452,376)	(78,083,594)
Gross profit		132,355,785	97,586,626
Fair value gains on investment properties	8	836,173,925	301,132,692
Other gains	22	77,358,438	40,786,976
Administrative expenses	21	(64,266,402)	(63,747,384)
Other operating expenses	21	(18,461,777)	(14,880,742)
Operating profit		963,159,969	360,878,168
Finance income	24	690,358	1,012,886
Finance costs	24	(17,436,852)	(21,361,174)
Finance costs, net		(16,746,494)	(20,348,288)
Profit before income tax		946,413,475	340,529,880
Income tax expense	25	(171,586,689)	(23,497,897)
Profit for the year		774,826,786	317,031,983
Attributable to:			
Equity holders of the Company	20, 26	757,316,344	308,569,898
Minority interests		17,510,442	8,462,085
		774,826,786	317,031,983
Dividends	27	86,300,903	51,780,541
Dividends per share	27		
Interim – paid		HK 9 cents	HK 7 cents
Final – proposed		HK 11 cents	HK 11 cents
Special – proposed		HK 10 cents	—
Total		HK 30 cents	HK 18 cents
Earnings per share (basic and diluted)	28	HK\$2.63	HK\$1.07

The notes on pages 24 to 63 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2007

	Note	2007	2006
		HK\$	HK\$
Operating activities			
Net cash generated from operations	29(a)	73,100,563	31,433,268
Hong Kong profits tax paid		(2,630,787)	(5,206,722)
Hong Kong profits tax refunded		365,078	71,434
Overseas taxation paid		(13,260)	(24,960)
Net cash from operating activities		70,821,594	26,273,020
Investing activities			
Additions of property, plant and equipment		(5,190,523)	(8,956,462)
Additions of properties under development		(23,332,971)	(20,320,269)
Additions of investment properties		(214,897,733)	(5,667,308)
Additions of leasehold land		(3,836)	(118,696)
Interest received		690,358	1,012,886
Proceeds on disposal of plant and equipment		—	599,900
Proceed on disposal of an investment property		68,000,000	1,800,000
Proceed on disposal of a subsidiary company, net of incidental expense	29(b)	40,800,000	268,000,000
Dividends received		5,770,904	1,071,570
Net cash (used in)/from investing activities		(128,163,801)	237,421,621
Financing activities			
Interest paid		(20,133,261)	(24,234,697)
Loans borrowed		296,047,965	121,447,612
Repayments of loans		(132,034,428)	(324,846,790)
Dividends paid to shareholders		(57,533,935)	(43,150,451)
Dividends paid to minority interests		(2,705,600)	(2,677,360)
Net cash from/(used in) financing activities		83,640,741	(273,461,686)
Increase/(decrease) in cash and cash equivalents		26,298,534	(9,767,045)
Exchange translation differences		(8,553)	3,315
Cash and cash equivalents at 1st January		14,417,181	24,180,911
Cash and cash equivalents at 31st December		40,707,162	14,417,181
Analysis of the balances of cash and cash equivalents			
Bank balances and cash and restricted bank deposits		40,707,162	19,296,213
Bank overdrafts		—	(4,879,032)
		40,707,162	14,417,181

The notes on pages 24 to 63 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2007

	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 2007	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
Net fair value gain on available-for-sale financial assets	—	—	18,957,762	—	—	18,957,762	1,032,108	19,989,870
Exchange translation differences	—	—	—	(8,553)	—	(8,553)	—	(8,553)
Net income recognised directly in equity	—	—	18,957,762	(8,553)	—	18,949,209	1,032,108	19,981,317
Profit for the year	—	—	—	—	757,316,344	757,316,344	17,510,442	774,826,786
Total recognised income for 2007	—	—	18,957,762	(8,553)	757,316,344	776,265,553	18,542,550	794,808,103
Dividends paid	—	—	—	—	(57,533,935)	(57,533,935)	(2,705,600)	(60,239,535)
At 31st December 2007	287,669,676	129,651,602	60,885,201	7,160,245	2,409,337,364	2,607,034,412	96,882,400	2,991,586,488
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

The notes on pages 24 to 63 are an integral part of these consolidated financial statements.

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 2nd April 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its 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 2007, the Group adopted the following new standard, amendment and interpretations 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 2007 and relevant to its operation:

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 adoption of above standard, amendment and interpretations did not have significant impact on the Group’s results or net assets except for additional disclosures in the consolidated financial statements.

The HKICPA has issued certain new and revised standards which are relevant to the Group and are effective from accounting periods beginning from 1st January 2008:

HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements

The Group has not early adopted the above new and revised standards in the consolidated financial statements for the year ended 31st December 2007. The Group had made an assessment of the impact of these new and revised standards. It is not expected to have significant financial impact on the Group’s results of operation and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and 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 accounting 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.

Balances with subsidiary companies are split into its financial assets/liabilities and equity components at initial recognition. The financial asset/liability component is initially stated at fair value and subsequently carried at amortised cost. The equity component is recognised at cost.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 and residual value 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.

(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.

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

(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.

On completion, the properties, and related leasehold land, are reclassified to investment properties, property, plant and equipment or properties for sale at the then carrying amount. Any difference between its carrying amount at the date of reclassification and the fair value of the investment property is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 is 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.

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.

The investment properties are classified under non-current assets except for those properties which are expected to be disposed of within one year and are classified under current assets.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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. Other assets 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).

(j) Financial assets

The Group classifies its financial assets 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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.

(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 original 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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 when services are rendered.

(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.

Employee entitlements to long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for long service payments as a result of services rendered by employees up to the balance sheet date. The provision for long service payments is included as liabilities in the financial statements.

(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 issue of a 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) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurred because a specified debtor failed to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

Financial guarantee liabilities are derecognised from the balance sheet when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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.

(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 and special incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease periods.

(v) Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) 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.

(ii) Credit risk

The Group regularly performs risk control assessment on the credit quality of their financial assets. The Group normally does not grant credit periods to its customers and rental deposits are normally required from tenants. Furthermore, the Group only places cash deposits to licensed banks with no history of defaults. The Group also regularly performs credit review on available-for-sale financial assets, including loan to an investee company.

The Group considers there is no significant concentrations of credit risk with any counterparty and the credit risk exposure is not significant to the Group.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) 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.

At 31st December 2007, the Group had net current liabilities of HK\$93,844,733, and unutilised banking facilities of approximately HK\$157,791,000.

Based on the Group's history of obtaining finance, its available banking facilities, its operating performance, cash flows forecast and financial obligation in next twelve months, the directors consider that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due and to carry on its business for the foreseeable future. Accordingly, the directors prepare the consolidated financial statements on a going concern basis.

The table below analyses the Group's and the Company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

2007

	Within one year	Group In the second year	In the third to fifth years	Company Within one year
	HK\$	HK\$	HK\$	HK\$
Rental and other deposits	44,806,149	—	—	3,186,215
Creditors and accruals	43,284,728	—	—	14,626,008
Amounts due to subsidiary companies	—	—	—	30,237,894
Short term bank loans	208,180,000	—	—	—
Long term bank loans	99,943,668	11,778,241	129,666,391	—
	<u>396,214,545</u>	<u>11,778,241</u>	<u>129,666,391</u>	<u>48,050,117</u>

2006

	Within one year	Group In the second year	In the third to fifth years	Company Within one year
	HK\$	HK\$	HK\$	HK\$
Rental and other deposits	27,282,804	—	—	2,839,207
Creditors and accruals	38,222,874	—	—	11,759,183
Amounts due to subsidiary companies	—	—	—	29,526,949
Bank overdrafts	4,879,032	—	—	—
Short term bank loans	27,235,700	—	—	—
Long term bank loans	108,130,427	11,745,441	141,468,351	—
	<u>205,750,837</u>	<u>11,745,441</u>	<u>141,468,351</u>	<u>44,125,339</u>

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) 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 management's objectives to limit the impact of interest rate changes on earnings and cash flow and to lower overall borrowings. The Group will attempt to refinance the fixed rate borrowings at a lower rate if and when available.

At 31st December 2007, if interest rates on HK dollar denominated borrowings had been 10 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been HK\$235,000 (2006: HK\$115,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt to equity ratio. The debt to equity ratio is 14.0% (2006: 11.5%).

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.

Should the capitalisation rates or market rates differ by 10%, the fair value gain would be reduced or increased by HK\$317,907,000 or HK\$388,553,000 (2006: HK\$212,875,000 or HK\$260,180,000) respectively and the deferred income tax charge thereon would be reduced or increased by HK\$66,747,000 or HK\$81,579,000 (2006: HK\$28,750,000 or HK\$35,138,000) 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 (including discounted cash flow model or price/earnings multiple model). 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 sheet date.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

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

The carrying amount of available-for-sale financial assets would be an estimated HK\$7,000,000 lower or HK\$8,000,000 higher (2006: HK\$6,000,000 lower or HK\$6,000,000 higher) were the discounted rate used in the discounted cash flow analysis to differ by 10% from management's estimates.

(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.

Should the useful lives of the property, plant and equipment different by 10% from management's estimates, the depreciation expense would be reduced or increased by HK\$592,000 or HK\$721,000 (2006: HK\$577,000 or HK\$639,000) respectively in the current year.

Should the residual values of the property, plant and equipment different by 10% from management's estimates, the depreciation expense would be reduced or increased by HK\$73,000 or HK\$78,000 (2006: HK\$62,000 or HK\$89,000) respectively in the current year.

(e) Income tax

The Group is subject to income taxes in Hong Kong and the US. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) Estimate of long service payments

The obligations of long service payments of employees in Hong Kong are estimated by management annually. The related retirement benefit costs are assessed using the projected unit credit method: the cost of providing retirement benefits is charged to the income statement so as to spread the regular cost over the service lives of relevant employees in accordance with advice of the actuaries who carry out a full valuation of the obligations every three years. Retirement liabilities are measured as the present value of the future cash flows. Actuarial gains and losses are recognised over the average remaining lives of the relevant employees.

5 REVENUES AND SEGMENT INFORMATION

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

	2007	2006
	HK\$	HK\$
Revenues		
Property rental		
– investment properties	147,874,388	149,575,669
– properties for sale	20,191,445	15,372,662
Property sales	—	1,800,000
Property related services	8,742,328	8,921,889
	<u>176,808,161</u>	<u>175,670,220</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 2007, the future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Not later than one year	133,327,000	105,288,000	7,074,000	5,017,000
Later than one year but not later than five years	112,272,000	94,319,000	649,000	281,000
Later than five years	7,301,000	7,192,000	—	—
	<u>252,900,000</u>	<u>206,799,000</u>	<u>7,723,000</u>	<u>5,298,000</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 are 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.

Unallocated income represented dividend income, gains on disposal of a subsidiary company, an investment property and plant and equipment. Unallocated costs represented corporate administrative expenses.

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, 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, and borrowings for properties development and investment. Unallocated liabilities include current and deferred income tax liabilities and corporate borrowings.

5 REVENUES AND SEGMENT INFORMATION (Continued)

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

Primary reporting format - business segments

	2007			
	Property rental	Property sales	Property related services	Total
	HK\$	HK\$	HK\$	HK\$
Revenues				
Total revenues	168,065,833	—	13,656,483	181,722,316
Inter-segment revenues	—	—	(4,914,155)	(4,914,155)
External revenues	168,065,833	—	8,742,328	176,808,161
Segment results	106,964,554	(426,545)	7,355,999	113,894,008
Fair value gains on investment properties	836,173,925	—	—	836,173,925
Unallocated income				77,358,438
Unallocated costs				(64,266,402)
Operating profit				963,159,969
Finance income				690,358
Finance costs				(17,436,852)
Profit before income tax				946,413,475
Income tax expense				(171,586,689)
Profit for the year				774,826,786
Segment assets	3,542,315,658	102,596,616	1,478,067	3,646,390,341
Unallocated assets				298,440,753
Total assets				3,944,831,094
Segment liabilities	489,439,036	610,963	1,877,446	491,927,445
Unallocated liabilities				461,317,161
Total liabilities				953,244,606
Other segment items are as follows:				
Capital expenditure				
– segment	252,976,957	298,940	—	253,275,897
– unallocated				2,060,888
Depreciation and amortisation				
– segment	1,884,131	426,545	—	2,310,676
– unallocated				9,176,738

5 REVENUES AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments (Continued)

	2006			
	Property rental	Property sales	Property related services	Total
	HK\$	HK\$	HK\$	HK\$
Revenues				
Total revenues	164,948,331	1,800,000	13,810,056	180,558,387
Inter-segment revenues	—	—	(4,888,167)	(4,888,167)
External revenues	164,948,331	1,800,000	8,921,889	175,670,220
Segment results	74,494,643	106,885	8,104,356	82,705,884
Fair value gains on investment properties	301,132,692	—	—	301,132,692
Unallocated income				40,786,976
Unallocated costs				(63,747,384)
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				317,031,983
Segment assets	2,500,347,944	103,693,185	326,691	2,604,367,820
Unallocated assets				254,646,867
Total assets				2,859,014,687
Segment liabilities	264,807,902	1,464,378	746,910	267,019,190
Unallocated liabilities				334,977,577
Total liabilities				601,996,767
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 REVENUES AND SEGMENT INFORMATION (Continued)

Secondary reporting format - geographical segments

		2007			
		Revenues	Segment results	Total assets	Capital expenditure
		HK\$	HK\$	HK\$	HK\$
Hong Kong		131,455,864	98,053,044	3,358,633,032	252,943,215
North America		45,352,297	15,840,964	586,198,062	2,393,570
		<u>176,808,161</u>	<u>113,894,008</u>	<u>3,944,831,094</u>	<u>255,336,785</u>
		2006			
		Revenues	Segment results	Total assets	Capital expenditure
		HK\$	HK\$	HK\$	HK\$
Hong Kong		132,660,833	68,663,571	2,311,863,348	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>2,859,014,687</u>	<u>39,602,969</u>

6 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Plant and equipment	Total
	HK\$	HK\$	HK\$
Cost			
At 1st January 2007	72,072,388	74,009,880	146,082,268
Additions	—	3,607,371	3,607,371
Disposals	—	(2,032,339)	(2,032,339)
Transfer from investment properties	15,795,000	—	15,795,000
	<u>87,867,388</u>	<u>75,584,912</u>	<u>163,452,300</u>
Accumulated depreciation			
At 1st January 2007	21,617,428	43,401,164	65,018,592
Depreciation charge	2,489,344	5,473,040	7,962,384
Disposals	—	(1,251,403)	(1,251,403)
	<u>24,106,772</u>	<u>47,622,801</u>	<u>71,729,573</u>
Net book value			
At 31st December 2007	<u>63,760,616</u>	<u>27,962,111</u>	<u>91,722,727</u>
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)
	<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)
	<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>

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Plant and equipment	
	2007	2006
	HK\$	HK\$
Cost		
At 1st January	6,854,428	7,075,502
Additions	186,202	66,130
Disposals	(131,120)	(287,204)
At 31st December	<u>6,909,510</u>	<u>6,854,428</u>
Accumulated depreciation		
At 1st January	5,220,111	5,194,515
Depreciation charge	491,073	239,964
Disposals	(56,796)	(214,368)
At 31st December	<u>5,654,388</u>	<u>5,220,111</u>
Net book value		
At 31st December	<u>1,255,122</u>	<u>1,634,317</u>

Certain of the Group's property with net book value of approximately HK\$15,122,000 (2006: HK\$Nil), together with the related investment property of net book value of HK\$550,804,800 (2006: HK\$526,500,000), have been pledged to a financial institution to secure a credit facility of the Group of approximately HK\$134,782,000 (2006: HK\$137,072,000) which was fully utilised as at 31st December 2007 (note 8).

7 PROPERTIES UNDER DEVELOPMENT

	Group	
	2007	2006
	HK\$	HK\$
At 1st January	63,793,184	43,919,751
Additions	36,827,845	19,873,433
Transfer to investment properties	(100,621,029)	—
At 31st December	<u>—</u>	<u>63,793,184</u>

Included in additions of HK\$2,646,636 (2006: HK\$1,661,480) are interest expenses capitalised for development projects.

At 31st December 2006, certain Group's properties under development with an aggregate net book value of HK\$44,956,000 and related leasehold land (note 9) were pledged to financial institutions to secure credit facilities for the Group totalling HK\$120,000,000 of which approximately HK\$79,285,000 were then utilised.

8 INVESTMENT PROPERTIES

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
At 1st January	2,342,170,000	2,266,720,000	192,000,000	191,000,000
Additions	214,897,733	5,667,308	—	—
Disposals	(36,000,000)	(1,350,000)	—	—
Disposals of a subsidiary company (note 29(b))	—	(230,000,000)	—	—
Transfer from properties under development	100,621,029	—	—	—
Transfer from leasehold land	54,907,113	—	—	—
Transfer to property, plant and equipment	(15,795,000)	—	—	—
Fair value gains	836,173,925	301,132,692	25,000,000	1,000,000
At 31st December	<u>3,496,974,800</u>	<u>2,342,170,000</u>	<u>217,000,000</u>	<u>192,000,000</u>
Classified as:				
Non-current assets	3,366,974,800	2,342,170,000	217,000,000	192,000,000
Current assets (note a)	130,000,000	—	—	—
	<u>3,496,974,800</u>	<u>2,342,170,000</u>	<u>217,000,000</u>	<u>192,000,000</u>

Notes:

- (a) The Group will dispose of certain of its investment properties in the next twelve months and these properties were classified as current assets as at 31st December 2007. For details, please refer to note 32.
- (b) Certain of the Group's investment properties with an aggregate net book value of approximately HK\$1,392,805,000 (2006: HK\$1,459,500,000) have been pledged to financial institutions to secure credit facilities for the Group totalling approximately HK\$577,148,000 (2006: HK\$284,621,000) of which HK\$419,357,000 (2006: HK\$167,516,000) were utilised as at 31st December 2007.
- (c) The interests in investment properties at their net book values are analysed as follows:

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
In Hong Kong, held on:				
Leases of over 50 years	756,570,000	403,270,000	17,000,000	15,000,000
Leases of between 10 and 50 years	2,189,600,000	1,412,400,000	200,000,000	177,000,000
Outside Hong Kong, held on:				
Freehold	550,804,800	526,500,000	—	—
	<u>3,496,974,800</u>	<u>2,342,170,000</u>	<u>217,000,000</u>	<u>192,000,000</u>

- (d) The investment properties in Hong Kong of the Group and the Company were valued on an open market basis at 31st December 2007 by AA Property Services Limited, an independent professional property valuer.
- (e) The Group's overseas investment properties were valued on an open market basis at 31st December 2007 by Mr. David K Bohegian, Member of The Appraisal Institute, of Martorana Bohegian & Company, an independent professional property valuer.

9 LEASEHOLD LAND

	Group	
	2007	2006
	HK\$	HK\$
At 1st January	150,675,374	154,597,699
Additions	3,836	118,696
Amortisation	(3,182,188)	(4,041,021)
Transfer to investment properties	(54,907,113)	—
At 31st December	<u>92,589,909</u>	<u>150,675,374</u>

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

	Group	
	2007	2006
	HK\$	HK\$
In Hong Kong, held on leases of between 10 and 50 years	<u>92,589,909</u>	<u>150,675,374</u>

At 31st December 2006, certain leasehold land with carrying amount of approximately HK\$51,028,000 and related properties under development (note 7) were pledged for banking facilities of the Group (note 17).

10 SUBSIDIARY COMPANIES

(a) Investments in subsidiary companies

	Company	
	2007	2006
	HK\$	HK\$
Unlisted shares, at cost	124,360,571	126,892,071
Less: provision	(69,824,909)	(71,325,682)
	<u>54,535,662</u>	<u>55,566,389</u>
Advances to subsidiary companies	539,021,129	535,130,376
Less: provision	(35,693,055)	(35,693,055)
	<u>503,328,074</u>	<u>499,437,321</u>
	<u>557,863,736</u>	<u>555,003,710</u>

During the year, the Company disposed of the entire interest of Fung Chau Investments Company Limited, a wholly owned subsidiary company, to a third party at a total consideration of HK\$40,800,000. Details of assets and liabilities disposed of were set out in note 29(b).

Details of principal subsidiary companies as at 31st December 2007, which, in the directors' opinion, materially affect the results and/or assets of the Group, are set out in note 34.

10 SUBSIDIARY COMPANIES (Continued)

(a) Investments in subsidiary companies (Continued)

Advances to subsidiary companies are unsecured, interest free and not repayable in next twelve months.

The directors considered the advances to subsidiary companies are equity in nature and accordingly stated at cost at balance sheet date.

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

	Company	
	2007	2006
	HK\$	HK\$
Amounts due from subsidiary companies	494,019,329	460,919,676
Less: provision	(11,345,447)	(11,394,674)
	<u>482,673,882</u>	<u>449,525,002</u>
Amounts due to subsidiary companies	(30,237,894)	(29,526,949)
	<u><u>452,435,988</u></u>	<u><u>419,998,053</u></u>

The amounts due from/(to) subsidiary companies are unsecured, interest free and repayable on demand.

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
At 1st January	79,386,440	48,208,661	159,414	132,797
Net revaluation gain credited to equity	19,989,870	31,177,779	45,696	26,617
	<u>99,376,310</u>	<u>79,386,440</u>	<u>205,110</u>	<u>159,414</u>
At 31st December	<u><u>99,376,310</u></u>	<u><u>79,386,440</u></u>	<u><u>205,110</u></u>	<u><u>159,414</u></u>
Available-for-sale financial assets include the following:				
Listed equity securities in				
Hong Kong	41,376,310	29,386,440	205,110	159,414
Unlisted equity securities (note a)	46,000,012	38,000,012	—	—
Loan to an investee company (note b)	11,999,988	11,999,988	—	—
	<u>99,376,310</u>	<u>79,386,440</u>	<u>205,110</u>	<u>159,414</u>

Notes:

- (a) 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, entertainment programmes for distribution, and radio monitoring and measuring in China.
- (b) 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	
	2007	2006
	HK\$	HK\$
In Hong Kong, held on:		
Leases of over 50 years	22,689,706	22,700,331
Leases of between 10 and 50 years	79,442,832	80,990,285
	<u>102,132,538</u>	<u>103,690,616</u>

Note:

During the year, amortisation for leasehold land classified under properties for sale of HK\$342,842 (2006: HK\$343,115) was charged to the consolidated income statement.

13 DEBTORS AND PREPAYMENTS

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Trade debtors	480,363	578,213	—	—
Prepayments and deposits	20,695,074	17,811,156	1,210,404	933,561
	<u>21,175,437</u>	<u>18,389,369</u>	<u>1,210,404</u>	<u>933,561</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 2007, no impairment provision was made on the trade debtors (2006: HK\$Nil).

At 31st December 2007, the ageing analysis and due date analysis of the Group's trade debtors were as follows:

	Group	
	2007	2006
	HK\$	HK\$
Current	321,415	464,328
31-60 days	135,808	83,859
61-90 days	23,000	8,732
Over 90 days	140	21,294
	<u>480,363</u>	<u>578,213</u>

The carrying amounts of debtors and prepayments approximate their fair values as at 31st December 2007 and 2006.

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 Company:

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
US dollars	11,315,988	12,254,109	—	—

14 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Bank balances and cash (note a)	39,707,162	18,296,213	20,802,034	3,826,241
Restricted bank deposit (note b)	1,000,000	1,000,000	1,000,000	1,000,000
	40,707,162	19,296,213	21,802,034	4,826,241

Notes:

- (a) Included in bank balances and cash are fixed deposits of HK\$28,565,721 (2006: HK\$8,081,566) with maturity periods ranging from 3 to 17 days (2006: one month) and with effective interest rates from 2.68% to 3.00% (2006: 3.13%) per annum.
- (b) 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 (2006: one month) and the effective interest rate was 2.28% (2006: 3.13%) per annum.
- (c) Included in the bank balances and cash are the following amounts denominated in a currency other than the functional currency of the Company:

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
US dollars	4,756,416	3,870,476	—	—

15 CREDITORS AND ACCRUALS

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Trade creditors	3,400,264	15,317,146	805,277	721,404
Other creditors	21,089,020	20,697,668	11,235,480	10,991,900
Accruals	18,795,444	2,208,060	2,585,251	45,879
	<u>43,284,728</u>	<u>38,222,874</u>	<u>14,626,008</u>	<u>11,759,183</u>

At 31st December 2007, the ageing analysis of the trade creditors was as follows:

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Current	2,279,656	11,273,644	494,836	326,825
31-60 days	226,795	3,898,777	223,288	393,244
61-90 days	85,813	124,500	85,813	—
Over 90 days	808,000	20,225	1,340	1,335
	<u>3,400,264</u>	<u>15,317,146</u>	<u>805,277</u>	<u>721,404</u>

The carrying amounts of creditors and accruals approximate their fair values as at 31st December 2007 and 2006.

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

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
US dollars	<u>6,324,869</u>	<u>8,158,725</u>	<u>—</u>	<u>—</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	
	2007	2006
Short term bank loans	4.09% to 4.26%	4.68% to 4.96%
Bank overdrafts	—	7.75%

The exposure to the Group's short term bank loans to interest rate changes and the contractual repricing dates are as follows:

	Group	
	2007	2006
	HK\$	HK\$
1 month or less	—	26,000,000
1 to 3 months	200,000,000	—
	<u>200,000,000</u>	<u>26,000,000</u>

The carrying amounts of the short term bank loans and bank overdrafts approximate their fair values as at 31st December 2007 and 2006.

17 LONG TERM BANK LOANS

	Group	
	2007	2006
	HK\$	HK\$
Bank loans wholly repayable within five years		
– secured	219,356,824	216,357,165
– unsecured	—	12,803,103
	<u>219,356,824</u>	<u>229,160,268</u>
Amounts due within one year included under current liabilities		
– secured	(87,222,044)	(81,760,108)
– unsecured	—	(12,803,103)
	<u>(87,222,044)</u>	<u>(94,563,211)</u>
	<u>132,134,780</u>	<u>134,597,057</u>

17 LONG TERM BANK LOANS (Continued)

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

	Group	
	2007	2006
	HK\$	HK\$
- within one year	87,222,044	94,563,211
- in the second year	2,834,435	2,623,077
- in the third to fifth years inclusive	129,300,345	131,973,980
	<u>219,356,824</u>	<u>229,160,268</u>

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

	Group	
	2007	2006
Hong Kong dollar bank loans	4.25%	4.63% to 4.98%
US dollar bank loan	6.75%	6.75%

The exposure to the Group's long term bank loans to interest rate changes and the contractual repricing dates are as follows:

	Group	
	2007	2006
	HK\$	HK\$
1 month or less	84,574,895	2,045,731
1 to 3 months	—	90,042,602
2 to 3 years	135,147,975	137,621,000
	<u>219,722,870</u>	<u>229,709,333</u>

The carrying amounts and fair values of the long term bank loans are as follows:

	Carrying amount		Fair value	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Long term bank loans	<u>219,356,824</u>	<u>229,160,268</u>	<u>219,722,870</u>	<u>229,709,333</u>

The fair values of current portion of long term bank loans equal their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.79% (2006: 5.91%) per annum.

17 LONG TERM BANK LOANS (Continued)

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

	Group	
	2007	2006
	HK\$	HK\$
Hong Kong dollar	84,574,895	92,088,333
US dollar	134,781,929	137,071,935
	<u>219,356,824</u>	<u>229,160,268</u>

The Group's long term bank loans are secured by a property (note 6), 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.

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
Deferred income tax liabilities				
– to be settled after more than 12 months	415,644,523	274,125,125	31,384,853	26,901,703
– to be settled within 12 months	17,453,222	727,185	—	—
	<u>433,097,745</u>	<u>274,852,310</u>	<u>31,384,853</u>	<u>26,901,703</u>

The movements on the net deferred income tax liabilities of the Group and the Company are as follows:

	Group		Company	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
At 1st January	274,852,310	264,089,195	26,901,703	26,132,302
Deferred income tax charged to income statement (note 25)	158,245,435	20,803,415	4,483,150	769,401
Disposal of a subsidiary company (note 29(b))	—	(10,040,300)	—	—
At 31st December	<u>433,097,745</u>	<u>274,852,310</u>	<u>31,384,853</u>	<u>26,901,703</u>

At 31st December 2007, the Company and its subsidiary companies in Hong Kong had unrecognised tax losses of HK\$14,900,000 (2006: HK\$29,509,000) 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	
	2007	2006	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	165,105,320	163,664,175	28,101	220,267	165,133,421	163,884,442
(Charged)/credited to consolidated income statement	(1,119,538)	1,441,145	(4,910)	(192,166)	(1,124,448)	1,248,979
At 31st December	163,985,782	165,105,320	23,191	28,101	164,008,973	165,133,421
Deferred income tax liabilities	Revaluation of investment properties		Accelerated tax depreciation		Total	
	2007	2006	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	(239,729,559)	(218,198,959)	(200,256,172)	(209,774,678)	(439,985,731)	(427,973,637)
(Charged)/credited to consolidated income statement						
– reversal upon disposal of a subsidiary company	—	24,775,316	—	—	—	24,775,316
– origination and reversal of other temporary differences	(158,728,497)	(46,305,916)	1,607,510	(521,794)	(157,120,987)	(46,827,710)
Disposal of a subsidiary company	—	—	—	10,040,300	—	10,040,300
At 31st December	(398,458,056)	(239,729,559)	(198,648,662)	(200,256,172)	(597,106,718)	(439,985,731)

Company

Deferred income tax liabilities	Accelerated tax depreciation		Revaluation of investment properties		Tax losses		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	(335,906)	(339,021)	(32,060,165)	(31,885,165)	5,494,368	6,091,884	(26,901,703)	(26,132,302)
Credited/(charged) to income statement	64,318	3,115	(4,375,000)	(175,000)	(172,468)	(597,516)	(4,483,150)	(769,401)
At 31st December	(271,588)	(335,906)	(36,435,165)	(32,060,165)	5,321,900	5,494,368	(31,384,853)	(26,901,703)

19 SHARE CAPITAL

	2007	2006
	HK\$	HK\$
Authorised:		
400,000,000 ordinary shares of HK\$1 each	400,000,000	400,000,000
Issued and fully paid:		
287,669,676 ordinary shares of HK\$1 each	287,669,676	287,669,676

20 RESERVES

Group

	Share premium	Investment revaluation reserve	Exchange reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2007	129,651,602	41,927,439	7,168,798	1,709,554,955	1,888,302,794
Net fair value gain on available-for-sale financial assets	—	18,957,762	—	—	18,957,762
Exchange translation differences	—	—	(8,553)	—	(8,553)
Profit attributable to equity holders of the Company	—	—	—	757,316,344	757,316,344
Dividends paid					
2006 final dividend	—	—	—	(31,643,664)	(31,643,664)
2007 interim dividend	—	—	—	(25,890,271)	(25,890,271)
At 31st December 2007	129,651,602	60,885,201	7,160,245	2,409,337,364	2,607,034,412
Representing:					
Reserves	129,651,602	60,885,201	7,160,245	2,348,926,732	2,546,623,780
2007 final dividend proposed (note 27)	—	—	—	31,643,664	31,643,664
2007 special dividend proposed (note 27)	—	—	—	28,766,968	28,766,968
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	129,651,602	41,927,439	7,168,798	1,709,554,955	1,888,302,794
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
At 31st December 2006	129,651,602	41,927,439	7,168,798	1,709,554,955	1,888,302,794

20 RESERVES (Continued)

Company

	Share premium	Investment revaluation reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$
At 1st January 2007	129,651,602	146,765	715,587,160	845,385,527
Fair value gain on available-for-sale financial assets	—	45,696	—	45,696
Profit for the year	—	—	127,008,354	127,008,354
Dividends paid				
2006 final dividend	—	—	(31,643,664)	(31,643,664)
2007 interim dividend	—	—	(25,890,271)	(25,890,271)
	<u>129,651,602</u>	<u>192,461</u>	<u>785,061,579</u>	<u>914,905,642</u>
At 31st December 2007	<u>129,651,602</u>	<u>192,461</u>	<u>785,061,579</u>	<u>914,905,642</u>
Representing:				
Reserves	129,651,602	192,461	724,650,947	854,495,010
2007 final dividend proposed (note 27)	—	—	31,643,664	31,643,664
2007 special dividend proposed (note 27)	—	—	28,766,968	28,766,968
	<u>129,651,602</u>	<u>192,461</u>	<u>785,061,579</u>	<u>914,905,642</u>
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)
	<u>129,651,602</u>	<u>146,765</u>	<u>715,587,160</u>	<u>845,385,527</u>
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>

21 COST AND EXPENSES BY NATURE

	2007	2006
	HK\$	HK\$
Cost of sales		
Costs of properties sold	—	1,350,000
Outgoings in respect of		
– investment properties	31,230,445	59,595,972
– properties for sale	6,693,706	11,738,979
Others	6,528,225	5,398,643
	<u>44,452,376</u>	<u>78,083,594</u>
Administrative and other operating expenses		
Amortisation of leasehold land	3,525,030	4,384,136
Auditors' remuneration	1,974,098	1,758,070
Depreciation	7,962,384	6,974,491
Loss on disposal of plant and equipment, net	418,936	—
Operating lease rental for office premises to a related company	1,143,360	1,143,360
Staff costs (note 23)	49,236,047	44,531,410
Others	18,468,324	19,836,659
	<u>82,728,179</u>	<u>78,628,126</u>

22 OTHER GAINS

	2007	2006
	HK\$	HK\$
Dividend income from available-for-sale financial assets		
– listed	970,904	1,071,570
– unlisted	4,800,000	—
Gain on disposal of a subsidiary company	39,587,534	39,098,310
Gain on disposal of an investment property	32,000,000	—
Gain on disposal of plant and equipment, net	—	617,096
	<u>77,358,438</u>	<u>40,786,976</u>

23 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2007	2006
	HK\$	HK\$
Salaries	29,833,749	28,505,176
Housing and other allowances, benefits in kind	11,928,234	10,500,118
Bonuses	4,578,509	4,896,335
Retirement benefit costs	2,895,555	629,781
	<u>49,236,047</u>	<u>44,531,410</u>

(a) Directors' emoluments

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

	2007	2006
	HK\$	HK\$
Fees	596,000	581,800
Salaries	10,735,484	10,263,295
Housing and other allowances, benefits in kind	10,599,486	9,327,518
Bonuses	2,316,290	2,141,740
Retirement benefit costs	135,652	132,361
	<u>24,382,912</u>	<u>22,446,714</u>

The remuneration of every director for the year ended 31st December 2007 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	18,000	3,576,120	9,140,286	1,545,250	12,000	14,291,656
Mr. Patrick Ma Ching Hang	14,000	—	—	—	—	14,000
Mr. Alfred Ma Ching Kuen	14,000	611,400	—	105,680	12,000	743,080
Ms. Amy Ma Ching Sau	14,000	1,414,740	—	244,520	12,000	1,685,260
Ms. Katy Ma Ching Man	24,000	1,217,430	—	210,420	12,000	1,463,850
Ms. Ruth Ma Ching Keung	14,000	2,698,364	—	—	75,652	2,788,016
Ms. Ida Ma Ching Kwai (note)	—	—	—	—	—	—
Mr. Philip Ma Ching Yeung	14,000	1,217,430	1,459,200	210,420	12,000	2,913,050
Mr. Edward Cheung Wing Yui	121,000	—	—	—	—	121,000
Mr. Kevin Chau Kwok Fun	121,000	—	—	—	—	121,000
Mr. Tan Soo Kiu	121,000	—	—	—	—	121,000
Mr. William Wong Hing Kwok	121,000	—	—	—	—	121,000
	<u>596,000</u>	<u>10,735,484</u>	<u>10,599,486</u>	<u>2,316,290</u>	<u>135,652</u>	<u>24,382,912</u>

Note: Ms. Ida Ma Ching Kwai resigned as director on 19th March 2007.

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

(a) Directors' emoluments (Continued)

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>

The fees paid by the Group to the non-executive directors for the year amounted to HK\$484,000 (2006: HK\$462,400).

The above analysis includes four (2006: 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 (2006: four) directors whose emoluments are reflected in the analysis above. The emoluments payable to the remaining one (2006: one) individual during the year are as follows:

	2007	2006
	HK\$	HK\$
Salaries	2,875,560	2,690,616
Housing and other allowances, benefits in kind	727,548	704,600
Bonuses	520,000	1,016,872
Retirement benefit costs	12,000	12,000
	<u>4,135,108</u>	<u>4,424,088</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:

	2007	2006
	HK\$	HK\$
Fees	112,000	119,400
Salaries	14,573,989	13,885,089
Housing and other allowances, benefits in kind	11,327,034	10,032,118
Bonuses	2,836,290	3,158,612
Retirement benefit costs	147,652	144,361
	<u>28,996,965</u>	<u>27,339,580</u>

24 FINANCE INCOME AND COSTS

	2007	2006
	HK\$	HK\$
Finance income		
Interest income from banks	(690,358)	(1,012,886)
Finance costs		
Interest expenses on bank loans and overdrafts wholly repayable within five years	20,083,488	23,022,654
Less: amount capitalised in properties under development	(2,646,636)	(1,661,480)
	<u>17,436,852</u>	<u>21,361,174</u>
Finance costs, net	<u>16,746,494</u>	<u>20,348,288</u>

25 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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 (2006: HK\$Nil).

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

	2007	2006
	HK\$	HK\$
Current income tax		
- current year provision	14,711,575	2,941,757
- over provision in prior years	(1,370,321)	(247,275)
	<u>13,341,254</u>	<u>2,694,482</u>
Deferred income tax (note 18)		
- origination and reversal of temporary differences	158,245,435	45,578,731
- reversal upon disposal of a subsidiary company	—	(24,775,316)
	<u>158,245,435</u>	<u>20,803,415</u>
	<u>171,586,689</u>	<u>23,497,897</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:

	2007	2006
	HK\$	HK\$
Profit before income tax	<u>946,413,475</u>	<u>340,529,880</u>
Calculated at a taxation rate of 17.5% (2006: 17.5%)	165,622,358	59,592,729
Income not subject to tax	(11,808,299)	(7,615,981)
Expenses not deductible for tax purposes	2,547,921	1,736,370
Deferred tax on tax losses and other temporary differences not recognised	(349,009)	(4,749,114)
Recognition of previously unrecognised tax losses and other temporary differences	8,620,265	—
Effect of different taxation rates in other countries	8,323,774	(443,516)
Over provision in prior years	(1,370,321)	(247,275)
Reversal of deferred income tax upon disposal of a subsidiary company	—	(24,775,316)
Income tax expense	<u>171,586,689</u>	<u>23,497,897</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\$127,008,354 (2006: HK\$197,627,378).

27 DIVIDENDS

	2007	2006
	HK\$	HK\$
Interim, paid, of HK9 cents (2006: HK7 cents) per ordinary share	25,890,271	20,136,877
Final, proposed, of HK11 cents (2006: HK11 cents) per ordinary share	31,643,664	31,643,664
Special, proposed of HK10 cents (2006: HKNil cents) per ordinary share	28,766,968	—
	<u>86,300,903</u>	<u>51,780,541</u>

At a meeting held on 2nd April 2008, the directors proposed a final dividend of HK11 cents and a special dividend of HK10 cents per ordinary share respectively. These proposed dividends are not reflected as dividends payable in the consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2008 upon the approval by the shareholders.

28 EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to the Company's equity holders of HK\$757,316,344 (2006: HK\$308,569,898) and on 287,669,676 (2006: 287,669,676) ordinary shares in issue during the year.

As there are no dilutive potential ordinary shares as at 31st December 2007 and 2006, 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 operations

	2007	2006
	HK\$	HK\$
Profit before income tax	946,413,475	340,529,880
Finance income	(690,358)	(1,012,886)
Finance costs	17,436,852	21,361,174
Depreciation	7,962,384	6,974,491
Amortisation of leasehold land	3,525,030	4,384,136
Fair value gains on investment properties	(836,173,925)	(301,132,692)
Gain on disposal of an investment property	(32,000,000)	(450,000)
Loss/(gain) on disposal of plant and equipment	418,936	(617,096)
Gain on disposal of a subsidiary company	(39,587,534)	(39,098,310)
Dividend income	(5,770,904)	(1,071,570)
	<u>61,533,956</u>	<u>29,867,127</u>
Operating profit before working capital changes	61,533,956	29,867,127
Increase in debtors and prepayments	(2,168,049)	(145,312)
Increase/(decrease) in rental and other deposits	17,523,345	(1,983,661)
(Decrease)/increase in creditors and accruals	(3,788,689)	3,695,114
	<u>73,100,563</u>	<u>31,433,268</u>

29 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of a subsidiary company

	2007	2006
	HK\$	HK\$
Net assets realised:		
Investment property	—	230,000,000
Properties for sale	1,215,236	—
Other (liabilities)/assets	(2,770)	171,680
Deferred income tax liabilities	—	(10,040,300)
	<u>1,212,466</u>	<u>220,131,380</u>
Gain on disposal of a subsidiary company	39,587,534	39,098,310
	<u>40,800,000</u>	<u>259,229,690</u>
Satisfied by:		
Cash	40,800,000	270,000,000
Other incidental expense	—	(2,000,000)
	<u>40,800,000</u>	<u>268,000,000</u>
Creditors and accruals	—	(8,770,310)
	<u>40,800,000</u>	<u>259,229,690</u>

30 FINANCIAL GUARANTEES

At 31st December 2007, the Company had provided guarantees to bankers for credit facilities granted to subsidiary companies of HK\$284,575,000 (2006: HK\$122,967,000).

31 COMMITMENTS

(a) Capital commitments

At 31st December 2007, the Group had capital commitments as follows:

	Group	
	2007	2006
	HK\$	HK\$
Contracted but not provided for		
- properties under development	1,870,000	26,468,000
- investment properties	4,864,000	—
- plant and equipment	2,825,000	1,131,000
	<u>9,559,000</u>	<u>27,599,000</u>

(b) Other commitments

At 31st December 2007, the Group had other commitments as follows:

	Group	
	2007	2006
	HK\$	HK\$
Contracted but not provided for (note)	<u>11,604,000</u>	<u>3,939,000</u>

Note:

The other commitments in 2007 mainly represented the contracted feasibility study for future development for Tai Sang Container and Godown Centre located in Tsing Yi whereas those in 2006 mainly represented strengthening work for the same property.

(c) Commitments under operating leases

At 31st December 2007, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group and Company	
	2007	2006
	HK\$	HK\$
Land and buildings		
Not later than one year	434,000	743,000
Later than one year but not later than five years	—	434,000
	<u>434,000</u>	<u>1,177,000</u>

32 SUBSEQUENT EVENT

Chi Ho Investment Company Limited, a wholly owned subsidiary company of the Company, had entered into sales and purchase agreements to dispose of two investment properties in October and November 2007 respectively for considerations totalling HK\$141,400,000. These transactions were completed in January 2008 and the total estimated pre-tax gains on disposals to be recognised in 2008 based on the fair values of the investment properties as at 31st December 2007 were approximately HK\$7,900,000.

33 COMPARATIVE FIGURES

The cash and cash equivalents of approximately HK\$11,605,000 as at 31st December 2006 which were held in trust in respect of buildings managed by the Group were set-off against creditors and accruals of the same amount to conform with current year's presentation.

34 PRINCIPAL SUBSIDIARY COMPANIES

At 31st December 2007, 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 the Company		By subsidiary company		Number	Par value per share	
	2007	2006	2007	2006			
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	a
Fung Chau Investment Company Limited	—	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	100	100	—	—	2	HK\$1	h
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

SCHEDULE OF THE GROUP'S SIGNIFICANT PROPERTIES AT 31ST DECEMBER 2007

A PROPERTIES FOR INVESTMENT

Description	Lot Number	Type #	Appro. G.F.A. (M ²)	Group's interest	Lease term
Hong Kong					
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
Floral Villas (portion), Tso Wo Hang, Sai Kung*	D.D. 252 Lot 314	R	721	100.0%	Medium term
No.1, Barker Road	R.B.L. 810	R	1,352	100.0%	Medium term
Overseas					
Montgomery Plaza, 456 Montgomery Street San Francisco, United States of America	—	C	15,638 [^]	100.0%	Freehold

B PROPERTIES FOR OWN OPERATIONS

Description	Lot Number	Type #	Appro. G.F.A. (M ²)	Group's interest	Lease term
Hong Kong					
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 ²)	Group's interest	Expected completion
Hong Kong					
No.20 & No.22 (portion) Severn Road, The Peak	R.B.L. 1137	R	623	100.0%	Planning

D PROPERTIES FOR RENTAL/SALE

Description	Lot Number	Type #	Appro. G.F.A.	Group's interest	Expected completion
Hong Kong					
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
Kam Wah Building (portion), 21 Shek Yam Road, Kwai Chung	K.C.T.L. 171	C	1,724	100.0%	Existing

Type

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

* The properties will be disposed of to third parties as disclosed in note 32 to the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
RESULTS					
(HK\$ thousand)					
(Loss)/profit attributable to:					
- Equity holders	(73,327)	236,509	266,522	308,570	757,316
- Minority interests	4,852	5,270	9,633	8,462	17,511
	<u>(68,475)</u>	<u>241,779</u>	<u>276,155</u>	<u>317,032</u>	<u>774,827</u>
(Loss)/earnings per share	<u>HK\$(0.26)</u>	<u>HK\$0.82</u>	<u>HK\$0.93</u>	<u>HK\$1.07</u>	<u>HK\$2.63</u>
ASSETS AND LIABILITIES					
(HK\$ thousand)					
Total assets	2,237,802	2,439,549	2,751,816	2,870,619	3,944,831
Total liabilities	(816,886)	(738,164)	(797,183)	(613,601)	(953,245)
Total equity	<u>1,420,916</u>	<u>1,701,385</u>	<u>1,954,633</u>	<u>2,257,018</u>	<u>2,991,586</u>