



**TAI SANG LAND
DEVELOPMENT LIMITED**

Annual Report 2008

大生地產發展有限公司

二零零八年度年報

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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 55. 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 50. 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 56. 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 58. 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 59. 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 58. 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 45. 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 59. 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 three other listed companies and an independent non-executive director of four other 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 48. Appointed an Independent Non-executive Director of the Company in 1996. He is currently the Vice Chairman and executive director 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 71. 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 60. 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 59. Joined the Company in 1981 and now holds the position of Chief Executive of the Company. Has 41 years of experience in real estate development and management.

BANKERS:

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
HSBC Realty Credit Corporation (USA)
Tai Sang Bank Limited

SOLICITORS:

Woo, Kwan, Lee & Lo

AUDITORS:

PricewaterhouseCoopers

REGISTERED OFFICE:

11th Floor, Tai Sang Bank Building,
130-132 Des Voeux Road Central, 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.tsld.com
www.irasia.com/listco/hk/taisangland/index.htm

CHAIRMAN'S STATEMENT

RESULT

The turnover of the Group for the year was HK\$190.9 million, representing an increase of HK\$14.1 million or 8% as compared with HK\$176.8 million for 2007.

The underlying profit for 2008 was approximately HK\$28.8 million, decreased by HK\$68.5 million as compared to the corresponding figure of HK\$97.3 million for 2007. The drop in the underlying profit was mainly attributable to the significant drop in the gains on disposal of properties in 2008. The disposal gains were HK\$8.9 million for 2008, which were HK\$71.6 million for 2007.

The Group recorded a consolidated loss of HK\$416.2 million for 2008, compared to a consolidated profit of HK\$774.8 million for 2007. The reported loss for the year included the fair value losses on investment properties of HK\$577.4 million and the related deferred income tax written back of HK\$132.4 million. Loss per share for the year was HK\$1.43 (2007: earnings per share of HK\$2.63).

DIVIDEND

The directors have resolved to recommend a final dividend of HK5 cents (2007: a final dividend of HK11 cents and a special dividend of HK10 cents) per ordinary share.

BUSINESS REVIEW

In Hong Kong, the gross rental income rose by 11.4% or HK\$14.0 million to HK\$136.7 million as compared to last year. There was a significant rise of 16.3% or HK\$8.9 million in gross rental income attributable to godown and warehouse sector, reflecting continuing strong demand for the warehouse space. Occupancy of the Hong Kong rental portfolio maintained at high level for 2008. The renewal rental rate is expected to taper off in the coming year as the demand is weakening.

In the USA, the gross rental income from Montgomery Plaza remained stable at HK\$45.0 million as compared to last year. The office spaces occupancy rate of Montgomery Plaza dropped to 91% at the end of 2008 and the average annual office rent maintained at US\$36.5 per square feet. The loan facilities in the USA were renewed during the year at floating interest rate and the interest expenses for 2008 dropped by HK\$2 million or 20%. The overall vacancy may increase but as the asking rent rate may drop on the current U.S. economic conditions, the rental income from Montgomery Plaza may drop in the coming year.

The global downturn in stock and property market caused the fair value losses in revaluation of the Group's available-for-sale financial assets. There were impairment losses of the Group's available-for-sale financial assets of HK\$7.5 million for the listed or unlisted security investments even though the Group is intended to hold the portfolio for long term.

By the end of 2008, certain subsidiary companies of the Company received offers from the Urban Renewal Authority (the "URA") to purchase properties comprising shop premises, domestic units, the roof and the exteriors of the side walls of Yue Wah Mansion, Nos. 407-431 Kwun Tong Road, Nos. 34-62 Yue Man Square, Kowloon (the "Properties"). The aggregate consideration for the acquisition of the Properties by the URA under the offers amounted to approximately HK\$122.9 million. The subsidiary companies have been in negotiation with the URA and hopefully the matter will be resolved by the second half of 2009.

FINANCIAL RESOURCES

During the year, the Group's total bank borrowings decreased by HK\$49.8 million to HK\$369.6 million. The total equity decreased by HK\$557.8 million to HK\$2,433.8 million (2007: HK\$2,991.6 million) and long term bank loans outstanding as at 31st December 2008 amounted to HK\$138.6 million (2007: HK\$219.4 million). The debt to equity ratio was 15.2% (2007: 14.0%).

There were sufficient committed banking facilities available for the Group's current funding needs and future business requirements. The Group's financial position remains healthy. Exposure to foreign exchange risk is kept to a minimum as the bank borrowings are in either Hong Kong or US dollars.

PROSPECTS

The effect of the financial tsunami was worldwide and Hong Kong is of no exception. Luckily, Mainland China provides Hong Kong with a cushion against the global downturn. The China market is believed to remain steady. Given that the Central Government launches a series of stimulative public policies, the economy of Mainland China is expected to grow steadily in this year.

It is hopeful that the proactive policy implemented by the various governments will ease the money and credit markets leading to stabilisation, and business operating environment will recover eventually and global economy will then stabilise.

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

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

William Ma Ching Wai
Chairman

Hong Kong, 6th April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

(a) 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:

	2008	2007
	HK\$'000	HK\$'000
- within one year	1,859	87,222
- in the second year	1,859	2,835
- in the third to fifth years inclusive	134,837	129,300
	<u>138,555</u>	<u>219,357</u>

The Group's bank borrowings of HK\$371.0 million (2007: HK\$419.4 million) are secured by certain properties with an aggregate carrying amount of HK\$1,575.2 million (2007: HK\$1,407.9 million) and the rental income thereon.

(b) 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 2008 dropped to HK\$17 million as compared to the fair value of HK\$58 million as at 31st December 2007. The drop in valuation of Yangtze partly reflected a drop in valuation of its portfolio of listed investment in CIG Yangtze Ports PLC and Walcom Group, and also reflecting the distribution of the dividend during the year in the sum of approximately HK\$10.6 million.

The accumulated dividend received from Yangtze up to 31st December 2008 was HK\$51.4 million together with the fair value of Yangtze of HK\$17 million yielding a return of 3 times over the cost of investment.

During the year 2008, the Group made an additional investment in a new venture fund, The Yangtze China Investment Limited ("YCIL"), of HK\$23.4 million, acquiring 11.8% of the cornerstone shares of YCIL. The fair value of YCIL dropped by 8.5% amid the global downturn in the stock market.

(c) Details of number and remuneration of employees

Including the Directors of the Group as at 31st December 2008, the Group employed a total of 148 full-time employees. In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes and mandatory provident fund schemes.

REPORT OF THE DIRECTORS

The directors of Tai Sang Land Development Limited (the "Company") submit their report together with the audited consolidated financial statements of the Company and its subsidiary companies (collectively the "Group") for the year ended 31st December 2008.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Company are investment holding and property investment. The activities of the principal subsidiary companies are shown in note 33 to the consolidated 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 consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2008 are set out in the consolidated income statement on page 22 of this annual report.

The directors have declared an interim dividend of HK8 cents (2007: HK9 cents) per ordinary share, totalling HK\$23,013,574 (2007: HK\$25,890,271), which was paid on 14th October 2008.

The directors recommend the payment of a final dividend of HK5 cents (2007: a final dividend of HK11 cents and a special dividend of HK10 cents) per ordinary share respectively, totalling HK\$14,383,484 (2007: HK\$60,410,632).

The total dividends for the year ended 31st December 2008 amounted to HK13 cents (2007: HK30 cents) per ordinary share.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the consolidated financial statements.

DONATIONS

During the year, the Group made charitable and other donations of HK\$933,608 (2007: HK\$245,151).

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 consolidated financial statements respectively.

PRINCIPAL PROPERTIES

Details of the Group's significant properties are set out on page 70 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 17 and 18 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2008, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$578,378,711 (2007: HK\$608,245,490).

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 71 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	

Independent non-executive directors:

Kevin Chau Kwok Fun
Tan Soo Kiu
William Wong Hing Kwok

Non-executive director:

Edward Cheung Wing Yui

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

DIRECTORS' SERVICE CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Details of directors' and senior management's emoluments are set out in note 24 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

At 31st December 2008, 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))		
Directors:				
William Ma Ching Wai	4,608,354	160,134,973	164,743,327	57.2682%
Patrick Ma Ching Hang	46,256	8,732,013	8,778,269	3.0515%
Alfred Ma Ching Kuen	9,987	—	9,987	0.0035%
Amy Ma Ching Sau	23,357	—	23,357	0.0081%
Katy Ma Ching Man	100,554	—	100,554	0.0350%
Ruth Ma Ching Keung	57,117	—	57,117	0.0199%
Philip Ma Ching Yeung	127,741	—	127,741	0.0444%
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. 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 held non-beneficial interests in 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 2008, 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 transactions as mentioned in the section headed "Continuing Connecting Transactions" 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	9.2%
– five largest suppliers	32.7%

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 TRANSACTIONS

- (a) On 6th September 2005, a tenancy agreement was entered into between Tai Sang Bank Limited ("TSB") as agent for the then co-owners of Tai Sang Commercial Building (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 currently 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 a connected person of the Company under Rule 14A.11(4) of the Listing Rules. Accordingly, the tenancy agreement constitutes a continuing connected transaction of the Company for the purpose of the Listing Rules.

On 15th January 2008 (the "Disposal Date"), the interests in Tai Sang Commercial Building including the above tenancy agreement were disposed of by the Landlords to a third party. The above continuing connected transaction was then ceased on the Disposal Date onwards.

The amount paid to the connected persons by the Company under this transaction for the year ended 31st December 2008 was HK\$46,103 (2007: HK\$1,143,360).

- (b) On 14th April 2008, five tenancy agreements were entered into between TSB as landlord and the Company as tenant for the leases of the following office premises:
- (i) Located at 2nd floor of Tai Sang Bank Building, 130-132 Des Voeux Road Central, Hong Kong ("Tai Sang Bank Building")
Term: 15th May 2008 to 14th April 2011
Rental: HK\$39,000 per month together with monthly service charges of HK\$7,000
 - (ii) Located at Room 901 and 902 on 9th Floor of Tai Sang Bank Building
Term: 15th April 2008 to 14th April 2011
Rental: HK\$31,200 per month together with monthly service charges of HK\$5,600
 - (iii) Located at 10th Floor of Tai Sang Bank Building
Term: 11th August 2008 to 14th April 2011
Rental: HK\$39,000 per month together with monthly service charges of HK\$7,000
 - (iv) Located at 11th Floor of Tai Sang Bank Building
Term: 15th April 2008 to 14th April 2011
Rental: HK\$39,000 per month together with monthly service charge of HK\$7,000

CONTINUING CONNECTED TRANSACTIONS (Continued)

- (v) Located at Room 1401, 1403 and 1407 on 14th Floor of Tai Sang Bank Building

Term: 15th April 2008 to 14th April 2011

Rental: HK\$24,668 per month together with monthly service charge of HK\$4,428

On 25th February 2009, two tenancy agreements were entered into between TSB as landlord and the Company as tenant for the leases of the following office premises:

- (i) Located at Room 1402, 1405 and 1406 on 14th Floor of Tai Sang Bank Building

Term: 1st March 2009 to 14th April 2011

Rental: HK\$11,440 per month together with monthly service charge of HK\$2,503

- (ii) Located at Room 904 on 9th Floor of Tai Sang Bank Building

Term: 1st March 2009 to 14th April 2011

Rental: HK\$2,912 per month together with monthly service charge of HK\$637

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 a connected person of the Company under Rule 14A.11(4) of the Listing Rules. Accordingly, the tenancy agreements constitute continuing connected transactions of the Company for the purpose of the Listing Rules. The amount paid to TSB by the Company for the year ended 31st December 2008 was HK\$1,362,982 (2007: HK\$Nil).

The independent non-executive directors of the Company have reviewed the above continuing connected transactions and confirmed that these transactions have 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 agreements governing them and on terms that are fair and reasonable 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 agreed-upon procedures on the above continuing connected transactions in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants and the auditor reported that these transactions:

- (i) have been approved by the Board of Directors of the Company.
- (ii) have been entered into in accordance with the relevant agreements.
- (iii) have not exceeded the respective annual caps as set out in the Company's announcements dated 6th September 2005 and 14th April 2008.

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 2008, all directors except for non-executive directors are directors and shareholders of Kam Chan & Co, which is also engaged in property development and property investment, and may be in competition with the business carried on by the Group.

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

CORPORATE GOVERNANCE

During the year ended 31st December 2008, 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 consolidated 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, 6th April 2009

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 2008.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Codes for Securities Transactions of Listed Issuers (the “Model Codes”) in Appendix 10 of the Listing Rules as the Company’s codes of conduct regarding directors’ securities transactions (as defined in the CG Code).

On specific enquires made, all directors have confirmed that, for the year ended 31st December 2008, they have complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

(a) Composition of the Board

The Board currently comprises seven executive directors, one non-executive director and three independent non-executive directors. Non-executive directors represent 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 every 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 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	4/4	100%
Independent non-executive directors		
– Mr. Kevin Chau Kwok Fun	4/4	100%
– Mr. Tan Soo Kiu	3/4	75%
– 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, two Managing Directors and three 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 non-executive directors are also 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 additional member to the Board whose 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 2008 are set out in note 24(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 written 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 is also responsible to make recommendation to the board on the appointment or re-appointment of the directors and succession planning for the directors. The committee shall consult with the Chairman on its proposals and recommendations, and has access to professional advice if deemed necessary.

During the year, the Remuneration Committee held 2 meetings. Attendance records of individual member is 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;
- (iv) to review and ensure that management has fulfilled its duty to maintain an effective internal control system; and
- (v) to review the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

The Audit Committee comprises 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 held 2 meetings. Attendance of individual member is as follows:

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

The work performed by the Audit Committee during the financial year ended 31st December 2008 are summarised below:

- (i) reviewed consolidated financial statements for the year ended 31st December 2008, and interim report for the six months ended 30th June 2008;
- (ii) proposed the appointment of PricewaterhouseCoopers ("PwC") as Independent Auditor of the Company;
- (iii) reviewed and discussed with the Independent Auditor in respect of the consolidated financial statements for the year ended 31st December 2008 and the interim report for the six months ended 30th June 2008;
- (iv) reviewed and assessed the adequacy and effectiveness of the Group's financial controls and internal controls and risk management systems.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board is responsible for the preparation of the consolidated 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 consolidated 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 18 of this annual report.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for the designing, implementing and maintaining internal controls 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 Company 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 Company 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 PricewaterhouseCoopers ("PwC") and other auditors were HK\$1,643,000 and HK\$381,061 respectively for the year. Fees for non-audit services, which mainly consist of taxation services, provided by PwC and other auditors were HK\$245,800 and HK\$145,517 respectively.

On behalf of the Board

William Ma Ching Wai
Chairman

Hong Kong, 6th April 2009

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 19 to 69, which comprise the consolidated and company balance sheets as at 31st December 2008, 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 2008 and of the loss 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, 6th April 2009

CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER 2008

	Note	2008	2007
		HK\$	HK\$
Non-current assets			
Property, plant and equipment	6	95,255,880	91,722,727
Investment properties	8	2,791,053,900	3,366,974,800
Leasehold land	9	90,262,719	92,589,909
Available-for-sale financial assets	11	67,950,541	99,376,310
		<u>3,044,523,040</u>	<u>3,650,663,746</u>
Current assets			
Investment properties for sale	8	—	130,000,000
Properties for sale	12	101,789,854	102,132,538
Debtors and prepayments	13	23,245,705	21,175,437
Current income tax recoverable		208,673	152,211
Cash and cash equivalents	14	29,922,145	40,707,162
		<u>155,166,377</u>	<u>294,167,348</u>
Current liabilities			
Rental and other deposits		31,439,814	44,806,149
Creditors and accruals	15	31,425,775	43,284,728
Derivative financial instruments	16	1,778,611	—
Current income tax liabilities		31,431,769	12,699,160
Short term bank loans - secured	17	231,000,000	200,000,000
Bank overdrafts - secured	17	1,492,079	—
Current portion of long term bank loans - secured	18	1,858,710	87,222,044
		<u>330,426,758</u>	<u>388,012,081</u>
Net current liabilities		<u>(175,260,381)</u>	<u>(93,844,733)</u>
Total assets less current liabilities		<u>2,869,262,659</u>	<u>3,556,819,013</u>
Non-current liabilities			
Long term bank loans - secured	18	(136,695,618)	(132,134,780)
Deferred income tax liabilities	19	(298,772,722)	(433,097,745)
		<u>(435,468,340)</u>	<u>(565,232,525)</u>
Net assets		<u>2,433,794,319</u>	<u>2,991,586,488</u>

	Note	2008	2007
		HK\$	HK\$
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	20	287,669,676	287,669,676
Reserves	21	2,044,928,889	2,546,623,780
Proposed dividends	21	14,383,484	60,410,632
		<u>2,346,982,049</u>	<u>2,894,704,088</u>
Minority interests		<u>86,812,270</u>	<u>96,882,400</u>
Total equity		<u><u>2,433,794,319</u></u>	<u><u>2,991,586,488</u></u>

On behalf of the Board

William Ma Ching Wai
Director

Alfred Ma Ching Kuen
Director

The notes on pages 25 to 69 are an integral part of these consolidated financial statements.

BALANCE SHEET

AT 31ST DECEMBER 2008

	Note	2008	2007
		HK\$	HK\$
Non-current assets			
Property, plant and equipment	6	4,631,830	1,255,122
Investment properties	8	195,300,000	217,000,000
Subsidiary companies	10	556,044,066	557,863,736
Available-for-sale financial assets	11	101,792	205,110
		<u>756,077,688</u>	<u>776,323,968</u>
Current assets			
Debtors and prepayments	13	1,727,183	1,210,404
Amounts due from subsidiary companies	10	449,418,590	482,673,882
Cash and cash equivalents	14	3,833,568	21,802,034
		<u>454,979,341</u>	<u>505,686,320</u>
Current liabilities			
Rental and other deposits		2,556,525	3,186,215
Creditors and accruals	15	8,009,257	14,626,008
Amounts due to subsidiary companies	10	18,201,173	30,237,894
		<u>28,766,955</u>	<u>48,050,117</u>
Net current assets		<u>426,212,386</u>	<u>457,636,203</u>
Total assets less current liabilities		1,182,290,074	1,233,960,171
Non-current liabilities			
Deferred income tax liabilities	19	(23,857,666)	(31,384,853)
Net assets		<u>1,158,432,408</u>	<u>1,202,575,318</u>
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	20	287,669,676	287,669,676
Reserves	21	856,379,248	854,495,010
Proposed dividends	21	14,383,484	60,410,632
Total equity		<u>1,158,432,408</u>	<u>1,202,575,318</u>

On behalf of the Board

William Ma Ching Wai
Director

Alfred Ma Ching Kuen
Director

The notes on pages 25 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 HK\$	2007 HK\$
Revenues	5	190,870,320	176,808,161
Cost of sales	22	(48,009,795)	(44,452,376)
Gross profit		142,860,525	132,355,785
Fair value (losses)/gains on investment properties	8	(577,372,730)	836,173,925
Other gains, net	23	13,657,383	77,358,438
Administrative expenses	22	(70,905,941)	(64,266,402)
Other operating expenses	22	(17,748,921)	(18,461,777)
Operating (loss)/profit		(509,509,684)	963,159,969
Finance income	25	788,697	690,358
Finance costs	25	(14,223,093)	(17,436,852)
Finance costs, net		(13,434,396)	(16,746,494)
(Loss)/profit before income tax		(522,944,080)	946,413,475
Income tax credit/(expense)	26	106,794,386	(171,586,689)
(Loss)/profit for the year		(416,149,694)	774,826,786
Attributable to:			
Equity holders of the Company	21, 27	(410,189,990)	757,316,344
Minority interests		(5,959,704)	17,510,442
		(416,149,694)	774,826,786
Dividends	28	37,397,058	86,300,903
Dividends per share	28		
Interim - paid		HK 8 cents	HK 9 cents
Final - proposed		HK 5 cents	HK 11 cents
Special - proposed		—	HK 10 cents
Total		HK 13 cents	HK 30 cents
(Loss)/earnings per share (basic and diluted)	29	HK\$(1.43)	HK\$2.63

The notes on pages 25 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2008

	Note	2008	2007
		HK\$	HK\$
Operating activities			
Net cash generated from operations	30(a)	48,185,053	73,100,563
Hong Kong profits tax paid		(8,855,589)	(2,630,787)
Hong Kong profits tax refunded		13,969	365,078
Overseas taxation paid		(12,870)	(13,260)
		39,330,563	70,821,594
Investing activities			
Additions of property, plant and equipment		(17,877,764)	(5,190,523)
Additions of properties under development		—	(23,332,971)
Additions of investment properties		(9,371,045)	(214,897,733)
Additions of leasehold land		—	(3,836)
Additions of available-for-sale financial assets		(23,391,000)	—
Interest received		788,697	690,358
Proceeds on disposal of property, plant and equipment		4,803,800	—
Proceeds on disposal of investment properties		137,918,950	68,000,000
Proceeds on disposal of a subsidiary company	30(b)	—	40,800,000
Dividends received		5,711,307	5,770,904
		98,582,945	(128,163,801)
Financing activities			
Interest paid		(14,110,358)	(20,133,261)
Draw down of bank loan		192,900,000	296,047,965
Repayments of bank loans		(242,307,113)	(132,034,428)
Dividends paid to shareholders		(83,424,206)	(57,533,935)
Dividends paid to minority interests of subsidiaries		(3,250,600)	(2,705,600)
		(150,192,277)	83,640,741
(Decrease)/increase in cash and cash equivalents		(12,278,769)	26,298,534
Exchange translation differences		1,673	(8,553)
Cash and cash equivalents at 1st January		40,707,162	14,417,181
		28,430,066	40,707,162
Analysis of the balances of cash and cash equivalents			
Bank balances and cash and restricted bank deposits		29,922,145	40,707,162
Bank overdrafts		(1,492,079)	—
		28,430,066	40,707,162

The notes on pages 25 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2008

Attributable to equity holders of the Company

	Share capital HK\$	Share premium HK\$	Investment revaluation reserve HK\$	Exchange reserve HK\$	Hedging reserve HK\$	Retained profits HK\$	Total reserves HK\$	Minority interests HK\$	Total HK\$
At 1st January 2008	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
Net fair value losses on available-for-sale financial assets	—	—	(59,525,716)	—	—	—	(59,525,716)	(1,208,542)	(60,734,258)
Impairment loss on available-for-sale financial assets transferred to income statement	—	—	7,194,811	—	—	—	7,194,811	348,716	7,543,527
Exchange translation differences	—	—	—	1,673	—	—	1,673	—	1,673
Cash flow hedge	—	—	—	—	(1,778,611)	—	(1,778,611)	—	(1,778,611)
Net (expense)/ income recognised directly in equity	—	—	(52,330,905)	1,673	(1,778,611)	—	(54,107,843)	(859,826)	(54,967,669)
Loss for the year	—	—	—	—	—	(410,189,990)	(410,189,990)	(5,959,704)	(416,149,694)
Total recognised (loss)/ income for 2008	—	—	(52,330,905)	1,673	(1,778,611)	(410,189,990)	(464,297,833)	(6,819,530)	(471,117,363)
Dividends paid	—	—	—	—	—	(83,424,206)	(83,424,206)	(3,250,600)	(86,674,806)
At 31st December 2008	287,669,676	129,651,602	8,554,296	7,161,918	(1,778,611)	1,915,723,168	2,059,312,373	86,812,270	2,433,794,319
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 gains 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/(expense) 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/ (loss) 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

The notes on pages 25 to 69 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”) are 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’s shares are 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 6th April 2009.

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, available-for-sale financial assets and derivative financial instruments at fair value.

The Group had loss of HK\$416,149,694 for the year ended 31st December 2008. The loss was primarily resulted from the fair value losses on investment properties of HK\$577,372,730 which did not have a direct cash flow impact on the operations of the Group. In addition, the Group had net current liabilities of HK\$175,260,381 as at 31st December 2008. The net current liabilities mainly included a short term bank loan of HK\$200,000,000 which was renewed in December 2008 and subject to annual renewal.

Based on the Group’s history of refinancing, its available banking facilities and its assets backing, the Directors consider that the Group will be able to obtain sufficient financial resources so as to enable it to operate and meet its liabilities as and when they fall due.

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. There are 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.

The new amendments and interpretations of HKFRSs, which are effective for the accounting periods beginning on 1st January 2008, were not relevant for the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

The HKICPA has issued certain new and revised standards and amendments of HKFRSs which are relevant to the Group and are effective from accounting periods beginning from 1st January 2009:

HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised and Amendment)	Presentation of Financial Statements
HKAS 23 (Revised and Amendment)	Borrowing Costs
HKAS 27 (Revised and Amendment)	Consolidated and Separate Financial Statements
HKAS 40 (Amendment)	Investment Property

The Group has not early adopted the above standards and amendments in the consolidated financial statements for the year ended 31st December 2008. The Group made an assessment of the impact of these standards and amendments and it is not expected to have significant financial impact on the Group's results of operation and financial position except for the changes in disclosures and presentation.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(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.

(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 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 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) Leasehold improvement

Leasehold improvement is stated at cost less accumulated depreciation and impairment losses.

Depreciation of leasehold improvement is provided to write off the cost less impairment losses and residual value on straight-line basis over 5 years or the lease term whichever is shorter.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property, plant and equipment (Continued)

(iv) 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investment properties (Continued)

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.

(i) Impairment of non-financial assets

Non-financial assets that have an indefinite useful life and are not subject to depreciation/amortisation are tested annually for impairment. All other non-financial 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives hedges of a particular risk associated with a highly probable forecast.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of derivative instruments used for hedging purposes are disclosed in note 16. Movements on the hedging reserve in equity are shown in note 21. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(l) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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 the debtors. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the debtor is impaired. 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 carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a debtor is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited in the income statement.

(n) 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.

(o) Trade creditors and accruals

Trade creditors and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiary companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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.

(r) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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.

(t) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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.

(v) 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.

(w) 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(s)(i) above.

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

(ii) Operating lease charges

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) 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 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

Credit risk arises from cash and cash equivalents, available-for-sale financial assets and debtors.

The Group regularly performs risk control assessment on the credit quality of the receivables and loan to an investee company. Furthermore, the Group only places cash deposits to licensed banks with no history of defaults. The Group normally does not grant credit periods to its customers and has no significant concentrations of credit risk with any counterparty.

The credit risk exposure is not significant to the Group.

(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 2008, the Group's net current liabilities amounted to HK\$175,260,381 (2007: HK\$93,844,733). The Directors of the Company believe that the Group could refinance its existing short term bank loans and will have sufficient financial resources to satisfy its working capital requirements, payments of liabilities as and when they fall due and its future capital commitments. The Directors closely monitor the cash flow forecasts of the Group's liquidity position.

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.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

2008

	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	31,439,814	—	—	2,556,525
Creditors and accruals	31,425,775	—	—	8,009,257
Derivate financial instruments	1,778,611	—	—	—
Amounts due to subsidiary companies	—	—	—	18,201,173
Short term bank loans	235,810,500	—	—	—
Bank overdrafts	1,492,079	—	—	—
Long term bank loans	5,943,447	5,888,949	145,106,470	—
	<u>307,890,226</u>	<u>5,888,949</u>	<u>145,106,470</u>	<u>28,766,955</u>

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>

(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 at an optimal fixed and floating ratio in order to limit the impact of interest rate changes on earnings and cash flow. Interest rate swaps with financial institutions are used to achieve the optimal ratio between fixed and floating rates borrowings.

At 31st December 2008, if interest rates on HK dollar denominated borrowings had been 10 basis points higher/lower with all other variables held constant, loss after income tax for the year would have been increased/decreased by HK\$193,000 (2007: profit after income tax decreased/increased by HK\$235,000), mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

(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 15.2% (2007: 14.0%) as at 31st December 2008.

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.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. 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:

(i) 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 loss would be increased or reduced by HK\$253,732,000 or HK\$310,117,000 (2007: fair value gain reduced or increased by HK\$317,907,000 or HK\$388,553,000) respectively and the deferred income tax credit thereon would be increased or reduced by HK\$35,964,000 or HK\$43,993,000 (2007: deferred income tax charge reduced or increased by HK\$66,747,000 or HK\$81,579,000) respectively.

(ii) 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.

The carrying amount of available-for-sale financial assets would be an estimated HK\$2,000,000 lower or HK\$3,000,000 higher (2007: HK\$7,000,000 lower or HK\$8,000,000 higher) were the discounted rate used in the discounted cash flow analysis to differ by 10% from management's estimates.

4 **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)**

(a) Critical accounting estimates and assumptions (Continued)

(iii) 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\$778,000 or HK\$859,000 (2007: HK\$592,000 or HK\$721,000) 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\$117,000 or HK\$117,000 (2007: HK\$73,000 or HK\$78,000) respectively in the current year.

(b) Critical judgment in applying the Group's accounting policies

(i) 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.

(ii) Income tax

The Group is subject to taxes in Hong Kong and the US. Significant judgment is required in determining the provision for the 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 current tax and deferred tax provisions in the period in which such determination is made.

5 REVENUES AND SEGMENT INFORMATION

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

	2008	2007
	HK\$	HK\$
Revenues		
Property rental		
- investment properties	159,431,335	147,874,388
- properties for sale	22,256,752	20,191,445
Property related services	9,182,233	8,742,328
	<u>190,870,320</u>	<u>176,808,161</u>

Property rental and property related services revenue above included amounts of HK\$1,259,100 (2007: HK\$999,900) and HK\$405,414 (2007: HK\$386,800) from related companies respectively.

(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.

At 31st December 2008, the future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	Group		Company	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
Not later than one year	113,129,000	133,327,000	3,060,000	7,074,000
Later than one year but not later than five years	69,913,000	112,272,000	632,000	649,000
Later than five years	1,455,000	7,301,000	—	—
	<u>184,497,000</u>	<u>252,900,000</u>	<u>3,692,000</u>	<u>7,723,000</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 and gains on disposal of a subsidiary company, investment properties and property, 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, derivative financial instruments and borrowings for properties 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

	2008			
	Property rental	Property sales	Property related services	Total
	HK\$	HK\$	HK\$	HK\$
Revenues				
Total revenues	181,688,087	—	14,012,537	195,700,624
Inter-segment revenues	—	—	(4,830,304)	(4,830,304)
External revenues	181,688,087	—	9,182,233	190,870,320
Segment results	120,424,979	(416,946)	5,103,571	125,111,604
Fair value losses on investment properties	(577,372,730)	—	—	(577,372,730)
Impairment loss on available-for-sale financial assets				(7,543,527)
Unallocated income				21,200,910
Unallocated costs				(70,905,941)
Operating loss				(509,509,684)
Finance income				788,697
Finance costs				(14,223,093)
Loss before income tax				(522,944,080)
Income tax credit				106,794,386
Loss for the year				(416,149,694)
Segment assets	2,848,794,315	102,234,824	1,171,208	2,952,200,347
Unallocated assets				247,489,070
Total assets				3,199,689,417
Segment liabilities	423,748,801	300,648	2,732,045	426,781,494
Unallocated liabilities				339,113,604
Total liabilities				765,895,098
Other segment items are as follows:				
Capital expenditure				
- segment	3,246,184	133,512	—	3,379,696
- unallocated				17,409,620
Depreciation and amortisation				
- segment	1,715,011	361,376	—	2,076,387
- unallocated				9,883,460

5 REVENUES AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments (Continued)

	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	<u>168,065,833</u>	<u>—</u>	<u>8,742,328</u>	<u>176,808,161</u>
Segment results	<u>106,964,554</u>	<u>(426,545)</u>	<u>7,355,999</u>	<u>113,894,008</u>
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				<u>774,826,786</u>
Segment assets	3,542,315,658	102,596,616	1,478,067	3,646,390,341
Unallocated assets				298,440,753
Total assets				<u>3,944,831,094</u>
Segment liabilities	489,439,036	610,963	1,877,446	491,927,445
Unallocated liabilities				461,317,161
Total liabilities				<u>953,244,606</u>
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)

Secondary reporting format - geographical segments

		2008			
		Revenues	Segment results	Total assets	Capital expenditure
		HK\$	HK\$	HK\$	HK\$
Hong Kong		145,911,323	112,623,807	2,768,797,328	17,737,254
North America		44,958,997	12,487,797	430,892,089	3,052,062
		<u>190,870,320</u>	<u>125,111,604</u>	<u>3,199,689,417</u>	<u>20,789,316</u>
		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>

6 PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvement	Plant and equipment	Total
	HK\$	HK\$	HK\$	HK\$
Cost				
At 1st January 2008	87,867,388	—	75,584,912	163,452,300
Additions	—	3,696,827	15,640,659	19,337,486
Disposals	—	—	(14,772,592)	(14,772,592)
At 31st December 2008	<u>87,867,388</u>	<u>3,696,827</u>	<u>76,452,979</u>	<u>168,017,194</u>
Accumulated depreciation				
At 1st January 2008	24,106,772	—	47,622,801	71,729,573
Depreciation charge	2,489,344	741,448	6,059,181	9,289,973
Disposals	—	—	(8,258,232)	(8,258,232)
At 31st December 2008	<u>26,596,116</u>	<u>741,448</u>	<u>45,423,750</u>	<u>72,761,314</u>
Net book value At 31st December 2008	<u>61,271,272</u>	<u>2,955,379</u>	<u>31,029,229</u>	<u>95,255,880</u>
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
At 31st December 2007	<u>87,867,388</u>	<u>—</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)
At 31st December 2007	<u>24,106,772</u>	<u>—</u>	<u>47,622,801</u>	<u>71,729,573</u>
Net book value At 31st December 2007	<u>63,760,616</u>	<u>—</u>	<u>27,962,111</u>	<u>91,722,727</u>

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvement	Plant and equipment	Total
	HK\$	HK\$	HK\$
Cost			
At 1st January 2008	—	6,909,510	6,909,510
Additions	3,696,827	1,231,774	4,928,601
Disposals	—	(4,421,767)	(4,421,767)
At 31st December 2008	<u>3,696,827</u>	<u>3,719,517</u>	<u>7,416,344</u>
Accumulated depreciation			
At 1st January 2008	—	5,654,388	5,654,388
Depreciation charge	741,448	432,355	1,173,803
Disposals	—	(4,043,677)	(4,043,677)
At 31st December 2008	<u>741,448</u>	<u>2,043,066</u>	<u>2,784,514</u>
Net book value At 31st December 2008	<u>2,955,379</u>	<u>1,676,451</u>	<u>4,631,830</u>
Cost			
At 1st January 2007	—	6,854,428	6,854,428
Additions	—	186,202	186,202
Disposals	—	(131,120)	(131,120)
At 31st December 2007	<u>—</u>	<u>6,909,510</u>	<u>6,909,510</u>
Accumulated depreciation			
At 1st January 2007	—	5,220,111	5,220,111
Depreciation charge	—	491,073	491,073
Disposals	—	(56,796)	(56,796)
At 31st December 2007	<u>—</u>	<u>5,654,388</u>	<u>5,654,388</u>
Net book value At 31st December 2007	<u>—</u>	<u>1,255,122</u>	<u>1,255,122</u>

7 PROPERTIES UNDER DEVELOPMENT

	Group	
	2008	2007
	HK\$	HK\$
At 1st January	—	63,793,184
Additions	—	36,827,845
Transfer to investment properties	—	(100,621,029)
	<u>—</u>	<u>—</u>
At 31st December	<u>—</u>	<u>—</u>

Included in additions in 2007 of HK\$2,646,636 were interest expenses capitalised for development projects.

8 INVESTMENT PROPERTIES

	Group		Company	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
At 1st January	3,496,974,800	2,342,170,000	217,000,000	192,000,000
Additions	1,451,830	214,897,733	—	—
Disposals	(130,000,000)	(36,000,000)	—	—
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 (losses)/gains	(577,372,730)	836,173,925	(21,700,000)	25,000,000
	<u>2,791,053,900</u>	<u>3,496,974,800</u>	<u>195,300,000</u>	<u>217,000,000</u>
At 31st December	<u>2,791,053,900</u>	<u>3,496,974,800</u>	<u>195,300,000</u>	<u>217,000,000</u>
Classified as:				
Non-current assets	2,791,053,900	3,366,974,800	195,300,000	217,000,000
Current assets (note a)	—	130,000,000	—	—
	<u>2,791,053,900</u>	<u>3,496,974,800</u>	<u>195,300,000</u>	<u>217,000,000</u>

Notes:

- (a) The Group disposed of certain of its investment properties in early 2008 and these properties were classified as current assets as at 31st December 2007.
- (b) Certain of the Group's investment properties with an aggregate net book value of HK\$1,560,784,000 (2007: HK\$1,392,805,000) and building of HK\$14,449,500 (2007: HK\$15,122,000) have been pledged to financial institutions to secure credit facilities for the Group totalling approximately HK\$461,316,000 (2007: HK\$577,148,000) of which HK\$371,046,000 (2007: HK\$419,357,000) were utilised as at 31st December 2008.

8 INVESTMENT PROPERTIES (Continued)

(c) The interests in investment properties at their net book values are analysed as follows:

	Group		Company	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
In Hong Kong, held on:				
Leases of over 50 years	649,770,000	756,570,000	15,300,000	17,000,000
Leases of between 10 and 50 years	1,750,500,000	2,189,600,000	180,000,000	200,000,000
Outside Hong Kong, held on:				
Freehold	390,783,900	550,804,800	—	—
	<u>2,791,053,900</u>	<u>3,496,974,800</u>	<u>195,300,000</u>	<u>217,000,000</u>

(d) The investment properties in Hong Kong of the Group and the Company were valued on an open market basis at 31st December 2008 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 2008 by Mr. David K Bohegian, Member of The Appraisal Institute, of Martorana Bohegian & Company, an independent professional property valuer.

9 LEASEHOLD LAND

	Group	
	2008	2007
	HK\$	HK\$
At 1st January	92,589,909	150,675,374
Additions	—	3,836
Amortisation	(2,327,190)	(3,182,188)
Transfer to investment properties	—	(54,907,113)
At 31st December	<u>90,262,719</u>	<u>92,589,909</u>

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

	Group	
	2008	2007
	HK\$	HK\$
In Hong Kong, held on leases of between 10 and 50 years	<u>90,262,719</u>	<u>92,589,909</u>

10 SUBSIDIARY COMPANIES

(a) Investments in subsidiary companies

	Company	
	2008	2007
	HK\$	HK\$
Unlisted shares, at cost	124,360,571	124,360,571
Less: provision	(70,064,554)	(69,824,909)
	<u>54,296,017</u>	<u>54,535,662</u>
Advances to subsidiary companies	537,441,104	539,021,129
Less: provision	(35,693,055)	(35,693,055)
	<u>501,748,049</u>	<u>503,328,074</u>
	<u>556,044,066</u>	<u>557,863,736</u>

Details of principal subsidiary companies as at 31st December 2008, which, in the directors' opinion, materially affect the results and/or assets of the Group, are set out in note 33.

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 they are stated at cost at balance sheet date.

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

	Company	
	2008	2007
	HK\$	HK\$
Amounts due from subsidiary companies	460,851,213	494,019,329
Less: provision	(11,432,623)	(11,345,447)
	<u>449,418,590</u>	<u>482,673,882</u>
Amounts due to subsidiary companies	(18,201,173)	(30,237,894)
	<u>431,217,417</u>	<u>452,435,988</u>

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

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
At 1st January	99,376,310	79,386,440	205,110	159,414
Additions	29,308,489	—	—	—
Net revaluation (losses)/gains	(60,734,258)	19,989,870	(103,318)	45,696
At 31st December	<u>67,950,541</u>	<u>99,376,310</u>	<u>101,792</u>	<u>205,110</u>
Available-for-sale financial assets include the following:				
Listed equity securities in Hong Kong (note a)	23,543,972	41,376,310	101,792	205,110
Listed equity securities in overseas (note b)	27,406,569	—	—	—
Unlisted equity securities (note c)	8,000,000	46,000,012	—	—
Loan to an investee company (note d)	9,000,000	11,999,988	—	—
	<u>67,950,541</u>	<u>99,376,310</u>	<u>101,792</u>	<u>205,110</u>

Notes:

- Listed equity securities in Hong Kong mainly represented securities listed in the Main Board of The Stock Exchange of Hong Kong Limited, which are conglomerates and engaged in property development and utility businesses.
- Listed equity securities in overseas represented investment listed in the Alternative Investment Market in London Stock Exchange engaging in venture investments in China, and investment listed in New York Stock Exchange engaging in energy alternative fuel in China.
- Unlisted securities represented 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, environmental friendly product, entertainment programmes for distribution, and radio monitoring and measuring in China.
- It represented 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	
	2008	2007
	HK\$	HK\$
In Hong Kong, held on:		
Leases of over 50 years	22,679,081	22,689,706
Leases of between 10 and 50 years	79,110,773	79,442,832
	<u>101,789,854</u>	<u>102,132,538</u>

Note:

During the year, amortisation for leasehold land classified under properties for sale of HK\$342,684 (2007: HK\$342,842) was charged to the consolidated income statement.

13 DEBTORS AND PREPAYMENTS

	Group		Company	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
Trade debtors	631,115	480,363	—	—
Prepayments and deposits	22,614,590	20,695,074	1,727,183	1,210,404
	<u>23,245,705</u>	<u>21,175,437</u>	<u>1,727,183</u>	<u>1,210,404</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 2008, no impairment provision was made on the trade debtors (2007: HK\$Nil).

At 31st December 2008, the ageing analysis and due date analysis of the Group's trade debtors were as follows:

	Group	
	2008	2007
	HK\$	HK\$
Current	407,764	321,415
31-60 days	129,048	135,808
61-90 days	15,750	23,000
Over 90 days	78,553	140
	<u>631,115</u>	<u>480,363</u>

The carrying amounts of debtors and prepayments approximated their fair values as at 31st December 2008 and 2007.

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	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
US dollars	9,974,139	11,315,988	—	—

14 CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
Bank balances and cash	28,922,145	39,707,162	2,833,568	20,802,034
Restricted bank deposit (note)	1,000,000	1,000,000	1,000,000	1,000,000
	29,922,145	40,707,162	3,833,568	21,802,034

Note:

Restricted bank deposit of the Company is pledged to secure an overdraft credit facility of HK\$990,000 (2007: HK\$990,000) provided to the Company by a financial institution, which is a related company of the Company.

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	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
US dollars	12,459,489	4,756,416	—	—

15 CREDITORS AND ACCRUALS

	Group		Company	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
Trade creditors	5,319,344	3,400,264	1,536,775	805,277
Other creditors	11,564,734	21,089,020	2,995,483	11,235,480
Accruals	14,541,697	18,795,444	3,476,999	2,585,251
	<u>31,425,775</u>	<u>43,284,728</u>	<u>8,009,257</u>	<u>14,626,008</u>

At 31st December 2008, the ageing analysis of the Group's trade creditors was as follows:

	Group		Company	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
Current	4,256,662	2,279,656	551,868	494,836
31-60 days	213,206	226,795	210,871	223,288
61-90 days	41,004	85,813	41,004	85,813
Over 90 days	808,472	808,000	733,032	1,340
	<u>5,319,344</u>	<u>3,400,264</u>	<u>1,536,775</u>	<u>805,277</u>

The carrying amounts of creditors and accruals approximated their fair values as at 31st December 2008 and 2007.

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	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
US dollars	<u>8,381,587</u>	<u>6,324,869</u>	<u>—</u>	<u>—</u>

16 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2008	2007
	HK\$	HK\$
Derivative financial liabilities		
Interest rate swap - cash flow hedge	<u>1,778,611</u>	<u>—</u>

The notional principal amounts of the outstanding interest rate swap contract at 31st December 2008 were HK\$139,316,000 (2007: HK\$Nil).

At 31st December 2008, the fixed interest rate was 4.11% (2007: Not applicable) and the floating rate was one month London Interbank Offered Rate plus 150 basis points. Loss recognised in the hedging reserve (note 21) on interest rate swap contract at 31st December 2008 will be released to the consolidated income statement upon the maturity of the interest rate swap in 2009.

17 SHORT TERM BANK LOANS AND BANK OVERDRAFTS - SECURED

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	
	2008	2007
	HK\$	HK\$
Short term bank loans	0.9% to 2.25%	4.09% to 4.26%
Bank overdrafts	5.25%	—

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

	Group	
	2008	2007
	HK\$	HK\$
1 month or less	31,000,000	—
1 to 3 months	200,000,000	200,000,000
	<u>231,000,000</u>	<u>200,000,000</u>

The carrying amounts of the short term bank loans and bank overdrafts approximated their fair values as at 31st December 2008 and 2007.

18 LONG TERM BANK LOANS - SECURED

	Group	
	2008	2007
	HK\$	HK\$
Bank loans wholly repayable within five years	138,554,328	219,356,824
Amounts due within one year included under current liabilities	(1,858,710)	(87,222,044)
	<u>136,695,618</u>	<u>132,134,780</u>

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

	Group	
	2008	2007
	HK\$	HK\$
– within one year	1,858,710	87,222,044
– in the second year	1,858,710	2,834,435
– in the third to fifth years inclusive	134,836,908	129,300,345
	<u>138,554,328</u>	<u>219,356,824</u>

18 LONG TERM BANK LOANS - SECURED (Continued)

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

	Group	
	2008	2007
	HK\$	HK\$
Hong Kong dollar bank loans	—	4.25%
US dollar bank loan	2.93%	6.75%
	<u> </u>	<u> </u>

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

	Group	
	2008	2007
	HK\$	HK\$
1 year or less	138,554,328	84,574,895
2 to 3 years	—	135,147,975
	<u> </u>	<u> </u>
	<u>138,554,328</u>	<u>219,722,870</u>

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

	Carrying amount		Fair value	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
Long term bank loans	<u>138,554,328</u>	<u>219,356,824</u>	<u>139,315,753</u>	<u>219,722,870</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 2.93% (2007: 5.79%) per annum.

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

	Group	
	2008	2007
	HK\$	HK\$
Hong Kong dollar	—	84,574,895
US dollar	138,554,328	134,781,929
	<u> </u>	<u> </u>
	<u>138,554,328</u>	<u>219,356,824</u>

The Group's long term bank loans are secured by a building (note 6), certain investment properties (note 8) and the rental income thereon.

19 DEFERRED INCOME TAX LIABILITIES

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	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
Deferred income tax liabilities				
– to be settled after more than 12 months	298,772,722	415,644,523	23,857,666	31,384,853
– to be settled within 12 months	—	17,453,222	—	—
	<u>298,772,722</u>	<u>433,097,745</u>	<u>23,857,666</u>	<u>31,384,853</u>

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

	Group		Company	
	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$
At 1st January	433,097,745	274,852,310	31,384,853	26,901,703
Deferred income tax (credited)/ charged to income statement (note 26)	(134,325,023)	158,245,435	(7,527,187)	4,483,150
At 31st December	<u>298,772,722</u>	<u>433,097,745</u>	<u>23,857,666</u>	<u>31,384,853</u>

At 31st December 2008, the Company and its subsidiary companies in Hong Kong had unrecognised tax losses of HK\$13,100,000 (2007: HK\$14,900,000) to carry forward against future taxable income. Such tax losses have no expiry date.

19 DEFERRED INCOME TAX LIABILITIES (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	
	2008	2007	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	163,985,782	165,105,320	23,191	28,101	164,008,973	165,133,421
Credited/(charged) to consolidated income statement	5,290,767	(1,119,538)	(5,955)	(4,910)	5,284,812	(1,124,448)
At 31st December	169,276,549	163,985,782	17,236	23,191	169,293,785	164,008,973
Deferred income tax liabilities	Revaluation of investment properties		Accelerated tax depreciation		Total	
	2008	2007	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	(398,458,056)	(239,729,559)	(198,648,662)	(200,256,172)	(597,106,718)	(439,985,731)
Credited/(charged) to consolidated income statement	132,409,346	(158,728,497)	(3,369,135)	1,607,510	129,040,211	(157,120,987)
At 31st December	(266,048,710)	(398,458,056)	(202,017,797)	(198,648,662)	(468,066,507)	(597,106,718)

Company

Deferred income tax liabilities	Revaluation of investment properties		Accelerated tax depreciation		Tax losses		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	(36,435,165)	(32,060,165)	(271,588)	(335,906)	5,321,900	5,494,368	(31,384,853)	(26,901,703)
Credited/(charged) to income statement	5,662,510	(4,375,000)	(147,140)	64,318	2,011,817	(172,468)	7,527,187	(4,483,150)
At 31st December	(30,772,655)	(36,435,165)	(418,728)	(271,588)	7,333,717	5,321,900	(23,857,666)	(31,384,853)

20 SHARE CAPITAL

	2008	2007
	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

21 RESERVES

Group

	Share premium	Investment revaluation reserve	Hedging reserve	Exchange reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2008	129,651,602	60,885,201	—	7,160,245	2,409,337,364	2,607,034,412
Net fair value losses on available- for-sale financial assets	—	(59,525,716)	—	—	—	(59,525,716)
Impairment loss on available-for-sale financial assets transferred to income statement	—	7,194,811	—	—	—	7,194,811
Cash flow hedge	—	—	(1,778,611)	—	—	(1,778,611)
Exchange translation differences	—	—	—	1,673	—	1,673
Loss attributable to equity holders of the Company	—	—	—	—	(410,189,990)	(410,189,990)
Dividends paid						
2007 final dividend	—	—	—	—	(31,643,664)	(31,643,664)
2007 special dividend	—	—	—	—	(28,766,968)	(28,766,968)
2008 interim dividend	—	—	—	—	(23,013,574)	(23,013,574)
At 31st December 2008	129,651,602	8,554,296	(1,778,611)	7,161,918	1,915,723,168	2,059,312,373
Representing:						
Reserves	129,651,602	8,554,296	(1,778,611)	7,161,918	1,901,339,684	2,044,928,889
2008 final dividend proposed (note 28)	—	—	—	—	14,383,484	14,383,484
	129,651,602	8,554,296	(1,778,611)	7,161,918	1,915,723,168	2,059,312,373

21 RESERVES (Continued)

Group (Continued)

	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 gains 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	<u>129,651,602</u>	<u>60,885,201</u>	<u>7,160,245</u>	<u>2,409,337,364</u>	<u>2,607,034,412</u>
Representing:					
Reserves	129,651,602	60,885,201	7,160,245	2,348,926,732	2,546,623,780
2007 final dividend proposed (note 28)	—	—	—	31,643,664	31,643,664
2007 special dividend proposed (note 28)	—	—	—	28,766,968	28,766,968
	<u>129,651,602</u>	<u>60,885,201</u>	<u>7,160,245</u>	<u>2,409,337,364</u>	<u>2,607,034,412</u>

21 RESERVES (Continued)

Company

	Share premium	Investment revaluation reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$
At 1st January 2008	129,651,602	192,461	785,061,579	914,905,642
Fair value loss on available-for-sale financial assets	—	(103,318)	—	(103,318)
Profit for the year	—	—	39,384,614	39,384,614
Dividends paid				
2007 final dividend	—	—	(31,643,664)	(31,643,664)
2007 special dividend	—	—	(28,766,968)	(28,766,968)
2008 interim dividend	—	—	(23,013,574)	(23,013,574)
	<u>129,651,602</u>	<u>89,143</u>	<u>741,021,987</u>	<u>870,762,732</u>
At 31st December 2008	<u>129,651,602</u>	<u>89,143</u>	<u>741,021,987</u>	<u>870,762,732</u>
Representing:				
Reserves	129,651,602	89,143	726,638,503	856,379,248
2008 final dividend proposed (note 28)	—	—	14,383,484	14,383,484
	<u>129,651,602</u>	<u>89,143</u>	<u>741,021,987</u>	<u>870,762,732</u>
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 28)	—	—	31,643,664	31,643,664
2007 special dividend proposed (note 28)	—	—	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>

22 COST AND EXPENSES BY NATURE

	2008	2007
	HK\$	HK\$
Cost of sales		
Outgoings in respect of		
– investment properties	32,848,779	31,230,445
– properties for sale	5,579,249	6,693,706
Others	9,581,767	6,528,225
	<u>48,009,795</u>	<u>44,452,376</u>
Administrative and other operating expenses		
Amortisation of leasehold land	2,669,874	3,525,030
Auditors' remuneration	2,004,061	1,974,098
Depreciation	9,289,973	7,962,384
Loss on disposal of property, plant and equipment, net	—	418,936
Operating lease rental for office premises to		
– related companies	1,409,086	1,143,360
– third parties	1,059,767	—
Staff costs (note 24)	51,694,588	49,236,047
Others	20,527,513	18,468,324
	<u>88,654,862</u>	<u>82,728,179</u>

23 OTHER GAINS, NET

	2008	2007
	HK\$	HK\$
Dividend income from available-for-sale financial assets		
– listed	1,035,466	970,904
– unlisted	10,593,330	4,800,000
Gain on disposal of a subsidiary company	—	39,587,534
Gain on disposal of investment properties	8,850,535	32,000,000
Gain on disposal of property, plant and equipment, net	721,579	—
Impairment loss on available-for-sale financial assets	(7,543,527)	—
	<u>13,657,383</u>	<u>77,358,438</u>

24 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2008	2007
	HK\$	HK\$
Salaries	31,594,451	29,833,749
Housing and other allowances, benefits in kind	13,753,531	11,928,234
Bonuses	4,777,602	4,578,509
Retirement benefit costs	1,569,004	2,895,555
	<u>51,694,588</u>	<u>49,236,047</u>

(a) Directors' emoluments

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

	2008	2007
	HK\$	HK\$
Fees	629,500	596,000
Salaries	10,231,180	10,735,484
Housing and other allowances, benefits in kind	12,400,331	10,599,486
Bonuses	2,489,841	2,316,290
Retirement benefit costs	125,614	135,652
	<u>25,876,466</u>	<u>24,382,912</u>

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

(a) Directors' emoluments (Continued)

The remuneration of every director for the year ended 31st December 2008 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	19,000	3,773,560	10,941,131	1,591,650	12,000	16,337,341
Mr. Patrick Ma Ching Hang	15,000	—	—	—	—	15,000
Mr. Alfred Ma Ching Kuen	15,000	645,210	—	108,860	12,000	781,070
Ms. Amy Ma Ching Sau	15,000	1,492,810	—	251,860	12,000	1,771,670
Ms. Katy Ma Ching Man	25,500	1,284,640	—	216,740	12,000	1,538,880
Ms. Ruth Ma Ching Keung	15,000	1,750,320	—	103,991	65,614	1,934,925
Mr. Philip Ma Ching Yeung	15,000	1,284,640	1,459,200	216,740	12,000	2,987,580
Mr. Edward Cheung Wing Yui	127,500	—	—	—	—	127,500
Mr. Kevin Chau Kwok Fun	127,500	—	—	—	—	127,500
Mr. Tan Soo Kiu	127,500	—	—	—	—	127,500
Mr. William Wong Hing Kwok	127,500	—	—	—	—	127,500
	629,500	10,231,180	12,400,331	2,489,841	125,614	25,876,466

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
	596,000	10,735,484	10,599,486	2,316,290	135,652	24,382,912

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

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

(a) Directors' emoluments (Continued)

The fees paid by the Group to the independent non-executive directors for the year amounted to HK\$510,000 (2007: HK\$484,000).

The above analysis includes four (2007: 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 (2007: four) directors whose emoluments are reflected in the analysis above. The emoluments payable to the remaining one (2007: one) individual during the year are as follows:

	2008	2007
	HK\$	HK\$
Salaries	3,187,830	2,875,560
Housing and other allowances, benefits in kind	752,000	727,548
Bonuses	539,380	520,000
Retirement benefit costs	12,000	12,000
	<u>4,491,210</u>	<u>4,135,108</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.

(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:

	2008	2007
	HK\$	HK\$
Fees	119,500	112,000
Salaries	14,379,787	14,573,989
Housing and other allowances, benefits in kind	13,152,331	11,327,034
Bonuses	3,029,221	2,836,290
Retirement benefit costs	137,614	147,652
	<u>30,818,453</u>	<u>28,996,965</u>

25 FINANCE INCOME AND COSTS

	<u>2008</u>	<u>2007</u>
	HK\$	HK\$
Finance income		
Interest income from banks	788,697	690,358
Finance costs		
Interest expenses on bank loans and overdrafts wholly repayable within five years	(14,223,093)	(20,083,488)
Less: amount capitalised in properties under development	—	2,646,636
	<u>(14,223,093)</u>	<u>(17,436,852)</u>
Finance costs, net	<u>(13,434,396)</u>	<u>(16,746,494)</u>

26 INCOME TAX CREDIT/(EXPENSE)

In 2008, the Hong Kong government enacted a change in profits tax rate from 17.5% to 16.5% for fiscal year of 2008/2009. Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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 (2007: HK\$Nil).

The amount of income tax credited/(charged) to the consolidated income statement represents:

	<u>2008</u>	<u>2007</u>
	HK\$	HK\$
Current income tax		
– current year provision	(27,828,213)	(14,711,575)
– over provision in prior years	297,576	1,370,321
	<u>(27,530,637)</u>	<u>(13,341,254)</u>
Deferred income tax (note 19)	134,325,023	(158,245,435)
	<u>106,794,386</u>	<u>(171,586,689)</u>

26 INCOME TAX CREDIT/(EXPENSE) (Continued)

The tax on the Group's (loss)/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:

	2008	2007
	HK\$	HK\$
(Loss)/profit before income tax	(522,944,080)	946,413,475
Calculated at a taxation rate of 16.5% (2007: 17.5%)	86,285,773	(165,622,358)
Effect of change in tax rate	23,262,727	—
Income not subject to tax	2,225,595	11,808,299
Expenses not deductible for tax purposes	(3,881,497)	(2,547,921)
Deferred tax on tax losses and other temporary differences not recognised	(39,610,391)	349,009
Recognition of previously unrecognised tax losses and other temporary differences	297,137	(8,620,265)
Effect of different taxation rates in other countries	37,917,466	(8,323,774)
Over provision in prior years	297,576	1,370,321
Income tax credit/(expense)	106,794,386	(171,586,689)

27 (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The (loss)/profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of profit of HK\$39,384,614 (2007: HK\$127,008,354).

28 DIVIDENDS

	2008	2007
	HK\$	HK\$
Interim, paid, of HK8 cents (2007: HK9 cents) per ordinary share	23,013,574	25,890,271
Final, proposed, of HK5 cents (2007: HK11 cents) per ordinary share	14,383,484	31,643,664
Special, proposed, of HKNil cent (2007: HK10 cents) per ordinary share	—	28,766,968
	37,397,058	86,300,903

At a meeting held on 6th April 2009, the directors proposed a final dividend of HK5 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2009 upon the approval by the shareholders.

29 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on loss attributable to the Company's equity holders of HK\$410,189,990 (2007: profit of HK\$757,316,344) and on 287,669,676 (2007: 287,669,676) ordinary shares in issue during the year.

As there are no dilutive potential ordinary shares as at 31st December 2008 and 2007, the diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share.

30 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of (loss)/ profit before income tax to net cash generated from operations

	2008	2007
	HK\$	HK\$
(Loss)/profit before income tax	(522,944,080)	946,413,475
Finance income	(788,697)	(690,358)
Finance costs	14,223,093	17,436,852
Depreciation	9,289,973	7,962,384
Amortisation of leasehold land	2,669,874	3,525,030
Fair value (losses)/gains on investment properties	577,372,730	(836,173,925)
Gain on disposal of investment properties	(8,850,535)	(32,000,000)
(Gain)/loss on disposal of property, plant and equipment	(721,579)	418,936
Impairment loss on available-for-sale financial assets	7,543,527	—
Gain on disposal of a subsidiary company	—	(39,587,534)
Dividend income	(11,628,796)	(5,770,904)
	<u>66,165,510</u>	<u>61,533,956</u>
Operating profit before working capital changes	66,165,510	61,533,956
Increase in debtors and prepayments	(2,465,651)	(2,168,049)
(Decrease)/increase in rental and other deposits	(13,366,335)	17,523,345
Decrease in creditors and accruals	(2,148,471)	(3,788,689)
	<u>48,185,053</u>	<u>73,100,563</u>
Net cash generated from operations	<u>48,185,053</u>	<u>73,100,563</u>

(b) Disposal of a subsidiary company

	2008	2007
	HK\$	HK\$
Net assets realised:		
Properties for sale	—	1,215,236
Other liabilities	—	(2,770)
	<u>—</u>	<u>1,212,466</u>
Gain on disposal of a subsidiary company	—	39,587,534
	<u>—</u>	<u>40,800,000</u>
Satisfied by:		
Cash	—	40,800,000
	<u>—</u>	<u>40,800,000</u>

(c) Major non-cash transaction

In 2008, an investee company of the Group distributed one of its investments in listed securities to its shareholders as dividend in specie. The fair value of the listed securities received by the Group amounted to HK\$5,917,489.

31 FINANCIAL GUARANTEES

At 31st December 2008, the Company had provided guarantees to bankers for credit facilities granted to subsidiary companies of HK\$232,492,000 (2007: HK\$284,575,000).

32 COMMITMENTS

(a) Capital commitments

At 31st December 2008, the Group had capital commitments as follows:

	Group	
	2008	2007
	HK\$	HK\$
Contracted but not provided for		
– properties under development	1,842,000	1,870,000
– investment properties	3,668,000	4,864,000
– plant and equipment	5,037,000	2,825,000
	<u>10,547,000</u>	<u>9,559,000</u>

The Company did not have any capital commitment as at 31st December 2008 and 2007.

(b) Other commitments

As at 31st December 2008, the Group had other commitments as follows:

	Group	
	2008	2007
	HK\$	HK\$
Contracted but not provided for (note)	—	11,604,000

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 and this was withdrawn in 2008.

The Company did not have any other commitment as at 31st December 2008 and 2007.

(c) Commitments under operating leases

At 31st December 2008, the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group and Company	
	2008	2007
	HK\$	HK\$
Land and buildings		
Not later than one year	2,074,000	434,000
Later than one year but not later than five years	2,161,000	—
	<u>4,235,000</u>	<u>434,000</u>

33 PRINCIPAL SUBSIDIARY COMPANIES

At 31st December 2008, 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	
	2008	2007	2008	2007			
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, g
Chi Ning Investment Company Limited	100	100	—	—	421,290	HK\$1	e
Etrema Company Limited	100	100	—	—	1,000	HK\$1	a
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 2008

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
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

FIVE YEAR FINANCIAL SUMMARY

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
RESULTS					
(HK\$ thousand)					
Profit/(loss) attributable to:					
– Equity holders	236,509	266,522	308,570	757,316	(410,190)
– Minority interests	5,270	9,633	8,462	17,511	(5,960)
	<u>241,779</u>	<u>276,155</u>	<u>317,032</u>	<u>774,827</u>	<u>(416,150)</u>
Earnings/(loss) per share	<u>HK\$0.82</u>	<u>HK\$0.93</u>	<u>HK\$1.07</u>	<u>HK\$2.63</u>	<u>HK\$(1.43)</u>
ASSETS AND LIABILITIES					
(HK\$ thousand)					
Total assets	2,439,549	2,751,816	2,870,619	3,944,831	3,199,689
Total liabilities	(738,164)	(797,183)	(613,601)	(953,245)	(765,895)
Total equity	<u>1,701,385</u>	<u>1,954,633</u>	<u>2,257,018</u>	<u>2,991,586</u>	<u>2,433,794</u>