

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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

RESULTS AND APPROPRIATIONS

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

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

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

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

RESERVES

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

DONATIONS

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

PRINCIPAL PROPERTIES

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

PURCHASE, SALE AND REDEMPTION OF SHARES

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

BORROWINGS

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

DISTRIBUTABLE RESERVES

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

FIVE-YEAR FINANCIAL SUMMARY

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

DIRECTORS

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

Executive directors:

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

Independent non-executive directors:

Kevin Chau Kwok Fun
Tan Soo Kiu
William Wong Hing Kwok

Non-executive director:

Edward Cheung Wing Yui

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

DIRECTORS' SERVICE CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

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

Ordinary shares of HK\$1 each

| | Capacity | | | Total | Percentage |
|------------------------|--------------------------------|---|----------------------------|-------------|------------|
| | Beneficial interest (personal) | Corporate interests (notes (a) and (b)) | Joint interests (note (c)) | | |
| Directors: | | | | | |
| William Ma Ching Wai | 3,644,013 | 158,246,458 | 38,115 | 161,928,586 | 56.2898% |
| Patrick Ma Ching Hang | 261 | 8,732,013 | 38,115 | 8,770,389 | 3.0488% |
| Alfred Ma Ching Kuen | 7,200 | — | — | 7,200 | 0.0025% |
| Amy Ma Ching Sau | 20,570 | — | — | 20,570 | 0.0072% |
| Katy Ma Ching Man | 97,767 | — | — | 97,767 | 0.0340% |
| Ruth Ma Ching Keung | 2,772 | — | — | 2,772 | 0.0010% |
| Ida Ma Ching Kwai | 19,712 | — | — | 19,712 | 0.0069% |
| Philip Ma Ching Yeung | 3,157,522 | — | — | 3,157,522 | 1.0976% |
| Kevin Chau Kwok Fun | — | — | — | — | — |
| Tan Soo Kiu | — | — | — | — | — |
| William Wong Hing Kwok | — | — | — | — | — |
| Edward Cheung Wing Yui | — | — | — | — | — |
| Chief Executive: | | | | | |
| Ted Mok Tat Hung | — | — | — | — | — |

Notes:

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

SUBSTANTIAL SHAREHOLDERS

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

Ordinary shares of HK\$1 each

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

All interests stated above represent long positions.

Note:

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

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

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

CONTINUING CONNECTED TRANSACTION

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

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

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

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31st December 2005, all directors except for non-executive directors are directors and shareholders of Kam Chan & Co, is also engaged in property development and property investment, which may be in competition with the business carried on by the Group.

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

CORPORATE GOVERNANCE

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

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

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

CONFIRMATION OF INDEPENDENCE

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

AUDITORS

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

On behalf of the Board

William Ma Ching Wai
Chairman

Hong Kong, 27th March 2006