BOARD OF DIRECTORS AND CORPORATE INFORMATION

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

Mr. William MA Ching Wai, Chairman

Aged 49. Joined the Company and appointed a Director in 1974. Appointed Chairman of the Board of Directors in 1984. He is currently a director of Kam Chan & Company, Limited. Brother of Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung, Mr. Patrick Ma Ching Hang, Ms. Ida Ma Ching Kwai and Mr. Philip Ma Ching Yeung.

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

Aged 50. Joined the Company and appointed a Director of the Company in 1976. Appointed a Managing Director of the Company in 1984. He is currently a director of Kam Chan & Company, Limited. Brother of Mr. William Ma Ching Wai, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung, Mr. Patrick Ma Ching Hang, Ms. Ida Ma Ching Kwai and Mr. Philip Ma Ching Yeung.

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

Aged 52. Joined the Company and appointed a Director of the Company in 1974. Appointed a Managing Director of the Company in 1991. She is currently a director of Kam Chan & Company, Limited. Sister of Mr. William Ma Ching Wai, Mr. Alfred Ma Ching Kuen, Ms. Katy Ma Ching Man, Ms. Ruth Ma Ching Keung, Mr. Patrick Ma Ching Hang, Ms. Ida Ma Ching Kwai and Mr. Philip Ma Ching Yeung.

Ms. Katy MA Ching Man, BSc., Director and Company Secretary

Aged 53. 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. Sister of Mr. William Ma Ching Wai, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Ruth Ma Ching Keung, Mr. Patrick Ma Ching Hang, Ms. Ida Ma Ching Kwai and Mr. Philip Ma Ching Yeung.

Ms. Ruth MA Ching Keung, MBA, Director

Aged 52. Joined the Company and appointed Director of the Company in 1972. She is currently a director of Kam Chan & Company, Limited. Sister of Mr. William Ma Ching Wai, Mr. Alfred Ma Ching Kuen, Ms. Amy Ma Ching Sau, Ms. Katy Ma Ching Man, Mr. Patrick Ma Ching Hang, Ms. Ida Ma Ching Kwai and Mr. Philip Ma Ching Yeung.

Mr. Patrick MA Ching Hang, BSc., Director

Aged 44. Joined the Company and appointed a Director of the Company in 1981. He is currently a director of Kam Chan & Company, 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, Ms. Ida Ma Ching Kwai and Mr. Philip Ma Ching Yeung.

Ms. Ida MA Ching Kwai, BSc., Director

Aged 45. Joined the Company and appointed a Director of the Company in 1983. She is currently a director of Kam Chan & Company, Limited. Sister 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, Mr. Patrick Ma Ching Hang and Mr. Philip Ma Ching Yeung.

Mr. Philip MA Ching Yeung, BSc.(Hon.), Director

Aged 40. Joined the Company in 1987 and appointed a Director of the Company in 1997. He is currently a director of Kam Chan & Company, 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, Mr. Patrick Ma Ching Hang and Ms. Ida Ma Ching Kwai.

Mr. Edward CHEUNG Wing Yiu, 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, Independent Non-executive Director

Aged 53. Appointed a Director of the Company in 1983. Practising solicitor and a Partner of Woo, Kwan, Lee & Lo.

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

Aged 43. Appointed a Director of the Company in 1996.

Senior Management

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

Aged 53. Joined the Company in 1981 and now holds the position of Chief Executive of the Company. Has 35 years of experience in real estate development and management.

BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Banque Nationale de Paris
Bank of China (Hong Kong) Limited
Tai Sang Bank Limited

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

PricewaterhouseCoopers

REGISTERED OFFICE

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

REGISTRAR AND TRANSFER OFFICE

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of the Shareholders of the Company will be held at Salon 3, Level 3, JW Marriott Hotel Hong Kong, One Pacific Place, 88 Queensway, Hong Kong on Friday, 30th May 2003 at 2:00 p.m. for the following purposes:

1. To receive and consider the audited Accounts for the year ended 31st December 2002, the report of the Directors and the report of the Auditors.

2. To declare a final dividend for the year ended 31st December 2002.

3. To re-elect Directors in place of those retiring and to fix the remuneration of the Directors.

4. To re-appoint Auditors for the ensuing year and to authorise the Directors to fix their remuneration.

5. As special business to consider and, if thought fit, pass with or without modifications, the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

(1) **"THAT:**

(a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time provided however that the aggregate nominal amount of the shares to be repurchased pursuant to this Resolution shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution; and

(b) for the purposes of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

(2) **"THAT:**

(a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and deal with additional shares of the Company, and to make or grant offers, agreements or options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such powers either during or after the expiry of the Relevant Period, provided that the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors pursuant to this Resolution (otherwise than as scrip dividends pursuant to the Articles of Association of the Company from time to time or pursuant to a rights issue or pursuant to the exercise of any rights of subscription or conversion under any existing warrants, bonds, debentures, notes and other securities issued by the Company or pursuant to any share option scheme), shall not exceed twenty per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution; and

(b) for the purpose of this Resolution:

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

(3) **"THAT** conditional upon the passing of Ordinary Resolutions Nos.5(1) and 5(2) set out in the notice convening this meeting, the general mandate granted to the Directors to allot shares pursuant to Ordinary Resolution No.5(2) set out in the notice convening this meeting be and is hereby extended by the additional thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No.5(1) set out in the notice convening this meeting, provided that such extended amount shall not exceed ten per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution."

By Order of the Board
Katy Ma Ching Man
Secretary

Hong Kong, 28th March 2003

Notes:

(1) The registers of members of the Company will be closed from Friday, 23rd May 2003 to Friday, 30th May 2003, both days inclusive, during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Thursday, 22nd May 2003.

(2) A member of the Company entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. In order to be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Company's registered office not less than 48 hours before the time appointed for holding the meeting.

(3) A circular containing, inter alia, an explanatory statement relating to the repurchase of shares and details regarding Ordinary Resolution No.5(1) set out above will be sent to shareholders together with the 2002 Annual Report.

(4) Concerning Ordinary Resolutions Nos.5(2) and 5(3) set out above, approval is being sought from members, as a general mandate ("Issue Mandate") in compliance with Section 57B of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in order to ensure that in the event it becomes desirable for the Company to issue any new shares of the Company, the Directors of the Company are given flexibility and discretion to allot and issue new shares up to the aggregate of 20% of the issued share capital plus the number of shares repurchased by the Company pursuant to the general mandate approved in Ordinary Resolution No.5(1) set out above. The Directors of the Company, however, have no immediate plans to issue any new shares of the Company under the Issue Mandate.

CHAIRMAN'S STATEMENT

PROFIT FOR THE YEAR

The Group's profit attributable to shareholders for the year ended 31st December 2002 was HK$51.5 million as compared to HK$50.5 million for 2001. Earnings per share was HK17.9 cents (2001: HK 17.6 cents).

DIVIDEND

Your Directors have resolved to recommend a final dividend of HK5 cents (2001: HK7 cents) per ordinary share.

BUSINESS REVIEW

The main business of the Group remains property investment. The Hong Kong rental market at all fronts remains very competitive. The Group has however maintained a steady income in this respect with a near full occupancy rate for the industrial and residential sectors. Over-supply of commercial space will continue posting leasing difficulties to the Group's office spaces. The general outlook of property leasing in 2003 will remain sluggish and a slight decline of income contribution is expected.

The San Francisco office market has experienced rental adjustments and demand continues to decline. By the end of the year, Montgomery Plaza has an occupancy rate of 90%. With leases coming up for renewal in 2003, the rental income contribution will have to be adjusted to the current market level.

The continuous reduction of interest rates during the year has reduced the finance cost and the Group has taken the benefit to develop new lines of business. Montgomery Golf Corporation, a golf related products company in the USA, shall continue to develop new products to penetrate the golf market.

CASH FLOW

The Group generated cash inflow of approximately HK$71.0 million from operations. The cash available was applied mainly to pay interest expenses of HK$22.6 million, dividends of HK$39.8 million, profits tax of HK$6.1 million and purchase of fixed assets of HK$8.8 million. The cash flows were also funded by long term and short term borrowings.

PROSPECTS

The Middle East turmoil prevailing in 2002 and early 2003 has major impact on the worldwide investment atmosphere. Coupled with the unclear HKSAR Government administration policy in recent years, the business environment in Hong Kong has been deteriorating. With the Middle East war impact on the economy worldwide and fluctuating oil prices, the property market in Hong Kong will continue to be gloomy. While the effect of the various measures announced by the Government by the end of the year is yet to be seen, it is hoped that they can restore the confidence of the property market in the medium term. We shall however be actively looking for investment opportunities in other markets.

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, 28th March 2003

1. The Group's liquidity and financial resources

During the year, the Group's total bank borrowings increased by HK$1.7 million to HK$496.8 million. The shareholders' funds decreased by HK$119.4 million to HK$1,841.8 million and long term bank loans outstanding as at 31st December 2002 amounted HK$434.4 million (2001: HK$393.8 million). The debt to equity ratio was 27% (2001: 25%). The banking facilities available are sufficient for the Group's working capital. The Group's financial flexibility remains healthy.

2. Capital structure of the Group

The capital structure of the Group had not changed materially from the last annual report. The Group borrowings are primarily denominated in Hong Kong and United States dollars. The Group therefore has no significant exposure to foreign exchange fluctuation.

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

	2002	2001
	HK$'million	HK$' million
- within one year	29.3	29.1
- in the second year	213.6	29.3
- in the third to fifth years inclusive	161.5	290.9
- after the fifth year	30.0	44.5
	434.4	393.8

The Group's total bank borrowings are secured by certain properties with an aggregate net book value of HK$1,537 million (2001: HK$1,648 million) and rental income thereon.

3. Significant investments held and their performance and future prospects

Our prime residential property at No. 1 Barker Road, The Peak, Hong Kong, is now under re-development into super luxurious apartments with recreational facilities. Completion of the property is expected to be in 2003/2004.

The Yangtze Ventures Limited, which the Group holds 12% equity interest, has acquired various equity interests in companies which are engaging in various industries like integrated circuits, display integrated circuits, biochemical products, environmental protection products in Hong Kong and the PRC. The return from this investment, however, may not be realised in short term.

The turnover received from the trading of golf digital video equipment and training software, acquired in 2001, was HK$7.9 million as compared to HK$0.9 million in 2001. The Group has, however, incurred an operating loss of HK$7.7 million in this new arm of business for 2002.

4. Details of number and remuneration of employees

The total number of employees in the Group was 180 as at 31st December 2002. In addition to salary payment, other benefits include discretionary bonus, insurance, medical schemes and mandatory provident fund schemes.

5. Details of future plans for material investments

In continuous pursuit of a conservative and prudent business policy, the Group will consider to invest in profitable projects wherever arising in the future.

REPORT OF THE DIRECTORS

The directors of Tai Sang Land Development Limited (the "Company") submit their report together with the audited accounts of the Company and its subsidiary companies (collectively the "Group") for the year ended 31st December 2002.

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 28 to the accounts.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 2 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December 2002 are set out in the consolidated profit and loss account on page 12 of this annual report.

The directors have declared an interim dividend of HK6 cents (2001: HK9 cents) per ordinary share, totalling HK$17,260,181 (2001: HK$25,890,271), which was paid on 7th October 2002.

The directors recommend the payment of a final dividend of HK5 cents (2001: HK7 cents) per ordinary share, totalling HK$14,383,484 (2001: HK$20,136,877).

The total dividends for the year ended 31st December 2002 amounted to HK11 cents (2001: HK16 cents) per ordinary share.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 22 to the accounts.

DONATIONS

During the year, the Group made charitable and other donations of HK$186,696 (2001: HK$199,351).

FIXED ASSETS

Details of the movements in fixed assets are set out in note 12 to the accounts.

PRINCIPAL PROPERTIES

A list of the Group's significant properties is set out on pages 46 to 47 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 issued shares during the year.

BORROWINGS

Particulars of the bank loans and overdrafts are shown in notes 18 and 19 to the accounts.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit schemes of the Group are set out in note 4 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st December 2002, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK$304,950,645 (2001: HK$279,177,736).

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 48 of this annual report.

DIRECTORS

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

William Ma Ching Wai	*(Chairman)*
Alfred Ma Ching Kuen	*(Managing director)*
Amy Ma Ching Sau	*(Managing director)*
Katy Ma Ching Man	
Ruth Ma Ching Keung	
Patrick Ma Ching Hang	
Ida Ma Ching Kwai	
Philip Ma Ching Yeung	

Independent non-executive directors:
Edward Cheung Wing Yui
Kevin Chau Kwok Fun

In accordance with Article 103 of the Company's Articles of Association, 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 6 to the accounts.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiary companies a party to any arrangements to enable the directors of the Company or their associated corporations as defined in Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

At no time during the year, the directors and chief executive (including their spouse and children under 18 years of age) had been granted any rights to subscribe for shares or debentures of the Company and its associated corporations as defined in the SDI Ordinance.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

At 31st December 2002 the interests of the directors and chief executive in the shares of the Company as recorded in the register maintained under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Ordinary shares of HK$1 each

	Personal interests	Family interests	Corporate interests	Joint interests	Total
			(notes (a) and (b))	(note (c))	
Directors:					
William Ma Ching Wai	3,644,013	—	158,246,459	38,115	161,928,587
Alfred Ma Ching Kuen	57,200	—	—	—	57,200
Amy Ma Ching Sau	20,570	—	—	—	20,570
Katy Ma Ching Man	97,767	—	—	—	97,767
Ruth Ma Ching Keung	2,772	—	—	—	2,772
Patrick Ma Ching Hang	261	—	8,732,013	38,115	8,770,389
Ida Ma Ching Kwai	19,712	—	—	—	19,712
Philip Ma Ching Yeung	3,157,522	—	—	—	3,157,522
Edward Cheung Wing Yui	—	—	—	—	—
Kevin Chau Kwok Fun	—	—	—	—	—
Chief executive:					
Ted Mok Tat Hung	—	—	—	—	—

Notes:

(a) Kam Chan & Company, Limited and its associates, and Holston Investment Limited directly or indirectly owned 137,108,222 and 21,138,237 ordinary shares in the Company respectively. Mr. William Ma Ching Wai is a substantial shareholder of these companies.

(b) Tai Sang International Limited directly or indirectly owned 8,732,013 ordinary shares in the Company. Mr. Patrick Ma Ching Hang is a substantial shareholder of this company.

(c) Mr. William Ma Ching Wai and Mr. Patrick Ma Ching Hang jointly held 38,115 ordinary shares in the Company.

(d) 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 and Godown Company Limited.

(e) Mr. William Ma Ching Wai indirectly held beneficial interest in 150,000 shares in the issued share capital of a subsidiary company, GYB Properties, Inc.

(f) 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.

(g) In addition, certain directors of the Company hold non-beneficial interests in subsidiary companies in trust to the absolute benefit for the Company, details of which are available for inspection at the Company's registered office.

DIRECTORS' INTERESTS IN CONTRACTS

Other than the transaction disclosed in note 20 to the accounts in which Mr. William Ma Ching Wai is interested by virtue of his ownership and control in the related companies, 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.

SUBSTANTIAL SHAREHOLDERS

At 31st December 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had not been notified of any substantial shareholders' interests, being 10% or more of the Company's issued share capital, other than those of the directors as disclosed above.

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	14.8%
– five largest suppliers	43.5%

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.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

During the year ended 31st December 2002, the Company was in compliance with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at Annual General Meeting of the Company in accordance with the Company's Articles of Association.

DIRECTORS' INTEREST IN COMPETING BUSINESS

All directors except for independent non-executive directors are directors and shareholders of Kam Chan & Company, Limited which is also engaged in property development and property investment.

AUDIT COMMITTEE

The Audit Committee which was established pursuant to the requirements of the Listing Rules, comprising Mr. Edward Cheung Wing Yui and Mr. Kevin Chau Kwok Fun, met twice in the year. The Audit Committee has reviewed matters which formed the basis of the Company's financial statements.

AUDITORS

The accounts 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, 28th March 2003

AUDITORS' REPORT TO THE SHAREHOLDERS OF TAI SANG LAND DEVELOPMENT LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the accounts on pages 12 to 45 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the directors to prepare accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28th March 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2002

	Note	2002	2001
		HK$	HK$
Turnover	2	209,835,027	202,447,677
Cost of sales		(56,709,703)	(38,769,137)
Gross profit		153,125,324	163,678,540
Administrative expenses		(46,143,409)	(43,482,657)
Other operating expenses (net)		(24,479,956)	(32,649,487)
Operating profit	3	82,501,959	87,546,396
Finance costs	5	(21,955,535)	(28,355,054)
Profit before taxation		60,546,424	59,191,342
Taxation	7	(6,417,846)	(5,831,999)
Profit after taxation		54,128,578	53,359,343
Minority interests		(2,631,457)	(2,847,984)
Profit attributable to shareholders	8, 22	51,497,121	50,511,359
Dividends	9	31,643,665	46,027,148
Dividends per share	9		
Interim		HK6 cents	HK9 cents
Final		HK5 cents	HK7 cents
		HK11 cents	HK16 cents
Earnings per share	10	HK17.9 cents	HK17.6 cents

CONSOLIDATED BALANCE SHEET
AT 31ST DECEMBER 2002

	Note	2002	2001
		HK$	HK$
Non-current assets			
Goodwill	11	4,843,229	6,457,639
Fixed assets	12	2,263,710,048	2,396,896,710
Investment securities	14	32,923,460	32,915,378
		2,301,476,737	2,436,269,727
Current assets			
Land and buildings for resale, at cost		113,799,251	116,863,710
Inventories, at cost		10,162,974	2,671,256
Debtors and prepayments	15	27,672,197	22,572,407
Tax recoverable		143,979	141,648
Bank balances and cash	16	44,816,122	51,610,304
		196,594,523	193,859,325
Current liabilities			
Rental and other deposits		27,925,483	28,038,842
Creditors and accruals	17	32,088,451	34,162,355
Tax payable		5,078,250	3,986,464
Short term bank loans - secured	18	56,000,000	97,000,000
Bank overdrafts - secured	18	6,442,595	4,315,900
Current portion of long term bank loans - secured	19	29,276,800	29,058,400
		156,811,579	196,561,961
Net current assets/(liabilities)		39,782,944	(2,702,636)
Total assets less current liabilities		2,341,259,681	2,433,567,091
Non-current liabilities			
Long term bank loans - secured	19	(405,080,679)	(364,737,737)
Minority interests		(79,075,459)	(84,976,257)
Deferred gain	20	(15,266,132)	(22,682,533)
Net assets		1,841,837,411	1,961,170,564
Capital and reserves			
Share capital	21	287,669,676	287,669,676
Reserves	22	1,539,784,251	1,653,364,011
Proposed final dividend	22	14,383,484	20,136,877
Shareholders' funds		1,841,837,411	1,961,170,564

On behalf of the Board

William Ma Ching Wai
Director

Alfred Ma Ching Kuen
Director

BALANCE SHEET
AT 31ST DECEMBER 2002

	Note	2002	2001
		HK$	HK$
Non-current assets			
Fixed assets	12	129,333,831	128,979,641
Subsidiary companies	13	724,247,356	698,407,850
Investment securities	14	74,969	74,969
		853,656,156	827,462,460
Current assets			
Debtors and prepayments	15	1,002,416	775,345
Bank balances and cash		1,700,214	1,587,098
		2,702,630	2,362,443
Current liabilities			
Rental and other deposits		2,333,822	2,351,011
Creditors and accruals	17	9,436,748	9,522,633
Bank overdrafts - secured	18	5,115,351	4,251,303
		16,885,921	16,124,947
Net current liabilities		(14,183,291)	(13,762,504)
Net assets		839,472,865	813,699,956
Capital and reserves			
Share capital	21	287,669,676	287,669,676
Reserves	22	537,419,705	505,893,403
Proposed final dividend	22	14,383,484	20,136,877
Shareholders' funds		839,472,865	813,699,956

On behalf of the Board

William Ma Ching Wai
Director

Alfred Ma Ching Kuen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2002

	Note	2002	2001
		HK$	HK$
Shareholders' funds as at 1st January		1,961,170,564	2,103,421,284
Net revaluation deficit on investment properties	22	(133,433,216)	(138,293,540)
Exchange differences arising on translation of the accounts of the subsidiary companies	22	—	(1,496)
Net losses not recognised in the consolidated profit and loss account		(133,433,216)	(138,295,036)
Profit for the year	22	51,497,121	50,511,359
Realisation of revaluation reserve on sale of investment properties less minority interests' share	22	—	(5,563,198)
		51,497,121	44,948,161
Dividends	22	(37,397,058)	(48,903,845)
Shareholders' funds as at 31st December		1,841,837,411	1,961,170,564

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2002

	Note	2002	2001
		HK$	HK$ (Restated)
Operating activities			
Net cash inflow generated from operations	26(a)	71,035,895	71,371,465
Interest received		682,985	2,107,115
Interest paid		(22,622,620)	(29,672,311)
Other incidental borrowing costs paid		(615,327)	(872,139)
Hong Kong profits tax paid		(6,098,910)	(4,894,978)
Hong Kong profits tax refunded		87,214	444,069
Overseas taxation refunded/(paid)		683,305	(178,581)
Net cash inflow from operating activities		43,152,542	38,304,640
Investing activities			
Purchase of business and related assets	26(b)	—	(9,605,162)
Additions of fixed assets		(8,832,314)	(49,081,385)
Purchase of investment securities		(8,082)	—
Proceeds on disposal of fixed assets		679,950	8,197,598
Dividends received		1,170,389	1,072,550
Net cash outflow from investing activities		(6,990,057)	(49,416,399)
Financing activities	26(c)		
Loans borrowed		47,619,742	119,136,694
Repayments of loans		(48,058,400)	(57,797,757)
Dividends paid to shareholders		(37,397,058)	(48,903,845)
Dividends paid to minority interests		(2,427,000)	(2,519,420)
Liquidation distribution to minority shareholders	28(b)	(4,290,000)	—
Net cash (outflow)/inflow from financing activities		(44,552,716)	9,915,672
Decrease in cash and cash equivalents		(8,390,231)	(1,196,087)
Cash and cash equivalents at 1st January		39,355,345	40,551,432
Cash and cash equivalents at 31st December		30,965,114	39,355,345
Analysis of the balances of cash and cash equivalents			
Bank balances and cash			
Total balances		44,816,122	51,610,304
Balances held in trust	16	(7,408,413)	(7,939,059)
		37,407,709	43,671,245
Bank overdrafts		(6,442,595)	(4,315,900)
		30,965,114	39,355,345

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the accounts are set out below:

(a) Basis of preparation of the accounts

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (the "HKSA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34 (revised)	:	Employee benefits

The adoption of these new or revised accounting standards did not have material effect to the accounts for the year ended 31st December 2002 except for reclassification of comparative figures of the consolidated cash flow statement into operating, investing and financing activities and the inclusion of the consolidated statement of changes in equity.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary companies made up to 31st December. Subsidiary companies are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half of the voting power or holds more than half of the issued share capital.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary company represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiary companies.

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.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Goodwill

Goodwill represents the excess of purchase consideration over the fair values of the Group's share of the net assets of subsidiary companies/business acquired at the date of acquisition.

Goodwill on acquisitions that occurred prior to 1st January 2001 was eliminated against reserves. Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight line method over its estimated useful life.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously eliminated against reserves, is assessed and written down immediately to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account.

(d) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by professional valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the operating profit. Any subsequent increases are credited to the operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuation is released from the investment properties revaluation reserve to the consolidated profit and loss account.

(ii) Properties under development

Properties under development are interests in land and buildings on which construction work has not been completed. Properties under development are carried at cost or carrying amount (for fixed assets transferred from investment properties into this category for redevelopment) which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any impairment losses.

Carrying amount of assets transferred from investment properties into this category for redevelopment represents amount recorded under their original classification. Upon sale or reclassification back to investment properties, any previous revaluation reserve on the property frozen in the investment properties revaluation reserve at the time of reclassification will be transferred to the consolidated profit and loss account or unfrozen.

(iii) Other properties

Other properties are stated at cost less accumulated depreciation and impairment losses.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Fixed assets (Continued)

(iv) Other fixed assets

Other fixed assets, comprising plant and machinery, furniture and equipment, leasehold improvements, motor vehicles and yachts, are stated at cost less accumulated depreciation and impairment losses.

(v) Depreciation

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

No depreciation is provided on properties under development.

Depreciation of buildings of other properties is provided to write off the cost less accumulated impairment losses on a straight line basis over 40 years whereas leasehold land is amortised on a straight line basis over the remaining unexpired period of the lease.

Depreciation of other fixed assets is provided on a reducing balance basis at 10% to 20% per annum after charging an initial depreciation of 20% in the year of acquisition.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the consolidated profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

(vi) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included under properties under development, other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the consolidated profit and loss account.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated profit and loss account.

(e) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below their carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment will be reduced to its fair value. The impairment loss is recognised as an expense in the consolidated profit and loss account.

This impairment loss is written back to the consolidated profit and loss account when the circumstances and events that led to the write-downs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Land and buildings for resale

Land and buildings for resale are stated at the lower of cost and net realisable value. Cost comprises land cost, development expenditure, professional fees and interest capitalised. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value and are calculated on the first-in first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(h) Trade debtors

Provision is made against trade debtors to the extent they are considered to be doubtful. Trade debtors in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, bank deposits with maturity within three months from the date of placement and bank overdrafts.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Revenue 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) Estate agency commission and management fees

Estate agency commission and management fees are recognised on an accrual basis.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(iv) Income on sale of goods

Income on sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Revenue recognition (Continued)

(v) Income on sale of investments

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

(vi) Income on sale of properties

Income on sale of properties is recognised either upon the completion of the sale and purchase agreement or when the relevant project is completed which is determined by the issuance of occupation permit, whichever is later.

(vii) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(l) Retirement benefit costs

The Group's contributions to the retirement benefit scheme which is defined contribution in nature and available to all employees in Hong Kong are expensed as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(m) Borrowing costs

Borrowing costs incurred for the financing of the development of properties that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised and included in the cost of properties under development.

Finance costs, which represent arrangement fees, legal fees and other related costs that are directly associated with the arrangement of long term bank loans, are deferred and amortised over the terms of the loans.

All other borrowing costs are charged to the consolidated profit and loss account in the year in which they are incurred.

(n) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for 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 1(k) (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 leasing company are charged to the consolidated profit and loss account on a straight line basis over the lease periods.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the consolidated profit and loss account.

The balance sheets of overseas subsidiary companies expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date whilst their profit and loss accounts are translated at average exchange rates. Exchange differences arising therefrom are dealt with as a movement in reserves.

(p) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(q) 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 accounts. 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 accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION

(a) The Group is principally engaged in the investment holding, property investment, property rental, property development, estate management and agency and distribution of golf related products. Revenues recognised during the year are as follows:

	2002	2001
	HK$	HK$
Turnover		
Property rental	182,701,990	183,834,131
Property sales	8,000,000	6,600,000
Property related services	10,027,818	9,558,594
Sales of golf related products	7,934,828	927,333
Others	1,170,391	1,527,619
	209,835,027	202,447,677

(b) Operating lease arrangement

The Group leases out investment properties and land and buildings for resale under lease terms generally in the range of two to ten years.

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	Group		**Company**	
	2002	2001	2002	2001
	HK$	HK$	HK$	HK$
Not later than one year	138,505,000	160,577,000	7,837,000	8,789,000
Later than one year but not later than five years	133,752,000	207,600,000	5,863,000	12,364,000
Later than five years	6,561,000	12,420,000	—	—
	278,818,000	380,597,000	13,700,000	21,153,000

(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 formant. The Group is organised into four main business segments, namely property rental, property sales, property related services and sales of golf related products, and operates in Hong Kong and North America.

There are no sales between the geographical segments.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments

	2002					
	Property rental	Property related services	Property sales	Sales of golf related products	Others	Group
	HK$	HK$	HK$	HK$	HK$	HK$
Turnover						
Total revenue	182,701,990	13,364,249	8,000,000	7,934,828	1,170,391	213,171,458
Inter-segment revenue	—	(3,336,431)	—	—	—	(3,336,431)
External revenue	182,701,990	10,027,818	8,000,000	7,934,828	1,170,391	209,835,027
Segment results	121,059,497	5,735,694	3,433,333	(7,669,946)	(1,329,611)	121,228,967
Unallocated income						7,416,401
Unallocated costs						(46,143,409)
Operating profit						82,501,959
Finance costs						(21,955,535)
Profit before taxation						60,546,424
Taxation						(6,417,846)
Profit after taxation						54,128,578
Minority interests						(2,631,457)
Profit attributable to shareholders						51,497,121
Segment assets	2,108,215,746	6,788,900	133,060,262	18,482,514	33,804,200	2,300,351,622
Unallocated assets						197,719,638
Total assets						2,498,071,260
Segment liabilities	393,944,397	8,151,870	5,014,574	1,479,985	57,582	408,648,408
Unallocated liabilities						153,243,850
Minority interests						79,075,459
Deferred gain						15,266,132
						656,233,849
Capital expenditure						
— segment	4,764,839	—	—	722,077	—	5,486,916
— unallocated						5,050,155
Depreciation and amortisation						
— segment	1,499,222	5,857	—	1,729,522	—	3,234,601
— unallocated						5,107,214
Net revaluation deficit charged to investment properties (taken to reserves)	135,248,471	—	—	—	—	135,248,471

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments

	2001					
	Property rental	Property related services	Property sales	Sales of golf related products	Others	Group
	HK$	HK$	HK$	HK$	HK$	HK$
Turnover						
Total revenue	183,834,131	13,587,407	6,600,000	927,333	1,527,619	206,476,490
Inter-segment revenue	—	(4,028,813)	—	—	—	(4,028,813)
External revenue	183,834,131	9,558,594	6,600,000	927,333	1,527,619	202,447,677
Segment results	121,290,929	5,768,412	6,163,198	(1,221,105)	(972,381)	131,029,053
Unallocated costs						(43,482,657)
Operating profit						87,546,396
Finance costs						(28,355,054)
Profit before taxation						59,191,342
Taxation						(5,831,999)
Profit after taxation						53,359,343
Minority interests						(2,847,984)
Profit attributable to shareholders						50,511,359
Segment assets	2,236,067,974	8,211,167	139,975,333	12,715,469	36,313,972	2,433,283,915
Unallocated assets						196,845,137
Total assets						2,630,129,052
Segment liabilities	346,917,085	9,414,778	4,280,319	1,049,615	59,581	361,721,378
Unallocated liabilities						199,578,320
Minority interests						84,976,257
Deferred gain						22,682,533
						668,958,488
Capital expenditure						
— segment	43,301,798	—	—	—	—	43,301,798
— unallocated						6,715,206
Depreciation and amortisation						
— segment	1,035,089	7,322	—	1,614,410	—	2,656,821
— unallocated						5,785,955
Net revaluation deficit charged to investment properties (taken to reserves)	138,546,640	—	—	—	—	138,546,640

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Secondary reporting format - geographical segments

	2002			
	Turnover	Segment results	Total assets	Capital expenditure
	HK$	HK$	HK$	HK$
Hong Kong	140,355,451	89,591,498	2,095,183,408	8,971,994
North America	69,479,575	31,637,469	402,887,852	1,565,077
	209,835,026	121,228,967	2,498,071,260	10,537,071

	2001			
	Turnover	Segment results	Total assets	Capital expenditure
	HK$	HK$	HK$	HK$
Hong Kong	139,248,397	94,869,667	2,138,277,388	46,504,920
North America	63,199,280	36,159,386	491,851,664	3,512,084
	202,447,677	131,029,053	2,630,129,052	50,017,004

3 OPERATING PROFIT

	2002	2001
	HK$	HK$
Operating profit is stated after crediting and charging the following:		
Crediting		
Gross rental income from		
— investment properties	163,098,297	164,426,497
— land and buildings for resale	19,603,693	19,407,634
Dividend income from listed investments	1,170,389	1,072,550
Interest income	682,985	2,107,115
Gain on disposal of investment properties, including realisation on investment properties revaluation reserve	—	6,163,198
Realisation of deferred gain (note 20)	7,416,401	—
Charging		
Amortisation of goodwill	1,614,410	1,614,410
Auditors' remuneration	1,972,067	2,004,836
Cost of goods sold	5,143,442	425,246
Cost of land and building for resale sold	4,566,667	—
Depreciation	6,727,405	6,828,366
Loss on disposal of other fixed assets	508,495	140,674
Outgoings in respect of		
— investment properties	29,109,142	27,319,120
— land and buildings for resale	3,682,683	3,807,005
Operating lease rental for land and buildings	1,430,240	1,713,671
Provision for doubtful debts	2,537,632	2,636,490
Staff costs (note 4)	33,397,105	27,024,107

4 STAFF COSTS

	2002	2001
	HK$	HK$
Salaries (excluding directors' emoluments)	32,607,079	26,343,792
Retirement benefit costs (note)	790,026	680,315
	33,397,105	27,024,107

Note:

With effect from 1st December 2000, the Group has set up the Mandatory Provident Fund Scheme (the "MPF Scheme"), which is defined contribution in nature, for all the eligible employees of the Group in Hong Kong. The contributions from the employees and employer are made to the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group and managed by an independent administrator.

5 FINANCE COSTS

	2002	2001
	HK$	HK$
Interest expense		
— bank loans and overdrafts wholly repayable within five years	19,486,663	22,168,464
— bank loans not wholly repayable within five years	2,941,697	6,144,520
Other incidental borrowing costs	615,327	872,139
	23,043,687	29,185,123
Amount capitalised in properties under development	(1,088,152)	(830,069)
	21,955,535	28,355,054

6 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

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

	2002	2001
	HK$	HK$
Fees	321,400	321,400
Salaries, housing and other allowances, benefits in kind	15,918,920	15,561,703
Bonuses	2,079,372	2,079,372
Contributions to the MPF Scheme	60,000	60,000
	18,379,692	18,022,475

6 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

Emoluments band	Number of directors	
	2002	2001
HK$ Nil - HK$1,000,000	6	6
HK$1,000,001 - HK$1,500,000	1	1
HK$1,500,001 - HK$2,000,000	1	1
HK$2,500,001 - HK$3,000,000	1	1
HK$10,000,001 - HK$10,500,000	1	1
	10	10

The fees paid by the Group to the independent non-executive directors for the year amounted to HK$212,000 (2001: HK$212,000).

The above analysis includes four (2001: three) individuals whose emoluments were among the five highest paid individuals in the Group.

Senior management's emoluments

Details of the aggregate emoluments payable to the other one (2001: two) individual whose emoluments were among the five highest in the Group and which have not been included in directors' emoluments above are as follows:

	2002	2001
	HK$	HK$
Salaries, housing and other allowances, benefits in kind	3,293,870	5,750,860
Bonuses	452,870	553,820
Contributions to the MPF Scheme	12,000	24,000
	3,758,740	6,328,680

Emoluments band	Number of individuals	
	2002	2001
HK$2,000,001 - HK$2,500,000	—	1
HK$3,500,001 - HK$4,000,000	1	—
HK$4,000,001 - HK$4,500,000	—	1
	1	2

During the year, no emoluments were 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.

7 TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year. No overseas taxation has been provided as there is no estimated taxable profit for the overseas subsidiary companies for the year (2001: HK$Nil).

The amount of taxation charged to the consolidated profit and loss account represents:

	2002	2001
	HK$	HK$
Hong Kong profits tax	6,418,174	6,171,759
Over provision in prior years	(328)	(339,760)
	6,417,846	5,831,999

A subsidiary company has been enquired by the Inland Revenue Department in Hong Kong concerning the taxability of profits arising from its sale of certain properties in 1997. The potential additional tax liability is estimated to be approximately HK$29.8 million. The directors consider that the profit arising from sales of these properties is capital in nature and not subject to profits tax. Hence, no provision for this potential liability has been made in the accounts.

	Group		**Company**	
	2002	2001	2002	2001
	HK$	HK$	HK$	HK$
Deferred taxation for the year has not been (credited)/charged in respect of the following:				
Hong Kong:				
Accelerated depreciation allowances	1,770,000	1,939,000	104,000	56,000
Tax losses	(997,000)	(1,611,000)	(1,216,000)	(1,128,000)
	773,000	328,000	(1,112,000)	(1,072,000)
Overseas:				
Accelerated depreciation allowances	520,000	414,000	—	—
Tax losses	(2,699,000)	416,000	—	—
	(2,179,000)	830,000	—	—

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$63,169,967 (2001: HK$33,712,424).

9 DIVIDENDS

	2002	2001
	HK$	HK$
Interim, paid, of HK6 cents (2001: HK9 cents) per ordinary share	17,260,181	25,890,271
Final, proposed, of HK5 cents (2001: HK7 cents) per ordinary share	14,383,484	20,136,877
	31,643,665	46,027,148

Note:

At a meeting held on 28th March 2003 the directors declared a final dividend of HK5 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in the accounts, but will be reflected as an appropriation of retained profits for the year ending 31st December 2003.

10 EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK$51,497,121 (2001: HK$50,511,359) and the 287,669,676 (2001: 287,669,676) ordinary shares in issue during the year.

11 GOODWILL

	2002	2001
	HK$	HK$
Cost		
At 1st January	8,072,049	—
Additions	—	8,072,049
At 31st December	8,072,049	8,072,049
Accumulated amortisation		
At 1st January	1,614,410	—
Charge for the year	1,614,410	1,614,410
At 31st December	3,228,820	1,614,410
Net book value		
At 31st December	4,843,229	6,457,639

Note:

Goodwill represented the excess of purchase consideration in respect of the acquisition of the business and related assets of digital video equipment and software tools for golf teaching from a third party of HK$9,605,162 over its net assets acquired of HK$1,533,113 in 2001. The goodwill was amortised using the straight line method over its estimated useful life of five years.

12 FIXED ASSETS

Group

	Leasehold land and buildings in Hong Kong			Overseas freehold land and buildings		
	Investment properties	Properties under development	Other properties	Investment properties	Other fixed assets	Total
	HK$	HK$	HK$	HK$	HK$	HK$
Cost or valuation						
At 1st January 2002	1,620,870,000	243,382,946	95,067,160	432,900,000	56,636,194	2,448,856,300
Additions	542,546	1,582,984	1,413,500	245,925	6,752,116	10,537,071
Disposals	—	—	—	—	(4,264,695)	(4,264,695)
Revaluation deficit	(45,302,546)	—	—	(89,945,925)	—	(135,248,471)
At 31st December 2002	1,576,110,000	244,965,930	96,480,660	343,200,000	59,123,615	2,319,880,205
Accumulated depreciation						
At 1st January 2002	—	—	15,229,557	—	36,730,033	51,959,590
Charge for the year	—	—	2,297,844	—	4,429,561	6,727,405
Disposals	—	—	—	—	(2,516,838)	(2,516,838)
At 31st December 2002	—	—	17,527,401	—	38,642,756	56,170,157
Net book value						
At 31st December 2002	1,576,110,000	244,965,930	78,953,259	343,200,000	20,480,859	2,263,710,048
At 31st December 2001	1,620,870,000	243,382,946	79,837,603	432,900,000	19,906,161	2,396,896,710
The analysis of the cost or valuation as at 31st December 2002 of the above assets is as follows:						
At cost	—	154,965,930	96,480,660	—	59,123,615	310,570,205
At professional valuation 1998 (note)	—	90,000,000	—	—	—	90,000,000
At professional valuation 2002	1,576,110,000	—	—	343,200,000	—	1,919,310,000
	1,576,110,000	244,965,930	96,480,660	343,200,000	59,123,615	2,319,880,205
The analysis of the cost or valuation as at 31st December 2001 of the above assets is as follows:						
At cost	—	153,382,946	95,067,160	—	56,636,194	305,086,300
At professional valuation 1998 (note)	—	90,000,000	—	—	—	90,000,000
At professional valuation 2001	1,620,870,000	—	—	432,900,000	—	2,053,770,000
	1,620,870,000	243,382,946	95,067,160	432,900,000	56,636,194	2,448,856,300

Note:

Properties under development of carrying amount of HK$90,000,000 as at 31st December 2002 (2001: HK$90,000,000) were transferred from investment properties in 1999. The carrying amount represented the valuation of the properties as at 31st December 1998.

12 FIXED ASSETS (Continued)

Company

	Leasehold land and buildings in Hong Kong — Investment properties	Other fixed assets	Total
	HK$	HK$	HK$
Cost or valuation			
At 1st January 2002	126,000,000	7,488,692	133,488,692
Additions	—	907,729	907,729
Disposals	—	(50,037)	(50,037)
At 31st December 2002	126,000,000	8,346,384	134,346,384
Accumulated depreciation			
At 1st January 2002	—	4,509,051	4,509,051
Charge for the year	—	526,952	526,952
Disposals	—	(23,450)	(23,450)
At 31st December 2002	—	5,012,553	5,012,553
Net book value			
At 31st December 2002	126,000,000	3,333,831	129,333,831
At 31st December 2001	126,000,000	2,979,641	128,979,641

	Investment properties	Other fixed assets	Total
The analysis of the cost or valuation as at 31st December 2002 of the above assets is as follows:			
At cost	—	8,346,384	8,346,384
At professional valuation 2002	126,000,000	—	126,000,000
	126,000,000	8,346,384	134,346,384
The analysis of the cost or valuation as at 31st December 2001 of the above assets is as follows:			
At cost	—	7,488,692	7,488,692
At professional valuation 2001	126,000,000	—	126,000,000
	126,000,000	7,488,692	133,488,692

12 FIXED ASSETS (Continued)

(a) Certain of the Group's investment properties with an aggregate net book value of HK$1,536,526,000 (2001: HK$1,648,243,000) have been pledged to financial institutions to secure credit facilities for the Group totalling HK$675,528,000 (2001: HK$678,086,000) of which HK$496,800,000 (2001: HK$495,112,000) were utilised as at 31st December 2002.

(b) The investment properties in Hong Kong of the Group and the Company were valued on an open market basis at 31st December 2002 by A A Property Services Limited, an independent professional property valuer.

(c) The Group's overseas investment properties were valued on an open market basis at 31st December 2002 by Mr David K Bohegian, Member of The Appraisal Institute, of Martorana Bohegian & Company.

(d) The interests in investment properties, properties under development and other properties at their net book values are analysed as follows:

	Group		Company	
	2002	2001	2002	2001
	HK$	HK$	HK$	HK$
In Hong Kong, held on:				
Leases of over 50 years	312,500,000	322,500,000	11,000,000	11,000,000
Leases of between 10 and 50 years	1,587,529,189	1,621,590,549	115,000,000	115,000,000
Outside Hong Kong, held on:				
Freehold	343,200,000	432,900,000	—	—
	2,243,229,189	2,376,990,549	126,000,000	126,000,000

13 SUBSIDIARY COMPANIES

	2002	2001
	HK$	HK$
Unlisted shares, at cost less provision of HK$71,359,056 (2001: HK$70,326,003)	57,642,717	58,675,768
Amounts due by subsidiary companies less provision of HK$187,986,868 (2001: HK$181,306,573)	685,597,609	684,020,239
	743,240,326	742,696,007
Amounts due to subsidiary companies	(18,992,970)	(44,288,157)
	724,247,356	698,407,850

Details of principal subsidiary companies as at 31st December 2002, which, in the directors' opinion, materially affect the results and/or assets of the Group, are set out in note 28.

14 INVESTMENT SECURITIES

	Group 2002	Group 2001	Company 2002	Company 2001
	HK$	HK$	HK$	HK$
Equity securities, at cost				
Listed in Hong Kong	18,541,399	18,420,371	12,649	12,649
Listed overseas	2,443,631	2,556,577	71,632	71,632
	20,985,030	20,976,948	84,281	84,281
Less: Provision	(61,570)	(61,570)	(9,312)	(9,312)
	20,923,460	20,915,378	74,969	74,969
Unlisted (note)	12,000,000	12,000,000	—	—
	32,923,460	32,915,378	74,969	74,969
Market value of listed investments at 31st December	25,099,886	32,825,940	185,804	241,654

Note:

Unlisted investment represents a 12% equity interest in The Yangtze Ventures Limited which is principally engaged in the investments of biochemical and high technology industries.

15 DEBTORS AND PREPAYMENTS

	Group 2002	Group 2001	Company 2002	Company 2001
	HK$	HK$	HK$	HK$
Trade debtors (note)	13,403,811	6,284,145	—	—
Prepayments and deposits	14,268,386	13,788,262	1,002,416	775,345
Other debtor, net of provision	—	2,500,000	—	—
	27,672,197	22,572,407	1,002,416	775,345

Note:

Trade debtors represent rental and management fee receivables and receivables on sales of golf related products. Sales are made on open account terms and the Group normally does not grant credit periods to trade debtors.

At 31st December 2002, the ageing analysis of the trade debtors was as follows:

	Group 2002	Group 2001	Company 2002	Company 2001
	HK$	HK$	HK$	HK$
Current	11,750,274	5,095,859	—	—
31-60 days	700,950	1,030,354	—	—
61-90 days	669,244	—	—	—
Over 90 days	283,343	157,932	—	—
	13,403,811	6,284,145	—	—

16 BANK BALANCES AND CASH

The balances of the Group include bank balances of HK$7,408,413 (2001: HK$7,939,059) which are held in trust in respect of buildings managed by the Group on behalf of third parties.

17 CREDITORS AND ACCRUALS

	Group		Company	
	2002	2001	2002	2001
	HK$	HK$	HK$	HK$
Trade creditors (note)	2,842,938	3,132,879	435,792	744,286
Other creditors	20,537,760	21,218,589	2,452,485	2,250,629
Accruals	8,707,753	9,810,887	6,548,471	6,527,718
	32,088,451	34,162,355	9,436,748	9,522,633

Note:

At 31st December 2002, the ageing analysis of the trade creditors was as follows:

	Group		Company	
	2002	2001	2002	2001
	HK$	HK$	HK$	HK$
Current	1,500,921	2,039,183	416,962	560,138
31-60 days	105,042	549,971	18,010	175,017
61-90 days	—	4,410	—	4,410
Over 90 days	1,236,975	539,315	820	4,721
	2,842,938	3,132,879	435,792	744,286

18 SHORT TERM BANK LOANS AND BANK OVERDRAFTS - SECURED

The short term bank loans and bank overdrafts of the Group and the Company of approximately HK$62,443,000 (2001: HK$101,316,000) and HK$5,115,000 (2001: HK$4,251,000) respectively are secured by certain investment properties (note 12) and the rental income thereon.

19 LONG TERM BANK LOANS - SECURED

	Group 2002 HK$	Group 2001 HK$
Bank loans		
- wholly repayable within five years	339,857,479	288,796,137
- not wholly repayable within five years	94,500,000	105,000,000
	434,357,479	393,796,137
Amounts due within one year included under current liabilities	(29,276,800)	(29,058,400)
	405,080,679	364,737,737
The maturity of the Group's long term bank loans is as follows:		
- within one year	29,276,800	29,058,400
- in the second year	213,580,679	29,276,800
- in the third to fifth years inclusive	161,500,000	290,960,937
- after the fifth year	30,000,000	44,500,000
	434,357,479	393,796,137

The Group's long term bank loans are secured by certain properties (note 12) and the rental income thereon.

20 DEFERRED GAIN

In 1997, the Group entered into certain transactions with related companies which were owned by Mr. William Ma Ching Wai, a director of the Company, for the purpose of utilising of the tax losses brought forward from prior years of the subsidiary companies of the Company in the United States (the "US"). Under such transactions, tax losses of approximately US$12 million (equivalent of approximately HK$98 million) of the subsidiary companies were utilised and the relevant tax returns were submitted to the tax authorities in the US in 1999 and 2000.

The estimated net cash benefit to the Group of the aforesaid transactions of approximately HK$22.7 million has been included as a deferred gain in the consolidated balance sheet. During the year, approximately HK$7.4 million (2001: HK$Nil) of the deferred gain was recognised as income of the Group based on the extent of realisation of the net cash benefit accrued to the Group for the year ended 31st December 2002.

21 SHARE CAPITAL

	2002	2001
	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

22 RESERVES

	Investment properties revaluation reserve	Share premium	Exchange reserve	Retained profits	Total
	HK$	HK$	HK$	HK$	HK$
Group					
At 1st January 2002	1,030,826,088	129,651,602	6,939,169	506,084,029	1,673,500,888
Net deficit on revaluation of investment properties less minority interests' share	(133,433,216)	—	—	—	(133,433,216)
Profit for the year	—	—	—	51,497,121	51,497,121
Dividends	—	—	—	(37,397,058)	(37,397,058)
At 31st December 2002	897,392,872	129,651,602	6,939,169	520,184,092	1,554,167,735
Representing:					
Reserves	897,392,872	129,651,602	6,939,169	505,800,608	1,539,784,251
2002 final dividend proposed (note 9)	—	—	—	14,383,484	14,383,484
	897,392,872	129,651,602	6,939,169	520,184,092	1,554,167,735

22 RESERVES (Continued)

	Investment properties revaluation reserve	Share premium	Exchange reserve	Retained profits	Total
	HK$	HK$	HK$	HK$	HK$
Group					
At 1st January 2001, as previously reported	1,174,682,826	129,651,602	6,940,665	481,462,941	1,792,738,034
Effect of adopting SSAP 9 (revised)	—	—	—	23,013,574	23,013,574
At 1st January 2001, as restated	1,174,682,826	129,651,602	6,940,665	504,476,515	1,815,751,608
Exchange translation differences	—	—	(1,496)	—	(1,496)
Net deficit on revaluation of investment properties less minority interests' share	(138,293,540)	—	—	—	(138,293,540)
Realisation of revaluation reserve on sale of investment property	(5,563,198)	—	—	—	(5,563,198)
Profit for the year	—	—	—	50,511,359	50,511,359
Dividends	—	—	—	(48,903,845)	(48,903,845)
At 31st December 2001	1,030,826,088	129,651,602	6,939,169	506,084,029	1,673,500,888
Representing:					
Reserves	1,030,826,088	129,651,602	6,939,169	485,947,152	1,653,364,011
2001 final dividend proposed (note 9)	—	—	—	20,136,877	20,136,877
	1,030,826,088	129,651,602	6,939,169	506,084,029	1,673,500,888

22 RESERVES (Continued)

	Investment properties revaluation reserve	Share premium	Retained profits	Total
	HK$	HK$	HK$	HK$
Company				
At 1st January 2002	117,200,942	129,651,602	279,177,736	526,030,280
Profit for the year	—	—	63,169,967	63,169,967
Dividends	—	—	(37,397,058)	(37,397,058)
At 31st December 2002	117,200,942	129,651,602	304,950,645	551,803,189
Representing:				
Reserves	117,200,942	129,651,602	290,567,161	537,419,705
2002 final dividend proposed (note 9)	—	—	14,383,484	14,383,484
	117,200,942	129,651,602	304,950,645	551,803,189
At 1st January 2001, as previously reported	118,200,942	129,651,602	308,361,341	556,213,885
Effects of adopting SSAP 9 (revised)	—	—	(13,992,184)	(13,992,184)
At 1st January 2001, as restated	118,200,942	129,651,602	294,369,157	542,221,701
Deficit on revaluation of investment properties	(1,000,000)	—	—	(1,000,000)
Profit for the year	—	—	33,712,424	33,712,424
Dividends	—	—	(48,903,845)	(48,903,845)
At 31st December 2001	117,200,942	129,651,602	279,177,736	526,030,280
Representing:				
Reserves	117,200,942	129,651,602	259,040,859	505,893,403
2001 final dividend proposed (note 9)	—	—	20,136,877	20,136,877
	117,200,942	129,651,602	279,177,736	526,030,280

23 DEFERRED TAXATION

No provision for deferred taxation has been made in the accounts in respect of revaluation of investment properties in Hong Kong as the revaluation surplus arising therefrom does not constitute a timing difference for taxation purposes since any profit on sale would not, in the opinion of the directors, be subject to taxation.

Realisation of the surplus on revaluation of the Group's investment properties in the US would give rise to a taxation liability in the US. No provision has been made in the accounts for this liability as these properties are held for the long term and the directors have no intention to dispose of these properties in the foreseeable future.

Deferred taxation in respect of timing differences has not been recognised in the accounts on the basis that there is no reasonable certainty of crystallisation in the foreseeable future.

An analysis of unprovided deferred tax liability/(asset) is as follows:

	Group		**Company**	
	2002	2001	2002	2001
	HK$	HK$	HK$	HK$
Hong Kong:				
Accelerated depreciation allowances	34,436,000	32,666,000	574,000	470,000
Tax losses	(13,134,000)	(12,137,000)	(5,637,000)	(4,421,000)
	21,302,000	20,529,000	(5,063,000)	(3,951,000)
Overseas:				
Accelerated depreciation allowances	21,042,000	20,522,000	—	—
Tax losses	(79,719,000)	(77,020,000)	—	—
	(58,677,000)	(56,498,000)	—	—

As at 31st December 2002, the Group's overseas subsidiary companies had tax losses carried forward for Federal and State income tax purposes of the US of HK$242,000,000 (2001: HK$234,000,000) and HK$53,000,000 (2001: HK$51,000,000) respectively. These tax losses have already excluded an amount of approximately US$12 million (approximately HK$98 million) which relates to the transactions as disclosed in note 20. The remaining tax losses are available to reduce future taxable income, if any. However their deferred tax effect of HK$79,719,000 (2001: HK$77,020,000) has not been accounted for as the losses would not, in the opinion of the directors, be utilised in the foreseeable future.

24 CONTINGENT LIABILITIES

	Group 2002	Group 2001	Company 2002	Company 2001
	HK$	HK$	HK$	HK$
Guarantees to bankers for credit facilities granted to subsidiary companies	—	—	345,272,000	336,775,000
Other guarantees	1,181,000	1,181,000	1,181,000	1,181,000
	1,181,000	1,181,000	346,453,000	337,956,000

25 COMMITMENTS

(a) Capital commitments

As at 31st December 2002, the Group had capital commitments for properties under development and other fixed assets as follows:

	Group 2002	Group 2001
	HK$	HK$
Contracted but not provided for		
- properties under development	16,046,000	5,603,000
- other fixed assets	—	2,241,000
	16,046,000	7,844,000

(b) Commitments under operating leases

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group 2002	Group 2001	Company 2002	Company 2001
	HK$	HK$	HK$	HK$
Land and buildings				
Not later than one year	1,975,000	862,000	889,000	862,000
Later than one year but not later than five years	4,313,000	965,000	982,000	965,000
	6,288,000	1,827,000	1,871,000	1,827,000

26 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow generated from operations

	2002	2001
	HK$	HK$
Operating profit	82,501,959	87,546,396
Realisation of deferred gain	(7,416,401)	—
Amortisation of goodwill	1,614,410	1,614,410
Depreciation	6,727,405	6,828,366
Gain on disposal of investment properties	—	(6,163,198)
Loss on disposal of other fixed assets	508,495	140,674
Interest and dividend income	(1,853,374)	(3,179,665)
Operating profit before working capital changes	82,082,494	86,786,983
Decrease/(increase) in land and buildings for resale	3,064,459	(1,027,342)
Increase in inventories	(7,491,718)	(1,138,143)
Increase in debtors and prepayments	(5,099,790)	(7,683,055)
Decrease in rental and other deposits	(113,359)	(923,069)
Decrease in creditors and accruals	(1,406,191)	(4,642,413)
Effect of foreign exchange rate changes	—	(1,496)
Net cash inflow generated from operations	71,035,895	71,371,465

(b) Purchase of business

	2002	2001
	HK$	HK$
Net assets acquired		
Inventories	—	1,533,113
Goodwill	—	8,072,049
	—	9,605,162
Satisfied by cash	—	9,605,162

26 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Analysis of changes in financing during the year

	Short term and long term bank loans	Minority interests
	HK$	HK$
Balance at 1st January 2001	429,457,200	84,900,793
Net cash inflow/(outflow) from financing	61,338,937	(2,519,420)
Minority interests' share of profit for the year	—	2,847,984
Minority interests' share of deficit on revaluation of investment properties	—	(253,100)
Balance at 31st December 2001	490,796,137	84,976,257
Balance at 1st January 2002	490,796,137	84,976,257
Net cash outflow from financing	(438,658)	(6,717,000)
Minority interests' share of profit for the year	—	2,631,457
Minority interests' share of deficit on revaluation of investment properties	—	(1,815,255)
Balance at 31st December 2002	490,357,479	79,075,459

27 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 28th March 2003.

28 PRINCIPAL SUBSIDIARY COMPANIES

At 31st December 2002 and 2001, the Company had the following principal subsidiary companies. Montgomery Lands, Incorporated, Central Financial Management Company Inc., GYB Properties, Inc., MLI Business Management, Inc., and Montgomery Golf Corporation are incorporated and operate in the US. All other subsidiary companies below are incorporated and operate in Hong Kong.

	Percentage of issued capital held		Ordinary share capital		
Name	**By company**	**By subsidiary company**	**Number**	**Par value per share**	**Principal activities**
Ballington Limited	100	—	10,000	HK$1	e
Cambella Limited	100	—	1,000	HK$1	a
Central Financial Management Company Inc	—	100	10,000	US$1	d
Chi Ho Investment Company Limited	100	—	100	HK$100	a b g
Chi Ning Investment Company Limited	100	—	421,290	HK$1	e
Etrema Company Limited	100	—	1,000	HK$1	b
Fung Chau Investment Company Limited	100	—	1,070,030	HK$1	a g
Golden Ocean Corporation Limited	100	—	531,510	HK$1	a
GYB Properties, Inc. ("GYB") (note b)	—	80	750,000	US$0.01	e
Iowa Enterprises Limited	100	—	2	HK$100	a
Kam Cheung Investment Company Limited	75	—	1,200,000	HK$1	a e
Kam Chung Industrial Company Limited	100	—	1,149,430	HK$1	a g
Kam Hang Company Limited	95	—	5,000	HK$100	a
Kam Yiu Company Limited	100	—	73,000	HK$1	a
Lee Sang On Investment Company, Limited	100	—	915,960	HK$1	a
MLI Business Management, Inc	—	100	1,000	US$1	h
Montgomery Enterprises Limited	100	—	1,190,840	HK$1	a e g
Montgomery Golf Corporation	—	100	500,000	No par value	i
Montgomery Lands, Incorporated	—	100	20,000	US$1	a
On Ah Enterprises Limited	65	—	100,000	HK$1	a
Pentacontinental Land Investment Company Limited	53.6	—	2,000,000	HK$1	a e
Satvision Limited	100	—	1,000	HK$1	a
Tai Fung Investment Company Limited	65	—	1,400,000	HK$1	a e
Tai Land Finance Company Limited	100	—	100,000	HK$1	c
Tai Sang Cold Storage and Godown Company Limited	58	—	5,600,000	HK$1	e
Tai Sang Estate Agency Limited	100	—	100,000	HK$1	d e

28 PRINCIPAL SUBSIDIARY COMPANIES (Continued)

Name	Percentage of issued capital held By company	By subsidiary company	Ordinary share capital Number	Par value per share	Principal activities
TSE (Floral Villas) Limited	—	100	100	HK$1	d
TSE (Kam Yuen Mansion) Limited	—	100	1,000	HK$1	d
TSL Construction and Engineering Limited	100	—	2	HK$1	a
Welldicker Industrial Limited	100	—	2	HK$1	e
Xin Kuok Investments Limited	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 resale
h = management service
i = distribution of golf digital video equipment and training software

(a) The above list gives particulars of the principal subsidiary companies, which in the opinion of the directors, materially affect the results and/or assets of the Group.

(b) On 8th April 1999, the board of directors and shareholders of GYB approved the Plan of Complete Liquidation (the "Plan") of GYB. The Plan provides for the complete liquidation and dissolution of GYB along with its wholly owned subsidiary companies, Yerba Buena Properties, Inc. and Goldman Investments Incorporated.

An amount of US$8,450,000 (equivalent of HK$65,910,000) was paid to the minority shareholder of GYB ("Minority Shareholder"), companies owned by Mr. William Ma Ching Wai, a director of the Company, as interim liquidation distribution in 1999. During the year, another payment of US$550,000 (HK$4,290,000) was paid to the Minority Shareholder before the completion of the Plan and distribution of the remaining assets of GYB.

SCHEDULE OF THE GROUP'S SIGNIFICANT PROPERTIES AT 31ST DECEMBER 2002

A PROPERTIES FOR INVESTMENT AND/OR OWN OPERATIONS

Description	Lot Number	Type #	Appro. G.F.A. (M²)	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
Tai Sang Shatin Warehouse Centre Phase I 6 Wong Chuk Yeung Street, Shatin	S.T.T.L. 134	G	17,199	100.0%	Medium term
Tai Sang Shatin Warehouse Centre Phase II (portion) 6 Wong Chuk Yeung Street, Shatin	S.T.T.L. 134	G	11,144	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	1,392	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) R.P. 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	4,804	100.0%	Medium term
No. 20 & No.22 (portion) Severn Road, The Peak	R.B.L. 1137	D	1,282	100.0%	Medium term
Overseas					
Montgomery Plaza 456 Montgomery Street San Francisco United States of America	—	C	15,638*	100.0%	Freehold

B PROPERTIES UNDER DEVELOPMENT OR FOR RENTAL/RESALE

Description	Lot Number	Type #	Appro. G.F.A. (M^2)	Group's interest	Expected completion
Properties under development					
Hong Kong					
Floral Villas (portion) Tso Wo Hang, Sai Kung	D.D. 252 Lot 314	R	1,144	100.0%	2004/05
No. 20 & No. 22 (portion) Severn Road, The Peak	R.B.L. 1137	R	623	100.0%	Planning
No. 1, Barker Road	R.B.L. 810	R	1,352	100.0%	2003/04
Properties for rental/resale					
Hong Kong					
Floral Villas (portion) Tso Wo Hang, Sai Kung	D.D. 252 Lot 314	R	4,298	100.0%	Existing
Sheung Wan Tai Sang Commercial Building (portion) 77-91 Queen's Road West, Sheung Wan	I.L. 3752 to 3758	C	5,860	100.0%	Existing
Shing Wah Building (portion) 31 Shing Fong Street, Kwai Chung	K.C.T.L. 232	C	1,756	100.0%	Existing
Kam Wah Building (portion) 21 Shek Yam Road, Kwai Chung	K.C.T.L. 171	C	1,724	100.0%	Existing

Type #

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

GROUP FINANCIAL SUMMARY

	1998	1999	2000	2001	2002
PROFIT AND LOSS ACCOUNT (HK$ thousand)					
Turnover	334,444	196,000	256,715	202,448	209,835
Profit before taxation	70,028	60,676	97,003	59,191	60,546
Taxation	(8,790)	(7,143)	(8,696)	(5,832)	(6,418)
Profit after taxation	61,238	53,533	88,307	53,359	54,128
Minority interests	(3,482)	(3,100)	(2,839)	(2,848)	(2,631)
Profit attributable to shareholders	57,756	50,433	85,468	50,511	51,497
Earnings per share	HK20.1 cents	HK17.5 cents	HK29.7 cents	HK17.6 cents	HK17.9 cents
BALANCE SHEET (HK$ thousand)					
Goodwill	—	—	—	6,458	4,843
Fixed assets	2,485,746	2,480,861	2,499,993	2,396,897	2,263,710
Investment securities	12,160	13,912	32,915	32,915	32,923
Net current assets/(liabilities)	12,581	42,791	34,182	(2,703)	39,783
Long term liabilities	(336,000)	(367,957)	(356,086)	(364,738)	(405,081)
Minority interests	(86,362)	(87,613)	(84,901)	(84,976)	(79,075)
Deferred gain	(22,682)	(22,682)	(22,682)	(22,682)	(15,266)
	2,065,443	2,059,312	2,103,421	1,961,171	1,841,837
Share capital	287,670	287,670	287,670	287,670	287,670
Reserves	1,751,883	1,751,505	1,792,737	1,653,364	1,539,784
Proposed final dividend	25,890	20,137	23,014	20,137	14,383
Shareholders' funds	2,065,443	2,059,312	2,103,421	1,961,171	1,841,837