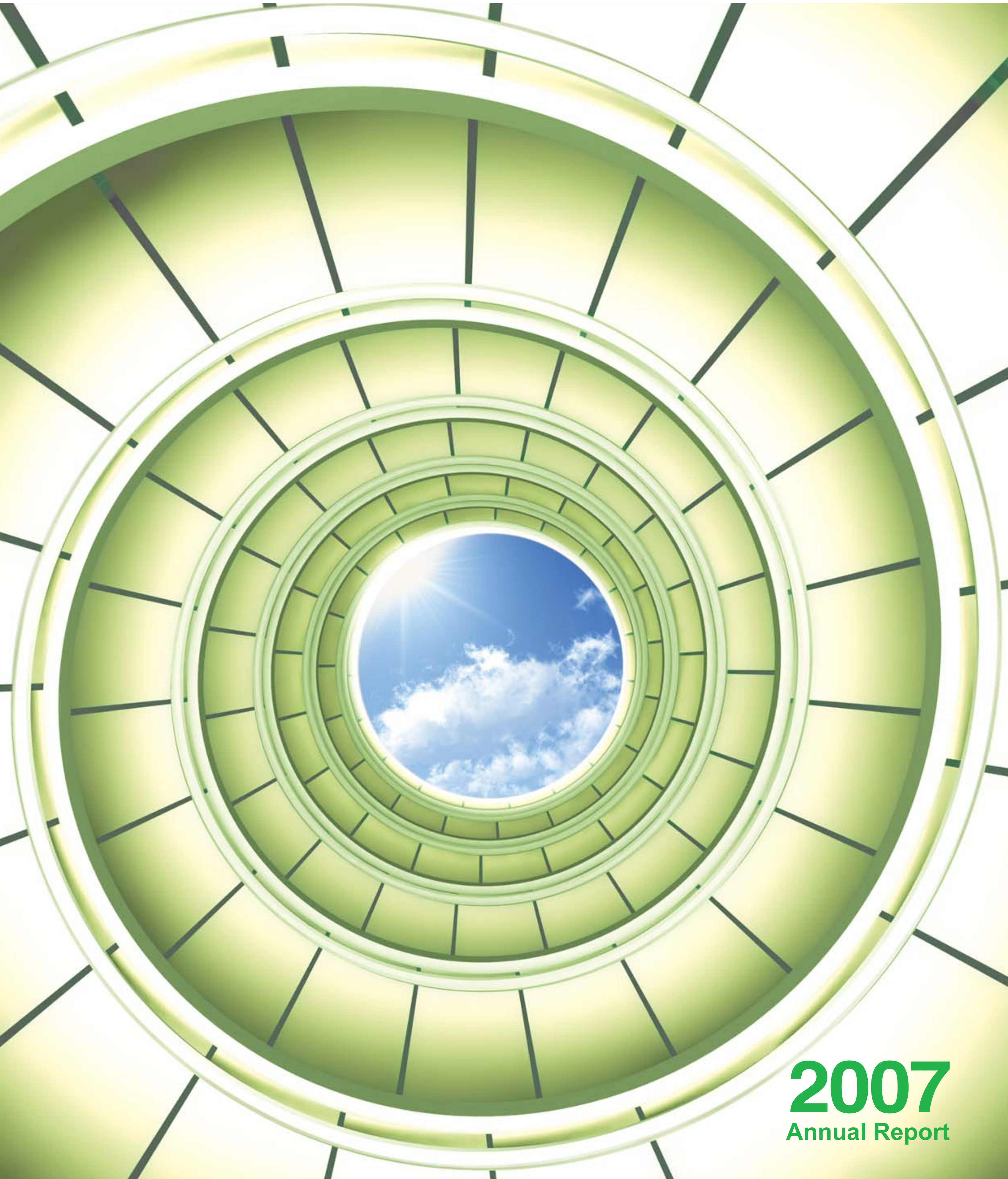
渝太地產集團有限公司
Y. T. REALTY GROUP LIMITED
Stock Code : 0075



2007
Annual Report

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Cheung Chung Kiu *(Chairman)*
Wong Chi Keung *(Managing Director)*
Yuen Wing Shing
Tung Wai Lan, Iris

NON-EXECUTIVE DIRECTOR

Lee Ka Sze, Carmelo
Wong Yat Fai

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ng Kwok Fu
Luk Yu King, James
(appointed on 10 September 2007)
Leung Yu Ming, Steven
(appointed on 1 October 2007)
Wong Wai Kwong, David *(resigned on 26 July 2007)*
Wong Yat Fai
(re-designated as non-executive director on 1 October 2007)

AUDIT COMMITTEE

Luk Yu King, James *(Chairman)*
(appointed on 10 September 2007)
Lee Ka Sze, Carmelo
Ng Kwok Fu
Leung Yu Ming, Steven
(appointed on 1 October 2007)
Wong Wai Kwong, David *(resigned on 26 July 2007)*
Wong Yat Fai *(resigned on 1 October 2007)*

REMUNERATION COMMITTEE

Cheung Chung Kiu *(Chairman)*
Ng Kwok Fu
Leung Yu Ming, Steven *(appointed on 1 October 2007)*
Wong Yat Fai *(resigned on 1 October 2007)*

SECRETARY

Albert T. da Rosa, Jr.

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

3301-07, China Resources Building
26 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2500-5555
Fax: (852) 2507-2120
Website: www.ytrealtygroup.com.hk

AUDITORS

Ernst & Young

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited

LEGAL ADVISER

Bermuda:
Conyers Dill & Pearman

Hong Kong:
Woo, Kwan, Lee & Lo
Cheung, Tong & Rosa

REGISTRAR & TRANSFER OFFICE

Bermuda:
The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

Hong Kong:
Tricor Abacus Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong
Tel: (852) 2980 1700
Fax: (852) 2890 9350

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 75

On behalf of the board of directors, I am pleased to report the following results and operations of the Group for the year ended 31 December 2007.

RESULTS

The audited consolidated profit after tax for the year was HK$328.6 million and the earnings per share amounted to HK41.1 cents, as compared to net profit of HK$288.1 million and the earnings per share of HK36.0 cents for the year ended 31 December 2006. The net profit after tax for 2007 represents a 14.0% increase from 2006.

DIVIDENDS

The directors recommend the payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2007. Subject to the approval of the Company's shareholders at the forthcoming annual general meeting, it is expected that the final dividend will be paid on 9 May 2008 to shareholders registered on 2 May 2008. No interim dividend was paid during the year. In respect of the preceding year, a final dividend of HK3.0 cents per share was paid and no interim dividend was declared.

NET ASSET VALUE

The consolidated net asset value per share of the Group as at 31 December 2007 was HK$3.73 based on the 799,557,415 shares in issue, an increase of approximately 13.4%, as compared to HK$3.29 per share and 799,557,415 shares in issue as at 31 December 2006.

BUSINESS REVIEW

The Group's net profit attributable to shareholders for the year was HK$328.6 million as compared to a net profit of HK$288.1 million in 2006, representing a 14.0% increase from 2006. Revenue for the year increased by 17.1% to HK$116.5 million as compared to HK$99.5 million reported in 2006. The increase in overall revenue was primarily attributable to increase in rental income.

Revaluation of the Group's portfolio of properties resulted in a surplus of HK$187.9 million (2006: HK$190.0 million). The revaluation surplus and the corresponding deferred tax arising from the revaluation of the Group's investment properties were reported in the income statement.

The Group's share of profit after taxation from the associated company, The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), for the year was HK$109.7 million (2006: HK$63.4 million), an increase of 73.2% from last year. The substantial increase in profit contribution from Cross-Harbour was attributed to the profit growth of Cross-Harbour and the Group's increased shareholding in Cross-Harbour since May 2006. Cross-Harbour is listed on The Stock Exchange of Hong Kong Limited and it is engaged in investment and management of tunnels, motoring schools and highway and tunnel toll system.

BUSINESS REVIEW *(continued)*

Property Business

The Group's major investment properties include:

Century Square
Prestige Tower

Gross rental income for the year amounted to HK$105.1 million which represents an increase of about 16.9% when compared with last year's income of HK$89.9 million. The increase in rental income in 2007 was due to the increase in rental rates as well as improvement in occupancy rates of the Group's investment properties.

During the year under review, Hong Kong was largely able to successfully preserve the strong fundamentals and maintain satisfactory economic growth despite major market volatility and the outbreak of credit crisis in the United States of America and major Europe.

Amongst all business sectors, real estate across all categories performed exceptionally well both in terms of rental growth and asset appreciation. In addition, tourist arrivals which is a main impetus for hotel and retail industries broke another record year with total number of visitors arriving Hong Kong well over 28.0 million.

Benefiting from robust local economic activities and bullish real estate markets in 2007, the overall revenue of the Group which is primarily derived from the Group's core investment properties recorded another consecutive year of satisfactory growth.

Backed by strenuous leasing efforts and diligent marketing endeavors, the Group's core investment properties, which are predominantly of retail and commercial nature, achieved strong rental performance in 2007 in terms of rising rental rates whilst at the same time maintaining a high percentage of occupancy. At the end of 2007, the Group's properties were close to full occupancy and there was less than 2.0% of vacant space to be let. Moreover, a number of reputable tenants were attracted to join our property portfolio including the leading, innovative and long-established hair salon "Rever".

In conclusion, despite volatility and uncertainty in the financial market, the fundamentals of the local economy continued to be sound. The overall performance of the Group during 2007 was considered to be satisfactory and up to if not exceed management's expectations.

FINANCING AND LIQUIDITY

Financial expenses for the year ended 31 December 2007 amounted to HK$35.1 million (2006: HK$34.3 million), a 2.4% increase as compared to last year. The increase in financial expenses was primarily due to the overall increase in interest rates during the year under review. As at the end of 2007, the bank loan balance was HK$617.0 million (2006: HK$666.0 million).

The bank loans are secured by mortgages on certain investment properties with an aggregate carrying value of HK$2,305.0 million (2006: HK$2,117.0 million) and the assignment of rental income from these properties.

FINANCING AND LIQUIDITY *(continued)*

The following is the maturing profile of the Group's bank borrowings as of 31 December 2007:

Within one year	41.0%
In the second year	9.3%
In the third to fifth years, inclusive	49.7%
	100.0%

The gearing ratio, which is calculated as the ratio of the net bank borrowings to shareholders' funds, was 18.6% (2006: 23.7%). Revolving loans with outstanding balance of HK$200.0 million will be renewable within the next financial year. Term loan in instalment payments repayable within one year is HK$53.1 million which will be serviced mainly by the Group's rental income.

At the end of 2007, the Group's cash and cash equivalents was HK$61.2 million. With its cash, available banking facilities and recurring rental income, the Group has sufficient resources to meet foreseeable funding needs for its working capital and capital expenditure.

Since the Group's borrowings are denominated in Hong Kong dollars and its sources of income are primarily denominated in Hong Kong dollars, there is basically no exposure to foreign exchange rate fluctuations.

On 3 July 2007, the Company entered into a placing agreement (the "Agreement") with a placing agent, pursuant to which the placing agent has conditionally agreed to place a maximum aggregate amount of HK$300.0 million of zero coupon convertible notes (the "Notes") with maturity date of 31 July 2010 at the conversion price of HK$1.9 per conversion share, on a best effort basis, to not less than six independent placees; each partial completion of the placing shall not be less than HK$50.0 million. If the conditions of the Agreement are not fulfilled by the long stop date which is nine months from the date of signing of the Agreement (or such later date as agreed between the Company and the placing agent), the Agreement will terminate and neither the Company nor the placing agent shall have any claims against each other. As at the end of 2007, none of the Notes has been placed.

PROSPECTS

The Group remains confident about the on-going economic development of Hong Kong in the coming years. Hong Kong's dual role both as a financial centre of China and as Asia's world class city to the international market will continue to be strengthened with the stanch support from the Mainland.

We are glad to see the commitment made by the Chief Executive of the HKSAR in the last Policy Address that the Government will invest heavily in infrastructure to enhance the efficiency and competitiveness of the economy of Hong Kong. These far-sighted planning and infrastructure development are vital to boosting the inter-connectivity between Hong Kong and the Mainland, cities in the Pearl River Delta in particular. This is important as the majority of our record-breaking numbers of tourist arrival are from the Mainland and the GDP growth in Pearl River Delta is amongst the highest in the Mainland.

PROSPECTS *(continued)*

On the financial development front, Hong Kong's world-class financial services sector with high concentration of international banks and broad international expertise will continue to offer unrivalled role in bridging the Mainland to the international market and vice versa. With the ever increasing popularity of Renminbi and in anticipation of further relaxation of qualified investors in the Mainland who are able to invest in Hong Kong, it is expected that we can continue to maintain our strong financial centre's position in the years to come.

Robust economy and bullish market sentiment will no doubt offer an opportunity for the Group to perhaps achieve another good year of revenue growth in 2008. Nonetheless, escalating rental will inevitably pose additional pressure on our existing tenants. The Group will monitor closely the execution of upward adjustment of rental vis-à-vis the occupancy rate of properties in order to strike a good balance between maintaining acceptable growth and retaining quality tenants.

Rapid increase in property value though strengthens our balance sheet but on the other hand poses difficulty for the Group to expand its property portfolio in Hong Kong. The Group will broaden its business sourcing radius to include other emerging markets in the neighboring cities such as Vietnam which is attracting enormous foreign investors' interests in the last few years. Our overall aim is to continue expand prudently to maintain sustainable growth for the Group's business and to bring about reasonable return to our shareholders.

STAFF

At 31 December 2007, the Group employed a staff of 33 members. Staff remuneration is reviewed by the Group from time to time. In addition to salaries, the Group provides staff benefits including medical insurance, life insurance, pension scheme and discretionary vocational tuition/training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

APPRECIATION

I would like to take this opportunity to thank our shareholders and business partners for their continuing support, and the Group's dedicated management and staff for their valuable contributions during the past year.

Cheung Chung Kiu
Chairman

Hong Kong, 14 March 2008

EXECUTIVE DIRECTOR

Cheung Chung Kiu, aged 43, was appointed Chairman of the Company on 28 September 2000. Mr. Cheung was born and educated in Chongqing, the PRC. He set up Chongqing Industrial Limited ("Chongqing Industrial", a company engaged mainly in the trading business in the PRC) in 1985. He is the founder and chairman of Yugang International Limited ("Yugang"), chairman of The Cross-Harbour (Holdings) Limited ("Cross-Harbour") and C C Land Holdings Limited ("C C Land"), all being listed public companies in Hong Kong. He is director of Palin Holdings Limited, Chongqing Industrial, Yugang International (B.V.I.) Limited ("Yugang BVI") and Funrise Limited ("Funrise") which, together with Yugang, are companies disclosed in the section headed "Interests and Short Positions of Shareholders" on page 25.

Wong Chi Keung, aged 52, was appointed Managing Director of the Company on 10 January 2000. Mr. Wong holds a doctorate in business and is member of Hong Kong Institute of Housing, Chartered Institute of Housing, and The Chinese People's Political Consultative Conference, Nanning City, Guangxi, the PRC. He is a fellow of Hong Kong Institute of Real Estate Administrators and The Hong Kong Institute of Directors, an honorary fellow of Guangxi Academy of Social Science and vice chairman of Officers' Club, Hong Kong Auxiliary Medical Services. He has held various senior executive positions with some of Hong Kong's leading property companies and property consultant firms for the past 30 years, and has taken an active role in public and voluntary services. He is an executive director of Cross-Harbour and an independent non-executive director of Water Oasis Group Limited, a listed public company in Hong Kong.

Yuen Wing Shing, aged 61, was appointed Executive Director of the Company on 28 September 2000. Mr. Yuen holds a diploma in management studies from The Hong Kong Polytechnic University. Prior to joining the Company, he had held senior management positions with a major bank in Hong Kong for over 20 years. He is the managing director of Yugang, an executive director of Cross-Harbour and a non-executive director of Silver Grant International Industries Limited, a listed public company in Hong Kong. He is director of Yugang BVI and Funrise.

Tung Wai Lan, Iris, aged 42, was appointed Executive Director of the Company on 28 September 2000. Ms. Tung holds a master of philosophy degree from The Chinese University of Hong Kong. She is an executive director of Cross-Harbour.

NON-EXECUTIVE DIRECTOR

Lee Ka Sze, Carmelo, aged 47, was appointed Independent Non-executive Director of the Company on 28 September 2000 and re-designated Non-executive Director on 30 September 2004. Mr. Lee received his bachelor of laws degree and postgraduate certificate in laws from The University of Hong Kong. He is a partner in Messrs. Woo, Kwan, Lee & Lo, Hong Kong legal advisers to the Company. He is an independent non-executive director of KWG Property Holding Limited and non-executive director of China Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Company, Limited, Termbray Industries International (Holdings) Limited, Taifook Securities Group Limited, Yugang and Cross-Harbour, all being listed public companies in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR *(continued)*

Wong Yat Fai, aged 48, was appointed Independent Non-executive Director of the Company on 30 September 2004 and re-designated Non-executive Director on 1 October 2007. Mr. Wong holds a professional diploma in banking from The Hong Kong Polytechnic University. He has over 13 years of experience working with an international banking group. He is an executive director of GR Vietnam Holdings Limited (formerly, 139 Holdings Limited) and non-executive director of Yugang, Cross-Harbour and C C Land, all being listed public companies in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ng Kwok Fu, aged 36, was appointed Independent Non-executive Director of the Company on 30 September 2004. Mr. Ng holds a certificate in accounting from Grant MacEwan Community College, Canada. He has over 18 years of experience in the marketing, trading, purchasing and developing of construction materials and in technical control, support and management in building projects. He is independent non-executive director of Yugang and Cross-Harbour.

Luk Yu King, James, aged 53, was appointed Independent Non-executive Director of the Company on 10 September 2007. Mr. Luk graduated from The University of Hong Kong with a bachelor degree in science. He is a fellow of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and an ordinary member of Hong Kong Securities Institute. He has over 10 years of experience in corporate finance, securities and commodities trading business with several international and local financial institutions. He is independent non-executive director of Yugang and Cross-Harbour.

Leung Yu Ming, Steven, aged 48, was appointed Independent Non-executive Director of the Company on 1 October 2007. Mr. Leung received his bachelor of social science degree from The Chinese University of Hong Kong and master degree in accountancy from Charles Sturt University, Australia. He is an associate of The Institute of Chartered Accountants in England and Wales, and fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong. Mr. Leung is also a certified practising accountant of CPA Australia and a practising certified public accountant in Hong Kong. He commenced public practice in auditing and taxation in 1990 and is currently the senior partner in a CPA firm. Apart from accounting and taxation, he has over 22 years of experience in assurance, financial management and corporate finance, including working as assistant vice president with Nomura International (Hong Kong) Limited, International Finance and Corporate Finance Department. He is independent non-executive director of Suga International Holdings Limited, Yugang, Cross-Harbour and C C Land, all being listed public companies in Hong Kong.

SENIOR MANAGEMENT

Vong Veng Kei, aged 47, was appointed Financial Controller and Qualified Accountant of the Company on 1 February 2000 and 31 March 2004 respectively. Mr. Vong graduated from University of Hawaii at Manoa, USA with a master of accounting degree and is a member of the American Institute of Certified Public Accountants and fellow of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, he had held senior positions with a number of US and multinational companies where he amassed experience in accounting, corporate finance and taxation.

Lui Lau Wing Lin, Sonia, aged 50, was appointed Senior Property Manager of the Company on 12 September 1996. Mrs. Lui holds a master degree in business administration from University of Ottawa, Canada and graduated from University of Hawaii at Manoa, USA. Mrs. Lui is experienced and well trained in marketing and leasing properties. Over the past 22 years, she has worked at senior managerial positions for a number of well-known international property consultant firms both in Hong Kong and in California, USA, and she is a licensed real estate broker in the State of California.

Lo Hung Sang, aged 46, was appointed Senior Property Manager of the Company on 1 August 1994 and is responsible for the Group's property technical division. Mr. Lo received his bachelor of engineering degree from University of Central Lancashire, England. He has worked with several property companies in the private sector and with the Government of Hong Kong for the past 24 years.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER VALUE

The Company is committed to upholding the principles of good corporate governance that supports wealth creation, which in turn drives more investment and employment. These principles highlight an effective board, a sound internal control system as well as transparency and accountability. The board considers such commitment essential in balancing the interests of investors, customers and employees while advancing shareholder wealth through greater efficiency. The Company sees to it that the corporate governance agenda is focused on improving performance and not just bogged down in conformity and compliance.

CORPORATE GOVERNANCE PRACTICES

Throughout the accounting period covered by the annual report, the Company has met the code provisions of the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RULES 3.10 AND 3.21 OF THE LISTING RULES

During the year, Mr. Wong Wai Kwong, David resigned as an independent non-executive director and a member and the chairman of the audit committee with effect from 26 July 2007. Following Mr. Wong's resignation, the number and qualifications of independent non-executive directors failed to meet the requirements under rule 3.10 of the Listing Rules, and the composition of the audit committee failed to meet the requirement under rule 3.21 of the Listing Rules.

In order to address the above non-compliance, the board appointed Mr. Luk Yu King, James as an independent non-executive director and a member and the chairman of the audit committee with effect from 10 September 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code (the "Securities Code") for directors' dealings in its securities (of which the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") forms part) at least as exacting as the Model Code. Each director is given a copy of the Securities Code on appointment (or has been given one for those appointed before the adoption of the Securities Code) and thereafter twice annually, one month before the date of the board meeting to approve the Company's half-year results or annual results, notification of the restraint period during which the directors (and their spouses and infant children) must not deal in any of the Company's securities.

The Company has also adopted a code for relevant employees (within the meaning of the CG Code) regarding securities transactions on terms no less exacting than the required standard set out in the Model Code. Notification of the restraint period is given to the relevant employees in the same manner as the directors.

All directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard set out in the Model Code and the Securities Code throughout the year.

BOARD OF DIRECTORS

The Company is governed by a board of directors which assumes responsibility for leadership and control of the Company. The directors are collectively responsible for promoting the success of the Company by directing and supervising its affairs. In discharging their duties, the directors exercise care, diligence and skill and act in good faith and in the best interests of the Company and its shareholders as a whole.

The board is structured so that it makes the maximum contribution to the overall objective of preserving and creating wealth for shareholders. As at the date of this report, it comprises the chairman, the managing director and two other executive directors; and five non-executive directors three of whom are independent non-executive directors. Biographical details of the directors, which show a good balance of skills and experience among them, are given on pages 7 and 8.

The board met regularly during the year at quarterly intervals. Apart from the four regular meetings, the board held four other meetings during the year, two of which relate to the re-designation and/or appointment of directors (the "nomination meetings"), one relates to the resignation of directors and one relates to other business. Attendance records of those regular meetings, nomination meetings and the two other meetings held in 2007 are respectively as follows:

Board of Directors	No. of regular meetings attended/held	No. of nomination meetings attended/held	No. of other meetings attended/held
Executive Director			
Cheung Chung Kiu *(Chairman)*	4/4	1/2	2/2
Wong Chi Keung *(Managing Director)*	4/4	2/2	2/2
Yuen Wing Shing	4/4	2/2	2/2
Tung Wai Lan, Iris	3/4	2/2	2/2
Non-executive Director			
Lee Ka Sze, Carmelo[1]	4/4	0/2	1/2
Wong Yat Fai[2]	1/1	N/A	N/A
Independent Non-executive Director			
Ng Kwok Fu[3]	4/4	2/2	2/2
Luk Yu King, James[4] *(appointed on 10 September 2007)*	2/2	1/1	N/A
Leung Yu Ming, Steven[5] *(appointed on 1 October 2007)*	1/1	N/A	N/A
Wong Wai Kwong, David[6] *(resigned on 26 July 2007)*	2/2	N/A	1/1
Wong Yat Fai[2] *(re-designated as non-executive director on 1 October 2007)*	3/3	2/2	1/2

BOARD OF DIRECTORS *(continued)*

Notes:

[1] The term of office for Mr. Lee Ka Sze, Carmelo is approximately three years, commencing 11 May 2007 and ending at the close of the annual general meeting in 2010.

[2] The term of office for Mr. Wong Yat Fai is approximately three years, commencing 29 May 2006 and ending at the close of the annual general meeting in 2009. Mr. Wong attended seven meetings during the year, as to six meetings prior to his re-designation and as to one meeting after his re-designation.

[3] The term of office for Mr. Ng Kwok Fu is approximately three years, commencing 29 May 2006 and ending at the close of the annual general meeting in 2009.

[4] The term of office for Mr. Luk Yu King, James commenced at the date of his appointment, namely, 10 September 2007. Mr. Luk retires at the general meeting next following his appointment. During the year, Mr. Luk attended all three meetings held after his appointment.

[5] The term of office for Mr. Leung Yu Ming, Steven commenced at the date of his appointment, namely, 1 October 2007. Mr. Leung retires at the general meeting next following his appointment. During the year, Mr. Leung attended the only meeting held after his appointment.

[6] The term of office for Mr. Wong Wai Kwong, David is approximately three years, commencing 29 May 2006 and ending at the close of the annual general meeting in 2009. During the year, Mr. Wong attended all three meetings held prior to his resignation.

[7] Notwithstanding any contractual or other terms of appointment or engagement, the non-executive directors are subject to retirement by rotation at least once every three years under the Company's bye-laws and the Listing Rules.

The board's primary role is to protect and maximise long-term shareholder value and to balance broader stakeholder interests. It sets the business strategy of the Company and its subsidiaries (the "Group") and monitors its development in pursuit of the overall objective of wealth preservation and creation.

The board, led by the chairman, is accountable to shareholders for the management of the Company. It appoints management and delegates thereto the powers and the authority to manage the Company while reserving certain decisions and actions for itself, and performing them effectively. The managing director in turn delegates aspects of management and administrative functions to executives who report directly to him on a regular basis.

Besides management appointments, the types of decisions to be taken by the board include the following: board and senior management; relations with the members and stakeholders; financial matters; business strategy; capital expenditures; lease or purchase of buildings; major transactions not included in the budget; actions or transactions involving legality or propriety; and internal control and reporting systems.

The directors acknowledge their responsibility for preparing the accounts. Such responsibility extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

BOARD OF DIRECTORS *(continued)*

The board is also responsible for the integrity of financial information and for ensuring its timely disclosure. Arrangements are made which will allow them to be satisfied that the accounts are true and fair, which accurately disclose the financial position of the Company, and which comply with statutory requirements and applicable accounting standards.

The board acknowledges its responsibility for maintaining sound and effective internal controls and to this end reviews the effectiveness of the system of internal controls at least annually. The directors have conducted the annual review of the effectiveness of the Group's internal control system in 2007. The review covered all material controls, including financial, operational and compliance controls and risk management functions.

The Company has clearly established written policies and procedures applicable to all operating units to ensure the effectiveness of internal controls. The Group's internal control system is designed to safeguard shareholders' investment and the assets against unauthorized use and disposition; to ensure the maintenance of proper accounting records and the truth and fairness of the financial statements; and to ensure compliance with relevant legislation and regulations. The board recognizes that the purpose of internal controls is to help manage and control, rather than eliminate, risks and internal controls can only provide reasonable, and not absolute, assurance against misstatement or loss.

The board confirms that the Company has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objectives. This process is subject to continuous improvement and was in place throughout 2007 and up to the date of this report. In formulating the risk management strategy, the board ensures that the risks facing the Company have been assessed, and that the policies for handling them are up to date and are being complied with. No significant control failings were reported during the year and up to the date of this report.

The board has delegated the day-to-day operations of the Company to a committee comprising all the executive directors and given clear directions as to the powers of management conferred thereon. The executive committee so established forms the core of the management team, with additional members from the second line of management.

The main responsibilities of management are to execute the business strategies and initiatives adopted by the board; to consider and approve investments and divestments; and to manage the assets and liabilities of the Group in accordance with the policies and directives of the board.

Management reviews the operating and financial performance of the Group against agreed budgets and targets on a monthly basis. Major matters that are specifically discharged by management are the preparation of annual and interim reports, the implementation of systems of internal control and risk management, and compliance with all applicable rules and regulations.

The board has ratified a written statement giving clear directions as to the functions reserved for itself and those delegated to management. It reviews those arrangements on an annual basis to ensure that they remain appropriate to the needs of the Company.

BOARD OF DIRECTORS *(continued)*

In addition to the executive committee, the board has appointed two board committees (the remuneration committee and the audit committee) to deal with specific matters and to advise the board or, where appropriate, decide on behalf of the board on such matters. Both these committees have terms of reference which accord with the principles set out in the CG Code and are posted on the Company's website. The secretary of each appointed committee minutes all matters discussed or decided at each meeting and the work of each committee is reported to the board. Further information relating to the remuneration committee and the audit committee is provided in the remainder of this report.

The board has separate and independent access to information and to executives at all times. Management ensures that the board and its committees receive adequate information in a timely manner to enable them to make informed decisions. The right of access extends to board papers and related materials, as well as to the secretary of the Company who regularly updates the board on governance and regulatory matters. Any director, wishing to do so in furtherance of his or her duties, may seek through the chairman at the Company's expense such independent professional advice as may be recommended by the Company or as deemed fit by the independent non-executive directors provided that such approval may not be unreasonably withheld or delayed. The provision of independent professional advice is also available to the remuneration and audit committees.

New directors, together with existing board members, are provided with the opportunity to visit the operating divisions and meet up with management to gain a proper understanding of the Group's business and operations. Each newly appointed director is given a package of materials comprising the latest quarterly management reports, annual and interim reports of the Company, as well as guidelines on directors' duties and on corporate governance. In addition, the mini-library maintained by the company secretarial department, open to directors and senior management during office hours, is well stocked with publications of the Company and all applicable rules, codes, ordinances and acts to the Group. Directors are welcome to borrow these materials and make copies of them.

The Company has in force appropriate insurance cover on directors' and officers' liabilities arising from the Group's business. The extent of insurance cover is reviewed by management each year.

CHAIRMAN AND MANAGING DIRECTOR

The positions of chairman and managing director are held by separate individuals with the defined roles of managing the board and managing the affairs of the Company respectively. The board considers that vesting the roles in different individuals is essential in ensuring a balance of power and authority and in upholding independence, accountability and responsibility with respect to the management of the Company. The division of responsibilities between the chairman and managing director has been clearly established and set out in writing.

The chairman provides leadership for the board, ensuring its effectiveness in all aspects of its role. The managing director, supported by the management team, provides planning and implementation.

CHAIRMAN AND MANAGING DIRECTOR *(continued)*

The chairman ensures that all directors are properly briefed on issues arising at board meetings and that all key and appropriate issues are discussed by the board in a timely manner. Board meetings for each year are scheduled in advance to give all directors an opportunity to attend, and are structured to encourage open discussion. All board members are encouraged to update their knowledge of and familiarity with the Group through active participation at board meetings.

The chairman settles the agenda for each individual board meeting, taking into account any additional items proposed by the managing director and arising from current operating issues, as well as such other matters as may be raised by the other directors with him, who can include them on the agenda. The agenda and accompanying board papers are sent in full to all directors where possible at least 3 days before the time appointed for the meeting.

It is also the chairman's responsibility to control board meetings, to lead the board's discussions to clear conclusions, and to satisfy himself that the secretary of the meeting has understood each conclusion reached. The secretary and the qualified accountant of the Company attend board meetings to advise on corporate governance practices and accounting and financial matters, where appropriate.

Minutes of board meetings and meetings of board committees are kept by a duly appointed secretary of the meeting and open for inspection by any director. Draft and final versions of minutes of board meetings are sent to all directors for their comments and records respectively.

REMUNERATION OF DIRECTORS

The Company established the remuneration committee on 30 June 2005 to discharge remuneration related duties, namely, to make proposals on remuneration policy and structure (and where appropriate, determine remuneration packages) and other human resources issues relating to directors and senior management.

As at the date of this report, the remuneration committee comprises the chairman of the board, Mr. Cheung Chung Kiu who is also chairman of the committee, and two independent non-executive directors, Mr. Ng Kwok Fu and Mr. Leung Yu Ming, Steven.

The remuneration committee met once in 2007, during which meeting no member took part in any discussion about his own remuneration. Attendance record is as follows:

Committee Member	No. of meetings attended/held
Cheung Chung Kiu *(Chairman)*	1/1
Ng Kwok Fu	1/1
Leung Yu Ming, Steven *(appointed on 1 October 2007)*	1/1
Wong Yat Fai *(resigned on 1 October 2007)*	N/A

The principal elements of the executive remuneration package include basic salary, discretionary bonus without capping and share option (if any). The emoluments received by every executive director and senior executive are based on time commitment and responsibilities to be undertaken, and are determined with reference to corporate and individual performance as well as remuneration benchmark in the industry and the prevailing market conditions.

REMUNERATION OF DIRECTORS *(continued)*

The primary goal of the remuneration policy on executive remuneration packages is to enable the Company to retain and maintain a stable, motivated and high-calibre management team by linking their remuneration with performance as measured against corporate objectives. Under the policy, no director is allowed to approve his or her own remuneration.

The remuneration committee has reviewed this policy, and determined individual remuneration packages of all executive directors in accordance therewith while delegating the approval of senior management's remuneration packages to Mr. Cheung Chung Kiu and Mr. Yuen Wing Shing. The committee considered that the executive directors' remuneration for 2007 was in line with comparators in peer group companies.

The remuneration of non-executive directors is subject to annual assessment and determined with reference to his qualifications, experience, involvement in the Company's affairs and the prevailing market level or remuneration of similar position.

Details of directors' remuneration, as determined by or on behalf of the board, are set out in note 8 to the financial statements.

NOMINATION OF DIRECTORS

The full board participates in the selection of individuals nominated for directorships and the Company has not established a nomination committee. Individuals, suitably qualified and expected to make a positive contribution to the performance of the Company, are identified by existing directors and nominated to the board. When assessing the suitability of a candidate, the board takes into consideration factors such as time commitment, professional knowledge, expertise and industry experience, integrity and skill as well as the ability to demonstrate a standard of competence commensurate with the position as a director of a listed company. A candidate for the office of independent non-executive director must also satisfy the independence criteria set out in rule 3.13 of the Listing Rules.

AUDITORS' REMUNERATION

Auditors' remuneration for the year amounted to a total of HK$1.1 million, of which HK$0.8 million was paid for audit service and HK$0.3 million for tax and consultancy services.

AUDIT COMMITTEE

The Company established an audit committee on 7 May 1999 with reference to the guidelines issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). New terms of reference of the audit committee have been adopted to meet the requirements of the CG Code.

AUDIT COMMITTEE *(continued)*

The audit committee is tasked with responsibilities relating to the auditing of the accounts, the accounting policies and practices adopted by the Group as well as financial reporting and internal control matters. The committee meets regularly to discuss those matters and to this end has unrestricted access to the Company's management and external auditor. The committee is chaired by Mr. Luk Yu King, James, an independent non-executive director. Other members are Mr. Ng Kwok Fu and Mr. Leung Yu Ming, Steven, who are independent non-executive directors, and Mr. Lee Ka Sze, Carmelo, non-executive director.

Regular meetings have been held by the audit committee since its establishment. The committee met three times in 2007 with attendance records as follows:

Committee Member	No. of meetings attended/held
Luk Yu King, James[1] *(Chairman)* *(appointed on 10 September 2007)*	2/2
Lee Ka Sze, Carmelo	3/3
Ng Kwok Fu	3/3
Leung Yu Ming, Steven[2] *(appointed on 1 October 2007)*	1/1
Wong Wai Kwong, David[3] *(resigned on 26 July 2007)*	1/1
Wong Yat Fai[4] *(resigned on 1 October 2007)*	2/2

Notes:

1 Mr. Luk Yu King, James attended both two meetings held after his appointment.

2 Mr. Leung Yu Ming, Steven attended the only meeting held after his appointment.

3 Mr. Wong Wai Kwong, David attended the only meeting held prior to his resignation.

4 Mr. Wong Yat Fai attended both two meetings held prior to his resignation.

During the year, the audit committee reviewed the Company's interim and annual reports and accounts, paying attention to any changes in accounting policies and practices, major judgmental areas and significant adjustments arising from audit. It also reviewed the Company's financial reporting system and internal control procedures. The work and findings of the committee were reported to the board.

At a meeting held in December 2007 for that purpose, the audit committee received an annual review report from management on the effectiveness of the Group's internal control system. Management concluded, they were satisfied that the prevailing internal control system was adequately in place to facilitate the effectiveness and efficiency of operations, to safeguard assets against unauthorized use and disposition, to ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, as well as to ensure compliance with relevant legislation and regulations. There revealed no significant areas of improvement which were required to be brought to the attention of the audit committee. The committee discussed the report and concurred with the conclusion reached.

AUDIT COMMITTEE *(continued)*

At the meeting last held in March 2008, the audit committee discussed with the external auditor their independence and scope of the audit. The committee was satisfied with the findings of its review with respect to audit issues, including the external auditor's independence and objectivity and the effectiveness of the audit process. The committee was also satisfied that all issues raised had been addressed by management, who confirmed that save as disclosed in the accounts, there existed no other matters which were required to be brought to the attention of the committee.

The audit committee also reviewed the Company's financial controls, internal control and risk management systems and ensured that management had discharged its duty to maintain an effective internal control system. Management confirmed that there had been no major changes in the Company's system of internal control since the November 2007 report. The committee adopted the management's view that there was no major issue regarding the effectiveness of the internal control system, and concurred with the findings of the November 2007 report.

The audit committee has recommended to the board the re-appointment of Ernst & Young as the Company's external auditor for 2008 and delegated to management to approve the remuneration and the terms of engagement of the external auditor. The committee has also recommended to the board the tabling of the 2007 accounts for shareholders' approval at the forthcoming annual general meeting.

CONCLUSION

The board believes that the Company maintains good corporate governance practices throughout the year. The board continues to review those practices, with a view to achieving the objective of wealth preservation and creation for shareholders.

The directors submit their report together with the audited financial statements of the Company and its subsidiaries (the "Group") and of the Company for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company continued to be an investment holding company. The principal activities of its subsidiaries continued to be property investment, property trading, provision of property management and related services and investment holding. Details of these activities are set out in note 35 to the financial statements.

Over 50% of the Group's revenue for the year was derived from its property rental business in Hong Kong. An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 29.

The directors recommend the payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2007 which makes a total distribution of approximately HK$24.0 million for the year ended 31 December 2007 (2006: HK$24.0 million).

Subject to the shareholders' approval of the proposed final dividend at the forthcoming annual general meeting, it is expected that the final dividend will be paid on 9 May 2008 to shareholders registered on 2 May 2008. The member register and transfer books of the Company will be closed from 30 April 2008 to 2 May 2008, both days inclusive, in order to determine the proposed dividend entitlements.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

PRINCIPAL PROPERTIES

Details of the principal properties held by the Group are set out on page 87.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 35 to the financial statements.

ASSOCIATES

Particulars of the Group's interest in an associate are set out in note 17 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 31 and 32 and note 26 to the financial statements, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company's reserves available for distribution, calculated in accordance with the Companies Act (1981) of Bermuda (as amended), amounted to HK$1,641.2 million (2006: HK$1,665.0 million), of which HK$24.0 million (2006: HK$24.0 million) has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$95.7 million (2006: HK$95.7 million) may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, there was no charitable contribution made by the Group (2006: HK$1.5 million).

BANK LOANS

The Group's bank loans, which comprise term loans and revolving credit facilities, are secured by certain properties held by the Group. An analysis of these borrowings is set out in note 23 to the financial statements. No interest was capitalised during the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of assets and liabilities of the Group for the last five financial years is set out on page 88. This summary does not form part of the audited financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and revenue for the year attributable to the Group's major suppliers and customers, respectively, are as follow:

	2007	2006
	%	%
Purchases		
– the largest supplier	21	14
– the five largest suppliers combined	57	53
Revenue		
– the largest customer	23	25
– the five largest customers combined	49	51

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

DIRECTORS

The directors serving for the year and up to the date of this report are listed on page 2.

Mr. Luk Yu King, James ("Mr. Luk") was appointed as an independent non-executive director on 10 September 2007 to fill the casual vacancy arising from the resignation of Mr. Wong Wai Kwong, David, former independent non-executive director on 26 July 2007. Mr. Leung Yu Ming, Steven ("Mr. Leung") was appointed as an independent non-executive director to fill the casual vacancy arising from the re-designation of Mr. Wong Yat Fai, former independent non-executive director, as non-executive director on 1 October 2007. Each of them shall hold office only until the general meeting next following his appointment in accordance with bye-law 86(2). Accordingly, Mr. Luk and Mr. Leung retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for election.

In accordance with bye-law 87, Mr. Wong Chi Keung, Mr. Yuen Wing Shing and Mr. Wong Yat Fai retire from office by rotation this year and, being eligible, offer themselves for re-election.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The Company has received from each of its independent non-executive directors an annual confirmation of his independence and it still considers them to be independent.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the director's emoluments and those of the five highest paid individuals in the Group are set out in notes 8 and 9 to the financial statements respectively.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The register kept under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") shows, as at 31 December 2007, the following interests of the directors in the shares of the Company or an associated corporation (within the meaning of Part XV of the SFO):

(a) Interests in the Company

Name	Capacity	No. of shares	Total no. of shares	Approximate % of shareholding
Cheung Chung Kiu	Interest of controlled corporation	273,000,000	273,000,000[1]	34.14%
Wong Chi Keung	Beneficial owner	1,576,000	1,576,000	0.20%
Ng Kwok Fu	Beneficial owner	50,000		
	Interest of spouse	40,000	90,000	0.01%

(b) Interests in The Cross-Harbour (Holdings) Limited (associated corporation)

Name	Capacity	No. of shares	Approximate % of shareholding
Cheung Chung Kiu	Interest of controlled corporation	148,254,432[2]	41.94%

Notes:

1 Mr. Cheung Chung Kiu ("Mr. Cheung") was deemed to be interested in 273,000,000 shares in the Company by virtue of his indirect shareholding interest in Funrise Limited ("Funrise") which owned these shares. Funrise was a wholly owned subsidiary of Yugang International (B.V.I.) Limited ("Yugang BVI") which in turn was a wholly owned subsidiary of Yugang International Limited ("Yugang"). Mr. Cheung, Timmex Investment Limited (a company wholly owned by Mr. Cheung) and Chongqing Industrial Limited ("Chongqing Industrial") owned approximately 0.57%, 9.16% and 34.33% of the issued share capital of Yugang respectively. Chongqing Industrial was owned as to 35% by Mr. Cheung, as to 30% by Prize Winner Limited (a company owned by Mr. Cheung and his associates), as to 30% by Peking Palace Limited ("Peking Palace") and as to 5% by Miraculous Services Limited ("Miraculous Services"). Peking Palace and Miraculous Services were companies controlled by Palin Discretionary Trust, the objects of which included Mr. Cheung and his family.

2 Honway Holdings Limited ("Honway", an indirect wholly owned subsidiary of the Company) held 148,254,432 shares in The Cross-Harbour (Holdings) Limited ("Cross-Harbour"). Mr. Cheung was deemed to be interested in those shares by virtue of his deemed interest in the shares of the Company as described in note 1 above.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

All the interests disclosed above represent long positions in the shares of the Company or Cross-Harbour.

Save as disclosed herein, as at 31 December 2007, there was no interest recorded in the register kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Code for Securities Transactions by Directors adopted by the Company on 1 January 2005.

SHARE OPTION SCHEME

On 29 April 2005, the Company adopted a share option scheme (the "Scheme"), details of which are given in the Company's circular dated 13 April 2005 (the "Scheme Circular"). The Scheme complies with the requirements of Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") as published by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

A summary of the Scheme is set out below.

1.	Purpose	:	To provide the Group with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to, the participants and to serve such other purposes as the board may approve from time to time
2.	Participants	:	Any director (or any person proposed to be appointed as such, whether executive or non-executive), officer and employee (whether full-time or part-time) of each member of the Eligible Group (as defined in the Scheme Circular); any business consultant, professional and other advisers (in the areas of legal, technical, financial or corporate managerial) (including any executive, officer and employee of such business consultant, professional and other advisers) to each member of the Eligible Group (or persons proposed to be appointed as such) who has rendered service or will render service to the Group, as absolutely determined by the board
3.	Total number of shares available for issue (% of issued share capital as at 14 March 2008)	:	79,955,741 shares (10%)
4.	Maximum entitlement of each participant	:	1% of the total number of shares in issue in any 12-month period
5.	Period within which the shares must be taken up under an option	:	To be determined by the board at its absolute discretion, such period to expire not later than ten years from the date of grant of option

SHARE OPTION SCHEME *(continued)*

6.	Minimum period for which an option must be held before exercise	:	Nil (except for the achievement of any performance target(s) which may be imposed by the board on the grantee before an option can be exercised)
7.	Amount payable on application or acceptance of the option	:	HK$1.00
8.	Basis of determining the exercise price	:	The exercise price shall be a price solely determined by the board, such price being no less than the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (c) the nominal value of a share
9.	Remaining life	:	Until 28 April 2015

During the year, no option lapsed and no option was granted, exercised or cancelled; nor was there any option outstanding under the Scheme at the beginning and at the end of the year.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Save for the Scheme noted above, at no time during the year was the Company or any of its holding company, subsidiaries or fellow subsidiaries, a party to any arrangement whose objects are, or one of whose objects is, to enable the directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Mr. Lee Ka Sze, Carmelo, is a partner in Messrs. Woo, Kwan, Lee & Lo and as such has an interest in the normal remuneration paid by the Company to that firm for the services rendered to the Company during the year.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 31 December 2007, so far as is known to the directors of the Company, the following persons, other than the directors, had, or were deemed to have, interests in the shares of the Company as recorded in the register kept under section 336 of the SFO:

Name	Capacity	No. of shares	Total no. of shares	Approximate % of shareholding
Palin Holdings Limited	Interest of controlled corporation	273,000,000	273,000,000[1]	34.14%
Chongqing Industrial	Interest of controlled corporation	273,000,000	273,000,000[1]	34.14%
Yugang	Interest of controlled corporation	273,000,000	273,000,000[1]	34.14%
Yugang BVI	Interest of controlled corporation	273,000,000	273,000,000[1]	34.14%
Funrise	Beneficial owner	273,000,000	273,000,000[1]	34.14%
Deutsche Bank Aktiengesellschaft	Beneficial owner	7,310,262		
	Security interest	37,111,738	44,422,000	5.56%
QVT Financial GP LLC[2]	Interest of controlled corporation	40,664,000	40,664,000	5.08%
QVT Financial LP[2]	Investment manager	40,664,000	40,664,000	5.08%

Notes:

1 Each parcel of 273,000,000 shares represents the same shareholding interest of Funrise and is duplicated in Mr. Cheung's interest in the Company's shares as set out on pages 22 and 23.

2 QVT Financial GP LLC owned 1% of QVT Financial LP. QVT Financial LP is accustomed or obliged to act in accordance with the directions or instructions of QVT Financial GP LLC.

All the interests disclosed above represent long positions in the shares of the Company.

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 31 December 2007, had, or was deemed to have, any interest or short position in the shares and underlying shares of the Company as recorded in the register kept under section 336 of the SFO, other than as disclosed on pages 22 and 23.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company maintained throughout the year the prescribed amount of public float under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares in the Company.

PRE-EMPTIVE RIGHTS

There are no statutory pre-emptive provisions under the laws of Bermuda, nor are there any provisions for pre-emptive rights contained in the Company's bye-laws.

AUDITORS

The financial statements for the year have been audited by Ernst & Young, Certified Public Accountants, who retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Cheung Chung Kiu
Chairman

Hong Kong, 14 March 2008

ERNST & YOUNG
安永會計師事務所

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

To the shareholders of
Y. T. REALTY GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Y. T. Realty Group Limited set out on pages 29 to 86, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

AUDITORS' RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
14 March 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2007

	Notes	2007	2006
		HK$'000	*HK$'000*
REVENUE	*5*	116,520	99,473
Direct outgoings		(7,802)	(5,383)
Cost of properties sold		(570)	(288)
		108,148	93,802
Other income	*5*	26,526	4,639
Administrative expenses		(28,682)	(29,368)
Finance costs	*6*	(35,147)	(34,313)
Changes in fair value of investment properties		187,892	190,004
Fair value gain of an unlisted share option granted by an associate		—	39,485
Impairment loss on other investments		—	(356)
Share of results of an associate		109,742	63,374
PROFIT BEFORE TAX	*7*	368,479	327,267
Tax	*10*	(39,916)	(39,179)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*11*	328,563	288,088
PROPOSED FINAL DIVIDEND	*12*	23,987	23,987
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic earnings per share	*13*	HK41.1 cents	HK36.0 cents
DIVIDEND PER SHARE		HK3.0 cents	HK3.0 cents

CONSOLIDATED BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,043	1,490
Investment properties	15	2,315,900	2,125,050
Interest in an associate	17	1,413,205	1,290,349
Other investments	19	800	879
Total non-current assets		3,730,948	3,417,768
CURRENT ASSETS			
Properties held for sale	20	1,136	1,704
Trade receivables	21	18,529	6,935
Other receivables, deposits and prepayments		7,204	7,973
Tax recoverable		—	867
Cash and bank balances		61,247	42,954
Total current assets		88,116	60,433
CURRENT LIABILITIES			
Trade payables	22	1,398	6,595
Other payables and accrued expenses		63,825	59,572
Bank loans, secured	23	253,100	249,000
Tax payable		563	—
Total current liabilities		318,886	315,167
NET CURRENT LIABILITIES		(230,770)	(254,734)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,500,178	3,163,034
NON-CURRENT LIABILITIES			
Bank loans, secured	23	363,900	417,000
Deferred tax liabilities	24	148,856	111,883
Total non-current liabilities		512,756	528,883
Net assets		2,987,422	2,634,151
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	25	79,956	79,956
Reserves		2,883,479	2,530,208
Proposed final dividend	12	23,987	23,987
Total equity		2,987,422	2,634,151

Yuen Wing Shing
Director

Wong Chi Keung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2007

	Note	Issued share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Investment revaluation reserve of an associate HK$'000	Other reserves HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
		Attributable to equity holders of the Company									
At 1 January 2007		79,956	95,738	1,350	1,800	1,321,935	69,454	3,052	1,036,879	23,987	2,634,151
Share of changes in fair value of available-for-sale securities of an associate		–	–	–	–	–	51,096	–	–	–	51,096
Share of changes in fair value of other financial instruments of an associate		–	–	–	–	–	–	(2,401)	–	–	(2,401)
Total income and expense for the year recognised directly in equity		–	–	–	–	–	51,096	(2,401)	–	–	48,695
Profit for the year		–	–	–	–	–	–	–	328,563	–	328,563
Total income and expense for the year		–	–	–	–	–	51,096	(2,401)	328,563	–	377,258
2006 final dividend declared and paid		–	–	–	–	–	–	–	–	(23,987)	(23,987)
Proposed 2007 final dividend	12	–	–	–	–	–	–	–	(23,987)	23,987	–
At 31 December 2007		79,956	95,738*	1,350*	1,800*	1,321,935*	120,550*	651*	1,341,455*	23,987	2,987,422

* These reserve accounts comprise the consolidated reserves of HK$2,883,479,000 (2006: HK$2,530,208,000) in the consolidated balance sheet.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

Year ended 31 December 2007

		Attributable to equity holders of the Company									
	Note	Issued share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Investment revaluation reserve of an associate HK$'000	Other reserves HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2006		79,956	95,738	1,350	1,800	1,321,935	38,246	4,567	772,778	19,989	2,336,359
Share of changes in fair value of available-for-sale securities of an associate		–	–	–	–	–	31,208	–	–	–	31,208
Share of changes in fair value of other financial instruments of an associate		–	–	–	–	–	–	(1,515)	–	–	(1,515)
Total income and expense for the year recognised directly in equity		–	–	–	–	–	31,208	(1,515)	–	–	29,693
Profit for the year		–	–	–	–	–	–	–	288,088	–	288,088
Total income and expense for the year		–	–	–	–	–	31,208	(1,515)	288,088	–	317,781
2005 final dividend declared and paid		–	–	–	–	–	–	–	–	(19,989)	(19,989)
Proposed 2006 final dividend	12	–	–	–	–	–	–	–	(23,987)	23,987	–
At 31 December 2006		79,956	95,738*	1,350*	1,800*	1,321,935*	69,454*	3,052*	1,036,879*	23,987	2,634,151

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operations	28	88,596	111,591
Interest paid		(34,448)	(32,070)
Hong Kong profits tax paid		(2,733)	(3,566)
Hong Kong profits tax refunded		1,231	555
Net cash inflow from operating activities		52,646	76,510
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,392	4,216
Dividends received from an associate		35,581	40,372
Renovation of investment properties		(2,958)	(7,206)
Purchases of items of property, plant and equipment		(68)	(139)
Dividend received from other investments		187	—
Proceeds from disposal of subsidiaries	27	4,500	—
Purchases of an additional shareholding in an associate		—	(225,654)
Net cash inflow/(outflow) from investing activities		38,634	(188,411)
Net cash inflow/(outflow) before financing activities		91,280	(111,901)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		30,000	330,000
Repayment of bank loans		(79,000)	(204,500)
Dividend paid		(23,987)	(19,989)
Net cash (outflow)/inflow from financing activities		(72,987)	105,511
Net increase/(decrease) in cash and cash equivalents		18,293	(6,390)
Cash and cash equivalents at 1 January		42,954	49,344
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		61,247	42,954
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		7,541	1,994
Non-pledged time deposits with original maturity of less than three months when acquired		53,706	40,960
		61,247	42,954

BALANCE SHEET

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	1,817,223	1,841,054
CURRENT ASSETS			
Other receivables		228	229
Tax recoverable		2	—
Cash and bank balances		842	813
Total current assets		1,072	1,042
CURRENT LIABILITIES			
Other payables		1,396	1,339
Tax payable		21	38
Total current liabilities		1,417	1,377
NET CURRENT LIABILITIES		(345)	(335)
Net assets		1,816,878	1,840,719
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	25	79,956	79,956
Reserves	26	1,712,935	1,736,776
Proposed final dividend	12	23,987	23,987
Total equity		1,816,878	1,840,719

Yuen Wing Shing
Director

Wong Chi Keung
Director

1 CORPORATE INFORMATION

Y. T. Realty Group Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at Rooms 3301-07, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

During the year, the Group was involved in the following principal activities:

(a) Property investment and trading;

(b) Provision of property management and related services; and

(c) Investment holding.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and an unlisted share option granted by an associate, which have been measured at fair value. These financial statements are presented in Hong Kong dollars.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Presentation of Financial Statement - Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 Presentation of Financial Statements - Capital disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 34 to the financial statements.

(c) HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset,Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 March 2007

3 Effective for annual periods beginning on or after 1 July 2008

4 Effective for annual periods beginning on or after 1 January 2008

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 has been revised to introduce changes in the presentation and disclosures of financial statements (including changes to the titles of the main statements). The revised standard does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. As the Group currently has no such arrangements, the interpretation is unlikely to have any financial impact on the Group.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

As the Group currently has no customer loyalty award credits and defined benefit scheme, HK(IFRIC)-Int 13 and HK(IFRIC)-Int 14 are not applicable to the Group and therefore are unlikely to have any financial impact on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

(b) Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

(c) Goodwill

Goodwill arising on the acquisition of an associate represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently measured at cost less any accumulated impairment losses. In the case of associates, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Goodwill *(continued)*

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005 (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill previously eliminated against consolidated retained profits

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" in 2001, goodwill arising on acquisition was eliminated against consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

(d) Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties held for sale, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Impairment of non-financial assets other than goodwill *(continued)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

(e) Related parties

A party is considered to be related to the Group if:

(i) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Office equipment, furniture and fixtures	15%
Computer software	20%
Motor vehicles	20%
Computer equipment	33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Investment properties are valued by external independent valuers at least annually to determine the fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

(h) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. The cost includes the cost of land, all development expenditure and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

(i) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Investments and other financial assets *(continued)*

Available-for-sale financial assets (continued)

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

(k) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effect interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of financial assets *(continued)*

Assets carried at amortised cost (continued)

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment loss on equity instruments classified as available-for-sale is not reversed through the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(m) Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

(o) Hedging

Financial instruments entered into by an associate is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gain or loss on the remeasurement of the derivative financial instrument to fair value is recognised directly in equity. The ineffective portion of any gain or loss is recognised immediately in the income statement of its associate.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or non-financial liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is removed from equity and recognised in the income statement of its associate in the same period or periods during which the asset acquired or liability assumed affects the income statement (such as when interest income or expense is recognised).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is removed from equity and recognised in the income statement of its associate in the same period or periods during which the hedged forecast transaction affects the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes the designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss in equity is recognised immediately in the income statement.

The Group only shares the profit or loss arising from the fair value changes arising from the associate's derivative financial instruments in the Group's equity or income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less any bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(q) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

(r) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(s) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) sale of properties and property interest, on the execution of legally binding contracts of sale;

(ii) rental income from properties, in the period in which the properties are let and on the straight-line basis over the lease terms;

(iii) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(iv) dividend income, when the shareholders' right to receive payment has been established; and

(v) property management revenue, when the services are rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Employee benefits *(continued)*

Pension scheme

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. The Group's contributions under the MPF Scheme are charged to the income statement as incurred. The amount of the Group's contributions is based on specified percentages of the basic salaries of employees. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

(u) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

(v) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2007 was HK$266,924,000 (2006: HK$266,924,000). More details are given in note 18.

Investment properties

The fair values of the Group's investment properties are determined by independent valuers on an open market for existing use basis. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalisation rates. Relevant estimates are regularly compared to actual market data.

4 SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) Property investment;

(b) Property trading;

(c) Property management and related services; and

(d) Operation of driver training centres and tunnel operation and management.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

4 SEGMENT INFORMATION *(continued)*

(a) Business segments

The following table presents revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006. There are no sales or other transactions between the business segments.

Group 2007	Property investment HK$'000	Property trading HK$'000	Property management and related services HK$'000	Operation of driver training centres and tunnel operation and management HK$'000	Consolidated HK$'000
Segment revenue	105,131	480	10,909	—	116,520
Segment results	262,706	(124)	7,708	—	270,290
Unallocated income					17,555
Gain on disposal of subsidiaries					6,039
Finance costs					(35,147)
Share of results of an associate	—	—	—	109,742	109,742
Profit before tax					368,479
Tax					(39,916)
Profit for the year					328,563
Assets and liabilities					
Segment assets	2,385,501	16,458	3,100	—	2,405,059
Interest in an associate	—	—	—	1,413,205	1,413,205
Unallocated assets					800
Total assets					3,819,064
Segment liabilities	45,265	15	19,942	—	65,222
Unallocated liabilities					766,420
Total liabilities					831,642
Other segment information:					
Capital expenditure	2,958	—	68	—	3,026
Depreciation	—	—	515	—	515
Changes in fair value of investment properties	187,892	—	—	—	187,892

4 SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group 2006	Property investment HK$'000	Property trading HK$'000	Property management and related services HK$'000	Operation of driver training centres and tunnel operation and management HK$'000	Consolidated HK$'000
Segment revenue	89,896	200	9,377	—	99,473
Segment results	253,469	(94)	7,748	—	261,123
Unallocated expenses					(2,402)
Finance costs					(34,313)
Fair value gain of an unlisted share option granted by an associate	—	—	—	39,485	39,485
Share of results of an associate	—	—	—	63,374	63,374
Profit before tax					327,267
Tax					(39,179)
Profit for the year					288,088
Assets and liabilities					
Segment assets	2,177,618	1,756	6,732	—	2,186,106
Interest in an associate	—	—	—	1,290,349	1,290,349
Unallocated assets					1,746
Total assets					3,478,201
Segment liabilities	46,953	2,843	16,371	—	66,167
Unallocated liabilities					777,883
Total liabilities					844,050
Other segment information:					
Capital expenditure	7,206	—	139	—	7,345
Depreciation	—	—	519	—	519
Changes in fair value of investment properties	190,004	—	—	—	190,004
Impairment loss on other investments	—	—	—	—	356

4 SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2007 and 2006. There are no sales between the geographical segments.

Group
2007

	Hong Kong	Mainland China	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	116,520	—	116,520
Other segment information:			
Segment assets	3,796,802	22,262	3,819,064
Capital expenditure	3,026	—	3,026

2006

	Hong Kong	Mainland China	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue	99,473	—	99,473
Other segment information:			
Segment assets	3,473,140	5,061	3,478,201
Capital expenditure	7,345	—	7,345

5 REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the aggregate of gross rental income received and receivable from investment properties, the proceeds from the sale of properties, and the income from property management and related services.

An analysis of revenue and other income is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Revenue		
Rental income from investment properties	105,131	89,896
Sale of properties held for sale	480	200
Income from property management and related services	10,909	9,377
	116,520	99,473
Other income		
Bank interest income	1,392	1,370
Interest income on loan receivables from third parties	—	2,842
Reinstatement compensation	396	53
Gain on disposal of subsidiaries *(note 27)*	6,039	—
Reversal of impairment losses on trade receivables *(note 21)*	15,100	—
Others	3,599	374
	26,526	4,639

6 FINANCE COSTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts:		
Wholly repayable within five years	34,237	10,831
Not wholly repayable within five years	—	21,603
Loan arrangement fees	910	1,879
	35,147	34,313

7 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2007 HK$'000	2006 HK$'000
Depreciation	515	519
Minimum lease payments under operating leases:		
Land and buildings	996	996
Auditors' remuneration	825	840
Staff costs (including executive directors' remuneration *(note 8)*):		
Wages and salaries	8,730	7,447
Discretionary bonuses	12,760	11,169
Pension scheme contributions*	334	320
	21,824	18,936
Gross rental income	(105,131)	(89,896)
Less: Outgoings	4,755	3,933
Net rental income	(100,376)	(85,963)
Foreign exchange differences, net	(13)	(10)

* At 31 December 2007, there were no forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years (2006: Nil).

8 DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Fees	**1,200**	1,200
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	**2,450**	2,200
Discretionary bonuses	**11,100**	9,800
Pension scheme contributions	**116**	105
	14,866	13,305

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(a) Independent non-executive directors

The fees paid to the independent non-executive directors during the year were as follows:

	2007	2006
	HK$'000	*HK$'000*
Mr. Wong Wai Kwong, David	**400**	400
Mr. Wong Yat Fai	**200**	200
Mr. Ng Kwok Fu	**200**	200
	800	800

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

8 DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and a non-executive director

	Fees	Basic salaries, housing allowances, other allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Group					
2007					
Executive directors:					
Mr. Cheung Chung Kiu	—	—	7,000	1	7,001
Mr. Wong Chi Keung	—	2,450	2,500	113	5,063
Mr. Yuen Wing Shing	—	—	1,200	1	1,201
Ms. Tung Wai Lan, Iris	—	—	400	1	401
	—	2,450	11,100	116	13,666
Non-executive director:					
Mr. Lee Ka Sze, Carmelo	400	—	—	—	400
	400	2,450	11,100	116	14,066
2006					
Executive directors:					
Mr. Cheung Chung Kiu	—	—	6,500	1	6,501
Mr. Wong Chi Keung	—	2,200	1,700	102	4,002
Mr. Yuen Wing Shing	—	—	800	1	801
Ms. Tung Wai Lan, Iris	—	—	800	1	801
	—	2,200	9,800	105	12,105
Non-executive director:					
Mr. Lee Ka Sze, Carmelo	400	—	—	—	400
	400	2,200	9,800	105	12,505

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2006: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2006: one) non-director, highest paid employees are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	1,630	908
Discretionary bonuses	450	230
Pension scheme contributions	75	42
	2,155	1,180

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2007	2006
HK$500,001 to HK$1,000,000	1	—
HK$1,000,001 to HK$1,500,000	1	1
	2	1

10 TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current - Hong Kong	2,967	2,996
(Over provision)/under provision in prior years	(24)	7
	2,943	3,003
Deferred *(note 24)*	36,973	36,176
Total tax charge for the year	39,916	39,179

10 TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

Group

	2007	2006
	HK$'000	*HK$'000*
Profit before tax	368,479	327,267
Tax at the statutory tax rate of 17.5% (2006: 17.5%)	64,484	57,272
(Over provision)/under provision of tax in prior years	(24)	7
Unrecognised temporary differences	(77)	8
Profits and losses attributable to an associate	(19,205)	(11,090)
Income not subject to tax	(5,098)	(7,151)
Expenses not deductible for tax	286	483
Tax losses utilised from previous periods	(501)	(403)
Tax losses not recognised	52	24
Others	(1)	29
Tax charge at the Group's effective rate	39,916	39,179

11 PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007 includes a profit of HK$146,000 (2006: HK$113,221,000) which has been dealt with in the financial statements of the Company (note 26).

12 PROPOSED FINAL DIVIDEND

	2007	2006
	HK$'000	*HK$'000*
Proposed final dividend – HK3.0 cents (2006: HK3.0 cents) per ordinary share	23,987	23,987

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The diluted earnings per share amount for the years ended 31 December 2007 and 2006 have not been disclosed as no diluting events existed during the years.

The calculation of basic earnings per share is based on:

	2007	2006
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to ordinary equity holders of the Company	328,563	288,088

	Number of shares	
	2007	2006
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	799,557,415	799,557,415

14 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Computer software HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
31 December 2007						
At 31 December 2006 and at 1 January 2007:						
Cost	753	365	461	1,333	306	3,218
Accumulated depreciation	(620)	(173)	(452)	(289)	(194)	(1,728)
Net carrying amount	133	192	9	1,044	112	1,490
At 1 January 2007, net of accumulated depreciation	133	192	9	1,044	112	1,490
Additions	—	54	—	—	14	68
Write-off	—	—	—	—	(73)	(73)
Depreciation provided during the year	(125)	(61)	(2)	(266)	(61)	(515)
Write-back of depreciation	—	—	—	—	73	73
At 31 December 2007, net of accumulated depreciation	8	185	7	778	65	1,043
At 31 December 2007:						
Cost	753	419	461	1,333	247	3,213
Accumulated depreciation	(745)	(234)	(454)	(555)	(182)	(2,170)
Net carrying amount	8	185	7	778	65	1,043
31 December 2006						
At 31 December 2005 and at 1 January 2006:						
Cost	743	315	453	1,333	259	3,103
Accumulated depreciation	(471)	(125)	(449)	(22)	(166)	(1,233)
Net carrying amount	272	190	4	1,311	93	1,870
At 1 January 2006, net of accumulated depreciation	272	190	4	1,311	93	1,870
Additions	10	50	8	—	71	139
Write-off	—	—	—	—	(24)	(24)
Depreciation provided during the year	(149)	(48)	(3)	(267)	(52)	(519)
Write-back of depreciation	—	—	—	—	24	24
At 31 December 2006, net of accumulated depreciation	133	192	9	1,044	112	1,490
At 31 December 2006:						
Cost	753	365	461	1,333	306	3,218
Accumulated depreciation	(620)	(173)	(452)	(289)	(194)	(1,728)
Net carrying amount	133	192	9	1,044	112	1,490

15 INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at 1 January	**2,125,050**	1,927,840
Additions	**2,958**	7,206
Fair value adjustment	**187,892**	190,004
Carrying amount at 31 December	**2,315,900**	2,125,050

The Group's investment properties included above are held under the following lease terms:

	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
Long term leases	1,154,300	—	1,154,300
Medium term leases	1,154,500	7,100	1,161,600
	2,308,800	7,100	2,315,900

The revaluation of the above investment properties was carried out by Savills Valuation and Professional Services Limited, an independent firm of professional qualified valuers, on an open market, existing use basis at 31 December 2007.

Certain of the Group's investment properties were pledged to banks to secure banking facilities granted to the Group (note 23).

Further particulars of the Group's investment properties are included on page 87.

16 INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**1,465,569**	1,465,569
Loans to subsidiaries	**1,264,253**	1,288,084
	2,729,822	2,753,653
Impairment	**(912,599)**	(912,599)
	1,817,223	1,841,054

The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

Details of the principal subsidiaries of the Company are set out in note 35.

17 INTEREST IN AN ASSOCIATE

	Group	
	2007	2006
	HK$'000	*HK$'000*
Share of net assets	**1,146,281**	1,023,425
Goodwill on acquisition *(note 18)*	**266,924**	266,924
	1,413,205	1,290,349
Market value of listed equity securities	**1,266,093**	987,375

17 INTEREST IN AN ASSOCIATE *(continued)*

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation and operations	Percentage of ownership interest attributable to the Group 2007	2006
The Cross-Harbour (Holdings) Limited	Ordinary shares of HK$1 each	Hong Kong	**41.94%**	41.94%

The above associate was not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

The Cross-Harbour (Holdings) Limited ("Cross-Harbour") is an investment holding company, incorporated and listed in Hong Kong, with its subsidiaries engaged in the operation of driver training centres and the business of tunnel operation and management in Hong Kong. This associate has been accounted for using the equity method in these financial statements.

Extracts of the consolidated operating results and consolidated financial position of the associate, Cross-Harbour, are as follows:

	2007 *HK$'000*	2006 *HK$'000*
Operating results for the year:		
Turnover	**290,846**	274,339
Profit attributable to shareholders	**261,660**	172,796
Financial position at 31 December:		
Non-current assets	**1,590,861**	2,080,109
Current assets	**1,419,031**	613,762
Current liabilities	**(184,392)**	(148,712)
Non-current liabilities	**(1,500)**	(1,350)
Minority interests	**(68,974)**	(60,506)
Net asset value	**2,755,026**	2,483,303

18 GOODWILL

The movement of goodwill capitalised in the interest in an associate is shown as follows:

Group

	HK$'000
Cost and carrying amount at 1 January 2006	227,172
Acquisition of additional interest in an associate	39,752
Cost and carrying amount at 31 December 2006, at 1 January 2007 and at 31 December 2007	**266,924**

Impairment testing of goodwill

During the year, there was no impairment of goodwill (2006: Nil). Impairment testing in respect of the carrying value of the goodwill on acquisition of the cash-generating unit is performed at least annually by comparing the recoverable amount of a major cash-generating unit of the associated company which has been determined based on a value-in-use calculation. That calculation uses cash flow estimates based on cash flow projection over a fixed investment period of such cash-generating unit. The discount rate applied to the cash flow projection is approximately 6% (2006: 6%). The discount rate used is consistent with the cost of funding of the Group or is a reasonable investment return rate for investments with stable returns.

19 OTHER INVESTMENTS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Unlisted investments	**800**	879

20 PROPERTIES HELD FOR SALE

	Group	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong, at cost	**1,136**	1,704

21 TRADE RECEIVABLES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**18,529**	26,321
Impairment	**—**	(19,386)
	18,529	6,935

The trade receivables include proceeds receivable from sale of properties which settlement is based on payment schedule of the corresponding sale and purchase agreement, and rental receivables and property management and related services receivables which are normally due on the first day of each month and due within a 30-day period, respectively. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
0 - 30 days	**2,721**	6,066
31 - 60 days	**544**	665
Over 60 days	**15,264**	204
	18,529	6,935

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
At 1 January	**19,386**	19,386
Amount written off as uncollectible	**(286)**	—
Impairment losses reversed *(note 5)*	**(15,100)**	—
Disposal of subsidiaries	**(4,000)**	—
At 31 December	**—**	19,386

21 TRADE RECEIVABLES *(continued)*

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	**2,521**	6,314
Less than 1 month past due	**200**	199
1 to 2 months past due	**544**	399
Over 2 months past due	**15,264**	23
	18,529	6,935

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers. Based on the review of the status of these receivables and the related customers, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

22 TRADE PAYABLES

An aged analysis of the trade payables at the balance sheet date is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
0 - 30 days	**1,367**	6,141
31 - 60 days	**31**	454
	1,398	6,595

The trade payables are normally non-interest-bearing within the 30-day period.

23 BANK LOANS, SECURED

	Group 2007 HK$'000	Group 2006 HK$'000
Bank loans repayable:		
Within one year	**253,100**	249,000
In the second year	**57,200**	53,100
In the third to fifth years, inclusive	**306,700**	363,900
	617,000	666,000
Amount classified under current liabilities	**(253,100)**	(249,000)
Amount classified under non-current liabilities	**363,900**	417,000

The bank loans are variable interest rate loans with interest rates based on the HIBOR plus the predetermined spread percentage. The effective interest rates for 2007 and 2006 were 5.38% and 5.25%, respectively.

The bank loans are denominated in Hong Kong dollars and secured by:

(a) Mortgages on certain investment properties with an aggregate carrying value of HK$2,305,000,000 (2006: HK$2,117,000,000) and the assignment of rental income from certain properties. In addition, the Company has pledged all the issued shares of certain subsidiaries and subordinated its loans to certain subsidiaries in favour of the lenders of the above bank loans; and

(b) corporate guarantees issued by the Company.

The carrying amounts of the Group's borrowings approximate to their fair values.

24 DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation *HK$'000*	Revaluation of investment properties *HK$'000*	Losses available for offset against future taxable profit *HK$'000*	Total *HK$'000*
At 1 January 2006	24,195	51,927	—	76,122
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	23,301	14,009	(1,549)	35,761
At 31 December 2006 and at 1 January 2007	**47,496**	**65,936**	**(1,549)**	**111,883**
Deferred tax charged to the income statement during the year *(note 10)*	**4,167**	**32,381**	**425**	**36,973**
At 31 December 2007	**51,663**	**98,317**	**(1,124)**	**148,856**

24 DEFERRED TAX *(continued)*

Deferred tax assets

Group

	Depreciation allowance in excess of related depreciation *HK$'000*	Revaluation of investment properties *HK$'000*	Losses available for offset against future taxable profit *HK$'000*	Total *HK$'000*
At 1 January 2006	18,790	(19,205)	—	(415)
Deferred tax charged/(credited) to the income statement during the year *(note 10)*	(18,790)	19,205	—	415
At 31 December 2006, at 1 January 2007 and at 31 December 2007	—	—	—	—

The Group has tax losses arising in Hong Kong of HK$24,302,000 (2006: HK$25,050,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

25 SHARE CAPITAL

Shares

	2007	2006
	HK$'000	*HK$'000*
Authorised:		
1,500,000,000 ordinary shares of HK$0.1 each	**150,000**	150,000
Issued and fully paid:		
799,557,415 (2006: 799,557,415) ordinary shares of HK$0.1 each	**79,956**	79,956

Share options

At a special general meeting held on 29 April 2005, the Company adopted a share option scheme (the "Scheme"). Employees (including directors) of the Group are eligible participants under the Scheme. A total of 79,955,741 shares will be available for issue under the Scheme, which represents 10% of the Company's issued shares. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. The shares must be taken up under an option not later than 10 years from the date of grant of options. The Scheme will remain effective until 28 April 2015. No share option has been granted under the Scheme during the current and prior years and no option was outstanding at 31 December 2007 and 2006.

26 RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 31 and 32 of the financial statements.

The Group's contributed surplus originally represented the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

Company

	Notes	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Capital redemption reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2006		95,738	1,317,168	1,350	233,286	1,647,542
Profit for the year		—	—	—	113,221	113,221
Proposed 2006 final dividend	*12*	—	—	—	(23,987)	(23,987)
At 31 December 2006 and at 1 January 2007		95,738	1,317,168	1,350	322,520	1,736,776
Profit for the year		—	—	—	146	146
Proposed 2007 final dividend	*12*	—	—	—	(23,987)	(23,987)
At 31 December 2007		**95,738**	**1,317,168**	**1,350**	**298,679**	**1,712,935**

The contributed surplus of the Company originally represented the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued for their acquisition at the time of the reorganisation in the preparation for the listing of the Company's shares in the prior year. Under the Companies Act (1981) of Bermuda (as amended), the contributed surplus may be distributed to shareholders under certain circumstances.

27 DISPOSAL OF SUBSIDIARIES

	2007	2006
	HK$'000	*HK$'000*
Net liabilities disposed of:		
Other payables and accrued expenses	(1,539)	—
Gain on disposal of subsidiaries *(note 5)*	6,039	—
	4,500	—
Satisfied by:		
Cash	4,500	—

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2007	2006
	HK$'000	*HK$'000*
Cash consideration	4,500	—
Cash and bank balances disposed of	—	—
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	4,500	—

28 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The reconciliation of profit before tax to net cash generated from operations is as follows:

	Notes	2007 *HK$'000*	2006 *HK$'000*
Profit before tax		**368,479**	327,267
Adjustments for:			
Share of results of an associate		**(109,742)**	(63,374)
Interest income	*5*	**(1,392)**	(4,212)
Changes in fair value of investment properties		**(187,892)**	(190,004)
Depreciation	*7*	**515**	519
Gain on disposal of subsidiaries	*5*	**(6,039)**	—
Interest on bank loans and overdrafts	*6*	**34,237**	32,434
Impairment loss on other investments		**—**	356
Fair value gain of an unlisted share option granted by an associate		**—**	(39,485)
		98,166	63,501
(Increase)/decrease in trade receivables, other receivables, deposits and prepayments		**(10,944)**	39,011
Increase in trade payables, other payables and accrued expenses		**806**	8,795
Decrease in properties held for sale		**568**	284
Net cash generated from operations		**88,596**	111,591

29 OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms of generally from two to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**97,251**	99,309
In the second to fifth years, inclusive	**72,102**	124,835
	169,353	224,144

(b) As lessee

The Group leases its office properties under operating lease arrangements. The leases for the office properties are negotiated for terms of approximately three years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**581**	996
In the second to fifth years, inclusive	**—**	581
	581	1,577

30 COMMITMENTS

In addition to the operating lease commitments detailed in note 29(b) above, the Group had the following capital commitments in respect of investment properties as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Contracted, but not provided for	**2,057**	714
Authorised, but not contracted for	**23,761**	12,638
	25,818	13,352

31 CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**—**	—	**1,217,509**	1,268,900

The Company has executed guarantees totaling HK$1,217,509,000 (2006: HK$1,268,900,000), with respect to banking facilities made available to its subsidiaries, of which HK$617,000,000 were utilised as at 31 December 2007 (2006: HK$666,000,000).

32 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	Notes	**2007**	2006
		HK$'000	*HK$'000*
Rental charges paid to a related company	*(i)*	**996**	996
Administrative staff costs paid to a shareholder	*(ii)*	**910**	732

Notes:

(i) A subsidiary of the Company, Y. T. Group Management Limited ("YTGML"), entered into a sub-lease agreement with Chongqing Industrial Limited, a controlling shareholder of Yugang International Limited ("Yugang"), a substantial shareholder of the Company, to lease office space. The rental charges were based on the floor area occupied by the Group and the market rental rates. The current sub-lease agreement commenced on 1 August 2005 and will expire on 31 July 2008.

(ii) YTGML entered into an agreement with Yugang to share the cost of common administrative staff at a monthly charge which is determined based on the actual cost of the staff.

(b) Compensation of key management personnel of the Group:

	2007	2006
	HK$'000	*HK$'000*
Short term employee benefits	**14,832**	13,138
Post-employment benefits	**161**	147
Total compensation paid to key management personnel	**14,993**	13,285

Further details of directors' emoluments are included in note 8 to the financial statements.

33 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group

Financial assets

	2007 *HK$'000*	2006 *HK$'000*
Cash and bank balances	**61,247**	42,954
Available-for-sale financial assets:		
Other investments	**800**	879
Loans and receivables:		
Trade receivables	**18,529**	6,935
Other receivables and deposits	**285**	425
	18,814	7,360
	80,861	51,193

Financial liabilities

Financial liabilities at amortised cost:

	2007 *HK$'000*	2006 *HK$'000*
Trade payables	**1,398**	6,595
Other payables and accrued expenses	**48,120**	43,575
Bank loans, secured	**617,000**	666,000
	666,518	716,170

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly comprise of bank loans, cash and short term deposits. The main purpose of these financial instruments is to provide funding for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. These risks are limited under the Group's financial risk management policies and practices as summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with a floating interest rate. The Group monitors the movement of interest rates on an ongoing basis and evaluates the exposure and the costs of available hedging for its debt obligations.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

Group

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *HK$'000*	Increase/ (decrease) in equity *HK$'000*
2007			
Hong Kong dollar	100	**(6,170)**	**(5,090)**
Hong Kong dollar	(100)	**6,170**	**5,090**
2006			
Hong Kong dollar	100	(5,708)	(4,709)
Hong Kong dollar	(100)	5,708	4,709

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to this risk is monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are mainly rental related and are normally due on the first day of each month and the Group obtains rental deposits from its tenants.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the balance sheet. Except for the financial guarantees given by the Company as disclosed in note 31, the Group does not provide any other guarantees which would expose the Group to credit risk.

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's available cash and its available banking facilities.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group

	2007			
	On demand	Within 12 months	Over 1 year to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans, secured	—	253,100	363,900	617,000
Trade payables	—	1,398	—	1,398
Other payables and accrued expenses	979	47,141	—	48,120
	979	301,639	363,900	666,518

	2006			
	On demand	Within 12 months	Over 1 year to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans, secured	—	249,000	417,000	666,000
Trade payables	—	6,595	—	6,595
Other payables and accrued expenses	808	42,767	—	43,575
	808	298,362	417,000	716,170

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, utilise banking facilities available to the Group, sell assets to reduce debt or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 2006.

The Group monitors capital using a gearing ratio, which is net bank borrowings divided by the shareholders' funds. The Group actively reviews the gearing ratio and the capital structure to ensure optimal capital structure taking into consideration of the projected cash flows and profitability, projected capital expenditures and projected business and investment opportunities. As at 31 December 2007, the Group's gearing ratio is 18.6% (2006: 23.7%).

35 PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at the balance sheet date are as follows:

Name of company	Place of incorporation	Nominal value of issued and fully paid share capital	Percentage of equity attributable to the Company 2007	2006	Principal activities and place of operations
Best View Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Property holding in Hong Kong
Benefit Plus Company Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Property investment in Hong Kong
E-Tech Services Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Property technical consultant services in Hong Kong
Harson Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Property investment in Hong Kong
Honway Holdings Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding in Hong Kong
Mainland Sun Ltd.	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Property investment in Mainland China
Score Goal Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Property investment in Hong Kong
Y. T. (China) Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Investment holding in Mainland China

35 PRINCIPAL SUBSIDIARIES *(continued)*

Name of company	Place of incorporation	Nominal value of issued and fully paid share capital	Percentage of equity attributable to the Company 2007	2006	Principal activities and place of operations
Y. T. Finance Limited	Hong Kong	6,000 ordinary shares of HK$500 each	**100%**	100%	Finance vehicle in Hong Kong
Y. T. Group Management Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Provision of business management services in Hong Kong
Y. T. Investment Holdings Limited	British Virgin Islands	50,100 ordinary shares of US$1 each	**100%**	100%	Investment holding in Asia
Y. T. Investment Management Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Securities investment in Mainland China
Y. T. Properties International Limited	British Virgin Islands	201 ordinary shares of US$1 each	**100%**	100%	Investment holding in Hong Kong
Y. T. Property Services Limited	Hong Kong	100 ordinary shares of HK$1 each	**100%**	100%	Property management in Hong Kong

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. With the exception of Y. T. Investment Holdings Limited, all the above companies are indirect subsidiaries of the Company.

36 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 March 2008.

Investment properties in Hong Kong

Location	Use	Lease expiry	Approximate site area *Sq.ft.*	Approximate gross floor area *Sq.ft.*	Group's interest %
Prestige Tower 23 and 25 Nathan Road Tsimshatsui	Commercial	2039	8,724	113,500	100
Century Square 1-13 D'Aguilar Street Central	Commercial	2842	6,310	94,700	100

Completed properties held for sale in Hong Kong

Location	Use	Lease expiry	Approximate gross floor area *Sq.ft.*	Group's interest %
Village Garden 17 Village Road Happy Valley	Car parking spaces	2047	N/A (4 car parking spaces held)	100

Investment properties in Mainland China

Location	Use	Lease expiry	Approximate gross floor area *Sq.ft.*	Group's interest %
Certain units of Shun Hing Square Di Wang Commercial Centre No. 333 Shennan East Road Luohu District, Shenzhen	Residential	2045	4,480	100

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

	Year ended 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(Restated)	*(Restated)*			
ASSETS AND LIABILITIES					
Property, plant and equipment	1,424	983	1,870	1,490	**1,043**
Investment properties	1,767,370	1,747,770	1,927,840	2,125,050	**2,315,900**
Interest in an associate	797,673	812,554	860,382	1,290,349	**1,413,205**
Other investments	1,913	1,468	1,235	879	**800**
Property held for development	63,434	—	—	—	**—**
Deferred tax assets	35,365	23,706	415	—	**—**
Current assets	108,464	69,212	218,247	60,433	**88,116**
Current liabilities	(412,268)	(252,837)	(229,008)	(315,167)	**(318,886)**
Net current liabilities	(303,804)	(183,625)	(10,761)	(254,734)	**(230,770)**
Non-current liabilities	(541,543)	(462,876)	(444,622)	(528,883)	**(512,756)**
Net assets	1,821,832	1,939,980	2,336,359	2,634,151	**2,987,422**
EQUITY					
Equity attributable to equity holders of the Company					
Issued share capital	79,716	79,716	79,956	79,956	**79,956**
Reserves	1,730,159	1,844,273	2,236,414	2,530,208	**2,883,479**
Proposed final dividend	11,957	15,991	19,989	23,987	**23,987**
Total equity	1,821,832	1,939,980	2,336,359	2,634,151	**2,987,422**
RESULTS					
Revenue	105,640	89,843	93,942	99,473	**116,520**
Profit before tax	36,658	117,122	290,243	327,267	**368,479**
Tax	(8,111)	(22,721)	(39,555)	(39,179)	**(39,916)**
Profit for the year attributable to equity holders of the Company	28,547	94,401	250,688	288,088	**328,563**