



渝太地產集團有限公司
Y. T. REALTY GROUP LIMITED
Stock Code : 75

2010

ANNUAL
REPORT

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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
Leung Yu Ming, Steven

AUDIT COMMITTEE

Luk Yu King, James (*Chairman*)
Lee Ka Sze, Carmelo
Ng Kwok Fu
Leung Yu Ming, Steven

REMUNERATION COMMITTEE

Cheung Chung Kiu (*Chairman*)
Ng Kwok Fu
Leung Yu Ming, Steven

AUTHORISED REPRESENTATIVE

Cheung Chung Kiu
Yuen Wing Shing (*Alternate to Cheung Chung Kiu*)
Yuen Wing Shing
Cheung Chung Kiu (*Alternate to Yuen Wing Shing*)

SECRETARY

Albert T. da Rosa, Jr.

REGISTERED OFFICE

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Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

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EXTERNAL 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:
HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

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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 2010.

RESULTS

The audited consolidated net profit attributable to shareholders after tax for the year was HK\$546.3 million and the earnings per share amounted to HK68.3 cents, as compared to net profit of HK\$424.8 million and the earnings per share of HK53.1 cents for the year ended 31 December 2009. The net profit attributable to shareholders after tax for 2010 represents a 28.6% increase from 2009.

DIVIDENDS

The directors recommend the payment of a final dividend of HK3.0 cents per share for the year ended 31 December 2010, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. No interim dividend was paid during the year. In respect of the preceding year, a final dividend of HK2.5 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 2010 was HK\$4.95 based on the 799,557,415 shares in issue, an increase of approximately 16.1%, as compared to HK\$4.26 per share based on 799,557,415 shares in issue as at 31 December 2009.

BUSINESS REVIEW

The Group's net profit attributable to shareholders for the year was HK\$546.3 million as compared to the net profit of HK\$424.8 million in 2009, representing a 28.6% increase from 2009. The overall performance of the Group had improved as compared to the preceding year. Revenue for the year increased by 6.2% to HK\$145.3 million as compared to HK\$136.8 million reported in 2009. The increase in overall revenue was primarily due to increase in rental income.

Revaluation of the Group's portfolio of properties resulted in a surplus of HK\$367.7 million (2009: HK\$272.4 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\$157.6 million (2009: HK\$128.0 million), an increase of 23.1% from last year. 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.

CHAIRMAN'S STATEMENT

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\$136.4 million which represents an increase of about 9.7% when compared with last year's rental income of HK\$124.3 million. The increase in rental income in 2010 was due to the increase in rental rates of the Group's investment properties.

During the last financial year, we witnessed that the global economy on the whole continued its stride on the road to recovery, albeit at a comparatively slower pace. Proliferated quantitative monetary easing policies had resulted in asset and commodity value at large rising to a historical high level whilst interest rate falling to a very low level. Inflation has therefore become a major concern for many businesses and government leaders. Against this backdrop, the overall business environment was no doubt improved but not without cost. Hence, to many businesses, last year came as a year of mixed performance and consolidation.

In last November, in response to mounting public pressure, the Government of Hong Kong Special Administrative Region promulgated some cooling-off measures to curb the overheated property market, but the impact on commercial and retail property sectors was minimal. Improved economy, lack of quality new stock in prime area coupled with the influx of Mainlanders and escalating Renminbi value in the past year brought about satisfactory performance for the Group's investment properties which predominantly are of commercial and retail nature. Rental rate of the Group's investment properties recorded significant increase whilst occupancy rate stood firmly at over 97%. For Prestige Tower at Tsimshatsui, the entire retail podium which was vacated by a leading fitness club in last March was swiftly fully leased to several luxurious fashion retailers. Such change of trade mix further strengthened the building's "vertical retail centre" concept. Prestige Tower which is strategically located in the heart of the tourist hub of Tsimshatsui, faces fierce competition from a number of newly completed shopping centres in the vicinity. In order to enhance its competitive edge and to attract more shoppers to our building, a major renovation for the external wall and façade was commissioned at the end of last year and the completion was scheduled before mid-2011.

FINANCING AND LIQUIDITY

Financial expenses for the year ended 31 December 2010 amounted to HK\$7.2 million (2009: HK\$7.6 million), decreased by 5.4% as compared with last year. As at the end of 2010, the bank loan balance was HK\$372.1 million (2009: HK\$466.7 million).

The bank loans are secured by mortgages on certain investment properties with an aggregate carrying value of HK\$3,015.0 million (2009: HK\$2,641.0 million) and the assignment of rental income from these properties.

The following is the maturing profile of the Group's bank borrowings as of 31 December 2010:

Within one year	41.1%
In the second year	11.6%
In the third to fifth years, inclusive	25.4%
After the fifth years	21.9%
	100.0%

The gearing ratio, which is calculated as the ratio of the net bank borrowings to shareholders' funds, was 7.4% (2009: 11.7%). Revolving loans with outstanding balance of HK\$110.0 million will be renewable within the next financial year. The sum of term loan instalment payments repayable within one year is HK\$43.0 million which will be serviced mainly by the Group's rental income.

At the end of 2010, the Group's cash and cash equivalents was HK\$80.3 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.

PROSPECTS

The economic outlook for Hong Kong can be cautiously viewed as optimistic in the coming year. It is anticipated that large amount of tourist from the Mainland, in addition to those from other countries, will continue to be attracted to Hong Kong in the coming years. The expansionary monetary policy by the United States of America will continue to provide a low interest rate business environment for Hong Kong. Coupled with escalating value of Renminbi, asset and commodity value will likely to continue the rising trend at even faster pace in the coming year. The market is becoming more cautious of the overheated economy and the likelihood of a formation of asset bubble as well as the government policy interference risk which may follow. All these factors will fuel volatility of market in the coming year.

CHAIRMAN'S STATEMENT

PROSPECTS *(continued)*

Despite some uncertainties and market volatilities, we believe the economic fundamentals of Hong Kong remain sound and our ever closer tie with the Mainland, the cities in the Pearl River Delta in particular will continue to yield healthy economic growth in the coming years. Hong Kong has been earmarked as the asset management and financial centre of China and such strategic direction has once again been reaffirmed by the Central Government. With growing acceptance of Renminbi and its escalating value, Hong Kong will have a more important role to play in assisting the Mainland currency to go international. Hence, there will be more opportunities to expand Renminbi trading and banking business in Hong Kong in the coming years.

In a volatile market, there will inevitably be challenges for some but other may view it as an opportunity. Over these years, the Group's gearing ratio has been reduced to a very healthy and comfortable level. The Group will step up its effort in sourcing investment opportunities to pursue business expansion in usual cautious and prudent manner. The underlining objective of our business endeavours is to ensure sustainable business growth and delivery of satisfactory financial results to our shareholders.

STAFF

As at 31 December 2010, the Group employed 43 staff 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, 29 March 2011

EXECUTIVE DIRECTOR

Cheung Chung Kiu, aged 46, was appointed Chairman of the Company on 28 September 2000 and also holds directorships in certain other members of the Group. Mr. Cheung was born and educated in Chongqing. 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 International"), 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 a director of Palin Holdings Limited, Chongqing Industrial, Yugang International (B.V.I.) Limited ("Yugang BVI") and Funrise Limited ("Funrise") which, together with Yugang International, are companies disclosed in the section headed "Interests and Short Positions of Shareholders" on page 26.

Wong Chi Keung, aged 55, was appointed Managing Director of the Company on 10 January 2000 and also holds directorships in certain other members of the Group. Mr. Wong holds a doctoral degree in business and is a member of the Hong Kong Institute of Housing, the Chartered Institute of Housing and the Guangxi Committee of the Chinese People's Political Consultative Conference, Nanning City. He is a fellow of the Hong Kong Institute of Real Estate Administrators and The Hong Kong Institute of Directors, an honorary fellow of Guangxi Academy of Social Sciences and vice chairman of the Officers' Club of Hong Kong Auxiliary Medical Service. 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, both being listed public companies in Hong Kong.

Yuen Wing Shing, aged 64, was appointed Executive Director of the Company on 28 September 2000 and also holds directorships in certain other members of the Group. 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 International and an executive director of Cross-Harbour. He is a director of Yugang BVI and Funrise.

Tung Wai Lan, Iris, aged 45, was appointed Executive Director of the Company on 28 September 2000 and also holds directorships in certain other members of the Group. Ms. Tung holds a master of philosophy degree from The Chinese University of Hong Kong. She is an executive director of Cross-Harbour.

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTOR

Lee Ka Sze, Carmelo, aged 50, was appointed Independent Non-executive Director of the Company on 28 September 2000 and re-designated Non-executive Director of the Company on 30 September 2004. Mr. Lee received his bachelor of laws degree and postgraduate certificate in laws from The University of Hong Kong. He qualified as a solicitor in Hong Kong, England and Wales, Singapore and the Australian Capital Territory. Mr. Lee is a deputy chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited, a chairman of the HKSAR Transport Tribunal, and a member of the SFC Dual Filing Advisory Group of Securities and Futures Commission and the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants. He is an independent non-executive director of KWG Property Holding Limited and Ping An Insurance (Group) Company of China, Ltd., and a non-executive director of China Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Company, Limited, Termbray Industries International (Holdings) Limited, Yugang International and Cross-Harbour, all being listed public companies in Hong Kong. He is a partner of Woo, Kwan, Lee & Lo, legal advisers to Yugang International, Cross-Harbour and the Company.

Wong Yat Fai, aged 51, was appointed Independent Non-executive Director of the Company on 30 September 2004 and re-designated Non-executive Director of the Company 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 ICube Technology Holdings Limited (formerly known as GR Vietnam Holdings Limited), and a non-executive director of Yugang International, Cross-Harbour and C C Land, all being listed public companies in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ng Kwok Fu, aged 39, 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 of Canada. He has over 20 years of experience in the marketing, trading, purchasing and developing of construction materials as well as in technical control, support and management in building projects. He is an independent non-executive director of Yugang International and Cross-Harbour.

Luk Yu King, James, aged 56, 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 of science degree. 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 the Hong Kong Securities Institute. He has over 10 years of experience in corporate finance and in securities & commodities trading business working with international and local financial institutions. He is an independent non-executive director of Yugang International and Cross-Harbour.

Leung Yu Ming, Steven, aged 51, 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 of Australia. He is an associate of The Institute of Chartered Accountants in England and Wales, and a fellow of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong. He is also a certified practising accountant in Australia and a practising certified public accountant in Hong Kong. Mr. Leung commenced public practice in auditing and taxation in 1990 and is currently a senior partner with a CPA firm. He has over 25 years of experience in assurance, financial management and corporate finance; and he worked previously in the International Finance and Corporate Finance Department of Nomura International (Hong Kong) Limited, where he was assistant vice president. He is an independent non-executive director of Suga International Holdings Limited, Yugang International, Cross-Harbour and C C Land, all being listed public companies in Hong Kong.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER VALUE

The Company is committed to upholding the principles of good corporate governance. 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 various stakeholders and the Company and its subsidiaries (the "Group") as a whole. 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

This report sets out the Company's application in the year to 31 December 2010 of the Code on Corporate Governance Practices (the "CG Code") set out within Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). In the opinion of the board, the Company has complied with the principles and the relevant code provisions in the CG Code in all respects throughout the year.

DIRECTORS' DEALINGS

The Company has adopted a code (the "Securities Code") for directors' securities dealings (of which the Model Code for Securities Transactions by Directors of Listed Issuers set out within Appendix 10 to the Listing Rules as amended from time to time (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 a copy of the revised Securities Code immediately after its adoption, and thereafter notification and reminders of the period during which directors are not allowed to deal under the Securities Code.

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 within the Model Code. Each relevant employee is also given notification and reminders of each period during which relevant employees are not allowed to deal under the code.

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

THE BOARD

Corporate governance of the Company is achieved through its board which assumes responsibility for leadership and control of the Company. Directors being pillars of corporate governance act at all times honestly and exercise care, diligence and skill in the discharge of their duties. The Board is collectively responsible for promoting the success of the Company, and seeks to balance broader stakeholder interests and those of the Group.

Board balance

The board, which is chaired by Mr. Cheung Chung Kiu, comprises nine members, as shown in the corporate information section on page 1. All members served on the board throughout 2010 and up to the date of this report. Brief biographical details of the directors appear in the board of directors section on pages 6 to 8.

The board considers its composition appropriate to the needs of the Company. The non-executive directors are considered to be of sufficient calibre and experience to bring significant influence to bear on the decision-making process. In the view of the board, no independent non-executive director currently in office has any relationships that could materially interfere with his independent judgment. It is therefore the board's view that all independent non-executive directors are independent.

Non-executive directors, as equal board members, give the board and the committees on which they serve, if any, the benefit of their skills and expertise and diversity of backgrounds and qualifications through regular attendance and active participation. Board meetings are held four times a year and additionally as needed to discharge the board duties effectively. Regular scheduled meetings are also held by the board committees to discharge their duties effectively. Non-executive directors also attend general meetings whenever possible, and develop a balanced understanding of the views of shareholders.

CORPORATE GOVERNANCE REPORT

THE BOARD *(continued)*

Board meetings and attendance

Apart from the annual general meeting, the board met four times during 2010 at approximately quarterly intervals. All board meetings held during 2010 were attended by all directors with the exception of the August meeting, which Mr. Lee Ka Sze, Carmelo was unable to attend.

	No. of meetings attended / held
<i>Executive Director</i>	
Cheung Chung Kiu (<i>Chairman</i>)	4/4
Wong Chi Keung (<i>Managing Director</i>)	4/4
Yuen Wing Shing	4/4
Tung Wai Lan, Iris	4/4
<i>Non-executive Director</i>	
Lee Ka Sze, Carmelo ¹	3/4
Wong Yat Fai ²	4/4
<i>Independent Non-executive Director</i>	
Ng Kwok Fu ¹	4/4
Luk Yu King, James ³	4/4
Leung Yu Ming, Steven ³	4/4

Notes:

- ¹ The term of office for Mr. Lee Ka Sze, Carmelo and Mr. Ng Kwok Fu is approximately three years, commencing 15 May 2009 and ending at the close of the annual general meeting in 2012.
- ² The term of office for Mr. Wong Yat Fai is approximately three years, commencing 24 May 2010 and ending at the close of the annual general meeting in 2013.
- ³ The term of office for Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven is approximately three years, commencing 2 May 2008 and ending at the close of the annual general meeting in 2011.
- ⁴ Notwithstanding any contractual or other terms of appointment or engagement, non-executive directors are subject to retirement by rotation and re-election in accordance with the Company's bye-laws and all applicable laws to the Company.

THE BOARD *(continued)*

The appointment of management

The board, led by the chairman, is accountable to shareholders for the overall management and performance of the Group. This requires continuing attention, the board therefore appoints management, which are made up of executive committee members, with additional members from the second line of management. The managing director in turn delegates aspects of the management and administration functions to senior executives who report directly to him on a regular basis.

Delegations to management and reserving matters for the board

The board sets the business strategy of the Group and monitors its development. It delegates other matters to management while reserving certain decisions and actions for itself and performing them effectively. There is a written statement of matters reserved for the board and those delegated to management. These arrangements are reviewed on an annual basis to ensure that they remain appropriate to the needs of the Company.

This statement recognises nine broad categories into which reserving matters for the board may fall, namely (1) board and senior management; (2) relations with the members and stakeholders; (3) financial matters; (4) business strategy; (5) capital expenditures; (6) lease or purchase of buildings; (7) major transactions not included in the budget; (8) actions or transactions involving legality or propriety; and (9) internal control and reporting systems.

The board sees to it that management are managing properly and do not exceed their remit. The statement gives clear directions as to the powers of management. These include executing the business strategies and initiatives adopted by the board, approving investments and divestments as well as managing the Group's assets and liabilities in accordance with the policies and directives of the board. The management carry out such specific duties as to prepare interim and annual accounts, and to implement and monitor the systems of financial controls, internal control and risk management. The management typically meet regularly to review, inter alia, the operating and financial performance of the Group against agreed budgets and targets.

Supply of and access to information

The board and each director have separate and independent access to executives at all times. Management ensure that the board and its committees receive adequate information, board papers and related materials in a timely manner to enable them to make informed decisions. Such access rights extend to the secretary of the Company who regularly updates the board on governance and regulatory matters. Any director or board committee member can, if necessary, seek independent professional advice through the chairman at the Company's expense provided that such approval may not be unreasonably withheld or delayed.

CORPORATE GOVERNANCE REPORT

THE BOARD *(continued)*

Directors' training

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 and annual and interim reports of the Company, as well as guidelines on directors' duties and 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 corporate publications and all applicable rules, codes, ordinances and acts to the Group. Directors are welcome to borrow those materials and make copies of them.

Insurance cover

The Company has in force appropriate insurance cover in respect of legal action against its directors and officers. The extent of insurance cover is reviewed on an annual basis.

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.

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 three days before the time appointed for the meeting.

CHAIRMAN AND MANAGING DIRECTOR *(continued)*

It is also the chairman's responsibility to control board meetings, to lead discussions to clear conclusions, and to satisfy himself that the secretary of the meeting has understood each conclusion reached. The secretary and financial controller 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.

ACCOUNTABILITY AND AUDIT

Financial reporting

The directors are responsible for preparing the accounts, and the board seeks to give a balanced and clear assessment of the Group's position and prospects. 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.

The directors are 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.

Internal controls

The board ensures the adequacy of the accounting systems and appropriateness in respect of the human resources for the financial reporting function. It is also the responsibility of the board to see to it that the Company maintains sound and effective internal controls to safeguard shareholders' investment and the Company's assets and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The board has delegated authority for reviewing the Group's internal controls to its audit committee. The audit committee receives a system review report annually from the management with regard to the operational aspects of internal controls over the areas of key risk identified. The chairman of the committee reports on the review of internal controls and any matters arising to the board at the following board meeting. Using the above process, the duty to review the internal control system has been properly discharged in respect of the year ended 31 December 2010.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(continued)*

Internal controls *(continued)*

In line with the requirements of the CG Code, the board scheduled an annual meeting in December 2010 to conduct a review of the effectiveness of the Group's internal controls and an additional meeting in March 2011 for an update. Each such review covered all material controls, including financial, operational and compliance controls and risk management functions; and gave due consideration to the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget. Nothing improper was noted on both occasions.

The Company has clearly established written policies and procedures regarding internal controls applicable to operational units. When devising and reviewing such policies and procedures, it is recognised that the Company's system of internal controls is designed to assist the directors in obtaining reasonable assurance that problems are identified on a timely basis and dealt with appropriately. It is further recognised that the purpose of internal controls is to help manage and control, rather than eliminate, risks and that all internal control systems can only provide reasonable, and not absolute, assurance against misstatement or loss.

The Company has also a process for identifying, evaluating, and managing significant risks to the achievement of its operational objectives. This process is subject to continuous improvement and was in place throughout 2010 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.

BOARD COMMITTEES

The board is supported in its decisions by three principal committees, which are described below. Matters which the board considers suitable for delegation are contained in the terms of reference of the committees that are, except those of the executive committee, posted on the Company's website. The committee terms of reference may be amended from time to time as required, subject to approval by the board.

THE EXECUTIVE COMMITTEE

In directing and supervising the Company's affairs, the board is supported by an executive committee whose membership is exclusive to executive directors. There are currently four members in office, all of whom served on the committee throughout 2010 and up to the date of this report.

Subject to code provision A.1.8 of the CG Code, the executive committee is vested with the powers of the directors by the Company's bye-laws or otherwise expressly conferred upon them except to authorise proposals relating to distributions or dissolution and liquidation of the Company.

THE REMUNERATION COMMITTEE

The remuneration committee, which is chaired by Mr. Cheung Chung Kiu, comprises three members, as shown in the corporate information section on page 1. All members served on the committee throughout 2010 and up to the date of this report.

This committee supports the board in formulating and recommending remuneration policy and structure applicable to directors and senior management, in determining the specific remuneration packages of all executive directors and senior management as well as in making recommendations to the board on the remuneration of non-executive directors.

The remuneration committee met once during 2010 with perfect attendance. No member took part in any discussion or decision concerning his own remuneration at the meeting.

	No. of meetings attended / held
Cheung Chung Kiu (<i>Chairman</i>)	1/1
Ng Kwok Fu	1/1
Leung Yu Ming, Steven	1/1

The Group's remuneration approach seeks to attract, motivate and retain the executive talent that is essential for the implementation of the business strategy of the Group, towards sustained and long-term returns for shareholders.

The remuneration package for executives comprises both fixed and variable elements, including salaries, discretionary bonuses (without capping), pension contributions and other incentive arrangements such as share options.

The emoluments received by every executive director and senior executive are determined with reference to corporate and individual performance, remuneration benchmarks in the industry and the prevailing market conditions, subject to annual assessment.

The remuneration committee recommends non-executive director fees annually, based on market information, time commitment required and the level of responsibility undertaken. These recommendations are then put to a meeting of the board for approval.

The remuneration committee is confident that the remuneration policy, which was applied in the year under review and is expected to be applied in future years and beyond, meets the corporate goals and objectives. At the annual meeting of the committee as noted above, members approved individual remuneration packages of the executive directors while delegating responsibility for determining the specific remuneration packages of senior management to Mr. Cheung Chung Kiu and Mr. Yuen Wing Shing. In the opinion of the committee, the executive remuneration levels for 2010 were in line with the market.

Details of the directors' remuneration for 2010 are set out in note 8 to the financial statements.

CORPORATE GOVERNANCE REPORT

THE AUDIT COMMITTEE

The audit committee, which is chaired by Mr. Luk Yu King, James, comprises four members, as shown in the corporate information section on page 1. All members served on the committee throughout 2010 and up to the date of this report.

This committee supports the board in considering the external auditors' appointment and in the review of the Company's financial information. The committee has also an oversight role over the Company's financial reporting system and internal control procedures, and seeks to ensure that arrangements are in place for the staff to whistle-blow on financial reporting or other matters in so far as they may affect the Company.

Meetings of the audit committee are held at least twice a year, and are attended by the external auditors. The committee met three times during 2010 with perfect attendance.

	No. of meetings attended / held
Luk Yu King, James (<i>Chairman</i>)	3/3
Lee Ka Sze, Carmelo	3/3
Ng Kwok Fu	3/3
Leung Yu Ming, Steven	3/3

During the year, the audit committee reviewed the interim and annual reports and accounts, paying attention to any changes in accounting policies and practices, major judgmental areas and significant adjustments resulting from audit, as well as the financial controls, internal control and risk management systems. The work and findings of the committee were reported to the board.

At the December meeting, the audit committee reviewed the systems of accounting and internal financial control and risk management with reference to the 2010 system review report prepared by the management. Management concluded, they were satisfied that the prevailing system was adequately in place to facilitate the effectiveness and efficiency of operations, to safeguard assets against unauthorised 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. There revealed no significant areas of improvement which were required to be brought to the committee's attention. The committee discussed the findings in this regard and concurred with the conclusion reached.

At the meeting last held in March 2011, which was attended by Ernst & Young and senior management, the audit committee considered the scope and effectiveness of Ernst & Young as well as significant matters arising from the 2010 audit. The committee also considered matters relating to Ernst & Young's engagement as the Company's external auditors and internal control.

THE AUDIT COMMITTEE *(continued)*

The audit committee was satisfied that Ernst & Young had demonstrated the independence and objectivity that were required of them as external auditors and that the audit process had been effective. Ernst & Young also provided non-audit services to the Company during the year. These services related mainly to tax compliance and financial review and did not, in the opinion of the committee, compromise the independence of Ernst & Young's audit team.

No material impact of the new and/or revised accounting standards on the 2010 annual accounts was reported, nor were there any significant financial reporting judgments contained in them.

Management confirmed that there had been neither changes in the nature and extent of significant risks nor in the Company's activities, business or operating units and internal control procedures since last review. All systems of internal controls were operated and maintained effectively and there was no major issue regarding such procedures.

At the conclusion of the meeting, the chairman confirmed the adequacy and effectiveness of the Group's internal control system, including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget. Recommendations were made on the re-appointment of Ernst & Young as the external auditors of the Company for 2011 and on the submission of the 2010 annual accounts for shareholder approval at the forthcoming annual general meeting.

AUDITORS' REMUNERATION

The audit committee has delegated authority for agreeing the 2010 auditors' remuneration and relevant terms of engagement to management. Ernst & Young were remunerated a total of HK\$1.35 million for services rendered to the Group during the year, of which HK\$1.01 million were audit fees, HK\$0.24 million were fees for financial review and HK\$0.10 million were fees for tax compliance services.

NOMINATION OF DIRECTORS

The Company has no nomination committee the establishment of which is a recommended best practice under code provision A.4.4 of the CG Code. The full board participates in the selection of individuals nominated for directorships. 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 whether the candidate is able to demonstrate a competency standard commensurate with their position as a director of the Company. In the case of independent non-executive directors, the board ensures that the candidate for office must satisfy the independence criteria set out in rule 3.13 of the Listing Rules.

CONCLUSION

In the opinion of the board, the Company has maintained good corporate governance practices throughout the accounting period covered by the annual report. The board shall continue to review such practices.

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

During the year, the Company continued to be an investment holding company. The principal activities of its subsidiaries continued to be property investment, property trading, the provision of property management and related services and investment holding. Details of those activities are set out in note 36 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 operating 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 30.

The directors recommend the payment of a final dividend of HK3.0 cents per share (2009: HK2.5 cents per share) which makes a total distribution of approximately HK\$24.0 million for the year ended 31 December 2010 (2009: HK\$20.0 million).

Dividend warrants in respect of the proposed final dividend will be despatched on 26 May 2011 to shareholders registered on 17 May 2011 (subject to shareholder approval). The register of members and transfer books of the Company will be closed from 13 May 2011 to 17 May 2011, 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

Particulars of the principal properties held by the Group are set out on page 90.

SUBSIDIARIES

Particulars of the Company’s principal subsidiaries are set out in note 36 to the financial statements.

ASSOCIATES

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

SHARE CAPITAL

Movements in the share capital of the Company during the year are set out in note 26 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 page 33 and note 27 to the financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$1,930.9 million (2009: HK\$1,950.8 million), of which HK\$24.0 million (2009: HK\$20.0 million) has been proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$95.7 million (2009: HK\$95.7 million), may be distributed in the form of fully paid bonus shares.

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 24 to the financial statements. No interest was capitalised during the year.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 91. This summary does not form part of the audited financial statements.

REPORT OF THE DIRECTORS

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 follows:

	2010	2009
	%	%
Purchases		
– the largest supplier	13	14
– the five largest suppliers combined	47	43
Revenue		
– the largest customer	12	19
– the five largest customers combined	37	42

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 1.

Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven cease to hold office at the close of the forthcoming annual general meeting according to their terms of office.

Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven, together with Mr. Wong Chi Keung, also retire from office by rotation at the forthcoming annual general meeting in accordance with bye-law 87 of the bye-laws of the Company. All of them, 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.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' INFORMATION

Mr. Yuen Wing Shing resigned as a non-executive director of Silver Grant International Industries Limited with effect from 17 February 2011.

The updated information regarding Mr. Yuen Wing Shing is set out on page 6.

Apart from the foregoing, the Company has not been advised by the directors of any changes in the information required to be disclosed pursuant to rule 13.51B(1) of the Rules Governing the Listing of Securities (the "Listing Rules") as published by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since its last interim report.

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 of Woo, Kwan, Lee & Lo and as such has an interest in the normal remuneration paid by the Group to that firm for the services rendered to the Group during the year.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

REPORT OF THE DIRECTORS

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 2010, 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	% 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	<u>40,000</u>	90,000	0.01%

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

Name	Capacity	No. of shares	% of shareholding
Cheung Chung Kiu	Interest of controlled corporation	155,254,432 ²	43.92%

Notes:

¹ Mr. Cheung Chung Kiu ("Mr. C.K. 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 those 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 International"). Mr. C.K. Cheung, Timmex Investment Limited (a company wholly owned by Mr. C.K. Cheung) and Chongqing Industrial Limited ("Chongqing Industrial") owned 0.57%, 9.16% and 34.33% of the issued share capital of Yugang International respectively. Chongqing Industrial was owned as to 35% by Mr. C.K. Cheung, as to 30% by Prize Winner Limited (a company owned by Mr. C.K. 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 ("PDT"), the trustee of which was Palin Holdings Limited ("Palin Holdings"). The objects of PDT included Mr. C.K. Cheung and his family.

² Honway Holdings Limited (an indirect wholly owned subsidiary of the Company) held 155,254,432 shares in The Cross-Harbour (Holdings) Limited. Mr. C.K. 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.

³ All the interests disclosed above represent long positions.

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

Save as disclosed herein, as at 31 December 2010, there was no interest recorded in the register kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Code for Securities Transactions by Directors of the Company.

SHARE OPTION SCHEME

On 29 April 2005, the Company adopted a share option scheme (the "Scheme") in order to comply with the requirements of Chapter 17 of the Listing Rules then in force. Details of the Scheme are given in the Company's circular dated 13 April 2005 (the "Scheme Circular").

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 29 March 2011) : 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 the option

REPORT OF THE DIRECTORS

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 | : | <p>The exercise price shall be a price solely determined by the board, such price being no less than the highest of:</p> <p>(a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date;</p> <p>(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</p> <p>(c) the nominal value of a share</p> |
| 9. | Remaining life | : | Until 28 April 2015 |

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

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 31 December 2010, 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	% of shareholding
Palin Holdings	Interest of controlled corporation	273,000,000 ¹	34.14%
Chongqing Industrial	Interest of controlled corporation	273,000,000 ¹	34.14%
Yugang International	Interest of controlled corporation	273,000,000 ¹	34.14%
Yugang BVI	Interest of controlled corporation	273,000,000 ¹	34.14%
Funrise	Beneficial owner	273,000,000	34.14%

Note:

- ¹ Each parcel of the 273,000,000 shares represents a long position and Funrise's shareholding interest in the Company (which is also duplicated in Mr. C.K. Cheung's interest in the Company's shares). Palin Holdings, Chongqing Industrial, Yugang International and Yugang BVI were deemed to be interested in those shares by virtue of their direct/indirect shareholding in Funrise.

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 31 December 2010, 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 page 23.

RETIREMENT SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme which covers 100% of the Group's employees. Particulars of the retirement scheme are set out in note 2.4(u) to the financial statements.

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

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

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in the Companies Act 1981 of Bermuda or in the bye-laws of the Company.

EXTERNAL AUDITORS

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

On behalf of the board

Cheung Chung Kiu
Chairman

Hong Kong, 29 March 2011



To the shareholders of
Y. T. Realty Group Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Y. T. Realty Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 30 to 89, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, 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

18th Floor, Two International Finance Centre

8 Finance Street, Central

Hong Kong

29 March 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 HK\$'000	2009 HK\$'000
REVENUE	5	145,249	136,800
Direct outgoings		(7,768)	(11,013)
Cost of properties sold		<u>(280)</u>	<u>(862)</u>
		137,201	124,925
Other income	5	434	525
Administrative expenses		(32,513)	(35,512)
Finance costs	6	(7,217)	(7,630)
Changes in fair value of investment properties		367,659	272,369
Share of results of an associate		<u>157,567</u>	<u>127,960</u>
PROFIT BEFORE TAX	7	623,131	482,637
Income tax expense	10	<u>(76,877)</u>	<u>(57,942)</u>
PROFIT FOR THE YEAR		<u><u>546,254</u></u>	<u><u>424,695</u></u>
Attributable to:			
Equity holders of the Company	11	546,271	424,751
Non-controlling interests		<u>(17)</u>	<u>(56)</u>
		<u><u>546,254</u></u>	<u><u>424,695</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic earnings per share	13	HK68.3 cents	HK53.1 cents
Diluted earnings per share	13	<u>HK67.7 cents</u>	<u>HK53.1 cents</u>

Details of the dividends proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
PROFIT FOR THE YEAR		<u>546,254</u>	<u>424,695</u>
OTHER COMPREHENSIVE INCOME			
Changes in fair value of other investments	19	810	—
Share of other comprehensive income of an associate		<u>23,168</u>	<u>10,981</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>23,978</u>	<u>10,981</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>570,232</u>	<u>435,676</u>
Attributable to:			
Equity holders of the Company	11	570,249	435,732
Non-controlling interests		<u>(17)</u>	<u>(56)</u>
		<u>570,232</u>	<u>435,676</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

		31 December Notes	2010 HK\$'000	31 December 2009 HK\$'000 (Restated)	1 January 2009 HK\$'000 (Restated)
NON-CURRENT ASSETS					
Property, plant and equipment	14		92	372	682
Investment properties	15		3,031,200	2,654,900	2,374,230
Investment in an associate	17		1,545,198	1,420,354	1,327,569
Other investments	19		1,603	793	793
Total non-current assets			<u>4,578,093</u>	<u>4,076,419</u>	<u>3,703,274</u>
CURRENT ASSETS					
Properties held for sale	20		—	275	1,136
Trade receivables	21		1,664	2,293	1,776
Other receivables, deposits and prepayments			10,512	8,641	8,808
Cash and cash equivalents	22		80,320	66,934	45,108
Total current assets			<u>92,496</u>	<u>78,143</u>	<u>56,828</u>
CURRENT LIABILITIES					
Trade payables	23		1,264	725	3,163
Other payables and accrued expenses			71,317	75,839	111,684
Bank loans, secured	24		153,000	286,700	300,700
Tax payable			2,844	3,306	1,785
Total current liabilities			<u>228,425</u>	<u>366,570</u>	<u>417,332</u>
NET CURRENT LIABILITIES			<u>(135,929)</u>	<u>(288,427)</u>	<u>(360,504)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,442,164</u>	<u>3,787,992</u>	<u>3,342,770</u>
NON-CURRENT LIABILITIES					
Bank loans, secured	24		219,100	180,000	203,200
Deferred tax liabilities	25		267,444	202,615	153,878
Total non-current liabilities			<u>486,544</u>	<u>382,615</u>	<u>357,078</u>
Net assets			<u>3,955,620</u>	<u>3,405,377</u>	<u>2,985,692</u>
EQUITY					
Equity attributable to equity holders of the Company					
Issued share capital	26		79,956	79,956	79,956
Reserves	27		3,851,677	3,305,722	2,889,979
Proposed final dividends	12		23,987	19,989	15,991
			<u>3,955,620</u>	<u>3,405,667</u>	<u>2,985,926</u>
Non-controlling interests			—	(290)	(234)
Total equity			<u>3,955,620</u>	<u>3,405,377</u>	<u>2,985,692</u>

Wong Chi Keung
Director

Yuen Wing Shing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

		Attributable to equity holders of the Company											
		Issued	Share	Capital	Capital	Investment			Proposed		Non-	Total	
		share	premium	redemption	Contributed	reserve	Other	Retained	final	controlling	Total	equity	
Note		capital	account	reserve	reserve	of an	reserves	profits	dividends	interests			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	At 1 January 2010	79,956	95,738	1,350	1,800	1,321,935	(11,444)	(4,664)	1,901,007	19,989	3,405,667	(290)	3,405,377
	Profit for the year	—	—	—	—	—	—	546,271	—	546,271	(17)	546,254	
	Changes in fair value of other investments	—	—	—	—	—	810	—	—	810	—	810	
	Share of other comprehensive income of an associate	—	—	—	—	20,741	2,427	—	—	23,168	—	23,168	
	Other comprehensive income for the year	—	—	—	—	20,741	3,237	—	—	23,978	—	23,978	
	Total comprehensive income for the year	—	—	—	—	20,741	3,237	546,271	—	570,249	(17)	570,232	
	Acquisition of non-controlling interests without change in control	—	—	—	—	—	—	(307)	—	(307)	307	—	
	2009 final dividends declared and paid	—	—	—	—	—	—	—	(19,989)	(19,989)	—	(19,989)	
	Proposed 2010 final dividends	12	—	—	—	—	—	(23,987)	23,987	—	—	—	
	At 31 December 2010	79,956	95,738*	1,350*	1,800*	1,321,935*	9,297*	(1,427)*	2,422,984*	23,987	3,955,620	—	3,955,620
	At 1 January 2009	79,956	95,738	1,350	1,800	1,321,935	(18,821)	(8,268)	1,496,245	15,991	2,985,926	(234)	2,985,692
	Profit for the year	—	—	—	—	—	—	424,751	—	424,751	(56)	424,695	
	Share of other comprehensive income of an associate	—	—	—	—	7,377	3,604	—	—	10,981	—	10,981	
	Other comprehensive income for the year	—	—	—	—	7,377	3,604	—	—	10,981	—	10,981	
	Total comprehensive income for the year	—	—	—	—	7,377	3,604	424,751	—	435,732	(56)	435,676	
	2008 final dividends declared and paid	—	—	—	—	—	—	—	(15,991)	(15,991)	—	(15,991)	
	Proposed 2009 final dividends	12	—	—	—	—	—	(19,989)	19,989	—	—	—	
	At 31 December 2009	79,956	95,738	1,350	1,800	1,321,935	(11,444)	(4,664)	1,901,007	19,989	3,405,667	(290)	3,405,377

* These reserve accounts comprise the consolidated reserves of HK\$3,851,677,000 (2009: HK\$3,305,722,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operations	28	98,742	93,453
Interest paid		(5,526)	(6,467)
Hong Kong profits tax paid		(12,509)	(7,720)
Hong Kong profits tax refunded		—	36
		<hr/>	<hr/>
Net cash flows from operating activities		80,707	79,302
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		23	5
Dividends received from an associate		55,892	46,156
Renovation of investment properties		(8,641)	(8,301)
Purchases of items of property, plant and equipment		(6)	(26)
Acquisition of additional investment in an associate		—	(42,119)
		<hr/>	<hr/>
Net cash flows from/(used in) investing activities		47,268	(4,285)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		(94,600)	(57,200)
Dividends paid		(19,989)	(15,991)
New bank loans		—	20,000
		<hr/>	<hr/>
Net cash flows used in financing activities		(114,589)	(53,191)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net increase in cash and cash equivalents		13,386	21,826
Cash and cash equivalents at 1 January		66,934	45,108
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		80,320	66,934
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	15,320	66,934
Non-pledged time deposits with original maturity of less than three months when acquired	22	65,000	—
		<hr/>	<hr/>
		80,320	66,934
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investments in subsidiaries	16	2,106,921	2,127,047
CURRENT ASSETS			
Other receivables		233	90
Cash and bank balances		774	777
Total current assets		<u>1,007</u>	<u>867</u>
CURRENT LIABILITIES			
Other payables		1,299	1,413
Tax payable		5	1
Total current liabilities		<u>1,304</u>	<u>1,414</u>
NET CURRENT LIABILITIES		<u>(297)</u>	<u>(547)</u>
Net assets		<u>2,106,624</u>	<u>2,126,500</u>
EQUITY			
Issued share capital	26	79,956	79,956
Reserves	27	2,002,681	2,026,555
Proposed final dividends	12	23,987	19,989
Total equity		<u>2,106,624</u>	<u>2,126,500</u>

Wong Chi Keung
Director

Yuen Wing Shing
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 other investments, 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 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HKFRS 5 Amendments included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HK Interpretation 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

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

(a) HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 Statement of Cash Flows, HKAS 12 Income Taxes, HKAS 21 The Effects of Changes in Foreign Exchange Rates, HKAS 28 Investments in Associates and HKAS 31 Interests in Joint Ventures.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(b) **HK Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause**

The interpretation requires a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. Prior to the adoption of this interpretation, the Group's term loan was classified in the consolidated statement of financial position separately as to current and non-current liability portions based on the maturity date of repayment. Upon the adoption of the interpretation, the non-current portion of the term loan that contains a repayment on demand clause has been reclassified entirely as a current liability. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated. In addition, as a result of this change and as required by HKAS 1 Presentation of Financial Statements, these financial statements also include a statement of financial position as at 1 January 2009. Further details of the loan are disclosed in note 24 to the financial statements.

The above change has had no effect on the consolidated income statement. There was no impact on the net assets of the Group. The effect on the consolidated statement of financial position as at 31 December is summarised as follows:

	31 December 2010 <i>HK\$'000</i>	31 December 2009 <i>HK\$'000</i>	1 January 2009 <i>HK\$'000</i>
Current liabilities			
Increase in bank loans, secured	—	80,500	103,500
Non-current liabilities			
Decrease in bank loans, secured	—	(80,500)	(103,500)

2.3 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 1 Amendment	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards - Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters ²
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets ⁴
HKFRS 9	Financial Instruments ⁶
HKAS 12 Amendment	Amendment to HKAS 12 Income Tax - Deferred Tax: Recovery of Underlying Assets ⁵
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 32 Amendment	Amendment to HKAS 32 Financial Instruments: Presentation - Classification of Rights Issues ¹
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement ³
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 July 2011

⁵ Effective for annual periods beginning on or after 1 January 2012

⁶ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application, certain of which may be relevant to the Group's operation and may result in changes in the Group's accounting policies, and changes in presentation and measurement of certain items of the Group's financial information.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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 investments 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 investments in associates are stated in the consolidated statement of financial position 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 investments in associates and is not individually tested for impairment.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

(c) Goodwill

Goodwill arising on the acquisition of associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is prior to 1 January 2010 but on or after 1 January 2005

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Goodwill *(continued)*

Goodwill on acquisitions for which the agreement date is prior to 1 January 2010 but on or after 1 January 2005 (continued)

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.

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.

(d) Impairment of non-financial assets

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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Impairment of non-financial assets *(continued)*

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an 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 such 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 the 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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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 least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

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, which reflects market conditions at the end of the reporting period.

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 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***Initial recognition and measurement*

Financial assets within 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 investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include cash and cash equivalents, other investments, trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation and the loss arising from impairment is recognised in the income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in other reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the other reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

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.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) 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 when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

(l) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***(l) Impairment of financial assets** *(continued)**Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

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 removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

(m) Financial liabilities*Initial recognition and measurement*

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and bank loans.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Financial liabilities *(continued)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loan and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

(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) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(p) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***(q) Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and 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 bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

(r) 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 end of the reporting period 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.

(s) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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.

(t) 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 and related services revenue, when the services are rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) 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 for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted.

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. The cumulative expense recognised for equity-settled transactions at the end of each reporting period 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 equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service 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, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, 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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is 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. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options of an associate is reflected as additional share dilution in the computation of earnings per share.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Employee benefits *(continued)*

Pension scheme

The Group operates to a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. 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.

(v) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, 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.

(w) 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 recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. 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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

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 2010 was HK\$266,924,000 (2009: 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, existing use basis. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate capitalisation rates. Relevant estimates are regularly compared to actual market data.

4 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its business activities and has four reportable operating segments as follows:

- (a) The property investment segment invests in properties for rental income and potential capital appreciation;
- (b) The property trading segment comprises the trading of properties;
- (c) The property management and related services segment comprises the provision of property management and related technical consultancy services; and
- (d) The operation of driver training centres and tunnel operation and management segment refers to the Group's share of results of its associate which is engaged in the operation of and investment in driver training centres and tunnel operation and management.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss). The adjusted profit/(loss) is measured consistently with the Group's profit/(loss) except that finance costs and head office tax expense/(credit) are excluded from such measurement.

Segment assets exclude other investments, cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude bank loans and head office tax payable as these liabilities are managed on a group basis.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

4 OPERATING SEGMENT INFORMATION *(continued)*

Group
2010

	Property investment HK\$'000	Property trading HK\$'000	Property and related services HK\$'000	Operation of driver training centres and tunnel operation and management HK\$'000	Consolidated HK\$'000
Segment revenue	<u>136,419</u>	<u>270</u>	<u>8,560</u>	<u>—</u>	<u>145,249</u>
Segment results	466,170	(10)	6,621	—	472,781
Finance costs					(7,217)
Share of results of an associate	—	—	—	157,567	<u>157,567</u>
Profit before tax					623,131
Income tax expense	(75,127)	—	(686)	—	(75,813)
Unallocated income tax expense					<u>(1,064)</u>
Profit for the year					<u>546,254</u>
Assets and liabilities					
Segment assets	3,043,002	—	466	—	3,043,468
Investment in an associate	—	—	—	1,545,198	1,545,198
Unallocated assets					<u>81,923</u>
Total assets					<u>4,670,589</u>
Segment liabilities	336,569	—	5,245	14	341,828
Unallocated liabilities					<u>373,141</u>
Total liabilities					<u>714,969</u>
Other segment information:					
Capital expenditure	8,641	—	6	—	8,647
Depreciation	—	—	286	—	286
Changes in fair value of investment properties	<u>367,659</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>367,659</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2010

4 OPERATING SEGMENT INFORMATION *(continued)*

Group
2009

	Property investment <i>HK\$'000</i>	Property trading <i>HK\$'000</i>	Property management and related services <i>HK\$'000</i>	Operation of driver training centres and tunnel operation and management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>124,332</u>	<u>750</u>	<u>11,718</u>	<u>—</u>	<u>136,800</u>
Segment results	354,320	(160)	8,147	—	362,307
Finance costs					(7,630)
Share of results of an associate	—	—	—	127,960	<u>127,960</u>
Profit before tax					482,637
Income tax expense	(57,104)	—	(815)	—	(57,919)
Unallocated income tax expense					<u>(23)</u>
Profit for the year					<u>424,695</u>
Assets and liabilities					
Segment assets	2,665,036	496	949	—	2,666,481
Investment in an associate	—	—	—	1,420,354	1,420,354
Unallocated assets					<u>67,727</u>
Total assets					<u>4,154,562</u>
Segment liabilities	277,091	21	5,358	14	282,484
Unallocated liabilities					<u>466,701</u>
Total liabilities					<u>749,185</u>
Other segment information:					
Capital expenditure	8,301	—	26	—	8,327
Depreciation	—	—	336	—	336
Changes in fair value of investment properties	<u>272,369</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>272,369</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2010

4 OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Group	
	2010	2009
	HK\$'000	HK\$'000
Hong Kong	145,249	136,800
	<u>145,249</u>	<u>136,800</u>

The revenue information above is based on the location of the customers.

(b) Non-current assets

	Group	
	2010	2009
	HK\$'000	HK\$'000
Hong Kong	4,567,280	4,067,309
Mainland China	9,210	8,317
	<u>4,576,490</u>	<u>4,075,626</u>

The non-current asset information above is based on the location of assets and excludes financial instruments.

Information about a major customer

Revenue of approximately HK\$16,055,000 (2009: HK\$24,035,000) was derived from a single customer under the property investment segment.

NOTES TO FINANCIAL STATEMENTS

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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	
	2010 HK\$'000	2009 HK\$'000
Revenue		
Rental income from investment properties	136,419	124,332
Income from property management and related services	8,560	11,718
Sale of properties held for sale	270	750
	<u>145,249</u>	<u>136,800</u>
Other income		
Bank interest income	28	3
Reinstatement compensation	130	428
Others	276	94
	<u>434</u>	<u>525</u>

6 FINANCE COSTS

	Group	
	2010 HK\$'000	2009 HK\$'000
Interest on bank loans:		
Wholly repayable within five years	3,300	6,370
Not wholly repayable within five years	2,386	—
	<u>5,686</u>	<u>6,370</u>
Loan arrangement fees	1,531	1,260
	<u>7,217</u>	<u>7,630</u>

NOTES TO FINANCIAL STATEMENTS

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7 PROFIT BEFORE TAX

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Depreciation (<i>note 14</i>)	286	336
Minimum lease payments under operating leases:		
Land and buildings	1,503	1,667
Auditors' remuneration	1,010	967
Staff costs (including executive directors' remuneration (<i>note 8</i>)):		
Wages and salaries	10,333	9,873
Discretionary bonuses	14,125	13,817
Pension scheme contributions*	410	465
	<u>24,868</u>	<u>24,155</u>
Gross rental income	(136,419)	(124,332)
Less: Outgoings	5,995	7,576
Net rental income	<u>(130,424)</u>	<u>(116,756)</u>
Foreign exchange differences, net	<u>(7)</u>	<u>(2)</u>

* At 31 December 2010, there were no forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years (2009: Nil).

8 DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
Fees	1,400	1,400
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	3,235	3,040
Discretionary bonuses	12,100	11,900
Pension scheme contributions	152	143
	<u>16,887</u>	<u>16,483</u>

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:

	Group	
	2010 HK\$'000	2009 HK\$'000
Mr. Luk Yu King, James	300	300
Mr. Ng Kwok Fu	200	200
Mr. Leung Yu Ming, Steven	200	200
	<u>700</u>	<u>700</u>

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

NOTES TO FINANCIAL STATEMENTS

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8 DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

Group

	Fees HK\$'000	Basic salaries, housing allowances, other allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2010					
Executive directors:					
Mr. Cheung Chung Kiu	—	—	7,500	1	7,501
Mr. Wong Chi Keung	—	3,235	2,700	149	6,084
Mr. Yuen Wing Shing	—	—	1,500	1	1,501
Ms. Tung Wai Lan, Iris	—	—	400	1	401
	—	3,235	12,100	152	15,487
Non-executive directors:					
Mr. Lee Ka Sze, Carmelo	500	—	—	—	500
Mr. Wong Yat Fai	200	—	—	—	200
	700	3,235	12,100	152	16,187
2009					
Executive directors:					
Mr. Cheung Chung Kiu	—	—	7,500	1	7,501
Mr. Wong Chi Keung	—	3,040	2,600	140	5,780
Mr. Yuen Wing Shing	—	—	1,400	1	1,401
Ms. Tung Wai Lan, Iris	—	—	400	1	401
	—	3,040	11,900	143	15,083
Non-executive directors:					
Mr. Lee Ka Sze, Carmelo	500	—	—	—	500
Mr. Wong Yat Fai	200	—	—	—	200
	700	3,040	11,900	143	15,783

NOTES TO FINANCIAL STATEMENTS

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9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2009: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2009: two) non-director, highest paid employees are as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	1,918	1,842
Discretionary bonuses	510	480
Pension scheme contributions	89	85
	<u>2,517</u>	<u>2,407</u>

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

	Number of employees	
	2010	2009
HK\$500,001 to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	—	1
HK\$1,500,001 to HK\$2,000,000	1	—
	<u>2</u>	<u>2</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2010

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2010 HK\$'000	2009 HK\$'000
Current - Hong Kong	11,325	9,204
Under provision in prior years	723	1
	<u>12,048</u>	<u>9,205</u>
Deferred (note 25)	64,829	48,737
	<u>64,829</u>	<u>48,737</u>
Total tax charge for the year	<u>76,877</u>	<u>57,942</u>

A reconciliation of the tax expense applicable to profit before tax at 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 rate is as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
Profit before tax	<u>623,131</u>	<u>482,637</u>
Tax at the statutory tax rate of 16.5% (2009: 16.5%)	102,817	79,635
Under provision of tax in prior years	723	1
Unrecognised temporary differences	33	(129)
Profits and losses attributable to an associate	(25,999)	(21,113)
Income not subject to tax	(153)	(281)
Expenses not deductible for tax	72	61
Tax losses utilised from previous periods	(680)	(342)
Tax losses not recognised	18	111
Others	46	(1)
	<u>46</u>	<u>(1)</u>
Tax charge at the Group's effective rate	<u>76,877</u>	<u>57,942</u>

NOTES TO FINANCIAL STATEMENTS

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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 2010 includes a profit of HK\$113,000 (2009: HK\$114,000) which has been dealt with in the financial statements of the Company (note 27).

12 PROPOSED FINAL DIVIDENDS

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed final dividends - HK3.0 cents (2009: HK2.5 cents) per ordinary share	<u>23,987</u>	<u>19,989</u>

The proposed final dividends for the year are 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 of HK\$546,271,000 (2009: HK\$424,751,000) and the weighted average number of 799,557,415 (2009: 799,557,415) ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount for the year ended 31 December 2010 is based on the adjusted profit for the year attributable to ordinary equity holders of the Company of HK\$541,029,000, adjusted to reflect the effects of all potentially dilutive ordinary shares of an associate of the Group resulting in a decrease in profit for the year of HK\$5,242,000 as a result of dilution of investment in an associate, and the weighted average number of 799,557,415 ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2009 in respect of a dilution as the impact of all potentially dilutive ordinary shares of an associate of the Group was insignificant.

NOTES TO FINANCIAL STATEMENTS

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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 2010						
At 31 December 2009 and at 1 January 2010:						
Cost	772	451	461	1,333	241	3,258
Accumulated depreciation	(750)	(350)	(458)	(1,089)	(239)	(2,886)
Net carrying amount	<u>22</u>	<u>101</u>	<u>3</u>	<u>244</u>	<u>2</u>	<u>372</u>
At 1 January 2010, net of accumulated depreciation						
Additions	—	—	—	—	6	6
Write-off	—	—	—	—	(39)	(39)
Depreciation provided during the year	(6)	(31)	(2)	(244)	(3)	(286)
Write-back of depreciation	—	—	—	—	39	39
At 31 December 2010, net of accumulated depreciation	<u>16</u>	<u>70</u>	<u>1</u>	<u>—</u>	<u>5</u>	<u>92</u>
At 31 December 2010:						
Cost	772	451	461	1,333	208	3,225
Accumulated depreciation	(756)	(381)	(460)	(1,333)	(203)	(3,133)
Net carrying amount	<u>16</u>	<u>70</u>	<u>1</u>	<u>—</u>	<u>5</u>	<u>92</u>

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14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

	Leasehold improvements <i>HK\$'000</i>	Office equipment, furniture and fixtures <i>HK\$'000</i>	Computer software <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2009						
At 1 January 2009:						
Cost	753	444	461	1,333	241	3,232
Accumulated depreciation	(747)	(298)	(456)	(822)	(227)	(2,550)
Net carrying amount	<u>6</u>	<u>146</u>	<u>5</u>	<u>511</u>	<u>14</u>	<u>682</u>
At 1 January 2009, net of accumulated depreciation						
	6	146	5	511	14	682
Additions	19	7	—	—	—	26
Depreciation provided during the year	<u>(3)</u>	<u>(52)</u>	<u>(2)</u>	<u>(267)</u>	<u>(12)</u>	<u>(336)</u>
At 31 December 2009, net of accumulated depreciation						
	<u>22</u>	<u>101</u>	<u>3</u>	<u>244</u>	<u>2</u>	<u>372</u>
At 31 December 2009:						
Cost	772	451	461	1,333	241	3,258
Accumulated depreciation	<u>(750)</u>	<u>(350)</u>	<u>(458)</u>	<u>(1,089)</u>	<u>(239)</u>	<u>(2,886)</u>
Net carrying amount	<u>22</u>	<u>101</u>	<u>3</u>	<u>244</u>	<u>2</u>	<u>372</u>

NOTES TO FINANCIAL STATEMENTS

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15 INVESTMENT PROPERTIES

	Group	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Carrying amount at 1 January	2,654,900	2,374,230
Additions	8,641	8,301
Fair value adjustment	367,659	272,369
	<u>3,031,200</u>	<u>2,654,900</u>

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

	Hong Kong <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Long term leases	1,562,400	—	1,562,400
Medium term leases	1,459,600	9,200	1,468,800
	<u>3,022,000</u>	<u>9,200</u>	<u>3,031,200</u>

The revaluation of the above investment properties was carried out by Savills Valuation and Professional Services Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis at 31 December 2010.

Certain of the Group's investment properties were pledged to banks to secure banking facilities granted to the Group (note 24).

Further particulars of the Group's investment properties are included on page 90.

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16 INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK\$'000	HK\$'000
Unlisted shares, at cost	1,465,569	1,465,569
Loan to a subsidiary	1,204,583	1,224,709
	<u>2,670,152</u>	<u>2,690,278</u>
Impairment	(563,231)	(563,231)
	<u>2,106,921</u>	<u>2,127,047</u>

The loan to the subsidiary is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the principal subsidiaries of the Company are set out in note 36.

17 INVESTMENT IN AN ASSOCIATE

	Group	
	2010	2009
	HK\$'000	HK\$'000
Share of net assets	1,278,274	1,153,430
Goodwill on acquisition (note 18)	266,924	266,924
	<u>1,545,198</u>	<u>1,420,354</u>
Market value of listed equity securities	<u>1,063,493</u>	<u>1,151,988</u>

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	
			2010	2009
The Cross-Harbour (Holdings) Limited	Ordinary shares of HK\$1 each	Hong Kong	43.92%	43.92%

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

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17 INVESTMENT IN AN ASSOCIATE *(continued)*

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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> <i>(Restated)</i>
Operating results for the year:		
Turnover	<u>227,099</u>	<u>217,518</u>
Profit attributable to shareholders of Cross-Harbour	<u>358,753</u>	<u>291,343</u>
Financial position at 31 December:		
Non-current assets	2,463,510	2,125,425
Current assets	1,063,109	1,211,386
Current liabilities	(350,786)	(626,386)
Non-current liabilities	(156,450)	(150)
Non-controlling interests	<u>(68,004)</u>	<u>(64,351)</u>
Net asset value	<u>2,951,379</u>	<u>2,645,924</u>

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18 GOODWILL

Group

HK\$'000

Cost and net carrying amount at 1 January 2009,
at 31 December 2009 and at 31 December 2010

266,924

Impairment testing of goodwill

During the year, there was no impairment of goodwill (2009: Nil). Impairment testing in respect of the carrying value of the goodwill on acquisition of the associate is performed at least annually by comparing the recoverable amount of a major cash-generating unit of the associate which has been determined based on a value-in-use calculation. That calculation uses cash flow estimates based on cash flow projection over the fixed investment period of such cash-generating unit. The discount rate applied to the cash flow projection is approximately 6% (2009: 6%), which 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

2010	2009
<i>HK\$'000</i>	<i>HK\$'000</i>

Unlisted investments, at fair value

<u>1,603</u>	<u>793</u>
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During the year, the changes in fair value of the other investments recognised in other comprehensive income amounted to HK\$810,000 (2009: Nil).

20 PROPERTIES HELD FOR SALE

Group

2010	2009
<i>HK\$'000</i>	<i>HK\$'000</i>

Hong Kong

<u>—</u>	<u>275</u>
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NOTES TO FINANCIAL STATEMENTS

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21 TRADE RECEIVABLES

	Group	
	2010 HK\$'000	2009 HK\$'000
Trade receivables	1,664	2,293
Impairment	—	—
	<u>1,664</u>	<u>2,293</u>

The trade receivables primarily include rental receivables and property management and related services receivables which are normally due on the first day of each month and within a 14-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 at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
0 - 30 days	116	752
31 - 60 days	1,460	961
Over 60 days	88	580
	<u>1,664</u>	<u>2,293</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2010

21 TRADE RECEIVABLES *(continued)*

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

	Group	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Neither past due nor impaired	116	876
Less than 1 month past due	1,460	961
1 to 2 months past due	42	418
Over 2 months past due	46	38
	<u>1,664</u>	<u>2,293</u>

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 CASH AND CASH EQUIVALENTS

	Group	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Cash and bank balances	15,320	66,934
Time deposits	65,000	—
	<u>80,320</u>	<u>66,934</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

NOTES TO FINANCIAL STATEMENTS

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23 TRADE PAYABLES

An aged analysis of the trade payables at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 - 30 days	<u>1,264</u>	<u>725</u>

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

24 BANK LOANS, SECURED

The analysis of the carrying amounts of bank loans is as follows:

	31 December 2010 <i>HK\$'000</i>	Group 31 December 2009 <i>HK\$'000</i> <i>(Restated)</i>	1 January 2009 <i>HK\$'000</i> <i>(Restated)</i>
	Current liabilities		
Portion of bank loans due for repayment within one year	153,000	206,200	197,200
Portion of bank loans due for repayment after one year which contain a repayment on demand clause	<u>—</u>	<u>80,500</u>	<u>103,500</u>
	<u>153,000</u>	<u>286,700</u>	<u>300,700</u>
Non-current liabilities			
Bank loans, secured	<u>219,100</u>	<u>180,000</u>	<u>203,200</u>

24 BANK LOANS, SECURED (continued)

	Group	
	2010	2009
	HK\$'000	HK\$'000
		(Restated)
Analysed into:		
Bank loans repayable:		
Within one year or on demand (Note)	153,000	286,700
In the second year	43,000	180,000
In the third to fifth years, inclusive	94,500	—
Beyond five years	81,600	—
	<u>372,100</u>	<u>466,700</u>

Note: As further explained in notes 2.2 and 35 to the financial statements, due to the adoption of HK Interpretation 5 in the current year, the Group's term loan of HK\$80,500,000 as at 31 December 2009 containing an on demand clause has been reclassified as a current liability. For the purpose of the above analysis, the loan is included within current interest-bearing bank borrowings and analysed into bank loans repayable within one year or on demand. Based on the maturity terms of the loan as at 31 December 2009, the amounts repayable in respect of the loan are: HK\$23,000,000 in the second year; HK\$57,500,000 in the third to fifth years, inclusive.

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 2010 and 2009 were 1.36% and 1.30%, 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\$3,015,000,000 (2009: HK\$2,641,000,000) 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.

NOTES TO FINANCIAL STATEMENTS

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25 DEFERRED TAX

The net deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Group

	Deferred tax liabilities		Deferred tax assets	
	Depreciation allowance in excess of related depreciation	Revaluation of investment properties	Losses available for offsetting against future taxable profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	(52,972)	(100,906)	—	(153,878)
Deferred tax charged to the income statement during the year (<i>note 10</i>)	(4,236)	(44,501)	—	(48,737)
At 31 December 2009 and at 1 January 2010	(57,208)	(145,407)	—	(202,615)
Deferred tax (charged)/credited to the income statement during the year (<i>note 10</i>)	(4,374)	(60,586)	131	(64,829)
At 31 December 2010	(61,582)	(205,993)	131	(267,444)

The Group has tax losses arising in Hong Kong of HK\$19,729,000 (2009: HK\$24,407,000) 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.

NOTES TO FINANCIAL STATEMENTS

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26 SHARE CAPITAL

Shares

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
1,500,000,000 ordinary shares of HK\$0.1 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
799,557,415 ordinary shares of HK\$0.1 each	<u>79,956</u>	<u>79,956</u>

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 2010 and 2009.

NOTES TO FINANCIAL STATEMENTS

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27 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 page 33 of the financial statements.

The Group's contributed surplus originally represented the excess of 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

	Note	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2009		95,738	1,317,168	1,350	282,806	1,697,062
Profit for the year		—	—	—	349,482	349,482
Total comprehensive income for the year		—	—	—	349,482	349,482
Proposed 2009 final dividends	12	—	—	—	(19,989)	(19,989)
At 31 December 2009 and at 1 January 2010		95,738	1,317,168	1,350	612,299	2,026,555
Profit for the year		—	—	—	113	113
Total comprehensive income for the year		—	—	—	113	113
Proposed 2010 final dividends	12	—	—	—	(23,987)	(23,987)
At 31 December 2010		95,738	1,317,168	1,350	588,425	2,002,681

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. Under the Companies Act (1981) of Bermuda, the contributed surplus may be distributed to shareholders under certain circumstances.

28 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit before tax		623,131	482,637
Adjustments for:			
Share of results of an associate		(157,567)	(127,960)
Interest income	5	(28)	(3)
Changes in fair value of investment properties		(367,659)	(272,369)
Depreciation	7	286	336
Interest on bank loans	6	5,686	6,370
		<u>103,849</u>	<u>89,011</u>
Increase in trade receivables, other receivables, deposits and prepayments		(1,239)	(353)
(Decrease)/increase in trade payables, other payables and accrued expenses		(4,143)	3,934
Decrease in properties held for sale		275	861
Net cash generated from operations		<u><u>98,742</u></u>	<u><u>93,453</u></u>

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 two to four 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 end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Within one year	130,521	119,621
In the second to fifth years, inclusive	138,569	118,295
	<u><u>269,090</u></u>	<u><u>237,916</u></u>

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29 OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

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

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Within one year	1,273	972
In the second to fifth years, inclusive	2,199	—
	<u>3,472</u>	<u>972</u>

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 at the end of the reporting period:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Contracted, but not provided for	6,520	269
Authorised, but not contracted for	14,357	27,488
	<u>20,877</u>	<u>27,757</u>

31 CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	<u>—</u>	<u>—</u>	<u>1,012,676</u>	<u>1,107,276</u>

The Company has executed guarantees totaling HK\$1,012,676,000 (2009: HK\$1,107,276,000) with respect to banking facilities made available to its subsidiaries, of which HK\$372,100,000 were utilised as at 31 December 2010 (2009: HK\$466,700,000).

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32 RELATED PARTY TRANSACTIONS

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Administrative staff costs paid to a shareholder (<i>Note</i>)	<u>1,202</u>	<u>1,138</u>

Note: A subsidiary of the Company, Y. T. Group Management Limited, entered into an agreement with Yugang International Limited, a substantial shareholder of the Company, 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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Short term employee benefits	16,850	16,374
Post-employment benefits	<u>206</u>	<u>194</u>
Total compensation paid to key management personnel	<u>17,056</u>	<u>16,568</u>

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

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33 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Group	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans and receivables:		
Trade receivables	1,664	2,293
Other receivables and deposits	686	760
Cash and cash equivalents	80,320	66,934
	<u>82,670</u>	<u>69,987</u>
Available-for-sale financial assets:		
Other investments	1,603	793
	<u>84,273</u>	<u>70,780</u>

Financial liabilities

	Group	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial liabilities at amortised cost:		
Trade payables	1,264	725
Other payables	41,895	39,800
Bank loans, secured	372,100	466,700
	<u>415,259</u>	<u>507,225</u>

34 FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

At 31 December 2010

Group

	Level 1 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Available-for-sale investments:		
Other investments	1,603	1,603

During the year, there were no transfers into or out of Level 3 fair value measurements.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly comprise 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.

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

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 in 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).

Group

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax <i>HK\$'000</i>
2010		
Hong Kong dollar	25	(930)
Hong Kong dollar	(25)	930
2009		
Hong Kong dollar	25	(1,163)
Hong Kong dollar	(25)	1,163

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 statement of financial position. Except for the financial guarantees given by the Company as disclosed in note 31, the Group does not provide any guarantees which would expose the Group to credit risk.

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35 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 banking facilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2010				Total HK\$'000
	On demand HK\$'000	Within 12 months HK\$'000	Over 1 year to 5 years HK\$'000	Over 5 years HK\$'000	
Bank loans, secured	—	157,305	145,064	84,002	386,371
Trade payables	—	1,264	—	—	1,264
Other payables	795	41,100	—	—	41,895
	<u>795</u>	<u>199,669</u>	<u>145,064</u>	<u>84,002</u>	<u>429,530</u>
	2009 (Restated)				
	On demand HK\$'000	Within 12 months HK\$'000	Over 1 year to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Bank loans, secured (Note)	193,623	95,453	180,346	—	469,422
Trade payables	—	725	—	—	725
Other payables	740	39,060	—	—	39,800
	<u>194,363</u>	<u>135,238</u>	<u>180,346</u>	<u>—</u>	<u>509,947</u>

Note: The loan agreement contains a repayment on demand clause giving the bank the unconditional right to call in the loan with principal amounting to HK\$193,500,000 at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

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

Capital management

The primary objectives of the Group's capital management are 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 shareholders' 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 for managing capital during the years ended 31 December 2010 and 2009.

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 an optimal capital structure by taking into consideration the projected cash flows and profitability, projected capital expenditures and projected business and investment opportunities. As at 31 December 2010, the Group's gearing ratio was 7.4% (2009: 11.7%).

36 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the end of the reporting period 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		Principal activities and place of operations
			2010	2009	
Best View Investments Hong Kong Company 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%	Provision of property technical consultant services in Hong Kong

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36 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		Principal activities and place of operations
			2010	2009	
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
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

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36 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		Principal activities and place of operations
			2010	2009	
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.

37 COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation, and a third statement of financial position as at 1 January 2009 has been presented.

38 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2011.

PARTICULARS OF PROPERTIES

31 December 2010

INVESTMENT PROPERTIES IN HONG KONG

Location	Use	Lease expiry	Approximate site area <i>Sq. ft.</i>	Approximate gross floor area <i>Sq. ft.</i>	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

INVESTMENT PROPERTIES IN MAINLAND CHINA

Location	Use	Lease expiry	Approximate gross floor area <i>Sq. ft.</i>	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				
	2006	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Restated)	(Restated)	(Restated)	(Restated)	
ASSETS AND LIABILITIES					
Property, plant and equipment	1,490	1,043	682	372	92
Investment properties	2,125,050	2,315,900	2,374,230	2,654,900	3,031,200
Investment in an associate	1,290,349	1,413,205	1,327,569	1,420,354	1,545,198
Other investments	879	800	793	793	1,603
Current assets	60,433	88,116	56,828	78,143	92,496
Current liabilities	(486,667)	(456,386)	(417,332)	(366,570)	(228,425)
Net current liabilities	(426,234)	(368,270)	(360,504)	(288,427)	(135,929)
Non-current liabilities	(357,383)	(375,256)	(357,078)	(382,615)	(486,544)
Net assets	2,634,151	2,987,422	2,985,692	3,405,377	3,955,620
EQUITY					
Equity attributable to equity holders of the Company					
Issued share capital	79,956	79,956	79,956	79,956	79,956
Reserves	2,530,208	2,883,479	2,889,979	3,305,722	3,851,677
Proposed final dividends	23,987	23,987	15,991	19,989	23,987
	2,634,151	2,987,422	2,985,926	3,405,667	3,955,620
Non-controlling interests	—	—	(234)	(290)	—
Total equity	2,634,151	2,987,422	2,985,692	3,405,377	3,955,620
RESULTS					
Revenue	99,473	116,520	124,344	136,800	145,249
Profit before tax	327,267	368,479	180,136	482,637	623,131
Income tax expense	(39,179)	(39,916)	(9,595)	(57,942)	(76,877)
Profit for the year	288,088	328,563	170,541	424,695	546,254
Attributable to:					
Equity holders of the Company	288,088	328,563	170,781	424,751	546,271
Non-controlling interests	—	—	(240)	(56)	(17)
	288,088	328,563	170,541	424,695	546,254