渝太地產集團有限公司

Y. T. REALTY GROUP LIMITED

Stock Code : 75

2015 Annual Report

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CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Cheung Chung Kiu[1]
(Chairman and Managing Director)
Wong Chi Keung[2]
Yuen Wing Shing
Tung Wai Lan, Iris

NON-EXECUTIVE DIRECTOR

Lee Ka Sze, Carmelo[3]
Wong Yat Fai[4]

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[3]
Ng Kwok Fu
Leung Yu Ming, Steven

REMUNERATION COMMITTEE

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

NOMINATION 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)*

COMPANY SECRETARY

Albert T. da Rosa, Jr.

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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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 Solicitors

REGISTRAR & TRANSFER OFFICE

Bermuda:
MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong:
Tricor Abacus Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Tel: (852) 2980 1700
Fax: (852) 2890 9350

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 75

1 appointed as managing director on 29 February 2016
2 resigned as managing director and executive director on 29 February 2016
3 resigned as non-executive director and audit committee member on 29 February 2016
4 resigned as non-executive director on 29 February 2016

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 2015.

RESULTS

The audited consolidated net profit attributable to shareholders after tax for the year was HK$534.4 million and the earnings per share amounted to HK66.8 cents, as compared to net profit of HK$482.3 million and the earnings per share of HK60.3 cents for the year ended 31 December 2014. The net profit attributable to shareholders after tax for 2015 represents a 10.8% increase from 2014.

DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2015. No interim dividend was paid during the year. In respect of the preceding year, a final dividend of HK3.5 cents per share was paid and no interim dividend was declared.

NET ASSET VALUE

The consolidated net asset value of the Group as at 31 December 2015 was HK$6,616.0 million, representing an increase of HK$577.5 million or 9.6%. The consolidated net asset value per share as at 31 December 2015 was HK$8.27 based on 799,557,415 shares in issue as compared to HK$7.55 per share based on 799,557,415 shares in issue as at 31 December 2014.

BUSINESS REVIEW

The Group's net profit attributable to shareholders for the year was HK$534.4 million as compared to the net profit of HK$482.3 million in 2014, representing a 10.8% increase. Revenue for the year increased by 3.2% to HK$218.7 million as compared to HK$211.8 million reported in 2014. 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$137.1 million (2014: HK$152.8 million). The revaluation surplus was reported in the statement of profit or loss.

The Group's share of profit after taxation from the associated company, The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), for the year was HK$258.2 million (2014: HK$196.7 million), an increase of 31.3% 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.

BUSINESS REVIEW *(continued)*

Property Business

As at the end of 2015, the Group's major investment properties include:

Century Square
Prestige Tower

Gross rental income for the year amounted to HK$210.0 million which represents an increase of about 3.6% when compared with last year's rental income of HK$202.6 million. The increase in rental income in 2015 was due to the increase in rental rates of the Group's investment properties.

2015 could be considered as a turning point for property market as many sectors recorded rarely seen downward adjustment of both capital and rental value from the peaked price. Such adjustment which was primarily due to economic downturn and shrinkage of tourist spending, particularly the Mainlanders in Hong Kong was most obvious. As a result, the retail and mass market residential property sectors were most impacted. On the financial side, market correction dominated trading activity in many major financial and stock markets for most part of the second half of 2015. Commodity and crude oil saw deepest plummeting price since the rising trend started for almost a decade ago.

On the global perspective, unstable political situation in the Eastern Europe and refugee problem hindered economic progress and stability in the regions.

Uncertainty on keeping Britain in European Union remained a major obsession for political and economic development amongst many affecting countries. In the United States, despite interest rate was raised at the end of 2015, there were still conflicting signs for a stable and solid recovery in the world's largest economy.

Against this backdrop, the Group is pleased to report a stable result for 2015. The Group's property portfolio which mainly consists of most affected up-market retail and commercial properties recorded a steady increase in rental revenue. We ascribe such stable result to the Group's extra effort in focusing on tenant retention policy and as a result, a close to full occupancy rate was achieved at the end of 2015.

In February 2015, the Group through a 50% equally shared joint venture Solent Ventures Limited ("Solent Ventures") acquired a commercial property, 1 Chapel Place, in London, U.K. ("London Property"). The London Property provided stable income for the joint venture since its acquisition. For the year under review, the Group's share of net profit of the joint venture amounted to HK$4.2 million.

In December 2015, the Group entered into a disposal agreement to dispose of the entire issued share capital of its indirect wholly-owned subsidiaries Y. T. Properties International Limited ("Y. T. Properties International") and Y. T. Property Services Limited ("Y. T. Property Services"). Y. T. Properties International through its direct and indirect wholly-owned subsidiaries own 100% interest of the Century Square and Prestige Tower. Y. T. Property Services and its wholly-owned subsidiary engage in property management and related services and primarily provide their services to Century Square and Prestige Tower. The disposal enabled the Group to unlock the value of its investment in these two properties for our shareholders through payment of special dividend, and allowed the Group to increase its working capital as well as to expand its overseas property portfolio. The transaction was completed on 29 February 2016.

BUSINESS REVIEW *(continued)*

In December 2015, the Group also entered into an acquisition agreement to acquire from the joint venture partner the 50% of the issued share capital of Solent Ventures. The acquisition enabled the Group to expand its overseas property portfolio by increasing its interest in the London Property from 50% to 100%. The transaction was completed on 29 February 2016.

FINANCING AND LIQUIDITY

Financial expenses for the year ended 31 December 2015 amounted to HK$2.8 million (2014: HK$3.1 million), decreased by 8.8% when compared with last year as the Group's bank borrowings was reduced during the year. As at the end of 2015, the bank loan balance was HK$81.6 million (2014: HK$101.6 million).

The bank loans are secured by mortgages on certain investment properties with an aggregate carrying value of HK$4,070.0 million (2014: HK$3,935.0 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 2015:

Within one year	24.5%
In the second year	24.5%
In the third to fifth years, inclusive	51.0%
	100.0%

Note: In connection with the disposal of the Group's investment properties on 29 February 2016, the entire bank loan balance of HK$81.6 million stated above was fully paid off in February 2016.

As at 31 December 2015, the Group's cash and cash equivalents was HK$417.1 million. As the Group had net cash and cash equivalents of HK$335.5 million, that represented zero gearing (2014: zero). The gearing ratio, if any, is calculated as the ratio of net bank borrowings to shareholders' funds.

Following the disposal of the Group's major investment properties in Hong Kong and the acquisition of the London Property on 29 February 2016, the Group's main source of rental income will be denominated in British Pound Sterling which is subject to foreign exchange rate fluctuation.

The bank loan on the London Property and the shareholder's loan owed to the joint venture partner by Solent Venture were fully paid off in February 2016.

With cash and recurring rental income, the Group has sufficient resources to meet the foreseeable funding needs for working capital and capital expenditure.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS AND STRATEGIES

For the coming 2016, the Group expects it to be a year full of challenges for Hong Kong, both politically as well as economically. Since Hong Kong is a free and open economy, all external market volatility will inevitably affect us. Rise in interest rate, abundant supply of new stock and sluggish second hand market have all begun to affect mass residential market which will have a knock-on effect on other sectors. Plummeting crude oil price, uncertainty in financial markets coupled with volatility in several major currencies will hinder the stable global economic recovery. Hong Kong cannot be immune from such unstable economic environment.

In anticipation of a highly uncertain and challenging market in the coming year, the Group will adopt a proactive yet cautious approach and will strengthen all necessary measures to look for sound and stable investment opportunities. Due to obvious market adjustment locally, we will step up efforts in exploring investment opportunities overseas to improve the sustainable return for our shareholders. To improve operating efficiency, the Group acquired the remaining interest from our 50%-owned joint venture partner for 1 Chapel Place at the end of February 2016, a prime commercial property in London, U.K. Such property is now wholly owned and all bank mortgage has been fully repaid to enhance investment return.

STAFF

As at 31 December 2015, the Group employed 46 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 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 and Managing Director

Hong Kong, 23 March 2016

EXECUTIVE DIRECTORS / SENIOR MANAGEMENT

Cheung Chung Kiu, aged 51, was appointed Chairman and Managing Director of the Company on 28 September 2000 and 29 February 2016 respectively 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") and chairman of The Cross-Harbour (Holdings) Limited ("Cross-Harbour") and C C Land Holdings Limited ("C C Land"), all being public listed 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 dislosed in the section headed "Interests and Short Positions of Shareholders" on page 32.

Yuen Wing Shing, aged 69, 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 50, 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.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ng Kwok Fu, aged 44, 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 61, 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 and Investment 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 56, 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's 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 in a CPA firm. He has over 28 years of experience in assurance, financial management and corporate finance, having worked previously in the International Finance and Corporate Finance Department of Nomura International (Hong Kong) Limited as 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 public listed companies in Hong Kong.

SHAREHOLDER VALUE

The Company has always been 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 2015 of the Corporate Governance Code (the "CG Code") set out within Appendix 14 to the Main Board Listing Rules (the "Listing Rules"). To ensure that governance standards are met, and that processes are in place to ensure continuous improvements, the full board assumes the corporate governance duties rather than delegating the responsibility to a committee.

During the year up to the date of this report, the board conducted an annual review of (a) the Company's policies and practices on corporate governance; (b) the training and continuous professional development of directors (including senior management); (c) the Company's policies and practices on compliance with legal and regulatory requirements; and (d) the conduct codes applicable to employees and directors, and half-yearly reviews of the Company's compliance with the CG Code and the relevant disclosure in the interim report and in this report. In the opinion of the board, the Company complied with the principles and the code provisions of the CG Code in all respects throughout the year save for the deviation described below.

The Company has no formal letters of appointment for directors except the managing director setting out the key terms and conditions of their appointment, and has therefore deviated from D.1.4 of the CG Code. This notwithstanding, every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. Shareholders are sent (at the same time as the notice of the relevant general meeting) a circular containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the ordinary resolution to approve the re-election of each retiring director who stands for re-election at the meeting, including the information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

DISCLOSURE OF INSIDE INFORMATION / DIRECTORS' DEALINGS

The Company is aware of its obligations under Part XIVA of the Securities and Futures Ordinance (Cap. 571) and the Listing Rules concerning inside information and has established a policy on the disclosure of inside information having regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission. Apart from the duty to report in the manner prescribed by the policy, directors, officers and employees must also not deal in the shares of the Company at any time when they are in possession of unpublished inside information.

Directors' dealings are governed by a code adopted by the Company (the "Securities Code") (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). Each director will be given a copy of the Securities Code at the time of his or her appointment and a copy of the revised Securities Code in a timely manner. Directors will be notified in advance of the commencement of each period during which they are not allowed to deal, or are advised not to deal, in the Company's securities with reminders of their obligations under both codes.

All directors confirmed that they had complied with the required standard set out within the Model Code and the Securities Code throughout the year.

The Company has also adopted a code for relevant employees (within the meaning of the CG Code) regarding securities transactions no less exacting than the Model Code. Relevant employees will be notified in advance of the commencement of each period during which they are not allowed to deal, or are advised not to deal, in the Company's securities with reminders of their obligations under the code.

THE BOARD

Corporate governance functions, as noted above, are performed by the 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 was chaired by Mr. Cheung Chung Kiu, comprised nine members at the beginning and at the end of the year. All such members served on the board throughout the year. After the year end, the managing director (who was executive director) and two non-executive directors resigned, resulting in a six-member board. The composition of the board throughout the year up until the date of this report is shown in the corporate information section on page 1.

Brief biographical details of the directors appear in the directors and senior management section on pages 6 and 7.

The Company embraces the benefits of having a diverse board and directs that the review of this be a collective effort of the board and the nomination committee. The appointment or re-appointment of a director shall first be considered by this committee with reference to the policies adopted by the Company governing the nomination and diversity of board members. Recommendations of the committee will then be put forth at the next board meeting for directors' consideration and approval, as appropriate. In designing board composition, the balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business will all be taken into account.

In the opinion of the nomination committee, an appropriate level of diversity on the board has been achieved, and a balanced composition of executive directors and non-executive directors (including independent non-executive directors), the latter being of sufficient calibre and number for their views to carry weight in the board's deliberations, has been maintained, throughout the year. Further, the above changes in the board after the year end can be managed without undue disruption. The committee has noted that none of the independent non-executive directors has any interests or relationships that could materially interfere with his independent judgment and concluded that all independent non-executive directors remain independent.

Board meetings are held regularly 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 (including independent non-executive directors), as equal board members, give the board and its committees on which they serve the benefit of their skills, expertise and diverse backgrounds and qualifications through regular meeting attendance and active participation. They also attend general meetings and develop a balanced understanding of the views of shareholders.

THE BOARD *(continued)*

Attendance at board and general meetings

Four regularly scheduled meetings of the board and an annual general meeting were held during the year. Attendance of each director at the above meetings is shown below.

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

Notes:

1 Mr. Wong Chi Keung resigned as managing director and executive director on 29 February 2016.

2 Mr. Lee Ka Sze, Carmelo and Mr. Ng Kwok Fu were appointed for a term commencing 21 May 2015 and ending at the close of the annual general meeting in 2018. Mr. Lee Ka Sze, Carmelo resigned as non-executive director on 29 February 2016.

3 Mr. Wong Yat Fai was appointed for a term commencing 21 May 2013 and ending at the close of the forthcoming annual general meeting. Mr. Wong Yat Fai resigned as non-executive director on 29 February 2016.

4 Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven were appointed for a term commencing 30 May 2014 and ending at the close of the annual general meeting in 2017.

5 Non-executive directors are subject to retirement by rotation and eligible for re-election in accordance with the Company's bye-laws and all applicable laws.

In addition, two ad hoc board meetings were held during the year, one of which was attended by all of the nine directors named on page 1 and the other one by Mr. Wong Chi Keung and Mr. Yuen Wing Shing. The chairman also held a meeting with the non-executive directors (including independent non-executive directors) without the executive directors present during the year.

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 is 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 is managing properly and does not exceed its 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. Management carries out such specific duties as to prepare interim and annual accounts/reports, and to implement and monitor the Company's financial controls and systems of risk management and internal control. Management typically meets each month to review the operating and financial performance of the Group against agreed budgets and targets.

Supply of and access to information

The board and individual directors have separate and independent access to senior management at all times. The management ensures 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. All directors have access to the advice and services of the company secretary, who is responsible to the board to ensure that board procedures are being followed and that applicable rules and regulations are being complied with. Every director or board committee member can seek independent professional advice in appropriate circumstances at the Company's expense.

THE BOARD *(continued)*

Directors' responsibilities

On appointment to the board, each director receives an induction package covering the latest information about the financial position of the Group as well as guidelines on directors' duties and corporate governance. In addition, all members of the board are provided with monthly updates so that they can have a balanced and understandable assessment of the Group's performance, position and prospects. New directors are welcome to visit the operating divisions to gain a proper understanding of the Group's business operations.

The mini-library maintained for the company secretarial department is open to all directors. Stocked with corporate publications and governance procedures, it also collects applicable rules, ordinances, codes and acts. Directors are welcome to visit the library and borrow those materials.

The Company recognises directors' need for continuous professional development and ensures that sufficient training opportunities are being provided to the directors from time to time to develop and refresh their knowledge and skills. During the year, the Company continued to arrange and fund suitable training for its directors.

According to the records provided to the Company, each director received no less than five hours of training through seminars, programmes, and the like, or reading during the year.

Insurance cover

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

CHAIRMAN AND MANAGING DIRECTOR

During the year, the positions of chairman and managing director were held by separate individuals with the defined roles of managing the board and managing the affairs of the Company respectively. 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.

CHAIRMAN AND MANAGING DIRECTOR *(continued)*

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.

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 company secretary and financial controller attend the meetings to advise on corporate governance 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. The board seeks to give a balanced, clear and understandable assessment in annual and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules. It also does so for reports to regulators and information disclosed under 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 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 audit 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 is properly discharged.

ACCOUNTABILITY AND AUDIT *(continued)*

Internal controls *(continued)*

In line with the requirements of the CG Code, the board scheduled an annual meeting in December 2015 to conduct a review of the effectiveness of the Group's internal controls and an additional meeting in March 2016 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, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function. Nothing wrong or 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 the year 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 being complied with. No failures or inadequacies were reported during the year up to the date of this report.

BOARD COMMITTEES

The board is supported in its decisions by the four principal committees described below. The terms of reference of all except the executive committee are available on the website of the Company.

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, who also make up senior management.

As shown in the corporate information section on page 1, there were four executive directors at the beginning and at the end of the year, all of whom served on the executive committee throughout the year. After the year end, Mr. Wong Chi Keung (managing director and executive director) resigned, thereby reducing the number of executive directors to three. As at the date of this report, three members remain in office.

The executive committee is vested with the powers of the directors by the Company's bye-laws or otherwise expressly conferred upon them, as defined by its terms of reference.

BOARD COMMITTEES *(continued)*

The remuneration committee

The remuneration committee, which is chaired by Mr. Leung Yu Ming, Steven, comprises three members, as shown in the corporate information section on page 1. All members served on the committee throughout the year up to the date of this report.

This committee supports the board in determining the remuneration packages of individual executive directors. It further assists the board in making recommendations on the Company's remuneration policy and structure, in reviewing and approving the management's remuneration proposals as well as in making recommendations on the remuneration of non-executive directors.

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

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

The Group's remuneration approach seeks to attract, motivate and retain the executive talent that is essential for the implementation of its business strategy towards sustained and long-term returns for shareholders. Its remuneration structure comprises fixed and variable components, including salaries, discretionary bonuses (without capping), pension scheme contributions and share options.

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

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

During the year, the remuneration committee reviewed and approved the management's remuneration proposals. It also reviewed, among other matters, directors' fees and remuneration policy and structure. The committee fixed the remuneration packages of individual executive directors, focusing on salary levels in comparator companies and role, responsibility and performance of the individual executive director so as to align management incentives with shareholders' interests.

BOARD COMMITTEES *(continued)*

The remuneration committee *(continued)*

The 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, dovetails with the overall corporate goals and objectives. In the opinion of the committee, the executive remuneration levels for the year were in line with the market.

Details of the directors' remuneration for the year are set out in note 8 to the financial statements on pages 71 and 72.

The nomination committee

The nomination 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 the year up to the date of this report.

This committee serves as an advisory committee to recruit, screen and recommend board candidates for the board. Its primary role is to ensure that the right mix of talent, skills and experience as well as diversity on the board is retained. To this end, the committee reviews the relevant policies and the board structure, size and composition; assesses the independence of independent non-executive directors; and advises on directors' appointment or re-appointment and the management of board succession.

The nomination committee met once during the year with perfect attendance.

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

A nomination policy has been established by the Company for the selection and appointment of candidates nominated to the board. When assessing the suitability of a candidate, factors such as time commitment, expertise and industry experience as well as integrity and skill will be taken into consideration as a whole and the candidate should be able to demonstrate the competency required for a listed company director. In the case of independent non-executive directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Selection of candidates will also be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, or professional experience. These objectives are documented in a board diversity policy which has also been established by the Company to ensure that diversity, in its broadest sense, remains a central feature of the board.

BOARD COMMITTEES *(continued)*

The nomination committee *(continued)*

During the year, the nomination committee reviewed the board composition and independence of independent non-executive directors, and considered the suitability of those retiring directors standing for re-election at the next annual general meeting as well as the need for a director succession plan. The committee also reviewed the nomination policy and the board diversity policy and discussed the objectives set for implementing the latter, and noted that those objectives had been achieved. The committee concluded that the board composition should continue unchanged.

The audit committee

The audit committee, which was chaired by Mr. Luk Yu King, James, comprised four members at the beginning and at the end of the year. All such members served on the committee throughout the year. After the year end, Mr. Lee Ka Sze, Carmelo resigned, resulting in a three-member committee. The composition of the committee throughout the year up until the date of this report is shown in the corporate information section on page 1.

This committee supports the board in considering matters relating to appointment of the external auditors and in the review of the Company's financial information. The committee has also an oversight role over the Company's financial reporting system, risk management and internal control systems and seeks to ensure that proper arrangements are in place for fair and independent investigation of possible improprieties in financial reporting, internal control or other matters and for appropriate follow-up action.

Meetings of the audit committee are held at least bi-annually with the external auditors and tri-annually with management.

The audit committee met three times during the year with perfect attendance.

	No. of meetings attended/held
Luk Yu King, James *(Chairman)*	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 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 Company's financial controls and internal control systems (with reference to the 2015 system review report prepared by management), non-audit services policy and whistle-blowing procedures.

BOARD COMMITTEES *(continued)*

The audit committee *(continued)*

In the opinion of management, an adequate internal control system had been established and maintained to ensure 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; to allow proactive management of relevant risks identified; to ensure compliance with relevant legislation and regulations; to allow fair and independent investigation of possible improprieties in financial reporting, internal control or other matters and appropriate follow-up action; and to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function. Further, there revealed no significant areas of improvement which were required to be brought to the committee's attention. The committee concurred, and was satisfied that management had performed its duty to have an effective internal control system.

At the meeting last held in March 2016, the audit committee reviewed the 2015 annual results, risk management and internal control systems and effectiveness of the internal audit function, and discharged its other duties under the CG Code.

The audit committee was satisfied that Ernst & Young had demonstrated the independence and objectivity required for 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 interim review the provision of which did not, in the opinion of the committee, compromise the independence of Ernst & Young's audit team.

Ernst & Young were remunerated a total of HK$1.63 million for services rendered to the Group during the year, of which HK$1.20 million were audit fees, HK$0.31 million were fees for interim review and HK$0.12 million were fees for tax compliance services.

Management confirmed that save for the disposal of Prestige Tower and Century Square which was completed in February 2016, there had neither been 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 and risk management 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, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function. Adequacy of resources and effectiveness of the internal audit function, as well as its standing within the Company and co-ordination with Ernst & Young, were also confirmed. Recommendations were made on the re-appointment of Ernst & Young as the external auditors of the Company for the ensuing year and on the submission of the 2015 annual accounts for shareholder approval at the forthcoming annual general meeting.

COMMUNICATION WITH SHAREHOLDERS

The board has established a shareholders' communication policy, which sets out the Company's approach to maintain an on-going dialogue with its shareholders and potential investors. The policy is reviewed annually to ensure its effectiveness.

SHAREHOLDERS' RIGHTS

An annual general meeting shall be held in every year. General meetings which are not annual general meetings are known as special general meetings as referred to in the procedures described below. These procedures are subject to the bye-laws of the Company, the Bermuda Companies Act 1981 and applicable legislation and regulations.

Convening special general meeting

1. Shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid-up capital of the Company carrying the right to vote at general meetings of the Company shall at all times have the right to require a special general meeting to be called by the board for the transaction of any business specified in such requisition by written requisition.

2. A requisition referred to above must state the purposes of such meeting, and must be signed by the requisitionists and deposited at the Company's registered office in Bermuda, and may consist of several documents in like form, each signed by one or more requisitionists. To ensure that the requisition is received by the Company at the earliest opportunity, the requisitionists are urged to deposit also a copy of the signed requisition at the Company's principal place of business in Hong Kong (for the attention of the board of directors or the company secretary).

3. If the directors do not within twenty-one (21) days from the date of the deposit of the requisition proceed duly to convene a special general meeting to be held within two (2) months after the deposit of the requisition, the requisitionists, or any of them representing more than one-half (1/2) of the total voting rights of all of them, may themselves convene a meeting and be repaid by the Company for any reasonable expenses incurred by reason of the failure of the directors duly to convene a meeting as aforesaid provided that any meeting so convened by the requisitionists shall not be held after the expiration of three (3) months from the said date.

4. Other than an adjourned meeting,

   (1) a special general meeting called for the passing of a special resolution shall be called by at least twenty-one (21) clear days and not less than ten (10) clear business days written notice. All other special general meetings may be called by at least fourteen (14) clear days and not less than ten (10) clear business days written notice.

   (2) any special general meeting may be called by shorter notice than that specified in subsection (1) if it is so agreed by a majority in number of the shareholders having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the shares giving that right.

SHAREHOLDERS' RIGHTS *(continued)*

Putting forward proposals at general meetings

1. In addition to the right to requisition a special general meeting, shareholders have also the right to request circulation of resolutions which may properly be moved at an annual general meeting. Any number of shareholders representing not less than one-twentieth (1/20) of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the general meeting; or not less than one hundred (100) shareholders, shall (unless otherwise resolved by the Company) at their own expense have the right by written requisition: (a) to require notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting to be given to shareholders; and/or (b) to request for circulation to shareholders any statement of not more than one thousand (1000) words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.

2. A requisition referred to above must be signed by the requisitionists in a single document or in separate copies prepared for the purpose. A copy of the signed requisition, accompanied by a sum reasonably sufficient to meet the Company's expenses, must be deposited at the Company's registered office in Bermuda: (a) in the case of a requisition requiring notice of a resolution, not less than six (6) weeks before the annual general meeting unless an annual general meeting is called for a date six (6) weeks or less after the copy has been deposited, in which case the copy shall be deemed to have been properly deposited though not deposited within the time required; and (b) in the case of any other requisition, not less than one (1) week before the general meeting. To ensure that the requisition is received by the Company at the earliest opportunity, the requisitionists are urged to deposit also a copy of the signed requisition at the Company's principal place of business in Hong Kong (for the attention of the board of directors or the company secretary).

3. A shareholder who wishes to propose a person (other than a retiring director and any person recommended by the directors for election) for election as a director at a general meeting must give notice in writing of such intent and notice in writing by that person and accompanying personal information, being information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, must also be given to the Company at its principal place of business in Hong Kong (for the attention of the board of directors or the company secretary) not earlier than the day after the dispatch of the notice of the general meeting appointed for such election and not later than seven (7) days prior to the date of such meeting. The first notice must be signed by the shareholder concerned, and the second notice must be signed by the proposed new director to indicate his or her willingness to be elected and consent to publication of the relevant information.

   Note: In order that shareholders have sufficient time to receive and consider the information of the proposed new director, the shareholder making the proposal is urged to submit and/or procure the submission of the required notices and information as early as practicable, preferably not later than fourteen (14) business days before the date of the relevant general meeting.

SHAREHOLDERS' RIGHTS *(continued)*

Shareholders may at any time send enquiries to the board via 3301-3307, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong or investors@ytrealtygroup.com.hk. Our company secretarial or investor relations personnel will, where appropriate, forward your enquiries to the board or its committee. For enquiries concerning your shareholding and related matters, please call or visit Tricor Abacus Limited via the contact details on page 1.

INVESTOR RELATIONS

No significant changes to the Company's constitutional documents were made during the year.

COMPANY SECRETARY

The company secretary, Mr. Albert T. da Rosa, Jr., is a partner of Cheung Tong & Rosa Solicitors, a legal adviser to the Company in Hong Kong. Mr. da Rosa was appointed the company secretary on 28 September 2000. Although Mr. da Rosa is not an employee of the Company, he reports to the chairman and advises the board on governance matters. The Company has assigned Mr. Vong Veng Kei, financial controller, as its primary corporate contact person whom Mr. da Rosa can contact.

CONCLUSION

In the opinion of the board, good governance was maintained throughout the accounting period covered by the annual report. The Company shall keep its governance practices under review to ensure that they are in step with the latest developments.

On behalf of the board

Cheung Chung Kiu
Chairman and Managing Director

Hong Kong, 23 March 2016

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 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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 1 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.

In the opinion of the directors, the Chairman's Statement and Management Discussion and Analysis, set out on pages 2 to 5, provide a comprehensive review of the performance of the Group for the year ended 31 December 2015 as well as its future prospects. The Chairman's Statement and Management Discussion and Analysis also includes details of the principal risks and uncertainties facing each business segment of the Group as well as key financial and non-financial performance indicators.

On the corporate level, the Group has complied with the requirements under the Bermuda Companies Act 1981, the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). The Company has also adopted a code of conduct regarding directors' securities transactions (the "Code for Securities Transactions by Directors") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers.

In relation to human resources, the Group has complied with the Employment Ordinance, the Minimum Wage Ordinance, the Mandatory Provident Fund Schemes Ordinance, as well as the requirements of the Personal Data (Privacy) Ordinance and anti-discrimination ordinances relating to disability, sex, family status and race discrimination.

RESULTS AND APPROPRIATIONS

The results of the Group for the year and the financial position of the Group at that date are set out in the consolidated statement of profit or loss and consolidated statement of financial position on page 36 and 38 respectively.

The directors do not recommend the payment of a final dividend in respect of the year (2014: HK3.5 cents per share totalling HK$28.0 million).

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

PRINCIPAL PROPERTIES

Particulars of the principal properties held by the Group are set out on page 98.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 1 to the financial statements.

ASSOCIATES

Particulars of the Group's investment in an associate are set out in note 15 to the financial statements.

JOINT VENTURE

Particulars of the Group's investment in a joint venture are set out in note 16 to the financial statements.

SHARE CAPITAL

Movements in the share capital of the Company during the year are set out in note 23 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 39 and 40 and note 35 to the financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981, amounted to HK$1,800.0 million (2014: HK$1,827.5 million), none of which has been proposed as final dividend for the year (2014: HK$28.0 million). In addition, the Company's share premium account in the amount of HK$95.7 million (2014: HK$95.7 million) may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, there was no charitable contribution made by the Group (2014: HK$2.5 million).

BANK LOANS

The Group's bank loans, which comprise term loans and revolving credit facilities, are secured by certain properties held by the Group. An analysis of these borrowings is set out in note 21 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 99. This summary does not form part of the audited financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

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

	2015	2014
	%	%
Purchases		
– the largest supplier	**24**	25
– the five largest suppliers combined	**55**	55
Revenue		
– the largest customer	**17**	17
– the five largest customers combined	**36**	36

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in those major suppliers and customers.

DIRECTORS

The directors serving for the year were:

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

The following director(s) resigned or took up an additional role and function after the end of the year:

Wong Chi Keung *(resigned as Managing Director and Executive Director on 29 February 2016)*
Cheung Chung Kiu *(appointed as Managing Director on 29 February 2016)*
Lee Ka Sze, Carmelo *(resigned as Non-executive Director on 29 February 2016)*
Wong Yat Fai *(resigned as Non-executive Director on 29 February 2016)*

Following the resignation of three directors as noted above, the number of directors is six (6) one-third of which shall retire from office by rotation in accordance with bye-law 87 of the bye-laws of the Company. The two directors who are to retire at the forthcoming annual general meeting are Mr. Cheung Chung Kiu and Mr. Yuen Wing Shing who, 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 individual independent non-executive director an annual confirmation of his independence and still considers them to be independent.

DIRECTORS' INFORMATION / SIGNIFICANT COMMITMENTS

Mr. Cheung Chung Kiu was appointed managing director of the Company to fill the vacancy arising from the resignation of Mr. Wong Chi Keung on 29 February 2016. His updated information is set out on page 6.

Apart from the foregoing, the Company has not been advised by its directors as at the date hereof of any change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since its last update to shareholders nor in any of their significant commitments for the purpose of A.6.6 of the Corporate Governance Code set out within Appendix 14 to the Listing Rules.

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.

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 notes 8 and 9 to the financial statements respectively.

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

The register kept under section 352 of the SFO shows, as at 31 December 2015, the following interests of certain directors in the shares of the Company and/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	40,000	90,000	0.01%

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

(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]	41.66%

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 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, the trustee of which was Palin Holdings Limited ("Palin Holdings") and the objects of which 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 of the interests disclosed above represent long positions.

Save as disclosed herein, as at 31 December 2015, 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

As at 1 January 2015, the Company had no share option scheme except the share option scheme adopted by the Company on 29 April 2005 (the "2005 Share Option Scheme"). The 2005 Share Option Scheme expired on 29 April 2015 and a new share option scheme (the "2015 Share Option Scheme") was adopted by the Company on 21 May 2015. The 2015 Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules and is valid for a period of 10 years commencing from its adoption date.

No option lapsed and no option was granted, exercised or cancelled under the 2005 Share Option Scheme and the 2015 Share Option Scheme during the year. Nor were there any outstanding options with regard to the 2005 Share Option Scheme and the 2015 Share Option Scheme at the beginning and/or at the end of the year.

SHARE OPTION SCHEME *(continued)*

A summary of each of the 2005 Share Option Scheme and the 2015 Share Option Scheme, as required by Chapter 17 of the Listing Rules, is given below. Other principal terms of the said schemes are given in the circular to shareholders dated 13 April 2005 (the "2005 Scheme Circular") and the circular to shareholders dated 17 April 2015 (the "2015 Scheme Circular") respectively.

The 2005 Share Option Scheme

(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 for 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 2005 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 number of shares in issue as at 23 March 2016)	:	Not applicable
(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
(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

SHARE OPTION SCHEME *(continued)*

The 2005 Share Option Scheme *(continued)*

(8)	Basis of determining the exercise price	:	The exercise price shall be a price solely determined by the board, such price being no less than the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (c) the nominal value of a share
(9)	Remaining life	:	Until 28 April 2015

The 2015 Share Option Scheme

(1)	Purpose	:	To provide the Company 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 2015 Scheme Circular); any business consultant, professional or 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 number of shares in issue as at 23 March 2016)	:	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

SHARE OPTION SCHEME *(continued)*

The 2015 Share Option Scheme *(continued)*

(5)	Period within which the shares must be taken up under an option	:	To be determined by the board at its absolute discretion as being the period during which an option may be exercised, such period to expire not later than 10 years from the date of grant of the option
(6)	Minimum period for which an option must be held before exercise	:	To be determined by the board from time to time
(7)	Amount payable on application or acceptance of the option	:	HK$1.00
(8)	Basis of determining the exercise price	:	The exercise price shall be a price solely determined by the board but shall be not less than the higher of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option; and (c) the nominal value of a share on the date of grant of the option
(9)	Remaining life	:	Until 20 May 2025

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from the 2005 Share Option Scheme and the 2015 Share Option Scheme, 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 2015, 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	34.14%
Chongqing Industrial	Interest of controlled corporation	273,000,000	34.14%
Yugang International	Interest of controlled corporation	273,000,000	34.14%
Yugang BVI	Interest of controlled corporation	273,000,000	34.14%
Funrise	Beneficial owner	273,000,000	34.14%

Note: Each parcel of 273,000,000 shares represents a long position and Funrise's 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 or indirect interest in Funrise.

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 31 December 2015, had, or was deemed to have, any interest or short position in the shares and underlying shares of the Company as recorded in the register kept under section 336 of the SFO, other than as disclosed on pages 27 and 28.

CONNECTED TRANSACTIONS

On 17 December 2015, a sale and purchase agreement (the "Disposal Agreement") was entered into amongst Y. T. Investment Holdings Limited (being a direct wholly-owned subsidiary of the Company) ("YT Investment") as vendor, Access Power Group Limited ("Access Power") as purchaser and Mr. Cheung Chung Kiu ("Mr. Cheung") as purchaser's guarantor, pursuant to which YT Investment conditionally agreed to sell the entire issued share capital of each of Y. T. Properties International Limited ("HK PropCo") and Y. T. Property Services Limited ("HK ServiceCo") (collectively the "Sale Shares") and assign the aggregate amount of the shareholders' loans owing respectively from HK PropCo and HK ServiceCo to YT Investment (including any rights and benefits of and interests therein) as at completion (collectively the "Sale Loans") to Access Power. The total consideration for the Sale Shares and the Sale Loans under the Disposal Agreement was approximately HK$4,020.9 million, subject to adjustment. The obligations of and performance of the terms of the Disposal Agreement and the transactions contemplated thereunder by Access Power were guaranteed by Mr. Cheung.

As at 17 December 2015, HK PropCo held the entire interests in the property-holding companies which owned respectively Prestige Tower and the shops and offices at Century Square in Hong Kong, while HK ServiceCo and its subsidiary were the property management services providers for the said properties. As Mr. Cheung was a connected person of the Company and as Access Power was wholly owned by Mr. Cheung, Access Power was an associate of Mr. Cheung and also a connected person of the Company. Accordingly, the conditional disposal of the Sale Shares and the assignment of the Sale Loans pursuant to the Disposal Agreement (the "Disposal") constituted a very substantial disposal and a connected transaction of the Company.

Completion of the Disposal took place on 29 February 2016. Further details of the Disposal are given in the announcement of the Company dated 17 December 2015 and the circular of the Company dated 29 January 2016.

Save as disclosed herein, there were no connected transactions conducted in the year (including continuing connected transactions under agreements signed in previous years).

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(t) 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.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in the Bermuda Companies Act 1981 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 and Managing Director

Hong Kong, 23 March 2016

INDEPENDENT AUDITORS' REPORT

EY 安永

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 set out on pages 36 to 97, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, 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.

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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

23 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 *HK$'000*	2014 *HK$'000*
REVENUE	*5*	**218,691**	211,826
Direct outgoings		**(5,302)**	(6,992)
		213,389	204,834
Other income and other net losses	*5*	**1,608**	2,827
Administrative expenses		**(49,453)**	(46,158)
Finance costs	*6*	**(2,795)**	(3,064)
Changes in fair value of investment properties		**137,135**	152,811
Share of results of an associate		**258,200**	196,715
Share of results of a joint venture		**4,238**	—
PROFIT BEFORE TAX	*7*	**562,322**	507,965
Income tax expense	*10*	**(27,970)**	(25,712)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**534,352**	482,253
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*12*	**HK66.8 cents**	HK60.3 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Note	2015 *HK$'000*	2014 *HK$'000*
PROFIT FOR THE YEAR		**534,352**	482,253
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of other investments	*17*	**150**	(70)
Share of other comprehensive income of an associate		**75,505**	9,232
Share of other comprehensive loss of a joint venture		**(4,573)**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**71,082**	9,162
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**605,434**	491,415

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015	2014
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**1,342**	691
Investment properties	*14*	**4,099,900**	3,959,200
Investment in an associate	*15*	**2,236,514**	1,954,043
Investment in a joint venture	*16*	**119,665**	—
Other investments	*17*	**1,777**	1,627
Total non-current assets		**6,459,198**	5,915,561
CURRENT ASSETS			
Trade receivables	*18*	**605**	766
Other receivables, deposits and prepayments		**6,998**	6,767
Cash and cash equivalents	*19*	**417,138**	380,717
Total current assets		**424,741**	388,250
CURRENT LIABILITIES			
Trade payables	*20*	**735**	601
Other payables and accrued expenses		**100,368**	83,241
Bank loans, secured	*21*	**81,600**	20,000
Tax payable		**827**	864
Total current liabilities		**183,530**	104,706
NET CURRENT ASSETS		**241,211**	283,544
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,700,409**	6,199,105
NON-CURRENT LIABILITIES			
Bank loans, secured	*21*	**—**	81,600
Deferred tax liabilities	*22*	**84,390**	78,935
Total non-current liabilities		**84,390**	160,535
Net assets		**6,616,019**	6,038,570
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	*23*	**79,956**	79,956
Reserves	*24*	**6,536,063**	5,958,614
Total equity		**6,616,019**	6,038,570

Cheung Chung Kiu
Director

Yuen Wing Shing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

		Attributable to equity holders of the Company									
	Note	Issued share capital *HK$'000*	Share premium account *HK$'000*	Capital redemption reserve *HK$'000*	Capital reserve *HK$'000*	Contributed surplus *HK$'000*	Investment revaluation reserve of an associate *HK$'000*	Exchange fluctuation reserve of a joint venture *HK$'000*	Other reserves *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2015		79,956	95,738	1,350	1,800	1,321,935	11,876	–	3,933	4,521,982	6,038,570
Profit for the year		–	–	–	–	–	–	–	–	534,352	534,352
Changes in fair value of other investments		–	–	–	–	–	–	–	150	–	150
Share of other comprehensive income of an associate		–	–	–	–	–	75,505	–	–	–	75,505
Share of other comprehensive loss of a joint venture		–	–	–	–	–	–	(4,573)	–	–	(4,573)
Other comprehensive income/(loss) for the year		–	–	–	–	–	75,505	(4,573)	150	–	71,082
Total comprehensive income/(loss) for the year		–	–	–	–	–	75,505	(4,573)	150	534,352	605,434
2014 final dividend declared and paid	*11*	–	–	–	–	–	–	–	–	(27,985)	(27,985)
At 31 December 2015		79,956	95,738*	1,350*	1,800*	1,321,935*	87,381*	(4,573)*	4,083*	5,028,349*	6,616,019

* These reserve accounts comprise the consolidated reserves of HK$6,536,063,000 (2014: HK$5,958,614,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

		Attributable to equity holders of the Company								
	Note	Issued share capital *HK$'000*	Share premium account *HK$'000*	Capital redemption reserve *HK$'000*	Capital reserve *HK$'000*	Contributed surplus *HK$'000*	Investment revaluation reserve of an associate *HK$'000*	Other reserves *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2014		79,956	95,738	1,350	1,800	1,321,935	2,644	4,003	4,067,714	5,575,140
Profit for the year		–	–	–	–	–	–	–	482,253	482,253
Changes in fair value of other investments		–	–	–	–	–	–	(70)	–	(70)
Share of other comprehensive income of an associate		–	–	–	–	–	9,232	–	–	9,232
Other comprehensive income/(loss) for the year		–	–	–	–	–	9,232	(70)	–	9,162
Total comprehensive income/(loss) for the year		–	–	–	–	–	9,232	(70)	482,253	491,415
2013 final dividend declared and paid	*11*	–	–	–	–	–	–	–	(27,985)	(27,985)
At 31 December 2014		79,956	95,738	1,350	1,800	1,321,935	11,876	3,933	4,521,982#	6,038,570

Retained profits have been adjusted for the proposed final dividend in accordance with the current year's presentation, which is described in note 2.4 (u) to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operations	25	179,134	163,986
Interest paid		(1,262)	(1,534)
Hong Kong profits tax paid		(22,576)	(23,815)
Hong Kong profits tax refunded		24	25
Net cash flows from operating activities		155,320	138,662
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,549	3,241
Dividends received from an associate		51,234	46,576
Renovation of investment properties		(3,565)	(2,489)
Purchases of items of property, plant and equipment		(1,307)	(31)
Loan to a joint venture		(120,000)	—
Proceeds from disposal of an item of property, plant and equipment		175	15
Proceeds from disposal of an investment property		—	3,994
Net cash flows (used in)/from investing activities		(70,914)	51,306
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		(20,000)	(31,500)
Dividends paid		(27,985)	(27,985)
Net cash flows used in financing activities		(47,985)	(59,485)
Net increase in cash and cash equivalents		36,421	130,483
Cash and cash equivalents at 1 January		380,717	250,234
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		417,138	380,717
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	107,695	10,787
Non-pledged time deposits with original maturity of less than three months when acquired	19	309,443	369,930
		417,138	380,717

1 CORPORATE AND GROUP 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.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name of company	Place of incorporation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Company		Principal activities and place of operations
			Direct	Indirect	
Best View Investments Hong Kong Company Limited	British Virgin Islands	US$1	—	100%	Property holding in Hong Kong
Benefit Plus Company Limited	Hong Kong	HK$2	—	100%	Property investment in Hong Kong
E-Tech Services Limited	Hong Kong	HK$2	—	100%	Provision of property technical consultant services in Hong Kong
Harson Investment Limited	Hong Kong	HK$2	—	100%	Property investment in Hong Kong
Honway Holdings Limited	British Virgin Islands	US$1	—	100%	Investment holding in Hong Kong
Mainland Sun Ltd.	British Virgin Islands	US$1	—	100%	Property investment in Mainland China

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name of company	Place of incorporation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities and place of operations
Score Goal Investment Limited	Hong Kong	HK$2	—	100%	Property investment in Hong Kong
Sunrise Metro Limited	British Virgin Islands	US$1	—	100%	Investment holding in the United Kingdom
Y. T. (China) Limited	Hong Kong	HK$2	—	100%	Investment holding in the Mainland China
Y. T. Finance Limited	Hong Kong	HK$3,000,000	—	100%	Finance vehicle in Hong Kong
Y. T. Group Management Limited	Hong Kong	HK$2	—	100%	Provision of business management services in Hong Kong
Y. T. Investment Holdings Limited ("Y. T. Investment")	British Virgin Islands	US$50,100	100%	—	Investment holding in Asia
Y. T. Properties International Limited ("Y. T. Properties")	British Virgin Islands	US$201	—	100%	Investment holding in Hong Kong
Y. T. Property Services Limited ("Y. T. Property Services")	Hong Kong	HK$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.

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 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010-2012 Cycle	
Annual Improvements to HKFRSs 2011-2013 Cycle	

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The Annual Improvements to HKFRSs 2010-2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets.

  The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 Related Party Disclosures: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

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

(c) The Annual Improvements to HKFRSs 2011-2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 Business Combinations: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 Fair Value Measurement: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 Investment Property: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as there was no acquisition of investment properties during the year so this amendment is not applicable.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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 9	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date yet determined but available for adoption.

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

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

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Investments in associates and joint ventures

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those polices.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures 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.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) 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 joint ventures, goodwill is included in the carrying amount thereof, rather than as a separately identified asset in the consolidated statement of financial position.

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.

(c) Fair value measurement

The Group measures its investment properties and other investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Fair value measurement *(continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(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 and investment properties), 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 of disposal, 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 statement of profit or loss in the period in which it arises.

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 an 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 statement of profit or loss in the period in which it arises.

(e) Related parties

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

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent 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 statement of profit or loss 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 depreciates them accordingly.

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 including 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 statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, 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 statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss 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 statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss 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 are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction cost that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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 are recognised in the statement of profit or loss.

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 investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as 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 statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from other reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively, and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments 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 investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and 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 maturity amount 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 statement of profit or loss.

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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. An impairment exists if one or more events that has occurred after the initial recognition of the asset have 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually 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.

The amount of any impairment loss identified 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 effect interest rate computed at initial recognition).

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 statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 statement of profit or loss.

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 statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

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. "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 statement of profit or loss - is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

(m) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Financial liabilities *(continued)*

Subsequent measurement

The subsequent 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 statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate 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 statement of profit or loss.

(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 statement of profit or loss.

(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) 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 consolidated 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the 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 statement of profit or loss.

(r) 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 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.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised except when 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Income tax *(continued)*

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.

(s) Revenue recognition

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

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

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

(iii) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over 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.

(t) Employee benefits

Share-based payments

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 payments, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Employee benefits *(continued)*

Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, 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 statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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 payments, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) 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 statement of profit or loss 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.

(u) Dividends

Final dividend is recognised as a liability when it is approved by the shareholders in a general meeting. In prior years, final dividend proposed by the directors was 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. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividend is disclosed in the notes to the financial statements.

(v) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. 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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was HK$235,249,000 (2014: HK$235,249,000). More details are given in note 15.

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 income tax expense/credit are excluded from this measurement.

4 OPERATING SEGMENT INFORMATION *(continued)*

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

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

2015

	Property investment HK$'000	Property trading HK$'000	Property management and related services HK$'000	Operation of driver training centres and tunnel operation and management HK$'000	Consolidated HK$'000
Segment revenue	209,999	—	8,692	—	218,691
Segment results	295,069	—	7,610	—	302,679
Finance costs					(2,795)
Share of results of an associate	—	—	—	258,200	258,200
Share of results of a joint venture	—	4,238	—	—	4,238
Profit before tax					562,322
Income tax expense	(27,212)	—	(783)	—	(27,995)
Unallocated income tax credit					25
Profit for the year					534,352
Assets and liabilities					
Segment assets	4,108,469	—	376	—	4,108,845
Investment in an associate	—	—	—	2,236,514	2,236,514
Investment in a joint venture	—	119,665	—	—	119,665
Unallocated assets					418,915
Total assets					6,883,939
Segment liabilities	177,836	—	9,186	33	187,055
Unallocated liabilities					80,865
Total liabilities					267,920
Other segment information:					
Capital expenditure	4,858	—	14	—	4,872
Depreciation	366	—	10	—	376
Changes in fair value of investment properties	137,135	—	—	—	137,135

4 OPERATING SEGMENT INFORMATION *(continued)*

2014

	Property investment *HK$'000*	Property trading *HK$'000*	Property management and related services *HK$'000*	Operation of driver training centres and tunnel operation and management *HK$'000*	Consolidated *HK$'000*
Segment revenue	202,642	—	9,184	—	211,826
Segment results	306,458	—	7,856	—	314,314
Finance costs					(3,064)
Share of results of an associate	—	—	—	196,715	196,715
Profit before tax					507,965
Income tax expense	(24,203)	—	(801)	—	(25,004)
Unallocated income tax expense					(708)
Profit for the year					482,253
Assets and liabilities					
Segment assets	3,967,123	—	301	—	3,967,424
Investment in an associate	—	—	—	1,954,043	1,954,043
Unallocated assets					382,344
Total assets					6,303,811
Segment liabilities	156,184	—	7,638	17	163,839
Unallocated liabilities					101,402
Total liabilities					265,241
Other segment information:					
Capital expenditure	2,498	—	22	—	2,520
Depreciation	375	—	10	—	385
Changes in fair value of investment properties	152,811	—	—	—	152,811

4 OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2015 *HK$'000*	2014 *HK$'000*
Hong Kong	**218,691**	211,826

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

(b) Non-current assets

	2015 *HK$'000*	2014 *HK$'000*
Hong Kong	**6,320,856**	5,902,534
Mainland China	**16,900**	11,400
United Kingdom	**119,665**	—
	6,457,421	5,913,934

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

Information about a major customer

Revenue of approximately HK$34,994,000 (2014: HK$35,132,000) was derived from a single customer under the property investment segment.

5 REVENUE, OTHER INCOME AND OTHER NET LOSSES

Revenue represents the aggregate of gross rental income received and receivable from investment properties and the income from property management and related services.

An analysis of revenue, other income and other net losses is as follows:

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Rental income from investment properties	**209,999**	202,642
Income from property management and related services	**8,692**	9,184
	218,691	211,826
Other income and other net losses		
Bank interest income	**2,468**	3,352
Reinstatement compensation	**380**	216
Gain on disposal of an investment property	**—**	94
Others	**82**	220
Foreign exchange differences, net	**(1,217)**	(960)
Loss on disposal of an item of property, plant and equipment	**(105)**	(95)
	1,608	2,827

6 FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on bank loans	**1,246**	1,513
Loan arrangement fees	**1,549**	1,551
	2,795	3,064

7 PROFIT BEFORE TAX

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

	2015	2014
	HK$'000	*HK$'000*
Depreciation *(note 13)*	**376**	385
Minimum lease payments under operating leases:		
Land and buildings	**1,252**	2,454
Auditors' remuneration	**1,200**	1,169
Staff costs (including executive directors' remuneration *(note 8)*):		
Wages and salaries	**15,422**	14,274
Discretionary bonuses	**21,885**	17,782
Pension scheme contributions*	**579**	657
	37,886	32,713
Gross rental income	**(209,999)**	(202,642)
Less: Outgoings	**4,395**	5,752
Net rental income	**(205,604)**	(196,890)
Foreign exchange differences, net	**1,217**	960

* At 31 December 2015, there were no forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years (2014: 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, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 *HK$'000*	2014 *HK$'000*
Fees	**1,850**	1,700
Other emoluments:		
Salaries, allowances and benefits in kind	**4,645**	4,210
Discretionary bonuses	**18,600**	14,800
Pension scheme contributions	**220**	200
	25,315	20,910

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:

	2015 *HK$'000*	2014 *HK$'000*
Mr. Luk Yu King, James	**380**	350
Mr. Ng Kwok Fu	**270**	250
Mr. Leung Yu Ming, Steven	**270**	250
	920	850

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

8 DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and non-executive directors

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2015					
Executive directors:					
Mr. Cheung Chung Kiu	—	—	10,000	2	10,002
Mr. Wong Chi Keung	—	4,645	4,000	214	8,859
Mr. Yuen Wing Shing	—	—	2,600	2	2,602
Ms. Tung Wai Lan, Iris	—	—	2,000	2	2,002
	—	4,645	18,600	220	23,465
Non-executive directors:					
Mr. Lee Ka Sze, Carmelo	600	—	—	—	600
Mr. Wong Yat Fai	330	—	—	—	330
	930	4,645	18,600	220	24,395
2014					
Executive directors:					
Mr. Cheung Chung Kiu	—	—	8,000	2	8,002
Mr. Wong Chi Keung	—	4,210	3,500	194	7,904
Mr. Yuen Wing Shing	—	—	2,300	2	2,302
Ms. Tung Wai Lan, Iris	—	—	1,000	2	1,002
	—	4,210	14,800	200	19,210
Non-executive directors:					
Mr. Lee Ka Sze, Carmelo	550	—	—	—	550
Mr. Wong Yat Fai	300	—	—	—	300
	850	4,210	14,800	200	20,060

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2014: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2014: two) non-director, highest paid employees are as follows:

	2015 *HK$'000*	2014 *HK$'000*
Salaries, allowances and benefits in kind	**1,561**	2,465
Discretionary bonuses	**480**	760
Pension scheme contributions	**72**	114
	2,113	3,339

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

	Number of employees 2015	 2014
HK$1,000,001 to HK$1,500,000	—	1
HK$1,500,001 to HK$2,000,000	—	1
HK$2,000,001 to HK$2,500,000	**1**	—
	1	2

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates.

	2015	2014
	HK$'000	*HK$'000*
Current - Hong Kong	22,647	21,821
Over provision in prior years	(132)	(70)
	22,515	21,751
Deferred *(note 22)*	5,455	3,961
Total tax charge for the year	27,970	25,712

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:

	2015	2014
	HK$'000	*HK$'000*
Profit before tax	562,322	507,965
Tax at the statutory tax rate of 16.5% (2014: 16.5%)	92,783	83,814
Over provision of tax in prior years	(132)	(70)
Profits attributable to an associate	(42,603)	(32,458)
Profits attributable to a joint venture	(699)	—
Income not subject to tax	(22,127)	(25,767)
Expenses not deductible for tax	253	205
Tax losses utilised from previous periods	—	(13)
Tax losses not recognised	21	10
Effect of differences on tax rates of subsidiaries operating outside Hong Kong	468	—
Others	6	(9)
Tax charge at the Group's effective rate	27,970	25,712

11 DIVIDEND

	2015	2014
	HK$'000	*HK$'000*
Proposed final dividend – Nil (2014: HK3.5 cents) per ordinary share	—	27,985

The directors do not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: HK3.5 cents per share). No interim dividend was declared in respect of the current year (2014: Nil).

Subsequent to the end of the reporting period, a special cash dividend of HK$3,038.3 million has been paid to the shareholders on 4 March 2016. Further details are set out in note 33(c) to the financial statements.

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

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

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these years.

The calculation of basic and diluted earnings per share is based on:

	2015	2014
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to ordinary equity holders of the Company	**534,352**	482,253

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year	**799,557,415**	799,557,415

13 PROPERTY, PLANT AND EQUIPMENT

	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 2015						
At 31 December 2014 and at 1 January 2015:						
Cost	772	460	495	1,420	262	3,409
Accumulated depreciation	(772)	(397)	(448)	(891)	(210)	(2,718)
Net carrying amount	—	63	47	529	52	691
At 1 January 2015, net of accumulated depreciation	—	63	47	529	52	691
Additions	—	14	—	1,276	17	1,307
Disposal/write-off	—	—	—	(1,400)	(5)	(1,405)
Depreciation provided during the year	—	(14)	(19)	(301)	(42)	(376)
Write-back of depreciation	—	—	—	1,120	5	1,125
At 31 December 2015, net of accumulated depreciation	—	63	28	1,224	27	1,342
At 31 December 2015:						
Cost	772	474	495	1,296	274	3,311
Accumulated depreciation	(772)	(411)	(467)	(72)	(247)	(1,969)
Net carrying amount	—	63	28	1,224	27	1,342

NOTES TO FINANCIAL STATEMENTS

31 December 2015

13 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	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 2014						
At 1 January 2014:						
Cost	772	451	495	1,540	240	3,498
Accumulated depreciation	(769)	(381)	(428)	(609)	(156)	(2,343)
Net carrying amount	3	70	67	931	84	1,155
At 1 January 2014, net of accumulated depreciation	3	70	67	931	84	1,155
Additions	—	9	—	—	22	31
Disposal	—	—	—	(120)	—	(120)
Depreciation provided during the year	(3)	(16)	(20)	(292)	(54)	(385)
Write-back of depreciation	—	—	—	10	—	10
At 31 December 2014, net of accumulated depreciation	—	63	47	529	52	691
At 31 December 2014:						
Cost	772	460	495	1,420	262	3,409
Accumulated depreciation	(772)	(397)	(448)	(891)	(210)	(2,718)
Net carrying amount	—	63	47	529	52	691

14 INVESTMENT PROPERTIES

	2015	2014
	HK$'000	*HK$'000*
Carrying amount at 1 January	**3,959,200**	3,807,800
Additions	**3,565**	2,489
Disposal	**—**	(3,900)
Fair value adjustment	**137,135**	152,811
Carrying amount at 31 December	**4,099,900**	3,959,200

The Group's investment properties were revalued on 31 December 2015 and 2014 based on valuation performed by Savills Valuation and Professional Services Limited, an independent firm of professionally qualified valuers.

Certain of the Group's investment properties were pledged to banks to secure banking facilities granted to the Group (note 21).

Further particulars of the Group's investment properties are included on page 98.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2015				
Recurring fair value measurement for:				
Investment properties	**—**	**29,900**	**4,070,000**	**4,099,900**
At 31 December 2014				
Recurring fair value measurement for:				
Investment properties	—	24,200	3,935,000	3,959,200

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

14 INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Based on the valuation report, the fair value of investment properties was measured using the sales comparison approach and income capitalisation approach for different properties. Investment properties which fair value was determined by the sales comparison approach were classified as Level 2 of the fair value hierarchy while investment properties which fair value was determined by the income capitalisation approach were classified as Level 3 of the fair value hierarchy.

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties classified as Level 3 of the fair value hierarchy:

	Valuation technique	Significant unobservable inputs	Range 2015	Range 2014
Investment properties (classified as Level 3)	Income capitalisation approach	Market yields (reversionary yield)	**4.7% to 4.9%**	4.7% to 4.9%
		Market rental (per square foot)	**HK$42 to HK$700**	HK$40 to HK$700

The fair value of the investment properties which are classified as Level 3 of the fair value hierarchy is determined by using the income capitalisation approach based on capitalisation of net income with due allowance of outgoings and reversionary income potential. Measurement of the fair value is positively correlated to the market rental and inversely correlated to market yields.

15 INVESTMENT IN AN ASSOCIATE

	2015	2014
	HK$'000	*HK$'000*
Share of net assets	**2,001,265**	1,718,794
Goodwill on acquisition	**235,249**	235,249
	2,236,514	1,954,043

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 2015	2014
The Cross-Harbour (Holdings) Limited	Ordinary shares	Hong Kong	**41.66%**	41.66%

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

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

Impairment testing of goodwill

During the year, there was no impairment of goodwill (2014: 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 this cash-generating unit. The discount rate before tax applied to the cash flow projection is approximately 6% (2014: 6%), which is consistent with the cost of funding of the Group or is a reasonable investment return rate for investments with stable returns.

15 INVESTMENT IN AN ASSOCIATE *(continued)*

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

	2015 *HK$'000*	2014 *HK$'000*
Operating results for the year:		
Turnover	**397,402**	337,456
Other revenue and other net losses	**50,680**	(29,413)
Total expenses	**(290,909)**	(247,376)
Share of profits less losses of associates	**508,401**	457,408
Share of profits of a joint venture	**16,335**	14,703
Income tax	**(18,471)**	(22,078)
Profit for the year	**663,438**	510,700
Profit attributable to shareholders of Cross-Harbour	**619,808**	472,214
Financial position at 31 December:		
Non-current assets		
Interest in associates	**1,785,632**	1,985,945
Other non-current assets	**1,173,231**	752,681
	2,958,863	2,738,626
Current assets		
Bank deposits and cash	**2,086,593**	1,794,322
Other current assets	**427,054**	185,913
	2,513,647	1,980,235
Current liabilities	**(290,613)**	(254,605)
Non-current liabilities	**(257,046)**	(230,583)
Non-controlling interests	**(120,995)**	(107,889)
Net assets	**4,803,856**	4,125,784
Fair value of the Group's investment	**1,608,436**	1,150,435

16 INVESTMENT IN A JOINT VENTURE

	2015	2014
	HK$'000	*HK$'000*
Share of net liabilities	(335)	—
Loan to the joint venture	120,000	—
	119,665	—

The loan to the joint venture is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, this loan is considered as part of the Group's net investment in the joint venture.

Particulars of the joint venture are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group 2015	2014
Solent Ventures Limited	Ordinary shares	British Virgin Islands	50%	—

The above investment is indirectly held by the Company.

Additional 50% of the equity investment was acquired after the end of the reporting period. Please refer to note 33(b) for details.

Solent Ventures Limited is an investment holding company incorporated in the British Virgin Islands, with its subsidiaries engaged in investments in the properties in the United Kingdom. This joint venture has been accounted for using the equity method in these financial statements.

The following table illustrates the aggregate financial information of the Group's joint venture that is not individually material:

	2015	2014
	HK$'000	*HK$'000*
Share of results of the joint venture for the year	4,238	—
Share of other comprehensive income of the joint venture	(4,573)	—
Share of total comprehensive loss of the joint venture	(335)	—
Aggregate carrying amount of the Group's investment in the joint venture	119,665	—

17 OTHER INVESTMENTS

	2015	2014
	HK$'000	*HK$'000*
Unlisted investments, at fair value at 1 January	**1,627**	1,697
Fair value adjustment	**150**	(70)
Unlisted investments, at fair value at 31 December	**1,777**	1,627

18 TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**605**	766
Impairment	**—**	—
	605	766

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 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:

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	**605**	699
31 to 60 days	**—**	61
Over 60 days	**—**	6
	605	766

18 TRADE RECEIVABLES *(continued)*

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

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	213	232
Less than 1 month past due	392	468
1 to 2 months past due	—	60
Over 2 months past due	—	6
	605	766

Receivables that were neither past due nor impaired relate to a 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.

19 CASH AND CASH EQUIVALENTS

	2015	2014
	HK$'000	*HK$'000*
Cash and bank balances	107,695	10,787
Time deposits	309,443	369,930
	417,138	380,717

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.

20 TRADE PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
0 to 30 days	**735**	601

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

21 BANK LOANS, SECURED

	2015	2014
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**81,600**	20,000
In the second year	—	20,000
In the third to fifth years, inclusive	—	60,000
Beyond five years	—	1,600
	81,600	101,600
Amounts classified under current liabilities	**(81,600)**	(20,000)
Amounts classified under non-current liabilities	—	81,600

The bank loans are variable interest rate loans with interest rates based on the HIBOR plus a predetermined spread percentage. The effective interest rates for the years ended 31 December 2015 and 2014 were 1.33% per annum and 1.31% per annum, 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$4,070,000,000 (2014: HK$3,935,000,000) 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.

22 DEFERRED TAX

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

		Deferred tax liabilities		Deferred tax assets	
	Note	Depreciation allowance in excess of related depreciation *HK$'000*	Revaluation of investment properties *HK$'000*	Losses available for offsetting against future taxable profits *HK$'000*	Net *HK$'000*
At 1 January 2014		(73,823)	(1,268)	117	(74,974)
Deferred tax charged to the statement of profit or loss during the year	*10*	(3,953)	—	(8)	(3,961)
At 31 December 2014 and at 1 January 2015		**(77,776)**	**(1,268)**	**109**	**(78,935)**
Deferred tax (charged)/credit to the statement of profit or loss during the year	*10*	**(4,168)**	**(1,375)**	**88**	**(5,455)**
At 31 December 2015		**(81,944)**	**(2,643)***	**197**	**(84,390)**

* The underlying investment properties are situated in Mainland China which are subject to corporate income tax of 25% upon disposal.

The Group has tax losses arising in Hong Kong of HK$20,701,000 (2014: HK$20,569,000) 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.

23 SHARE CAPITAL

Shares

	2015	2014
	HK$'000	*HK$'000*
Issued and fully paid:		
799,557,415 (2014: 799,557,415) ordinary shares	**79,956**	79,956

Share options

On 29 April 2005, the Company adopted a share option scheme which then expired on 28 April 2015 (the "Old Scheme"). No share options have been granted under the Old Scheme during the current and prior years. Accordingly, no options under the Old Scheme remained outstanding at 31 December 2015 and 2014.

At a special general meeting held on 21 May 2015, the Company adopted a new share option scheme (the "New Scheme") to replace the Old Scheme. Employees (including directors) of the Group are included in the eligible participants. A total of 79,955,741 shares will be available for issue under the New 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 New 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 New Scheme will remain effective until 20 May 2025. No share options have been granted under the New Scheme during the current year and no options were outstanding at 31 December 2015.

24 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 39 and 40 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.

25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Profit before tax		**562,322**	507,965
Adjustments for:			
Share of results of an associate		**(258,200)**	(196,715)
Share of results of a joint venture		**(4,238)**	—
Interest income	*5*	**(2,468)**	(3,352)
Changes in fair value of investment properties		**(137,135)**	(152,811)
Gain on disposal of an investment property	*5*	**—**	(94)
Depreciation	*7*	**376**	385
Interest on bank loans	*6*	**1,246**	1,513
Loss on disposal of an item of property, plant and equipment	*5*	**105**	95
		162,008	156,986
(Increase)/decrease in trade receivables, other receivables, deposits and prepayments		**(151)**	1,577
Increase in trade payables, other payables and accrued expenses		**17,277**	5,423
Net cash generated from operations		**179,134**	163,986

26 OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms of generally two to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the 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:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**178,973**	190,891
In the second to fifth years, inclusive	**226,699**	148,271
	405,672	339,162

(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 payables under non-cancellable operating leases falling due as follows:

	2015	2014
	HK$'000	*HK$'000*
Within one year	**1,457**	2,479
In the second to fifth years, inclusive	**—**	1,431
	1,457	3,910

27 COMMITMENTS

In addition to the operating lease commitments detailed in note 26(b) above, the Group had the following capital commitments in respect of investment properties at the end of the reporting period:

	2015 HK$'000	2014 HK$'000
Contracted, but not provided for	**215**	—

28 CONTINGENT LIABILITIES

The Group had contingent liabilities in respect of a guarantee provided by the Company for an amount not exceeding HK$235,750,000 (2014: Nil) in respect of the banking facilities made available to its joint venture, out of which HK$232,041,000 was utilised as at 31 December 2015 (2014: Nil).

29 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:

	2015 HK$'000	2014 HK$'000
Administrative staff costs paid to a shareholder *(Note)*	**2,286**	2,175

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:

	2015 HK$'000	2014 HK$'000
Short term employee benefits	**25,286**	20,923
Post-employment benefits	**291**	267
Total compensation paid to key management personnel	**25,577**	21,190

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

30 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

	2015 *HK$'000*	2014 *HK$'000*
Loans and receivables:		
Trade receivables	**605**	766
Other receivables and deposits	**903**	1,006
Cash and cash equivalents	**417,138**	380,717
	418,646	382,489
Available-for-sale financial assets:		
Other investments	**1,777**	1,627
	420,423	384,116

Financial liabilities

	2015 *HK$'000*	2014 *HK$'000*
Financial liabilities at amortised cost:		
Trade payables	**735**	601
Other payables	**64,734**	58,633
Bank loans, secured	**81,600**	101,600
	147,069	160,834

31 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in other receivables and deposits, financial liabilities included in other payables and current portion of bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the non-current portion of bank loans has been estimated by discounting the expected future cash flows using rates currently available with similar terms, credit risk and remaining maturities and the fair value of the non-current portion of bank loans approximates to its carrying amount.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *HK$'000*	Significant observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*	Total *HK$'000*
At 31 December 2015				
Available-for-sale investments:				
Other investments	**1,777**	**—**	**—**	**1,777**
At 31 December 2014				
Available-for-sale investments:				
Other investments	1,627	—	—	1,627

During the year, there were no transfers into or out of Level 1 fair value measurements (2014: Nil).

32 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.

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).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *HK$'000*
2015		
Hong Kong dollar	**25**	**(204)**
Hong Kong dollar	**(25)**	**204**
2014		
Hong Kong dollar	25	(254)
Hong Kong dollar	(25)	254

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

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 28, the Group does not provide any guarantees which would expose the Group to credit risk.

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:

	On demand	Within 12 months	Over 1 year to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2015					
Bank loans, secured	**81,760**	**—**	**—**	**—**	**81,760**
Trade payables	**—**	**735**	**—**	**—**	**735**
Other payables	**1,118**	**63,616**	**—**	**—**	**64,734**
Guarantee given to bank in connection with facilities granted to a joint venture	**232,041**	**—**	**—**	**—**	**232,041**
	314,919	**64,351**	**—**	**—**	**379,270**
2014					
Bank loans, secured	—	21,187	82,403	1,609	105,199
Trade payables	—	601	—	—	601
Other payables	1,038	57,595	—	—	58,633
	1,038	79,383	82,403	1,609	164,433

32 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 2015 and 2014.

The Group monitors capital using a gearing ratio, which is net bank borrowings (bank borrowings less cash and cash equivalents) 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 2015, the Group's gearing ratio was zero (2014: zero).

33 EVENTS AFTER THE REPORTING PERIOD

(a) As disclosed in the announcement and the circular of the Company dated 17 December 2015 and 29 January 2016, respectively, Y. T. Investment entered into a sale and purchase agreement with Access Power Group Limited ("Access Power"), a company wholly-owned by Mr. Cheung Chung Kiu, the Chairman and an executive director of the Company, on 17 December 2015 to dispose of its entire interest in Y. T. Properties and Y. T. Property Services, from the property investment and property management and related services segments, respectively (collectively, the "Disposal Group") and the shareholders' loan owing from the Disposal Group to Y. T. Investment to Access Power (the "Disposal"). This transaction was approved at the special general meeting held on 18 February 2016 and was completed on 29 February 2016 for a cash consideration of HK$4,022.7 million. As the Disposal was completed shortly before the date of approval of these financial statements, it is not practicable to disclose further details of the Disposal.

(b) As disclosed in the announcement and the circular of the Company dated 17 December 2015 and 29 January 2016, respectively, Sunrise Metro Limited ("Sunrise"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Castro Global Limited ("Castro Global") on 17 December 2015 to acquire 50% equity interest in Solent Ventures Limited, a joint venture owned as to 50% by Sunrise Metro and Castro Global, from Castro Global (the "Acquisition"). This transaction was completed on 29 February 2016. The purchase consideration of HK$9.9 million for the acquisition was in the form of cash. As the acquisition of additional interest in Solent Ventures Limited was completed shortly before the date of approval of these financial statements, it is not practicable to disclose further details about the acquisition.

33 EVENTS AFTER THE REPORTING PERIOD *(continued)*

(c) As disclosed in the announcement of the Company dated 28 January 2016, a special cash dividend in the amount of HK$3.8 per share was declared on 28 January 2016 and the payment which is conditional on the completion of the Disposal and the Acquisition and all conditions have been fulfilled as disclosed in the announcement of the Company dated 29 February 2016, has been made to all shareholders on 4 March 2016.

34 COMPARATIVE AMOUNTS

As further explained in note 2.4 (u) to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures.

35 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 *HK$'000*	2014 *HK$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,974,740**	2,002,965
CURRENT ASSETS		
Other receivables	**2,135**	234
Cash and bank balances	**1,994**	1,821
Total current assets	**4,129**	2,055
CURRENT LIABILITIES		
Other payables	**3,538**	1,869
Tax payable	**2**	2
Total current liabilities	**3,540**	1,871
NET CURRENT ASSETS	**589**	184
Net assets	**1,975,329**	2,003,149
EQUITY		
Issued share capital	**79,956**	79,956
Reserves *(Note)*	**1,895,373**	1,923,193
Total equity	**1,975,329**	2,003,149

35 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Attributable to equity holders of the Company				
	Share premium account *HK$'000*	Capital redemption reserve *HK$'000*	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2014	95,738	1,350	1,317,168	536,776	1,951,032
2013 final dividend declared and paid	—	—	—	(27,985)	(27,985)
Profit for the year	—	—	—	146	146
Total comprehensive income for the year	—	—	—	146	146
At 31 December 2014 and 1 January 2015	**95,738**	**1,350**	**1,317,168**	**508,937**	**1,923,193**
2014 final dividend declared and paid	—	—	—	**(27,985)**	**(27,985)**
Profit for the year	—	—	—	**165**	**165**
Total comprehensive income for the year	—	—	—	**165**	**165**
At 31 December 2015	**95,738**	**1,350**	**1,317,168**	**481,117**	**1,895,373**

36 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2016.

INVESTMENT PROPERTIES IN HONG KONG

Location	Use	Lease expiry	Approximate site area	Approximate gross floor area	Group's interest
			Sq. ft.	*Sq. ft.*	*%*
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	Group's interest
			Sq. ft.	*%*
Certain units of Di Wang Apartment Shun Hing Square 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 reclassified as appropriate, is set out below.

	Year ended 31 December				
	2011	2012	2013	2014	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Property, plant and equipment	1,438	1,311	1,155	691	**1,342**
Investment properties	3,334,800	3,532,800	3,807,800	3,959,200	**4,099,900**
Investment in an associate	1,489,922	1,660,643	1,794,672	1,954,043	**2,236,514**
Investment in a joint venture	—	—	—	—	**119,665**
Other investments	1,900	1,790	1,697	1,627	**1,777**
Current assets	86,987	151,602	259,233	388,250	**424,741**
Current liabilities	(152,212)	(123,029)	(112,843)	(104,706)	**(183,530)**
Net current assets/(liabilities)	(65,225)	28,573	146,390	283,544	**241,211**
Non-current liabilities	(241,747)	(203,865)	(176,574)	(160,535)	**(84,390)**
Net assets	4,521,088	5,021,252	5,575,140	6,038,570	**6,616,019**
EQUITY					
Equity attributable to equity holders of the Company					
Issued share capital	79,956	79,956	79,956	79,956	**79,956**
Reserves	4,441,132	4,941,296	5,495,184	5,958,614	**6,536,063**
Total equity	4,521,088	5,021,252	5,575,140	6,038,570	**6,616,019**
RESULTS					
Revenue	160,472	183,272	200,766	211,826	**218,691**
Profit before tax	448,829	498,276	609,828	507,965	**562,322**
Income tax expense	(18,005)	(23,087)	(25,097)	(25,712)	**(27,970)**
Profit for the year	430,824	475,189	584,731	482,253	**534,352**
Attributable to:					
Equity holders of the Company	430,824	475,189	584,731	482,253	**534,352**