渝太地產集團有限公司

Y. T. REALTY GROUP LIMITED

Stock Code : 75

2013 ANNUAL REPORT

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CORPORATE INFORMATION

EXECUTIVE DIRECTOR

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

NON-EXECUTIVE DIRECTOR

Lee Ka Sze, Carmelo
Wong Yat Fai

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ng Kwok Fu
Luk Yu King, James
Leung Yu Ming, Steven

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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.

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The Bank of East Asia, Limited

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

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SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 75

On behalf of the board of directors, I am pleased to report the following results and operations of the Group for the year ended 31 December 2013.

RESULTS

The audited consolidated net profit attributable to shareholders after tax for the year was HK$584.7 million and the earnings per share amounted to HK73.1 cents, as compared to net profit of HK$475.2 million and the earnings per share of HK59.4 cents for the year ended 31 December 2012. The net profit attributable to shareholders after tax for 2013 represents a 23.1% increase from 2012.

DIVIDENDS

The directors recommend the payment of a final dividend of HK3.5 cents per share for the year ended 31 December 2013, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. No interim dividend was paid during the year. In respect of the preceding year, a final dividend of HK3.5 cents per share was paid and no interim dividend was declared.

NET ASSET VALUE

The consolidated net asset value per share of the Group as at 31 December 2013 was HK$6.97 based on 799,557,415 shares in issue, an increase of approximately 11.0%, as compared to HK$6.28 per share based on 799,557,415 shares in issue as at 31 December 2012.

BUSINESS REVIEW

The Group's net profit attributable to shareholders for the year was HK$584.7 million as compared to the net profit of HK$475.2 million in 2012, representing a 23.1% increase from 2012. Revenue for the year increased by 9.5% to HK$200.8 million as compared to HK$183.3 million reported in 2012. 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$273.3 million (2012: HK$196.1 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$183.4 million (2012: HK$168.2 million), an increase of 9.0% 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

The Group's major investment properties include:

Century Square
Prestige Tower

Gross rental income for the year amounted to HK$192.2 million which represents an increase of about 10.8% when compared with last year's rental income of HK$173.4 million. The increase in rental income in 2013 was due to the increase in rental rates of the Group's investment properties.

During the financial year under review, the global economy had made steady strides along its recovery path, albeit on a somewhat bumpy surface. United States and Euro zone markets were stabilised and investment sentiment continued to improve though financial sector was somehow clouded by United States Federal Reserve's gradual winding down of Quantitative Easing Programmes resulting in relatively tighter liquidity in certain developing economies. On the Mainland which Hong Kong depends heavily upon in many social and economic aspects continued to decelerate modestly in economic expansion last year after several years of rapid growth previously. Coupled with the austerity measures imposed by the Central Government, there was mounting pressure on market adjustment, particularly luxury housing and high end lifestyle consumer items. Locally in Hong Kong, punitive tax measures on property investment began to filter through the economic cycle and created a knock-on effect on other property related industries such as real estate brokerage, legal and accountancy services, etc. Fortunately, this negative factor was largely cushioned off by the continual influx of tourists, mainly from the Mainland as well as massive infrastructure and housing project investments both public and private, thereby ensuring the economic engine to revive stably.

Against this backdrop, the Group is pleased to report another year of satisfactory result in its core property investment business for 2013. The Group's property portfolio which mainly consists of up-market retail and commercial properties recorded stable increase in rental revenue, whilst maintaining high overall occupancy rate of over 97%. For Prestige Tower in Tsimshatsui which is 100% occupied, rebranding the building into an up-market fashion hub was further strengthened with the opening of a showroom by Secoo, an online luxury goods trader at end of last year. Whereas for Century Square in Central, another premium beauty group Bellesa Styling Bar moved in just before last Christmas enhancing further the beauty hub concept for the building. Overall property investment business for the Group in 2013 can be described as stable yet challenging.

FINANCING AND LIQUIDITY

Financial expenses for the year ended 31 December 2013 amounted to HK$3.6 million (2012: HK$4.5 million), decreased by 20.3% when compared with last year as the Group's bank borrowings was reduced during the year. As at the end of 2013, the bank loan balance was HK$133.1 million (2012: HK$176.1 million).

The bank loans are secured by mortgages on certain investment properties with an aggregate carrying value of HK$3,780.0 million (2012: HK$3,512.0 million) and the assignment of rental income from these properties.

The sum of term loan instalment payments repayable within one year is HK$31.5 million which will be serviced mainly by the Group's rental income.

The following is the maturing profile of the Group's bank borrowings as of 31 December 2013:

Within one year	23.7%
In the second year	15.0%
In the third to fifth years, inclusive	45.1%
After the fifth years	16.2%
	100.0%

As at 31 December 2013, the Group's cash and cash equivalents was HK$250.2 million. As the Group had net cash and cash equivalents of HK$117.1 million, that represented zero gearing (2012: 0.7%). The gearing ratio, if any, is calculated as the ratio of net bank borrowings to shareholders' funds.

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

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

PROSPECTS AND STRATEGIES

For the coming 2014, the Group is cautiously optimistic about the overall economic development of Hong Kong. The global economy is expected to continue its recovery at steady pace notwithstanding tapering in bond-buying programme by the Federal Reserve of the United States. Economic activities and employment environment in many key markets will continue to be improved. In the Mainland which currently is the second largest economic entity, it is expected to undergo continual consolidation and correction in 2014. Locally in Hong Kong, thanks to rapid tourist growth and massive housing and infrastructure investments, coupled with strong Renminbi off-shore clearings, healthy progress is projected on our economic development though shortage of labour and hence rising cost inevitably will be a stumbling block. Unlike in the past few years, fast growth and high profit operating results may not reoccur easily for most businesses. Correction of property market for virtually all sectors on the other hand will create inevitable downward adjustment pressure on the asset value, in terms of price and rental rate. This is one of the major negative factors which should not be underestimated as any over-adjustment of property value may easily cause panic in the market and a vicious economic cycle will be formed to hit many owners and mortgagees alike.

PROSPECTS AND STRATEGIES *(continued)*

On the other hand, the Group will welcome a healthy adjustment of the property market as this will give rise to opportunity for expanding our property portfolio at a more reasonable and affordable cost. In the interim, we will stay focus on improving our core investment and continue to explore ways to enhancing the attraction and value of our properties.

Our underlying objectives are to preserve and enhance value for our shareholders on a long-term and sustainable basis. To achieve this, we will strive to strengthen and improve our core investment property business through proactive property management service and renovation works to stay competitive, and look for opportunities to acquire suitable properties to enhance our existing portfolio.

In addition to our property investment business, we will also look into other property development opportunities to broaden our asset base and balance sheet. In doing so, we will be very prudent and selective and will have strict investment criteria for quality projects in prime locations only. We are confident that our strategies and dedicated efforts will continue to add values to our shareholders over the years to come.

STAFF

As at 31 December 2013, the Group employed 45 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

Hong Kong, 25 March 2014

EXECUTIVE DIRECTORS / SENIOR MANAGEMENT

Cheung Chung Kiu, aged 49, was appointed Chairman of the Company on 28 September 2000 and also holds directorships in certain other members of the Group. Mr. Cheung was born and educated in Chongqing. He set up Chongqing Industrial Limited ("Chongqing Industrial", a company engaged mainly in the trading business in the PRC) in 1985. He is the founder and chairman of Yugang International Limited ("Yugang International") 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 disclosed in the section headed "Interests and Short Positions of Shareholders" on page 29.

Wong Chi Keung, aged 58, was appointed Managing Director of the Company on 10 January 2000 and also holds directorships in certain other members of the Group. Mr. Wong holds a doctoral degree in business and is a member of the Royal Institution of Chartered Surveyors, Hong Kong Institute of Housing, the Chartered Institute of Housing and the Guangxi Committee of the Chinese People's Political Consultative Conference, Nanning City. He is a fellow of the Hong Kong Institute of Real Estate Administrators and The Hong Kong Institute of Directors and an honorary fellow of Guangxi Academy of Social Sciences. Mr. Wong has held various senior executive positions with some of Hong Kong's leading property companies and property consultant firms for the past 30 years. He has also taken an active role in public and voluntary services and is currently Senior Assistant Commissioner of Hong Kong Auxiliary Medical Service. He is an executive director of Cross-Harbour and an independent non-executive director of Water Oasis Group Limited, both being public listed companies in Hong Kong.

Yuen Wing Shing, aged 67, 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 48, 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

NON-EXECUTIVE DIRECTORS

Lee Ka Sze, Carmelo, aged 53, was appointed Independent Non-executive Director of the Company on 28 September 2000 and re-designated Non-executive Director of the Company on 30 September 2004. Mr. Lee received his bachelor of laws degree and postgraduate certificate in laws from The University of Hong Kong. He qualified as a solicitor in Hong Kong, England and Wales, Singapore and the Australian Capital Territory and is a partner of Woo, Kwan, Lee & Lo. Mr. Lee is the chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited and a chairman of the HKSAR Transport Tribunal. He is also a member of the SFC (HKEC Listing) Committee and the SFC Dual Filing Advisory Group, both of Securities and Futures Commission, and a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants. He is an independent non-executive director of KWG Property Holding Limited, Ping An Insurance (Group) Company of China, Ltd. and Esprit Holdings Limited and a non-executive director of CSPC Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Company, Limited, Termbray Industries International (Holdings) Limited and Yugang International, all being public listed companies in Hong Kong. He is also a consultant of Cross-Harbour.

Wong Yat Fai, aged 54, was appointed Independent Non-executive Director of the Company on 30 September 2004 and re-designated Non-executive Director of the Company on 1 October 2007. Mr. Wong holds a professional diploma in banking from The Hong Kong Polytechnic University. He has over 13 years of experience working with an international banking group. He is an executive director of ICube Technology Holdings Limited and a non-executive director of C C Land, both being public listed companies in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ng Kwok Fu, aged 42, 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 59, 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 54, 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.

CORPORATE GOVERNANCE REPORT

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 2013 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 corporate standards are met, and that processes are in place to ensure continuous improvements, the full board assumes the corporate governance functions rather than delegating the responsibility to a committee.

During the year up to the date of this report, the board conducted regular reviews of the Company's practices on corporate governance, including the training and continuous professional development of directors. It also reviewed the Company's practices on compliance with legal and regulatory requirements, 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 relevant 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, directors and employees must also not deal in the shares of the Company at any time when they are in possession of unpublished inside information under the policy.

DISCLOSURE OF INSIDE INFORMATION / DIRECTORS' DEALINGS *(continued)*

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

Board balance

The board, which is chaired by Mr. Cheung Chung Kiu, comprises nine members. The composition of the board is shown in the corporate information section on page 1. All members served on the board throughout the year up to the date of this report.

Brief biographical details of the directors appear in the directors and senior management section on pages 6 to 8.

The Company recognises the importance of having the appropriate board composition and the advantages it brings to the corporate performance of the Group. In designing composition, the board will take into account the balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. To comply with the new code provision A.5.6 introduced under the CG Code, the board adopted a policy concerning diversity of its members during the year. The board is satisfied that the measurable objectives that it has set for implementing the policy have been achieved. In addition, the board is satisfied that its composition is appropriate having considered the skills, experience and attributes of the directors. Independent non-executive directors are considered to be of sufficient calibre and experience to bring significant influence to bear on the decision-making process of the Company. To the best of the knowledge of the board, no independent non-executive director has any interests or relationships that could materially interfere with his independent judgment. It is therefore the board's view that all independent non-executive directors are independent.

THE BOARD *(continued)*

Board balance *(continued)*

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 the 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.

Attendance at board and general meetings

Apart from the annual general meeting, the board met four times during the year at approximately quarterly intervals. All of the above meetings were attended by all directors.

	No. of meetings attended/held	
	general meeting	board meeting
Executive Director		
Cheung Chung Kiu *(Chairman)*	1/1	4/4
Wong Chi Keung *(Managing Director)*	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[1]	1/1	4/4
Wong Yat Fai[2]	1/1	4/4
Independent Non-executive Director		
Ng Kwok Fu[1]	1/1	4/4
Luk Yu King, James[3]	1/1	4/4
Leung Yu Ming, Steven[3]	1/1	4/4

Notes:

1 The term of office for Mr. Lee Ka Sze, Carmelo and Mr. Ng Kwok Fu is approximately three years, commencing 18 May 2012 and ending at the close of the annual general meeting in 2015.

2 The term of office for Mr. Wong Yat Fai is approximately three years, commencing 21 May 2013 and ending at the close of the annual general meeting in 2016.

3 The term of office for Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven is approximately three years, commencing 17 May 2011 and ending at the close of the forthcoming annual general meeting.

4 Notwithstanding any contractual or other terms of appointment or engagement, 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.

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. The management carries out such specific duties as to prepare interim and annual accounts, and to implement and monitor the systems of financial controls, internal control and risk management. The management typically meets each month to review, inter alia, the operating and financial performance of the Group against agreed budgets and targets.

Supply of and access to information

The board and 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 the need to develop and refresh directors' knowledge and skills so that their contribution to the board remains informed and relevant. Sufficient training opportunities are being given to the directors from time to time in answer to such need. As part of the continuous professional development programme, the Company arranged two in-house training sessions as well as arranged and funded seminars elsewhere on topics relevant to the roles, functions and duties of a listed company director during the year.

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

CHAIRMAN AND MANAGING DIRECTOR

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

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

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

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 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 which comply with statutory requirements and applicable accounting standards.

Internal controls

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

The board has delegated authority for reviewing the Group's internal controls to its audit committee. The audit committee receives a system review report annually from the management with regard to the operational aspects of internal controls over the areas of key risk identified. The chairman of the committee reports on the review of internal controls and any matters arising to the board at the following board meeting. Using the above process, the duty to review the internal control system 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 2013 to conduct a review of the effectiveness of the Group's internal controls and an additional meeting in March 2014 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 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 significant control failings or weaknesses 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. There are four members in office, all of whom served on the committee throughout the year up to the date of this report.

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.

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.

BOARD COMMITTEES *(continued)*

The remuneration committee *(continued)*

This committee supports the board in determining the remuneration packages of individual executive directors, who also make up senior management. 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 or decision concerning his own 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.

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

The emoluments received by every executive director and senior executive are determined with reference to 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 the directors' fees and remuneration policy and fixed the remuneration packages of individual executive directors, focusing on salary levels in appropriate comparator companies and role, responsibility and performance of the individual executive director so as to align management incentives with shareholders' interests.

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 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 65 and 66.

BOARD COMMITTEES *(continued)*

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 on the board is retained. To this end, the committee reviews the policy for the nomination of directors, assesses the independence of independent non-executive directors and advises on the management of board succession. During the year, this role has been extended to cover monitoring implementation of the board diversity policy.

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

The Company embraces the benefits of having an effective board and directs that the appointment of board members be a collective effort of the board and the nomination committee. The appointment or re-appointment of a director shall first be considered by the nomination committee with reference to the nomination policy. Recommendations of the committee will then be put forth at the next board meeting for consideration and approval, as appropriate.

The nomination policy, which sets out two sets of criteria (one for individual nominees and the second for the board as a whole), allows a more informed and balanced decision to be made by the board ultimately as to suitability for the role. 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 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 the board diversity policy, which has been established by the Company to ensure that diversity, in its broadest sense, remains a central feature of the board.

During the year, the nomination committee evaluated the board composition and the independence of independent non-executive directors, and made recommendations to the board on the re-appointment of the directors retiring at the forthcoming annual general meeting. Subsequent to the year end, it reviewed the nomination and board diversity policies as well as discussed the objectives set for implementing the latter policy, and noted that those objectives had been achieved. The committee therefore concluded that the board's composition should continue unchanged.

BOARD COMMITTEES *(continued)*

The audit committee

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

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

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

The 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 the financial controls, internal control and risk management systems. The work and findings of the committee were reported to the board.

At the December meeting, the audit committee reviewed the systems of accounting and internal financial control and risk management with reference to the 2013 system review report prepared by the management.

In the opinion of management, an adequate internal control system had been established and maintained to facilitate the effectiveness and efficiency of operations; to safeguard assets against unauthorised use and disposition; to ensure the maintenance of proper accounting records and the truth and fairness of the financial statements; to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function; 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 compliance with relevant legislation and regulations. Further, there revealed no significant areas of improvement which were required to be brought to the committee's attention.

The committee acknowledged the findings and concurred with the conclusion described above.

BOARD COMMITTEES *(continued)*

The audit committee *(continued)*

At the meeting last held in March 2014, which was attended by Ernst & Young and senior management, the audit committee considered the scope and effectiveness of Ernst & Young as well as significant matters arising from the 2013 audit. The committee also reviewed internal control procedures and considered matters relating to Ernst & Young's engagement as the Company's external auditors.

The audit committee was satisfied that Ernst & Young had demonstrated the independence and objectivity that were required of them as external auditors and that the audit process had been effective. Ernst & Young also provided non-audit services to the Company during the year. These services related mainly to tax compliance and 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$1.54 million for services rendered to the Group during the year, of which HK$1.14 million were audit fees, HK$0.29 million were fees for interim review and HK$0.11 million were fees for tax compliance services.

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

At the conclusion of the meeting, the chairman confirmed the adequacy and effectiveness of the Group's internal control system, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function. 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 2013 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 will be held by the Company in every year. Further, the board of directors may whenever it thinks fit call a general meeting known as special general meeting.

Shareholders who wish to convene a special general meeting or put forward proposals at general meetings (including the proposal to nominate a person for election as a director) should follow the procedures described below. The procedures are subject to the bye-laws of the Company, the Companies Act 1981 of Bermuda and applicable legislation and regulations.

Procedures to convene a 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 of voting at general meetings of the Company shall at all times have the right, by written requisition to the Company, to require a special general meeting to be called by the board for the transaction of any business specified in such requisition.

2. The requisition must state the purposes of such meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, 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, a copy of the signed requisition should also be deposited at the principal office of the Company in Hong Kong, marked 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 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, 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 at which the passing of a special resolution is to be considered 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)*

Procedures to put forward proposals at general meetings

1. 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 meetings of the Company; 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 to the Company: (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. The requisition 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 registered office of the Company: (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, a copy of the signed requisition should also be deposited at the principal office of the Company in Hong Kong, marked for the attention of the board of directors or the company secretary.

3. Other than a retiring director and those persons recommended by the directors for election, a shareholder may deposit a notice in writing of the intention to propose a person for election to the office of director at any general meeting and procure that a notice in writing by that person of his or her willingness to be elected, accompanied by the biographical details as required by Rule 13.51(2) of the Listing Rules, be deposited at the principal office of the Company in Hong Kong (for the attention of the board of directors or the company secretary) provided that the minimum length of the period, during which such notices are given, shall be seven (7) days, commencing no earlier than the day after the despatch of the notice of the general meeting appointed for such election and ending no later than seven (7) days prior to the date of such meeting.

   Note: In order to avoid the need to adjourn the meeting of the election pursuant to the Listing Rules, the notices should be submitted to the Company as early as practicable, preferably no later than fourteen (14) business days before the date of the meeting so that shareholders are given at least ten (10) business days to consider the proposal.

   The Company's website has a dedicated section on the above procedures to propose a person for election as a director which shareholders can visit.

Shareholders may 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 the relevant board committee.

For enquiries concerning your shareholding(s) and related matters, please call or visit our branch registrar & transfer office in Hong Kong 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

Wong Chi Keung
Managing Director

Hong Kong, 25 March 2014

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 2013.

PRINCIPAL ACTIVITIES

During the year, the Company continued to be an investment holding company. The principal activities of its subsidiaries continued to be property investment, property trading, the provision of property management and related services and investment holding. Details of those activities are set out in note 34 to the financial statements.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 32.

The directors recommend the payment of a final dividend of HK3.5 cents per share (2012: HK3.5 cents per share) which makes a total distribution of approximately HK$28.0 million for the year ended 31 December 2013 (2012: HK$28.0 million).

Dividend warrants in respect of the proposed final dividend will be despatched on 18 June 2014 to shareholders registered on 11 June 2014 (subject to shareholder approval). The register of members and transfer books of the Company will be closed from 9 June 2014 to 11 June 2014, both days inclusive, in order to determine the proposed dividend entitlements.

PROPERTY, PLANT AND EQUIPMENT

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

PRINCIPAL PROPERTIES

Particulars of the principal properties held by the Group are set out on page 92.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 34 to the financial statements.

ASSOCIATES

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

SHARE CAPITAL

Movements in the share capital of the Company during the year are set out in note 24 to the financial statements.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 35 and note 25 to the financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK$1,855.3 million (2012: HK$1,883.1 million), of which HK$28.0 million (2012: HK$28.0 million) has been proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of HK$95.7 million (2012: HK$95.7 million), may be distributed in the form of fully paid bonus shares.

BANK LOANS

The Group's bank loans, which comprise term loans and revolving credit facilities, are secured by certain properties held by the Group. An analysis of these borrowings is set out in note 22 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 93. 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:

	2013	2012
	%	%
Purchases		
– the largest supplier	25	18
– the five largest suppliers combined	54	51
Revenue		
– the largest customer	14	14
– the five largest customers combined	34	34

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.

REPORT OF THE DIRECTORS

DIRECTORS

The directors serving for the year and up to the date of this report are listed on page 1.

Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven cease to hold office at the close of the forthcoming annual general meeting according to their terms of office. They, together with Mr. Wong Chi Keung, also retire from office by rotation at the forthcoming annual general meeting in accordance with bye-law 87 of the bye-laws of the Company. All of the above retiring directors, 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. Lee Ka Sze, Carmelo ("Mr. Lee") was appointed as an independent non-executive director of Esprit Holdings Limited, a public company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 330), on 25 July 2013. Mr. Lee has indicated to the Company that his time involved in Esprit Holdings Limited as an independent non-executive director is insignificant.

The updated information regarding Mr. Lee is set out on page 7.

Apart from the foregoing, the Company has not been advised by its directors of any change in the information required to be disclosed pursuant to rule 13.51(2) of the rules governing the listing of securities made by the Stock Exchange (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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") shows, as at 31 December 2013, the following interests of the directors in the shares of the Company or an associated corporation (within the meaning of Part XV of the SFO):

(a) Interests in the Company

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

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

Name	Capacity	No. of shares	% of shareholding
Cheung Chung Kiu	Interest of controlled corporation	155,254,432[2]	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 2013, 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

The Company's existing share option scheme was adopted on 29 April 2005, the details of which are given in the circular dated 13 April 2005 (the "Scheme Circular").

The following is a summary of the 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 to serve such other purposes as the board may approve from time to time
2.	Participants	:	Any director (or any person proposed to be appointed as such, whether executive or non-executive), officer and employee (whether full-time or part-time) of each member of the Eligible Group (as defined in the Scheme Circular); any business consultant, professional and other advisers (in the areas of legal, technical, financial or corporate managerial) (including any executive, officer and employee of such business consultant, professional and other advisers) to each member of the Eligible Group (or persons proposed to be appointed as such) who has rendered service or will render service to the Group, as absolutely determined by the board
3.	Total number of shares available for issue (% of issued share capital as at 25 March 2014)	:	79,955,741 shares (10%)
4.	Maximum entitlement of each participant	:	1% of the total number of shares in issue in any 12-month period
5.	Period within which the shares must be taken up under an option	:	To be determined by the board at its absolute discretion, such period to expire not later than ten years from the date of grant of the option
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)

SHARE OPTION SCHEME *(continued)*

7.	Amount payable on application or acceptance of the option	:	HK$1.00
8.	Basis of determining the exercise price	:	The exercise price shall be a price solely determined by the board, such price being no less than the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (c) the nominal value of a share
9.	Remaining life	:	Until 28 April 2015

No option lapsed and no option was granted, exercised or cancelled during the year. Nor were there any outstanding options at the beginning and at the end of the year.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

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

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

As at 31 December 2013, so far as is known to the directors of the Company, the following persons, other than the directors, had, or were deemed to have, interests in the shares of the Company as recorded in the register kept under section 336 of the SFO:

Name	Capacity	No. of shares	% of shareholding
Palin Holdings	Interest of controlled corporation	273,000,000[1]	34.14%
Chongqing Industrial	Interest of controlled corporation	273,000,000[1]	34.14%
Yugang International	Interest of controlled corporation	273,000,000[1]	34.14%
Yugang BVI	Interest of controlled corporation	273,000,000[1]	34.14%
Funrise	Beneficial owner	273,000,000	34.14%

Notes:

1 Each parcel of 273,000,000 shares represents 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.

2 All of the interests disclosed above represent long positions.

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 31 December 2013, had, or was deemed to have, any interest or short position in the shares and underlying shares of the Company as recorded in the register kept under section 336 of the SFO, other than as disclosed on page 26.

RETIREMENT SCHEMES

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

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

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

EXTERNAL AUDITORS

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

On behalf of the board

Cheung Chung Kiu
Chairman

Hong Kong, 25 March 2014

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 (together, the "Group") set out on pages 32 to 91, which comprise the consolidated and company statements of financial position as at 31 December 2013, 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 state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

25 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 *HK$'000*	2012 *HK$'000*
REVENUE	5	**200,766**	183,272
Direct outgoings		**(6,834)**	(10,179)
		193,932	173,093
Other income	5	**2,541**	1,538
Administrative expenses		**(39,701)**	(36,210)
Finance costs	6	**(3,579)**	(4,489)
Changes in fair value of investment properties		**273,265**	196,119
Share of results of an associate		**183,370**	168,225
PROFIT BEFORE TAX	7	**609,828**	498,276
Income tax expense	10	**(25,097)**	(23,087)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	11	**584,731**	475,189
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	13	**HK73.1 cents**	HK59.4 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
PROFIT FOR THE YEAR		584,731	475,189
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of other investments	18	(93)	(110)
Share of other comprehensive (loss)/income of an associate		(2,765)	49,072
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(2,858)	48,962
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		581,873	524,151

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,155**	1,311
Investment properties	15	**3,807,800**	3,532,800
Investment in an associate	17	**1,794,672**	1,660,643
Other investments	18	**1,697**	1,790
Total non-current assets		**5,605,324**	5,196,544
CURRENT ASSETS			
Trade receivables	19	**458**	1,617
Other receivables, deposits and prepayments		**8,541**	11,140
Cash and cash equivalents	20	**250,234**	138,845
Total current assets		**259,233**	151,602
CURRENT LIABILITIES			
Trade payables	21	**1,092**	1,921
Other payables and accrued expenses		**77,348**	73,903
Bank loans, secured	22	**31,500**	43,000
Tax payable		**2,903**	4,205
Total current liabilities		**112,843**	123,029
NET CURRENT ASSETS		**146,390**	28,573
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,751,714**	5,225,117
NON-CURRENT LIABILITIES			
Bank loans, secured	22	**101,600**	133,100
Deferred tax liabilities	23	**74,974**	70,765
Total non-current liabilities		**176,574**	203,865
Net assets		**5,575,140**	5,021,252
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	24	**79,956**	79,956
Reserves	25	**5,467,199**	4,913,311
Proposed final dividend	12	**27,985**	27,985
Total equity		**5,575,140**	5,021,252

Wong Chi Keung
Director

Yuen Wing Shing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

		Attributable to equity holders of the Company									
	Note	Issued share capital *HK$'000*	Share premium account *HK$'000*	Capital redemption reserve *HK$'000*	Capital reserve *HK$'000*	Contributed surplus *HK$'000*	Investment revaluation reserve of an associate *HK$'000*	Other reserves *HK$'000*	Retained profits *HK$'000*	Proposed final dividend *HK$'000*	Total *HK$'000*
At 1 January 2013		79,956	95,738	1,350	1,800	1,321,935	5,489	4,016	3,482,983	27,985	5,021,252
Profit for the year		–	–	–	–	–	–	–	584,731	–	584,731
Changes in fair value of other investments		–	–	–	–	–	–	(93)	–	–	(93)
Share of other comprehensive (loss)/ income of an associate		–	–	–	–	–	(2,845)	80	–	–	(2,765)
Other comprehensive loss for the year		–	–	–	–	–	(2,845)	(13)	–	–	(2,858)
Total comprehensive income/(loss) for the year		–	–	–	–	–	(2,845)	(13)	584,731	–	581,873
2012 final dividend declared and paid		–	–	–	–	–	–	–	–	(27,985)	(27,985)
Proposed 2013 final dividend	12	–	–	–	–	–	–	–	(27,985)	27,985	–
At 31 December 2013		79,956	95,738*	1,350*	1,800*	1,321,935*	2,644*	4,003*	4,039,729*	27,985	5,575,140
At 1 January 2012		79,956	95,738	1,350	1,800	1,321,935	(42,873)	3,416	3,035,779	23,987	4,521,088
Profit for the year		–	–	–	–	–	–	–	475,189	–	475,189
Changes in fair value of other investments		–	–	–	–	–	–	(110)	–	–	(110)
Share of other comprehensive income of an associate		–	–	–	–	–	48,362	710	–	–	49,072
Other comprehensive income for the year		–	–	–	–	–	48,362	600	–	–	48,962
Total comprehensive income for the year		–	–	–	–	–	48,362	600	475,189	–	524,151
2011 final dividend declared and paid		–	–	–	–	–	–	–	–	(23,987)	(23,987)
Proposed 2012 final dividend	12	–	–	–	–	–	–	–	(27,985)	27,985	–
At 31 December 2012		79,956	95,738	1,350	1,800	1,321,935	5,489	4,016	3,482,983	27,985	5,021,252

* These reserve accounts comprise the consolidated reserves of HK$5,467,199,000 (2012: HK$4,913,311,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 *HK$'000*	2012 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operations	*26*	**160,476**	137,815
Interest paid		**(2,057)**	(3,003)
Hong Kong profits tax paid		**(22,190)**	(15,638)
Hong Kong profits tax refunded		**—**	27
Net cash flows from operating activities		**136,229**	119,201
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,526**	438
Dividends received from an associate		**46,576**	46,576
Renovation of investment properties		**(1,735)**	(1,881)
Purchases of items of property, plant and equipment		**(222)**	(215)
Net cash flows from investing activities		**46,145**	44,918
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		**(43,000)**	(73,000)
Dividends paid		**(27,985)**	(23,987)
Net cash flows used in financing activities		**(70,985)**	(96,987)
Net increase in cash and cash equivalents		**111,389**	67,132
Cash and cash equivalents at 1 January		**138,845**	71,713
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**250,234**	138,845
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*20*	**6,177**	14,345
Non-pledged time deposits with original maturity of less than three months when acquired	*20*	**244,057**	124,500
		250,234	138,845

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	16	2,031,701	2,059,524
CURRENT ASSETS			
Other receivables		87	89
Tax recoverable		—	4
Cash and bank balances		998	946
Total current assets		1,085	1,039
CURRENT LIABILITIES			
Other payables		1,788	1,727
Tax payable		10	—
Total current liabilities		1,798	1,727
NET CURRENT LIABILITIES		(713)	(688)
Net assets		2,030,988	2,058,836
EQUITY			
Issued share capital	24	79,956	79,956
Reserves	25	1,923,047	1,950,895
Proposed final dividend	12	27,985	27,985
Total equity		2,030,988	2,058,836

Wong Chi Keung
Director

Yuen Wing Shing
Director

1 CORPORATE INFORMATION

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

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

(a) Property investment and trading;

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

(c) Investment holding.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. 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 reassess 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards - Government Loans
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 - Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 Amendments	Amendments to HKAS 1 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 36 Amendments	Amendments to HKAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (early adopted)
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, amendments to HKAS 1 and HKAS 36, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 10 replaces the portion of HKAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 Consolidation - Special Purpose Entities. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

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

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 Consolidated and Separate Financial Statements, HKAS 31 Interests in Joint Ventures and HKAS 28 Investments in Associates. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries and associates are included in notes 16 and 17 to the financial statements.

(c) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 15 and 32 to the financial statements.

(d) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time are presented separately from items which will never be reclassified. The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group.

(e) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

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[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) - Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[3]
HKAS 19 Amendments	Amendments to HKAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions[2]
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities[1]
HKAS 39 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) - Int 21	Levies[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

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

(b) Investments in associates

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.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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 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, 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 is included as part of the Group's investments in associates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Goodwill

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than properties held for sale, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) 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); and

(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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) 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)*

(h) 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.

(i) 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.

(j) 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)*

(k) 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)*

(k) 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)*

(l) Derecognition of financial assets

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

(m) 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)*

(m) 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 and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 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)*

(m) 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.

(n) 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)*

(n) 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.

(o) 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.

(p) 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Cash and cash equivalents

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

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

(r) Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

(s) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

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.

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

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

(t) Revenue recognition

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) 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.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. 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.

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based 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)*

(u) Employee benefits *(continued)*

Pension scheme

The Group operates to a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the 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.

(v) Dividends

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

(w) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates 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 2013 was HK$235,249,000 (2012: HK$235,249,000). More details are given in note 17.

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.

Group
2013

	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	192,154	—	8,612	—	200,766
Segment results	422,969	—	7,068	—	430,037
Finance costs					(3,579)
Share of results of an associate	—	—	—	183,370	183,370
Profit before tax					609,828
Income tax expense	(23,379)	—	(727)	—	(24,106)
Unallocated income tax expense					(991)
Profit for the year					584,731
Assets and liabilities					
Segment assets	3,817,507	—	447	—	3,817,954
Investment in an associate	—	—	—	1,794,672	1,794,672
Unallocated assets					251,931
Total assets					5,864,557
Segment liabilities	147,780	—	8,370	17	156,167
Unallocated liabilities					133,250
Total liabilities					289,417
Other segment information:					
Capital expenditure	1,957	—	—	—	1,957
Depreciation	372	—	6	—	378
Changes in fair value of investment properties	273,265	—	—	—	273,265

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4 OPERATING SEGMENT INFORMATION *(continued)*

Group

2012

	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	173,356	—	9,916	—	183,272
Segment results	327,378	—	7,162	—	334,540
Finance costs					(4,489)
Share of results of an associate	—	—	—	168,225	168,225
Profit before tax					498,276
Income tax expense	(21,427)	—	(707)	—	(22,134)
Unallocated income tax expense					(953)
Profit for the year					475,189
Assets and liabilities					
Segment assets	3,546,002	—	866	—	3,546,868
Investment in an associate	—	—	—	1,660,643	1,660,643
Unallocated assets					140,635
Total assets					5,348,146
Segment liabilities	143,140	—	7,550	17	150,707
Unallocated liabilities					176,187
Total liabilities					326,894
Other segment information:					
Capital expenditure	2,086	—	10	—	2,096
Depreciation	338	—	4	—	342
Changes in fair value of investment properties	196,119	—	—	—	196,119

4 OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Group	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**200,766**	183,272

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

(b) Non-current assets

	Group	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong	**5,592,226**	5,184,051
Mainland China	**11,401**	10,703
	5,603,627	5,194,754

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$34,690,000 (2012: HK$23,852,000) was derived from a single customer under the property investment segment.

5 REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Revenue		
Rental income from investment properties	**192,154**	173,356
Income from property management and related services	**8,612**	9,916
	200,766	183,272
Other income		
Bank interest income	**1,554**	434
Reinstatement compensation	**170**	199
Foreign exchange differences, net	**617**	—
Others	**200**	905
	2,541	1,538

6 FINANCE COSTS

	Group	
	2013	2012
	HK$'000	*HK$'000*
Interest on bank loans:		
Wholly repayable within five years	**266**	792
Not wholly repayable within five years	**1,759**	2,168
	2,025	2,960
Loan arrangement fees	**1,554**	1,529
	3,579	4,489

7 PROFIT BEFORE TAX

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

	2013 *HK$'000*	2012 *HK$'000*
Depreciation *(note 14)*	**378**	342
Minimum lease payments under operating leases:		
Land and buildings	**1,765**	1,273
Auditors' remuneration	**1,135**	1,100
Staff costs (including executive directors' remuneration *(note 8)*):		
Wages and salaries	**13,223**	12,371
Discretionary bonuses	**16,243**	15,479
Pension scheme contributions*	**515**	571
	29,981	28,421
Gross rental income	**(192,154)**	(173,356)
Less: Outgoings	**5,443**	7,521
Net rental income	**(186,711)**	(165,835)
Foreign exchange differences, net	**(617)**	6

* At 31 December 2013, there were no forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years (2012: Nil).

8 DIRECTORS' REMUNERATION

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Fees	**1,650**	1,650
Other emoluments:		
Salaries, allowances and benefits in kind	**4,010**	3,750
Discretionary bonuses	**13,500**	12,950
Pension scheme contributions	**188**	176
	19,348	18,526

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

(a) Independent non-executive directors

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Mr. Luk Yu King, James	**350**	350
Mr. Ng Kwok Fu	**250**	250
Mr. Leung Yu Ming, Steven	**250**	250
	850	850

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

8 DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and non-executive directors

Group

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2013					
Executive directors:					
Mr. Cheung Chung Kiu	—	—	7,500	1	7,501
Mr. Wong Chi Keung	—	4,010	3,000	185	7,195
Mr. Yuen Wing Shing	—	—	2,000	1	2,001
Ms. Tung Wai Lan, Iris	—	—	1,000	1	1,001
	—	4,010	13,500	188	17,698
Non-executive directors:					
Mr. Lee Ka Sze, Carmelo	550	—	—	—	550
Mr. Wong Yat Fai	250	—	—	—	250
	800	4,010	13,500	188	18,498
2012					
Executive directors:					
Mr. Cheung Chung Kiu	—	—	7,500	1	7,501
Mr. Wong Chi Keung	—	3,750	3,000	173	6,923
Mr. Yuen Wing Shing	—	—	1,850	1	1,851
Ms. Tung Wai Lan, Iris	—	—	600	1	601
	—	3,750	12,950	176	16,876
Non-executive directors:					
Mr. Lee Ka Sze, Carmelo	550	—	—	—	550
Mr. Wong Yat Fai	250	—	—	—	250
	800	3,750	12,950	176	17,676

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2012: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2012: two) non-director, highest paid employees are as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,316**	2,174
Discretionary bonuses	**710**	640
Pension scheme contributions	**107**	100
	3,133	2,914

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

	Number of employees	
	2013	2012
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
	2	2

10 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

	Group	
	2013	2012
	HK$'000	*HK$'000*
Current - Hong Kong	**20,957**	18,053
Over provision in prior years	**(69)**	(84)
	20,888	17,969
Deferred *(note 23)*	**4,209**	5,118
Total tax charge for the year	**25,097**	23,087

10 INCOME TAX EXPENSE *(continued)*

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Profit before tax	**609,828**	498,276
Tax at the statutory tax rate of 16.5% (2012: 16.5%)	**100,622**	82,215
Over provision of tax in prior years	**(69)**	(84)
Unrecognised temporary differences	**—**	606
Profits attributable to an associate	**(30,256)**	(27,757)
Income not subject to tax	**(45,331)**	(32,316)
Expenses not deductible for tax	**44**	42
Tax losses utilised from previous periods	**—**	(8)
Tax losses not recognised	**20**	10
Effect of differences on tax rates of subsidiaries operating outside Hong Kong	**60**	372
Others	**7**	7
Tax charge at the Group's effective rate	**25,097**	23,087

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

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2013 includes a profit of HK$137,000 (2012: HK$88,000) which has been dealt with in the financial statements of the Company (note 25).

12 PROPOSED FINAL DIVIDEND

	2013 *HK$'000*	2012 *HK$'000*
Proposed final dividend - HK3.5 cents (2012: HK3.5 cents) per ordinary share	**27,985**	27,985

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

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

The calculation of the basic earnings per share amount 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 2013 and 2012 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:

	2013 *HK$'000*	2012 *HK$'000*
Earnings		
Profit for the year attributable to ordinary equity holders of the Company	**584,731**	475,189

	Number of shares	
	2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year	**799,557,415**	799,557,415

14 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Office equipment, furniture and fixtures HK$'000	Computer software HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total HK$'000
31 December 2013						
At 31 December 2012 and at 1 January 2013:						
Cost	772	458	495	1,400	217	3,342
Accumulated depreciation	(765)	(429)	(409)	(327)	(101)	(2,031)
Net carrying amount	7	29	86	1,073	116	1,311
At 1 January 2013, net of accumulated depreciation	7	29	86	1,073	116	1,311
Additions	—	59	—	140	23	222
Write-off	—	(66)	—	—	—	(66)
Depreciation provided during the year	(4)	(18)	(19)	(282)	(55)	(378)
Write-back of depreciation	—	66	—	—	—	66
At 31 December 2013, net of accumulated depreciation	3	70	67	931	84	1,155
At 31 December 2013:						
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

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

	Leasehold improvements *HK$'000*	Office equipment, furniture and fixtures *HK$'000*	Computer software *HK$'000*	Motor vehicles *HK$'000*	Computer equipment *HK$'000*	Total *HK$'000*
31 December 2012						
At 1 January 2012:						
Cost	772	452	473	1,400	207	3,304
Accumulated depreciation	(761)	(406)	(462)	(47)	(190)	(1,866)
Net carrying amount	11	46	11	1,353	17	1,438
At 1 January 2012, net of accumulated depreciation	11	46	11	1,353	17	1,438
Additions	—	6	84	—	125	215
Write-off	—	—	(62)	—	(115)	(177)
Depreciation provided during the year	(4)	(23)	(9)	(280)	(26)	(342)
Write-back of depreciation	—	—	62	—	115	177
At 31 December 2012, net of accumulated depreciation	7	29	86	1,073	116	1,311
At 31 December 2012:						
Cost	772	458	495	1,400	217	3,342
Accumulated depreciation	(765)	(429)	(409)	(327)	(101)	(2,031)
Net carrying amount	7	29	86	1,073	116	1,311

15 INVESTMENT PROPERTIES

	Group 2013 HK$'000	2012 HK$'000
Carrying amount at 1 January	3,532,800	3,334,800
Additions	1,735	1,881
Fair value adjustment	273,265	196,119
Carrying amount at 31 December	3,807,800	3,532,800

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

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Long term leases	1,972,500	—	1,972,500
Medium term leases	1,823,900	11,400	1,835,300
	3,796,400	11,400	3,807,800

The Group's investment properties were revalued on 31 December 2013 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 22).

Further particulars of the Group's investment properties are included on page 92.

Fair value hierarchy

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

	Fair value measurement as at 31 December 2013 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
Recurring fair value measurement for:				
Investment properties	—	23,900	3,783,900	3,807,800

15 INVESTMENT PROPERTIES *(continued)*

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.

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 were determined by the sales comparison approach were classified as Level 2 of the fair value hierarchy while investment properties which fair value were 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
Investment properties (classified as Level 3)	Income capitalisation approach	Market yields (reversionary yield)	4.0% to 4.9%
		Market rental	HK$30 to HK$680 per square foot

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.

16 INVESTMENTS IN SUBSIDIARIES

	Company 2013 HK$'000	Company 2012 HK$'000
Unlisted shares, at cost	**1,465,569**	1,465,569
Loan to a subsidiary	**1,129,363**	1,157,186
	2,594,932	2,622,755
Impairment	**(563,231)**	(563,231)
	2,031,701	2,059,524

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

Particulars of the principal subsidiaries of the Company are set out in note 34.

17 INVESTMENT IN AN ASSOCIATE

	Group 2013 HK$'000	2012 HK$'000
Share of net assets	**1,559,423**	1,425,394
Goodwill on acquisition	**235,249**	235,249
	1,794,672	1,660,643
Market value of listed equity securities	**984,313**	1,001,391

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 2013	2012
The Cross-Harbour (Holdings) Limited	Ordinary shares of HK$1 each	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 (2012: 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 applied to the cash flow projection is approximately 6% (2012: 6%), which is consistent with the cost of funding of the Group or is a reasonable investment return rate for investments with stable returns.

17 INVESTMENT IN AN ASSOCIATE *(continued)*

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

	2013 *HK$'000*	2012 *HK$'000*
Operating results for the year:		
Turnover	**290,480**	283,941
Other net loss	**(40,641)**	(10,100)
Total expenses	**(208,757)**	(212,858)
Share of profits of associates (net)	**433,782**	395,138
Share of profits of a joint venture	**14,711**	12,371
Income tax	**(13,389)**	(23,981)
Profit for the year	**476,186**	444,511
Profit attributable to shareholders of Cross-Harbour	**440,178**	403,825
Financial position at 31 December:		
Non-current assets		
Interest in associates	**2,227,405**	2,282,586
Other non-current assets	**670,217**	726,497
	2,897,622	3,009,083
Current assets		
Bank deposits and cash	**1,174,732**	707,067
Other current assets	**205,172**	189,800
	1,379,904	896,867
Current liabilities	**(225,143)**	(199,480)
Non-current liabilities	**(205,850)**	(184,507)
Non-controlling interests	**(103,318)**	(100,287)
Net assets	**3,743,215**	3,421,676

18 OTHER INVESTMENTS

	Group	
	2013	2012
	HK$'000	*HK$'000*
Unlisted investments, at fair value at 1 January	**1,790**	1,900
Fair value adjustment	**(93)**	(110)
Unlisted investments, at fair value at 31 December	**1,697**	1,790

19 TRADE RECEIVABLES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**458**	1,617
Impairment	**—**	—
	458	1,617

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:

	Group	
	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**446**	1,085
31 to 60 days	**12**	224
Over 60 days	**—**	308
	458	1,617

19 TRADE RECEIVABLES *(continued)*

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
At 1 January	**—**	517
Amount written off as uncollectible	**—**	(517)
At 31 December	**—**	—

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**386**	327
Less than 1 month past due	**60**	785
1 to 2 months past due	**12**	445
Over 2 months past due	**—**	60
	458	1,617

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.

20 CASH AND CASH EQUIVALENTS

	Group	
	2013	2012
	HK$'000	*HK$'000*
Cash and bank balances	**6,177**	14,345
Time deposits	**244,057**	124,500
	250,234	138,845

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.

21 TRADE PAYABLES

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**1,089**	1,921
31 to 60 days	**3**	—
	1,092	1,921

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

22 BANK LOANS, SECURED

	Group	
	2013	2012
	HK$'000	*HK$'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**31,500**	43,000
In the second year	**20,000**	31,500
In the third to fifth years, inclusive	**60,000**	60,000
Beyond five years	**21,600**	41,600
	133,100	176,100
Amounts classified under current liabilities	**(31,500)**	(43,000)
Amounts classified under non-current liabilities	**101,600**	133,100

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 2013 and 2012 were 1.31% per annum and 1.42% 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$3,780,000,000 (2012: HK$3,512,000,000) and the assignment of rental income from certain properties. In addition, the Company has pledged all the issued shares of certain subsidiaries and subordinated its loans to certain subsidiaries in favour of the lenders of the above bank loans; and

(b) corporate guarantees issued by the Company.

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

23 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:

Group

		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 2012		(65,750)	—	103	(65,647)
Deferred tax (charged)/credited to the statement of profit or loss during the year	*10*	(4,032)	(1,093)	7	(5,118)
At 31 December 2012 and at 1 January 2013		**(69,782)**	**(1,093)**	**110**	**(70,765)**
Deferred tax (charged)/credited to the statement of profit or loss during the year	*10*	**(4,041)**	**(175)**	**7**	**(4,209)**
At 31 December 2013		**(73,823)**	**(1,268)***	**117**	**(74,974)**

* 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$20,564,000 (2012: HK$20,412,000) 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.

24 SHARE CAPITAL

Shares

	2013	2012
	HK$'000	*HK$'000*
Authorised:		
1,500,000,000 ordinary shares of HK$0.1 each	**150,000**	150,000
Issued and fully paid:		
799,557,415 ordinary shares of HK$0.1 each	**79,956**	79,956

Share options

At a special general meeting held on 29 April 2005, the Company adopted a share option scheme (the "Scheme"). Employees (including directors) of the Group are eligible participants under the Scheme. A total of 79,955,741 shares will be available for issue under the Scheme, which represents 10% of the Company's issued shares. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. The shares must be taken up under an option not later than 10 years from the date of grant of options. The Scheme will remain effective until 28 April 2015. No share options have been granted under the Scheme during the current and prior years and no options were outstanding at 31 December 2013 and 2012.

25 RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 35 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 RESERVES *(continued)*

Company

	Note	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Capital redemption reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2012		95,738	1,317,168	1,350	564,536	1,978,792
Profit for the year		—	—	—	88	88
Total comprehensive income for the year		—	—	—	88	88
Proposed 2012 final dividend	*12*	—	—	—	(27,985)	(27,985)
At 31 December 2012 and at 1 January 2013		95,738	1,317,168	1,350	536,639	1,950,895
Profit for the year		—	—	—	137	137
Total comprehensive income for the year		—	—	—	137	137
Proposed 2013 final dividend	*12*	—	—	—	(27,985)	(27,985)
At 31 December 2013		95,738	1,317,168	1,350	508,791	1,923,047

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

26 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	2013 HK$'000	2012 HK$'000
Profit before tax		**609,828**	498,276
Adjustments for:			
Share of results of an associate		**(183,370)**	(168,225)
Interest income	*5*	**(1,554)**	(434)
Changes in fair value of investment properties		**(273,265)**	(196,119)
Depreciation	*7*	**378**	342
Interest on bank loans	*6*	**2,025**	2,960
		154,042	136,800
Decrease in trade receivables, other receivables, deposits and prepayments		**3,785**	2,513
Increase/(decrease) in trade payables, other payables and accrued expenses		**2,649**	(1,498)
Net cash generated from operations		**160,476**	137,815

27 OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

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

	Group 2013 HK$'000	Group 2012 HK$'000
Within one year	**178,599**	186,688
In the second to fifth years, inclusive	**180,561**	267,744
	359,160	454,432

27 OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

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

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within one year	**2,478**	810
In the second to fifth years, inclusive	**3,885**	—
	6,363	810

28 COMMITMENTS

In addition to the operating lease commitments detailed in note 27(b) above, the Group had the following capital commitments in respect of investment properties at the end of the reporting period:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Contracted, but not provided for	**—**	1,736
Authorised, but not contracted for	**12,633**	6,573
	12,633	8,309

29 CONTINGENT LIABILITIES

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**—**	—	**883,676**	926,676

The Company has executed guarantees totalling HK$883,676,000 (2012: HK$926,676,000) with respect to banking facilities made available to its subsidiaries, out of which HK$133,100,000 were utilised as at 31 December 2013 (2012: HK$176,100,000).

30 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:

	2013	2012
	HK$'000	*HK$'000*
Administrative staff costs paid to a shareholder *(Note)*	**1,731**	1,623

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:

	2013	2012
	HK$'000	*HK$'000*
Short term employee benefits	**19,331**	18,422
Post-employment benefits	**254**	238
Total compensation paid to key management personnel	**19,585**	18,660

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

31 FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	Group	
	2013	2012
	HK$'000	*HK$'000*
Loans and receivables:		
Trade receivables	**458**	1,617
Other receivables and deposits	**873**	522
Cash and cash equivalents	**250,234**	138,845
	251,565	140,984
Available-for-sale financial assets:		
Other investments	**1,697**	1,790
	253,262	142,774

Financial liabilities

	Group	
	2013	2012
	HK$'000	*HK$'000*
Financial liabilities at amortised cost:		
Trade payables	**1,092**	1,921
Other payables	**56,779**	54,873
Bank loans, secured	**133,100**	176,100
	190,971	232,894

32 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:

Group

	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 2013				
Available-for-sale investments:				
Other investments	**1,697**	**—**	**—**	**1,697**
At 31 December 2012				
Available-for-sale investments:				
Other investments	1,790	—	—	1,790

During the year, there were no transfers into or out of Level 1 fair value measurements (2012: Nil).

33 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.

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

Interest rate risk

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

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

Group

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *HK$'000*
2013		
Hong Kong dollar	**25**	**(333)**
Hong Kong dollar	**(25)**	**333**
2012		
Hong Kong dollar	25	(465)
Hong Kong dollar	(25)	465

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

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

Liquidity risk

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

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

Group

	2013				
	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*
Bank loans, secured	—	32,930	83,405	21,805	138,140
Trade payables	—	1,092	—	—	1,092
Other payables	974	55,805	—	—	56,779
	974	89,827	83,405	21,805	196,011

	2012				
	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*
Bank loans, secured	—	45,008	96,214	42,295	183,517
Trade payables	—	1,921	—	—	1,921
Other payables	920	53,953	—	—	54,873
	920	100,882	96,214	42,295	240,311

Company

All of the Company's financial liabilities, including guarantees given to banks in connection with facilities granted to subsidiaries which are detailed in note 29, as at the end of the reporting period were repayable on demand or subject to the repayment terms of bank loans.

33 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 2013 and 2012.

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 2013, the Group's gearing ratio was zero (2012: 0.7%).

34 PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at the end of the reporting period are as follows:

Name of company	Place of incorporation	Nominal value of issued and fully paid share capital	Percentage of equity attributable to the Company 2013	2012	Principal activities and place of operations
Best View Investments Hong Kong Company Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Property holding in Hong Kong
Benefit Plus Company Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Property investment in Hong Kong
E-Tech Services Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Provision of property technical consultant services in Hong Kong
Harson Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Property investment in Hong Kong
Honway Holdings Limited	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Investment holding in Hong Kong
Mainland Sun Ltd.	British Virgin Islands	1 ordinary share of US$1	**100%**	100%	Property investment in Mainland China

NOTES TO FINANCIAL STATEMENTS

31 December 2013

34 PRINCIPAL SUBSIDIARIES *(continued)*

Name of company	Place of incorporation	Nominal value of issued and fully paid share capital	Percentage of equity attributable to the Company 2013	2012	Principal activities and place of operations
Score Goal Investment Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Property investment in Hong Kong
Y. T. (China) Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Investment holding in Mainland China
Y. T. Finance Limited	Hong Kong	6,000 ordinary shares of HK$500 each	**100%**	100%	Finance vehicle in Hong Kong
Y. T. Group Management Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Provision of business management services in Hong Kong
Y. T. Investment Holdings Limited	British Virgin Islands	50,100 ordinary shares of US$1 each	**100%**	100%	Investment holding in Asia
Y. T. Properties International Limited	British Virgin Islands	201 ordinary shares of US$1 each	**100%**	100%	Investment holding in Hong Kong
Y. T. Property Services Limited	Hong Kong	100 ordinary shares of HK$1 each	**100%**	100%	Property management in Hong Kong

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

35 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2014.

PARTICULARS OF PROPERTIES

31 December 2013

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, is set out below.

	Year ended 31 December				
	2009	2010	2011	2012	**2013**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Property, plant and equipment	372	92	1,438	1,311	**1,155**
Investment properties	2,654,900	3,031,200	3,334,800	3,532,800	**3,807,800**
Investment in an associate	1,420,354	1,545,198	1,489,922	1,660,643	**1,794,672**
Other investments	793	1,603	1,900	1,790	**1,697**
Current assets	78,143	92,496	86,987	151,602	**259,233**
Current liabilities	(366,570)	(228,425)	(152,212)	(123,029)	**(112,843)**
Net current assets/(liabilities)	(288,427)	(135,929)	(65,225)	28,573	**146,390**
Non-current liabilities	(237,208)	(280,586)	(241,747)	(203,865)	**(176,574)**
Net assets	3,550,784	4,161,578	4,521,088	5,021,252	**5,575,140**
EQUITY					
Equity attributable to equity holders of the Company					
Issued share capital	79,956	79,956	79,956	79,956	**79,956**
Reserves	3,451,129	4,057,635	4,417,145	4,913,311	**5,467,199**
Proposed final dividend	19,989	23,987	23,987	27,985	**27,985**
	3,551,074	4,161,578	4,521,088	5,021,252	**5,575,140**
Non-controlling interests	(290)	—	—	—	**—**
Total equity	3,550,784	4,161,578	4,521,088	5,021,252	**5,575,140**
RESULTS					
Revenue	136,800	145,249	160,472	183,272	**200,766**
Profit before tax	482,637	623,131	448,829	498,276	**609,828**
Income tax expense	(13,441)	(16,326)	(18,005)	(23,087)	**(25,097)**
Profit for the year	469,196	606,805	430,824	475,189	**584,731**
Attributable to:					
Equity holders of the Company	469,252	606,822	430,824	475,189	**584,731**
Non-controlling interests	(56)	(17)	—	—	**—**
	469,196	606,805	430,824	475,189	**584,731**