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渝太地產集團有限公司*
Y. T. REALTY GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 75)

2016 Annual Results Announcement

The board of directors of Y. T. Realty Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016. The results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
REVENUE	2, 3	66,653	218,691
Direct outgoings		<u>(832)</u>	<u>(5,302)</u>
		65,821	213,389
Other income and other net losses		83,214	1,608
Administrative expenses		(14,396)	(49,453)
Finance costs		(455)	(2,795)
Changes in fair value of investment properties		55,259	137,135
Share of results of an associate		176,198	258,200
Share of results of a joint venture		<u>756</u>	<u>4,238</u>
PROFIT BEFORE TAX	4	366,397	562,322
Income tax expense	5	<u>(10,285)</u>	<u>(27,970)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>356,112</u>	<u>534,352</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	7	<u>HK44.5 cents</u>	<u>HK66.8 cents</u>

Per share information:

- Proposed final dividend per share	Nil	Nil
- Net asset value per share	HK\$1.82	HK\$8.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
PROFIT FOR THE YEAR	356,112	534,352
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:</i>		
Changes in fair value of other investments	(207)	150
Share of other comprehensive (loss)/income of an associate	(15,575)	75,505
Share of other comprehensive loss of a joint venture	(14,117)	(4,573)
Release of exchange fluctuation reserve upon deemed disposal of a joint venture	18,690	-
Exchange differences on translation of foreign operations	(108,920)	-
Release of investment revaluation reserve upon deemed disposal of an associate	(71,891)	-
Release of other reserves upon deemed disposal of an associate	(143)	-
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	(192,163)	71,082
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	163,949	605,434

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		95	1,342
Investment properties		1,093,054	4,099,900
Investment in an associate		-	2,236,514
Investment in a joint venture		-	119,665
Other investments		1,570	1,777
Total non-current assets		<u>1,094,719</u>	<u>6,459,198</u>
CURRENT ASSETS			
Trade receivables	8	1,427	605
Other receivables, deposits and prepayments		879	6,998
Cash and cash equivalents		390,399	417,138
Total current assets		<u>392,705</u>	<u>424,741</u>
CURRENT LIABILITIES			
Trade payables	9	79	735
Other payables and accrued expenses		22,042	100,368
Bank loans, secured		-	81,600
Tax payable		4,905	827
Total current liabilities		<u>27,026</u>	<u>183,530</u>
NET CURRENT ASSETS		<u>365,679</u>	<u>241,211</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,460,398</u>	<u>6,700,409</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		3,768	84,390
Total non-current liabilities		<u>3,768</u>	<u>84,390</u>
Net assets		<u>1,456,630</u>	<u>6,616,019</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		79,956	79,956
Reserves		1,376,674	6,536,063
Total equity		<u>1,456,630</u>	<u>6,616,019</u>

Notes:

1 Basis of preparation and accounting policies

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, 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.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above new and revised HKFRSs has had no significant financial effect on these financial statements.

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

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.

2 Operating segment information (continued)

	Year ended 31 December 2016				Consolidated HK\$'000
	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	
Segment revenue	64,889	-	1,764	-	66,653
Segment results	188,323	-	1,575	-	189,898
Finance costs					(455)
Share of results of an associate	-	-	-	176,198	176,198
Share of results of a joint venture	-	756	-	-	756
Profit before tax					366,397
Income tax expense	(10,161)	-	(163)	-	(10,324)
Unallocated income tax credit					39
Profit for the year					356,112
Assets and liabilities					
Segment assets	1,095,455	-	-	-	1,095,455
Unallocated assets					391,969
Total assets					1,487,424
Segment liabilities	23,246	-	-	-	23,246
Unallocated liabilities					7,548
Total liabilities					30,794
Other segment information:					
Capital expenditure	36	-	-	-	36
Depreciation	91	-	1	-	92
Changes in fair value of investment properties	55,259	-	-	-	55,259

2 Operating segment information (continued)

	Year ended 31 December 2015				Consolidated HK\$'000
	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	
Segment revenue	<u>209,999</u>	<u>-</u>	<u>8,692</u>	<u>-</u>	<u>218,691</u>
Segment results	295,069	-	7,610	-	302,679
Finance costs					(2,795)
Share of results of an associate	-	-	-	258,200	258,200
Share of results of a joint venture	-	4,238	-	-	<u>4,238</u>
Profit before tax					562,322
Income tax expense	(27,212)	-	(783)	-	(27,995)
Unallocated income tax credit					<u>25</u>
Profit for the year					<u>534,352</u>
Assets and liabilities					
Segment assets	4,108,469	-	376	-	4,108,845
Investment in an associate	-	-	-	2,236,514	2,236,514
Investment in a joint venture	-	119,665	-	-	<u>119,665</u>
Unallocated assets					<u>418,915</u>
Total assets					<u>6,883,939</u>
Segment liabilities	177,836	-	9,186	33	187,055
Unallocated liabilities					<u>80,865</u>
Total liabilities					<u>267,920</u>
Other segment information:					
Capital expenditure	4,858	-	14	-	4,872
Depreciation	366	-	10	-	376
Changes in fair value of investment properties	<u>137,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,135</u>

2 Operating segment information *(continued)*

Geographical information

(a) Revenue from external customers

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	38,005	218,691
United Kingdom	28,648	-
	66,653	218,691

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

(b) Non-current assets

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong	13,095	6,320,856
Mainland China	21,400	16,900
United Kingdom	1,058,654	119,665
	1,093,149	6,457,421

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\$9,303,000 (2015: HK\$34,994,000) was derived from a single customer under the property investment segment.

3 Revenue

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

4 Profit before tax

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

	2016	2015
	HK\$'000	HK\$'000
Depreciation	92	376
Interest expenses	161	1,246
Foreign exchange differences, net *	974	1,217
Loss on deemed disposal of a joint venture *	7,436	-
Impairment of goodwill *	12,311	-
Loss on disposal of an item of property, plant and equipment *	-	105
Gain on disposal of subsidiaries *	(100,510)	-
Gain on deemed disposal of an associate *	(4,941)	-
Interest income	(1,703)	(2,468)
	<u>(1,703)</u>	<u>(2,468)</u>

* These items are included in "Other income and other net losses" in the consolidated statement of profit or loss.

5 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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 jurisdictions in which the Group operates.

	2016	2015
	HK\$'000	HK\$'000
Current - Hong Kong	4,470	22,647
Current - United Kingdom	4,077	-
Over provision in prior years	(21)	(132)
	<u>8,526</u>	<u>22,515</u>
Deferred	1,759	5,455
Total tax charge for the year	<u>10,285</u>	<u>27,970</u>

6 Dividends

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Special cash dividend – HK\$3.8 (2015: Nil) per ordinary share	3,038,318	-
Special dividend by distribution in specie (2015: Nil)	2,285,020	-
Proposed final dividend – Nil (2015: Nil) per ordinary share	-	-
	<u>5,323,338</u>	<u>-</u>

The directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil). No interim dividend was declared in respect of the current year (2015: Nil).

A special cash dividend in the amount of HK\$3.8 per share was declared on 28 January 2016 and paid to the shareholders on 4 March 2016, totalling HK\$3,038.3 million.

On 29 September 2016, the directors proposed a special dividend satisfied by distribution in specie of approximately 41.66% of the issued capital of its associate, The Cross-Harbour (Holdings) Limited (“Cross-Harbour”) (the “Cross-Harbour Shares”), to the Company’s shareholders (the “Distribution”). The Distribution was approved at the Company’s special general meeting held on 14 November 2016 and was completed on 30 November 2016. The Company’s liabilities for the Distribution in the amount of HK\$2,285.0 million on the date of settlement of the Distribution were recognised at the fair value of the Cross-Harbour Shares, which was equal to the sum of the quoted market value of the Cross-Harbour Shares in the amount of HK\$1,738.8 million as at 30 November 2016 and the premium applied in the amount of HK\$546.2 million, with reference to the valuation research performed by Flagship Consulting (Hong Kong) Limited, independent firm of professional qualified valuers.

7 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 2016 and 2015 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<u>Earnings</u>		
Profit for the year attributable to ordinary equity holders of the Company	<u>356,112</u>	<u>534,352</u>
	Number of shares	
	2016	2015
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year	<u>799,557,415</u>	<u>799,557,415</u>

8 Trade receivables

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 to 30 days	<u><u>1,427</u></u>	<u><u>605</u></u>

The trade receivables primarily include rental receivables which are normally due on the first day of the billing period. 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.

9 Trade payables

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 to 30 days	<u><u>79</u></u>	<u><u>735</u></u>

DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil). No interim dividend was paid during the year (2015: Nil).

Accordingly, no final dividend will be proposed to shareholders at the forthcoming annual general meeting on 18 May 2017 (the “AGM”).

On 28 January 2016, a special cash dividend in the amount of HK\$3.8 per share was declared, and it was paid to the shareholders on 4 March 2016, totalling HK\$3,038.3 million.

On 29 September 2016, a special dividend in the form of distribution in specie of 155,254,432 shares of The Cross-Harbour (Holdings) Limited (“Cross-Harbour”) was proposed by the board of directors. It was approved at the special general meeting held on 14 November 2016 and was completed on 30 November 2016.

LAST SHARE REGISTRATION DATE FOR AGM

For determining the right of shareholders to attend the AGM and to vote at the AGM, the deadline for share registration will be Thursday, 11 May 2017. Shareholders should therefore ensure that all transfer documents and accompanying share certificates are lodged for registration with Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m., Thursday, 11 May 2017.

NET ASSET VALUE

The consolidated net asset value of the Group as at 31 December 2016 was HK\$1,456.6 million (2015: HK\$6,616.0 million), The consolidated net asset value per share as at 31 December 2016 was HK\$1.82 based on 799,557,415 shares in issue as compared to HK\$8.27 per share based on 799,557,415 shares in issue as at 31 December 2015.

BUSINESS REVIEW

During 2016, the market conditions continued to be difficult as we witnessed great market volatility and uncertainties in global economy. In June, UK voted by referendum to leave the European Union and its result has caused further uncertainty on the weak European markets and dampened its pace for long-term recovery.

The US market has shown signs of slow economic recovery during the year. The results of the US presidential election in November caused mixed feelings of the magnitude and certainty of its economic recovery and its impact on global trade environment. Continuous upward movement of interest rates has been anticipated though it would only be expected at slow pace. Nonetheless, worries of interest rate hikes would inevitably create negative impact on global economic stability to certain extent.

Other geopolitical risks continued, such as violent incidents and refugee problems in Europe and Middle East, and disputes in South China Sea. Despite the uncertainties and volatility of the Global market, the US and some major stock markets had experienced substantial increase during the period.

For Mainland China, the pace of economic growth continued to slow down and it was below the 7% mark as the China stock market and consumers’ spending remained weak.

In Hong Kong, the property market continued to be weak with the retail sector being the weakest performer. Rental and property value of the prime retail areas had experienced substantial downward adjustments. It was inevitable as the retail segment of our local economy was most impacted by the weak spending of the Mainland tourists due to devaluation of Renminbi against our local currency which exchange rate is pegged to US dollar together with the effects of the slow economy and weak stock market in the Mainland.

BUSINESS REVIEW *(continued)*

The Group's net profit attributable to shareholders for the year was HK\$356.1 million as compared to the net profit of HK\$534.4 million in 2015, representing a 33.4% decrease. Revenue for the year decreased by 69.5% to HK\$66.7 million as compared to HK\$218.7 million reported in 2015. The decrease in overall revenue was primarily due to the disposal of the two Hong Kong investment properties at end of February 2016.

During the year up to the completion of the Group's distribution in specie of the shares of the then associated company, Cross-Harbour, as special dividend to the shareholders, the Group's share of profit after taxation from the associated company, for the year was HK\$176.2 million (2015: HK\$258.2 million), a decrease of 31.8% 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.

Property Business

As at the end of 2016, the Group's major investment properties include:

- 1 Chapel Place, London, UK
- 1 Harrow Place, London, UK

Gross rental income for the year amounted to HK\$64.9 million which represents a decrease of about 69.1% when compared with last year's rental income of HK\$210.0 million. The decrease in rental income was mainly due to the disposal of the two Hong Kong investment properties at end of February 2016.

Revaluation of the Group's portfolio of properties resulted in a surplus of HK\$55.3 million (2015: HK\$137.1 million). The revaluation surplus was reported in the statement of profit or loss.

Material Acquisition and Disposal

In December 2015, the Group entered into a disposal agreement to dispose of the entire issued share capital of its then indirect wholly-owned subsidiaries, Y. T. Properties International Limited ("Y. T. Properties International") and Y. T. Property Services Limited ("Y. T. Property Services"). Y. T. Properties International through its direct and indirect wholly-owned subsidiaries owned 100% interest of Century Square and Prestige Tower. Y. T. Property Services and its wholly-owned subsidiary were engaged mainly in property management and related services and primarily provided their services to Century Square and Prestige Tower. The transaction was completed on 29 February 2016.

In December 2015, the Group also entered into an acquisition agreement to acquire from its joint venture partner 50% of the issued share capital of Solent Ventures Limited which indirectly own 100% of a prime commercial property, 1 Chapel Place in London, UK (the "London Property"). The acquisition enabled the Group to expand its overseas property portfolio by increasing its interest in the London Property from 50% to 100%. The transaction was completed on 29 February 2016. The rental income from 1 Chapel Place has been stable and the occupancy rate was 100% as at 31 December 2016.

On 18 July 2016, the Group entered into an agreement to acquire directly and indirectly the entire issued units in a property unit trust, Grove Property Unit Trust 4, which owns a prime hotel property at 1 Harrow Place in London, UK. The property is leased to Travelodge Hotels. The total purchase consideration is GBP42.3 million (equivalent to approximately HK\$434.4 million). Completion took place on the same day immediately following the entering into of the agreement. The rental income from 1 Harrow Place has been stable and the occupancy rate was 100% as at 31 December 2016.

Further details of the above mentioned transactions were already disclosed in the relevant announcements and circular issued by the Company.

BUSINESS REVIEW *(continued)*

Distribution in Specie of Shares in Cross-Harbour as Special Dividend

On 29 September 2016, the Company announced the approval by the board of directors of a special dividend in the form of distribution in specie of 155,254,432 Cross-Harbour shares (“Distribution in Specie”) to our shareholders. It was approved at the special general meeting held on 14 November 2016 and was completed on 30 November 2016. Following completion of the Distribution in Specie, the Group did not own any shares in Cross-Harbour and the Group would no longer share the results of Cross-Harbour thereafter.

Further details of the Distribution in specie were already disclosed in the relevant announcement and circular issued by the Company.

FINANCING AND LIQUIDITY

Financial expenses for the year ended 31 December 2016 amounted to HK\$0.5 million (2015: HK\$2.8 million), decreased by 83.7% when compared with last year as the Group’s bank borrowings was fully paid off in February 2016.

As at 31 December 2016, the Group’s cash and cash equivalents was HK\$390.4 million (2015: HK\$417.1 million), and the Group did not have any bank borrowings (2015: HK\$81.6 million). The gearing ratio of the Group was zero (2015: zero). The gearing ratio, if any, is calculated as the ratio of net bank borrowings to shareholders’ funds.

Following the disposal of the Group’s major investment properties in Hong Kong, the increased interest to 100% of 1 Chapel Place in February 2016 and the acquisition of 1 Harrow Place in July 2016, the Group’s main source of rental income is denominated in British Pound Sterling which is subject to foreign exchange rate fluctuation.

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

PROSPECTS AND STRATEGIES

For the coming 2017, the Group expects volatility and uncertainty in the global economy will continue. The impact of Brexit, implementation and execution of domestic and foreign policies by the newly elected US president, pending interest rate hike by US Federal Reserve, and the unstable geopolitical environment will no doubt pose threats to market confidence and may dampen economic recovery on a global scale.

In Hong Kong, the local economy will continue to be affected by the economic development in Mainland China. It is expected that local property market and economic recovery will be weak in the near future due to weakness in retails and pending interest rate hikes.

In anticipation of volatile and uncertain economic and political environment ahead, the Group will continue to adopt a cautious but proactive approach to look for sound and stable investment opportunities to produce sustainable returns for our shareholders.

CONTINGENT LIABILITIES

The Group had no contingent liabilities at 31 December 2016. At 31 December 2015, the Group had contingent liabilities in respect of a guarantee provided by the Company for an amount not exceeding HK\$235,750,000 in respect of the banking facilities made available to its joint venture, out of which HK\$232,041,000 was utilised.

STAFF

As at 31 December 2016, the Group employed 4 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, 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.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2016, the Company complied with the code provisions of the Corporate Governance Code (the “CG Code”) set out within Appendix 14 to the Main Board Listing Rules (the “Listing Rules”) save for the deviations described below.

Mr. Cheung Chung Kiu (“Mr. Cheung”) is the chairman of the board and has assumed the role of managing director since 29 February 2016 following the resignation of former managing director and executive director, Mr. Wong Chi Keung (“Mr. Wong”), on that date. As a result, the Company has deviated from A.2.1 of the CG Code to the extent that the roles of chairman and chief executive have both been performed by Mr. Cheung since 29 February 2016. However, in view of the structure and composition of the board and the reduced operations of the Company and its subsidiaries (the “Group”) in Hong Kong after completion of the disposal of Prestige Tower and the shops and offices at Century Square in Hong Kong on 29 February 2016 (as disclosed in the announcement published by the Company on that date), the board considers that vesting the roles of both chairman and managing director in Mr. Cheung can facilitate the effective implementation and execution of its business strategies by, and ensure a consistent leadership for, the Group. Further, a balance of power and authority between the board and management can be ensured by the operation of the board, whose members (including the three independent non-executive directors) are individuals of high calibre with ample experience, such that the interests of shareholders can be safeguarded. The Company will from time to time review the structure and composition of the board to ensure that a balance of power and authority between the board and management is appropriately maintained for the Group.

With the exception of Mr. Wong who resigned from office on 29 February 2016, no director has a formal letter of appointment setting out the key terms and conditions of his/her appointment. The Company 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, removal, vacation or termination of the office as a director, and disqualification to act as a director in the manner specified for each such purpose in the Company’s bye-laws, applicable laws and the Listing Rules. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted codes of conduct regarding securities transactions by directors and by relevant employees (within the meaning of the CG Code) no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out within Appendix 10 to the Listing Rules. All directors confirmed that they had complied with the required standard set out within the Model Code and the Company’s code of conduct regarding directors’ securities transactions throughout the year.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the preliminary announcement of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditors, Ernst & Young ("EY"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

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.

On behalf of the board
Cheung Chung Kiu
Chairman and Managing Director

Hong Kong, 23 March 2017

As at the date hereof, the board of directors of the Company comprises Cheung Chung Kiu, Yuen Wing Shing and Tung Wai Lan, Iris who are executive directors; and Ng Kwok Fu, Luk Yu King, James and Leung Yu Ming, Steven who are independent non-executive directors.

** For identification purposes only*