



渝太地產集團有限公司
Y. T. REALTY GROUP LIMITED

Stock Code : 75

2018
INTERIM
REPORT





MIX
Paper from
responsible sources
FSC® C127090

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Corporate Information

Executive Director

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

Independent Non-executive Director

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

Audit Committee

Luk Yu King, James (*Chairman*)
Ng Kwok Fu
Leung Yu Ming, Steven

Remuneration Committee

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

Nomination Committee

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

Authorised Representative

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

Company Secretary

Albert T. da Rosa, Jr.

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

* 25th Floor, China Resources Building
26 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2500 5555
Fax: (852) 2507 2120
Website: www.ytrealtygroup.com.hk
Email: investors@ytrealtygroup.com.hk

External Auditor

Ernst & Young

Principal Banker

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

Legal Adviser

Bermuda:
Conyers Dill & Pearman

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

Registrar & Transfer Office

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

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

Share Listing

The Stock Exchange of Hong Kong Limited
Stock Code: 75

* The principal place of business of the Company has relocated from 3301-3307 to the 25th Floor of China Resources Building with effect from 27 August 2018.

Management Discussion and Analysis

The board of directors is pleased to present the unaudited consolidated results of the Company and its subsidiaries for the six months ended 30 June 2018.

Business Review

For the first half of 2018, the global economy had experienced volatility and uncertainties. On the positive side, geopolitical tension had somewhat relaxed when compared to last year as political conflict between North Korea and U.S. appeared to be amendable after meaningful talks between the leaders of these two countries. However, the negative effects of trade wars between US and Mainland China, EU, and other countries have emerged and posted uncertainty on the economic outlook for the affected countries. Also, implementation of Brexit remained a key factor creating uncertainty in the weak European markets.

The US economy had gradually shown signs of recovery since last year and various economic indices had improved. Changes in the US tax system including substantial tax cut for US corporations were expected to strengthen US corporate earnings and the US economy. The improved domestic economy of US further fueled the trend of upward movement of interest rates which coupled with the US Federal Reserves' plan to reduce the size of its balance sheet might undermine the global economic recovery.

For Mainland China, escalation of trade war with the US has added pressure on economic growth which was already affected by the financial deleveraging campaign by the central government. Inevitably, the stock market and the general economy was affected in the first half of the year. It was expected the pace of GDP growth might fall below last year's level.

In Hong Kong, despite the uncertainties and volatility of the global market and relatively weak economic performance in PRC, the local economy still experienced moderate growth with low unemployment rate. During the period under review, the slight upward movement of interest rate did not appear to cause negative impact on the local property market. The downward adjustments in the retail property sector seemed to find its support after rental value of the prime retail areas had experienced substantial reduction in previous year as retail sales bounced back slightly due to increase in tourist visits and improved spending of Mainland tourists as compared to prior year. However, escalation of trade war between US and China had casted clouds over the export sector which had been a major part of our local economy.

In the UK, despite the uncertainty and potential impact of implementation of Brexit, the economy was relatively resilient. The commercial property market in London, where the Group's major investment properties are located, rental and property value remained stable during the period.

For the first half of 2018, the Group's revenue increased by 13.1% to HK\$24.2 million as compared to HK\$21.4 million in the last corresponding period. The Group's investment properties in UK generated stable recurring rental income and achieved 100% occupancy rate.

The Group's net profit attributable to shareholders for the first six months of 2018 amounted to HK\$33.8 million which was 7.1% higher than the results of the corresponding period of 2017. Earnings per share for the first six-month period of 2018 amounted to HK4.2 cents (2017: HK4.0 cents).

The Group's investment property portfolio was independently valued at the end of the period resulting in revaluation surplus of HK\$16.3 million (2017: HK\$12.3 million). The revaluation surplus was reported in the statement of profit or loss.

Management Discussion and Analysis

Prospects

While the performance of the Group was stable during the first half of the year, we anticipate that volatility and uncertainty will continue to affect the global economy for the rest of the year. The impact of trade wars between US and other major economies, anticipated gradual interest rate hike, the reduction of the size of the balance sheet by US Federal Reserve, implementation of Brexit and the unstable geopolitical environment will affect the global market confidence and weaken economic recovery on the macro level.

In Hong Kong, the local economy will continue to be affected by economic development in Mainland China and the intensity of the US-China trade war. Also, it is expected that economic recovery and local property market will be affected by anticipated interest rate hikes.

In the UK, the economy will be subject to the uncertainty and impact of implementation of Brexit. However, the economy and property market in London is expected to be relatively more resilient as compared to other regions of UK as London is still the primary business center of Europe and the preferred location for corporate head quarter in Europe and property investment by international investors.

In anticipation of the volatility and uncertain economic environment, the Group will continue to adopt a cautious and proactive approach in managing its core business and to look for sound and stable investment opportunities to produce sustainable returns for our shareholders.

Liquidity and Financial Resources

As at 30 June 2018, the Group's cash and cash equivalents was HK\$418.6 million and the Group did not have any bank borrowings. The gearing ratio of the Group was zero (31 December 2017: zero). The gearing ratio, if any, is calculated as the ratio of net bank borrowings to shareholders' funds. With cash and recurring rental income, the Group has sufficient resources to meet the foreseeable funding needs for working capital and capital expenditure.

The Group's main source of rental income is denominated in British Pound Sterling which is subject to foreign exchange rate fluctuation.

Contingent Liabilities

As at 30 June 2018, the Group had no contingent liabilities (31 December 2017: Nil).

Staff

As at 30 June 2018, the Group employed 5 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 board depending upon the financial performance of the Group.

Interim Dividend

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

Directors' and Chief Executive's Interests and Short Positions

The register kept by the Company under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") shows the following interests of directors in the shares of the Company as at 30 June 2018:

| Name | Capacity | No. of shares ² | Total no. of shares | % of shareholding |
|------------------|------------------------------------|----------------------------|---------------------|-------------------|
| Cheung Chung Kiu | Interest of controlled corporation | 273,000,000 ¹ | 273,000,000 | 34.14% |
| Ng Kwok Fu | Beneficial owner | 50,000 | | |
| | Interest of spouse | <u>40,000</u> | 90,000 | 0.01% |

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"), and Yugang BVI in turn was a wholly owned subsidiary of Yugang International Limited ("Yugang International"). Yugang International was owned as to 0.57% by Mr. C.K. Cheung, as to 9.16% by Timmex Investment Limited (a company wholly owned by Mr. C.K. Cheung) and as to 34.33% by Chongqing Industrial Limited ("Chongqing Industrial"). Chongqing Industrial was owned as to 35% by Mr. C.K. Cheung, as to 30% by each of Prize Winner Limited ("Prize Winner") and Peking Palace Limited ("Peking Palace"), and as to 5% by Miraculous Services Limited ("Miraculous Services"). Mr. C.K. Cheung owned 50% of Prize Winner, while the remaining 50% of Prize Winner and the entire interests in Peking Palace and Miraculous Services were held by Palin Holdings Limited ("Palin Holdings") (a company wholly owned by Mr. C.K. Cheung) as trustee for Palin Discretionary Trust, a family discretionary trust whose objects included Mr. C.K. Cheung and his family.

² All of the interests disclosed above represent long positions.

Save as disclosed herein, as at 30 June 2018, no director or chief executive had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to the Code for Securities Transactions by Directors.

Disclosure of Interests

Share Options

The share option scheme adopted by the Company on 21 May 2015 (the “Scheme”) is the only share option scheme of the Company. A summary of the principal terms of the Scheme is given in the circular to shareholders dated 17 April 2015.

No option lapsed and no option was granted, exercised or cancelled under the Scheme during the half-year period ended 30 June 2018. Nor were there any outstanding options with regard to the Scheme and any other schemes of the Company at the beginning and/or at the end of the period.

Other Persons’ Interests and Short Positions

As at 30 June 2018, so far as is known to the directors of the Company, the following persons, other than the directors and chief executives, had, or were deemed to have, interests in the shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

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

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

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 30 June 2018, 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 by the Company under section 336 of the SFO, other than as disclosed on page 4.

Corporate Governance Code

Throughout the accounting period covered by the interim report, 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.

The Company has deviated from A.2.1 of the CG Code to the extent that the roles of chairman and chief executive are performed by Mr. Cheung Chung Kiu (“Mr. Cheung”). Having considered the existing structure and composition of the board and operations of the Company and its subsidiaries (the “Group”) in Hong Kong, the board believes that vesting the roles of both chairman and managing director in Mr. Cheung facilitates 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 continue to review the structure and composition of the board from time to time to ensure that a balance of power and authority between the board and management is appropriately maintained for the Group.

The Company has no formal letters of appointment for directors 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, removal, vacation or termination of the office as a director, and disqualification to act as a director in the manner specified 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) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out within Appendix 10 to the Listing Rules (the “Model Code”).

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 period.

Other Information

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 period.

Review by Audit Committee

The interim report has been reviewed by the audit committee. The audit committee has also reviewed the accounting principles and practices adopted by the Company and discussed internal control, risk management and financial reporting matters with management.

Directors' Information

Mr. Yuen Wing Shing was elected as a non-executive director of Shengjing Bank Co., Ltd., a public company listed on the Exchange (stock code: 2066) on 28 February 2018, subject to the ratification of his eligibility to serve as director by the Liaoning Bureau of the China Banking and Insurance Regulatory Commission (the "Bureau"). Such ratification was subsequently obtained from the Bureau, and the term of his office commenced from 7 August 2018. Mr. Yuen's other information is set out in the 2017 annual report of the Company.

Save as disclosed above, the Company has not been advised by its directors of any change in the information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since its last update to shareholders.

Appreciation

On behalf of the board, I wish to express our gratitude and sincere appreciation to the management and staff for their hard work and contributions.

On behalf of the board

Cheung Chung Kiu

Chairman and Managing Director

Hong Kong, 24 August 2018

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

| | Notes | Unaudited | |
|--|-------|---------------------------|---------------------------|
| | | Six months ended 30 June | |
| | | 2018 | 2017 |
| | | HK\$'000 | HK\$'000 |
| REVENUE | 2,3 | 24,245 | 21,426 |
| Direct outgoings | | <u>(695)</u> | <u>(41)</u> |
| | | 23,550 | 21,385 |
| Other income and other net losses | | (184) | 1,087 |
| Administrative expenses | | (4,331) | (4,285) |
| Changes in fair value of investment properties | | <u>16,280</u> | <u>12,270</u> |
| PROFIT BEFORE TAX | 4 | 35,315 | 30,457 |
| Income tax (expense)/credit | 5 | <u>(1,496)</u> | <u>1,127</u> |
| PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | <u><u>33,819</u></u> | <u><u>31,584</u></u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| Basic and diluted | 6 | <u><u>HK4.2 cents</u></u> | <u><u>HK4.0 cents</u></u> |

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

| | Unaudited | |
|--|--------------------------|----------|
| | Six months ended 30 June | |
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| PROFIT FOR THE PERIOD | 33,819 | 31,584 |
| OTHER COMPREHENSIVE (LOSS)/INCOME | | |
| <i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:</i> | | |
| Exchange differences on translation of foreign operations | (25,392) | 70,275 |
| OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD | (25,392) | 70,275 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | 8,427 | 101,859 |

Consolidated Statement of Financial Position

30 June 2018

| | <i>Notes</i> | 30 June 2018 <i>HK\$'000</i> (Unaudited) | 31 December 2017 <i>HK\$'000</i> (Audited) |
|---|--------------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 146 | 170 |
| Investment properties | 8,9 | 1,209,255 | 1,216,548 |
| Other investments | | 18,610 | 18,610 |
| Deposits | | 279 | — |
| Total non-current assets | | <u>1,228,290</u> | <u>1,235,328</u> |
| CURRENT ASSETS | | | |
| Trade receivables | 10 | 563 | 44 |
| Other receivables, deposits and prepayments | | 6,499 | 10,162 |
| Cash and cash equivalents | | 418,562 | 407,121 |
| Total current assets | | <u>425,624</u> | <u>417,327</u> |
| CURRENT LIABILITIES | | | |
| Trade payables | 11 | 28 | 95 |
| Other payables and accrued expenses | | 15,739 | 17,235 |
| Tax payables | | 4,705 | 4,318 |
| Total current liabilities | | <u>20,472</u> | <u>21,648</u> |
| NET CURRENT ASSETS | | <u>405,152</u> | <u>395,679</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>1,633,442</u> | <u>1,631,007</u> |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | 4,068 | 4,243 |
| Other payables | | 5,398 | 3,219 |
| Total non-current liabilities | | <u>9,466</u> | <u>7,462</u> |
| Net assets | | <u>1,623,976</u> | <u>1,623,545</u> |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Issued share capital | 12 | 79,956 | 79,956 |
| Reserves | | 1,544,020 | 1,543,589 |
| Total equity | | <u>1,623,976</u> | <u>1,623,545</u> |

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

| | Unaudited | | | | | | | | |
|--|---|--|---|---------------------------------------|---|--|---|--|--------------------------|
| | Attributable to equity holders of the Company | | | | | | | | |
| | Issued share capital <i>HK\$'000</i> | Share premium account <i>HK\$'000</i> | Capital redemption reserve <i>HK\$'000</i> | Capital reserve <i>HK\$'000</i> | Contributed surplus <i>HK\$'000</i> | Exchange fluctuation reserves <i>HK\$'000</i> | Other reserves [#] <i>HK\$'000</i> | Retained profits <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| At 1 January 2018 | 79,956 | 95,738 | 1,350 | 1,800 | 4,767 | 2,951 | 1,110 | 1,435,873 | 1,623,545 |
| Profit for the period | — | — | — | — | — | — | — | 33,819 | 33,819 |
| Other comprehensive income/(loss) for the period | — | — | — | — | — | (25,392) | — | — | (25,392) |
| Total comprehensive income/(loss) for the period | — | — | — | — | — | (25,392) | — | 33,819 | 8,427 |
| Final dividend declared and paid | — | — | — | — | — | — | — | (7,996) | (7,996) |
| At 30 June 2018 | <u>79,956</u> | <u>95,738*</u> | <u>1,350*</u> | <u>1,800*</u> | <u>4,767*</u> | <u>(22,441)*</u> | <u>1,110*</u> | <u>1,461,696*</u> | <u>1,623,976</u> |
| At 1 January 2017 | 79,956 | 95,738 | 1,350 | 1,800 | 4,767 | (108,920) | 830 | 1,381,109 | 1,456,630 |
| Profit for the period | — | — | — | — | — | — | — | 31,584 | 31,584 |
| Other comprehensive income for the period | — | — | — | — | — | 70,275 | — | — | 70,275 |
| Total comprehensive income for the period | — | — | — | — | — | 70,275 | — | 31,584 | 101,859 |
| At 30 June 2017 | <u>79,956</u> | <u>95,738</u> | <u>1,350</u> | <u>1,800</u> | <u>4,767</u> | <u>(38,645)</u> | <u>830</u> | <u>1,412,693</u> | <u>1,558,489</u> |

* These reserve accounts comprise the consolidated reserves of HK\$1,544,020,000 (31 December 2017: HK\$1,543,589,000) in the consolidated statement of financial position.

Other reserves represent the fair value reserve arising from a financial asset at FVOCI with no recycling of gains or losses to profit or loss on derecognition.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

| | Unaudited | |
|--|--------------------------|-----------------|
| | Six months ended 30 June | |
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | 20,475 | 12,448 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of an item of property, plant and equipment | — | 9 |
| Purchase of other investment | — | (16,760) |
| Other cash flows arising from investing activities | 781 | 326 |
| Net cash flows from/(used in) investing activities | 781 | (16,425) |
| CASH FLOWS FROM A FINANCING ACTIVITY | | |
| Dividend paid | (7,996) | — |
| Net increase/(decrease) in cash and cash equivalents | 13,260 | (3,977) |
| Cash and cash equivalents at 1 January | 407,121 | 390,399 |
| Effect on foreign exchange rate changes, net | (1,819) | 2,810 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 418,562 | 389,232 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 116,222 | 139,232 |
| Non-pledged time deposits with original maturity of less than three months when acquired | 302,340 | 250,000 |
| | 418,562 | 389,232 |

Notes to Interim Condensed Consolidated Financial Statements

30 June 2018

1 Basis of Preparation and Accounting Policies

These unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No. 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 to the Listing Rules.

These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2017.

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of the following new HKFRSs and amendments to HKFRSs for the first time for the current period’s unaudited interim condensed consolidated financial statements:

| | |
|--|--|
| Amendments to HKFRS 2 | <i>Classification and Measurement of Share-based Payment Transactions</i> |
| Amendments to HKFRS 4 | <i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> |
| HKFRS 9 | <i>Financial Instruments</i> |
| HKFRS 15 | <i>Revenue from Contracts with Customers</i> |
| Amendments to HKFRS 15 | <i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> |
| Amendments to HKAS 40 | <i>Transfers of Investment Property</i> |
| HK(IFRIC)-Int 22 | <i>Foreign Currency Transactions and Advance Consideration</i> |
| <i>Annual Improvements</i> <i>2014-2016 Cycle</i> | Amendments to HKFRS 1 and HKAS 28 |

The adoption of these HKFRSs has had no significant financial effect on the unaudited interim condensed consolidated financial statements, except for HKFRS 9 *Financial Instruments*.

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

1 Basis of Preparation and Accounting Policies *(continued)*

(a) Classification and measurement

Except for trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are, as follows:

- *Debt instruments at amortised cost* for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's *trade and other receivables*.
- *Debt instruments at FVOCI*, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are unlisted debt investments that meet the SPPI criterion and are held within a business model to sell. Under HKAS 39, unlisted debt investments were classified as available-for-sale ("AFS") financial assets.

Other financial assets are classified and subsequently measured, as follows:

- *Equity instruments at FVOCI*, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its unquoted equity instrument as equity instrument at FVOCI. Equity instrument at FVOCI is not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's unquoted equity instrument was classified as AFS financial assets.
- *Financial assets at FVPL* comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied prospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2018

1 Basis of Preparation and Accounting Policies *(continued)*

(a) Classification and measurement *(continued)*

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

The adoption of the classification and measurement requirements of HKFRS 9 had no significant impact on the Group's financial statements, except that the Group's AFS investment included in "Other investments" as at 31 December 2017 was reclassified as a financial asset at FVOCI upon adoption on 1 January 2018.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e., loans and debt securities at FVOCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The adoption of the ECL requirements of HKFRS 9 had no significant impact on the Group's financial statements.

The Group has not early adopted any new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements.

2 Operating Segment Information

For management purposes, the Group is organised into business units based on its business activities and has three reportable operating segments during the first six months of 2018 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; and
- (c) The property management and related services segment comprises the provision of property management and related technical consultancy services.

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 head office income tax expense/credit is excluded from this measurement.

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

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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2 Operating Segment Information *(continued)*

| | Property investment <i>HK\$'000</i> | Property trading <i>HK\$'000</i> | Property management and related services <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|---|--|--|---------------------------------|
| Six months ended 30 June 2018 (Unaudited) | | | | |
| Segment revenue | 24,245 | — | — | 24,245 |
| Segment results | 35,315 | — | — | 35,315 |
| Profit before tax | | | | 35,315 |
| Income tax expense | (1,496) | — | — | (1,496) |
| Profit for the period | | | | 33,819 |
| At 30 June 2018 (Unaudited) | | | | |
| Assets and liabilities | | | | |
| Segment assets | 1,216,597 | — | — | 1,216,597 |
| Unallocated assets | | | | 437,317 |
| Total assets | | | | 1,653,914 |
| Segment liabilities | 24,627 | — | — | 24,627 |
| Unallocated liabilities | | | | 5,311 |
| Total liabilities | | | | 29,938 |
| Six months ended 30 June 2018 (Unaudited) | | | | |
| Other segment information: | | | | |
| Capital expenditure | — | — | — | — |
| Depreciation | | | | 24 |
| Changes in fair value of investment properties | 16,280 | — | — | 16,280 |

Notes to Interim Condensed Consolidated Financial Statements

30 June 2018

2 Operating Segment Information *(continued)*

| | Property investment <i>HK\$'000</i> | Property trading <i>HK\$'000</i> | Property management and related services <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|---|--|--|---------------------------------|
| Six months ended 30 June 2017 (Unaudited) | | | | |
| Segment revenue | 21,426 | — | — | 21,426 |
| Segment results | 30,457 | — | — | 30,457 |
| Profit before tax | | | | 30,457 |
| Income tax credit | 1,127 | — | — | 1,127 |
| Profit for the period | | | | 31,584 |
| At 31 December 2017 (Audited) | | | | |
| Assets and liabilities | | | | |
| Segment assets | 1,226,754 | — | — | 1,226,754 |
| Unallocated assets | | | | 425,901 |
| Total assets | | | | 1,652,655 |
| Segment liabilities | 21,805 | — | — | 21,805 |
| Unallocated liabilities | | | | 7,305 |
| Total liabilities | | | | 29,110 |
| Six months ended 30 June 2017 (Unaudited) | | | | |
| Other segment information: | | | | |
| Capital expenditure | 126 | — | — | 126 |
| Depreciation | 17 | — | — | 17 |
| Changes in fair value of investment properties | 12,270 | — | — | 12,270 |

Notes to Interim Condensed Consolidated Financial Statements

30 June 2018

2 Operating Segment Information *(continued)*

Geographical information

(a) Revenue from external customers

| | Unaudited | |
|----------------|--------------------------|---------------|
| | Six months ended 30 June | |
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| United Kingdom | 24,125 | 21,306 |
| Hong Kong | 120 | 120 |
| | <u>24,245</u> | <u>21,426</u> |

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

(b) Non-current assets

| | 30 June | 31 December |
|----------------|------------------|------------------|
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| United Kingdom | 1,172,655 | 1,179,748 |
| Hong Kong | 31,175 | 30,430 |
| Mainland China | 22,610 | 23,300 |
| | <u>1,226,440</u> | <u>1,233,478</u> |

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

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

| | Unaudited | |
|--|--------------------------|----------|
| | Six months ended 30 June | |
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| Customer A under the property investment segment | 12,378 | 10,482 |
| Customer B under the property investment segment | 3,444 | 2,460 |
| Customer C under the property investment segment | N/A ¹ | 2,391 |
| Customer D under the property investment segment | N/A ¹ | 2,332 |

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group during the period ended 30 June 2018.

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3 Revenue

Revenue represents the aggregate of gross rental income received and receivable from investment properties.

4 Profit Before Tax

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

| | Unaudited | |
|-----------------------------------|--------------------------|--------------|
| | Six months ended 30 June | |
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| Depreciation | 24 | 17 |
| Staff costs: | | |
| Wages and salaries | 1,325 | 916 |
| Pension scheme contributions | 44 | 33 |
| | <u>1,369</u> | <u>949</u> |
| Foreign exchange differences, net | 1,035 | (629) |
| Interest income | <u>(845)</u> | <u>(457)</u> |

5 Income Tax Expense/Credit

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the current and the prior period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates.

| | Unaudited | |
|---|--------------------------|----------------|
| | Six months ended 30 June | |
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| Current - United Kingdom | 1,671 | 1,491 |
| Over-provision in the prior year - United Kingdom | — | (2,316) |
| Over-provision in the prior year - Hong Kong | — | (502) |
| | <u>1,671</u> | <u>(1,327)</u> |
| Deferred | <u>(175)</u> | <u>200</u> |
| Total tax charge/(credit) for the period | <u>1,496</u> | <u>(1,127)</u> |

Notes to Interim Condensed Consolidated Financial Statements

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6 Earnings Per Share Attributable to Ordinary Equity Holders of the Company

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

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2018 and 2017.

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

| | Unaudited | |
|--|--------------------------|--------------------|
| | Six months ended 30 June | |
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| <u>Earnings</u> | | |
| Profit for the period attributable to ordinary equity holders of the Company | <u>33,819</u> | <u>31,584</u> |
| | | |
| | Number of shares | |
| | Six months ended 30 June | |
| | 2018 | 2017 |
| <u>Shares</u> | | |
| Weighted average number of ordinary shares in issue during the period | <u>799,557,415</u> | <u>799,557,415</u> |

7 Dividends

During the period ended 30 June 2018, the Company declared a final dividend of HK1 cent per ordinary share amounting to HK\$7,996,000 for the year ended 31 December 2017 which was paid on 12 June 2018.

The board of directors has resolved not to declare an interim dividend for the six months ended 30 June 2018 (2017: Nil).

Notes to Interim Condensed Consolidated Financial Statements

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8 Movements in Property, Plant and Equipment and Investment Properties

| | Unaudited | |
|--|--|---|
| | Property, plant and equipment <i>HK\$'000</i> | Investment properties <i>HK\$'000</i> |
| At 30 June 2018 | | |
| Net carrying amount at beginning of reporting period | 170 | 1,216,548 |
| Depreciation provided during the period | (24) | — |
| Fair value adjustment | — | 16,280 |
| Exchange realignment | — | (23,573) |
| Net carrying amount at end of reporting period | <u>146</u> | <u>1,209,255</u> |
| At 30 June 2017 | | |
| Net carrying amount at beginning of reporting period | 95 | 1,093,054 |
| Additions | 126 | — |
| Disposal/write-off | (22) | — |
| Depreciation provided during the period | (17) | — |
| Write-back of depreciation | 13 | — |
| Fair value adjustment | — | 12,270 |
| Exchange realignment | — | 67,691 |
| Net carrying amount at end of reporting period | <u>195</u> | <u>1,173,015</u> |

9 Investment Properties

The revaluation of the Group's investment properties was carried out by John D Wood and Savills Valuation and Professional Services Limited, independent firms of professionally qualified valuers, on an open market, existing use basis at the end of the reporting periods.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2018

10 Trade Receivables

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

| | 30 June 2018 <i>HK\$'000</i> (Unaudited) | 31 December 2017 <i>HK\$'000</i> (Audited) |
|--------------|---|---|
| 0 to 30 days | <u>563</u> | <u>44</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.

11 Trade Payables

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

| | 30 June 2018 <i>HK\$'000</i> (Unaudited) | 31 December 2017 <i>HK\$'000</i> (Audited) |
|--------------|---|---|
| 0 to 30 days | 3 | 95 |
| Over 90 days | <u>25</u> | <u>—</u> |
| | <u>28</u> | <u>95</u> |

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

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12 Share Capital

Shares

| | 30 June 2018 <i>HK\$'000</i> (Unaudited) | 31 December 2017 <i>HK\$'000</i> (Audited) |
|---|---|---|
| Authorised: | | |
| 1,500,000,000 ordinary shares of HK\$0.1 each | <u>150,000</u> | <u>150,000</u> |
| Issued and fully paid: | | |
| 799,557,415 ordinary shares | <u>79,956</u> | <u>79,956</u> |

13 Operating Lease Arrangements

(a) As lessor

At the end of the reporting period, the Group had total future minimum lease receivables, calculated on the assumption that no tenant exercisable break clause will be exercised, under non-cancellable operating leases with its tenants falling due as follows:

| | 30 June 2018 <i>HK\$'000</i> (Unaudited) | 31 December 2017 <i>HK\$'000</i> (Audited) |
|---|---|---|
| Within one year | 41,301 | 42,704 |
| In the second to fifth years, inclusive | 188,098 | 170,851 |
| Beyond five years | <u>536,899</u> | <u>536,519</u> |
| | <u>766,298</u> | <u>750,074</u> |

(b) As lessee

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

| | 30 June 2018 <i>HK\$'000</i> (Unaudited) | 31 December 2017 <i>HK\$'000</i> (Audited) |
|---|---|---|
| Within one year | 912 | 791 |
| In the second to fifth years, inclusive | <u>2,572</u> | <u>462</u> |
| | <u>3,484</u> | <u>1,253</u> |

Notes to Interim Condensed Consolidated Financial Statements

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14 Related Party Transactions

Compensation of key management personnel of the Group:

| | Unaudited | |
|---|--------------------------|------------|
| | Six months ended 30 June | |
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| Short term employee benefits | 270 | 270 |
| Post-employment benefits | 9 | 9 |
| Total compensation paid to key management personnel | <u>279</u> | <u>279</u> |

15 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 approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

Assets measured at fair value:

| | Fair value measurement using | | | Total HK\$'000 |
|---|--|--|--|-------------------|
| | Quoted prices in active markets (Level 1) HK\$'000 | Significant observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 | |
| At 30 June 2018 (Unaudited) | | | | |
| Financial asset at FVOCI | <u>1,850</u> | <u>—</u> | <u>—</u> | <u>1,850</u> |
| At 31 December 2017 (Audited) | | | | |
| AFS investment | <u>1,850</u> | <u>—</u> | <u>—</u> | <u>1,850</u> |

During the period/year, there were no transfers into or out of Level 1 fair value measurements.

16 Approval of the Interim Financial Statements

These unaudited interim condensed consolidated financial statements were approved by the board of directors on 24 August 2018.