



渝太地產集團有限公司
Y. T. REALTY GROUP LIMITED

Stock Code : 75

2018
ANNUAL
REPORT





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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

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 Bermuda

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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

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 Pembroke HM08
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SHARE LISTING

The Stock Exchange of Hong Kong Limited
 Stock Code: 75

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

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 2018.

RESULTS

The audited consolidated net profit attributable to shareholders after tax for the year was HK\$82.3 million and the earnings per share amounted to HK10.3 cents, as compared to net profit of HK\$54.8 million and the earnings per share of HK6.8 cents for the year ended 31 December 2017. The net profit attributable to shareholders after tax for 2018 represents a 50.3% increase from 2017.

DIVIDENDS

The directors recommend the payment of a final dividend of HK1 cent per share for the year ended 31 December 2018 (2017: HK1 cent), 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 (2017: Nil).

NET ASSET VALUE

The consolidated net asset value of the Group as at 31 December 2018 was HK\$1,631.0 million (2017: HK\$1,623.5 million). The consolidated net asset value per share as at 31 December 2018 was HK\$2.04 based on 799,557,415 shares in issue as compared to HK\$2.03 per share based on 799,557,415 shares in issue as at 31 December 2017.

BUSINESS REVIEW

In 2018, the global economy was clouded by uncertainties and major financial markets were volatile. In the international scene, trade conflicts between the two largest economies U.S. and China posted major threats to global economic recovery. Other notable negative factors included uncertainty of the negotiation and implementation of Brexit, and continuous geopolitical tension in the Middle East etc.

In the US, the economy showed signs of recovery with notable improvement in economic indices due largely to substantial tax cut for US corporations and changes in the U.S. tax system. During the year, the interest rate hike and reduction of balance sheet by US Federal Reserve continued and the results had dampened the recovery of global economy. Towards the end of 2018, the effects of trade war with China eventually created negative impact to US corporate earnings and US economy.

For Mainland China, the effects of escalation of trade war with the US had added pressure on its economy which was already slowed down by the financial deleveraging campaign by the central government. Economic growth slipped below expectation and the stock market was weak during the year.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(continued)*

In Hong Kong, the local economy experienced moderate growth with stable low unemployment rate and better than expected retail sales despite uncertainties and volatility in global market and relatively weak economic performance in Mainland China. During the year, upward movement of interest rate in Hong Kong was rather moderate as compared to the US and did not appear to cause major negative impact on the overall local property market. The retail property sector was relatively weak over the year though it seemed to find its support after rental value of the prime retail areas had experienced substantial reduction in previous year. However, the expectation of slower local economy under uncertain outcomes of China-US trade conflicts began to cause downward adjustments of all sectors of property market towards the end of the year.

In the UK, the uncertainty and negative impact of implementation of Brexit continued to affect the market. Yet, the fundamental and economy were relatively stable. The commercial property market in London, where the Group's major investment properties are located, was holding up well as rental value and property price remained stable.

The Group's net profit attributable to shareholders for the year was HK\$82.3 million as compared to the net profit of HK\$54.8 million in 2017, representing a 50.3% increase. The increase in profit was mainly attributable to increase in gain in property revaluation as compared with previous year.

Property Business

As at the end of 2018, 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\$47.6 million representing an increase of about 5% when compared with last year's rental income of HK\$45.3 million. The Group's investment properties in UK generated stable recurring rental income and achieved 100% occupancy rate at end of 2018.

Revaluation of the Group's portfolio of properties resulted in a surplus of HK\$51.4 million (2017: HK\$15.9 million). The revaluation surplus was reported in the statement of profit or loss.

BUSINESS REVIEW *(continued)*

Treasury Management Business

During the year, the Group allocated additional resources for its treasury management business to enhance return of its financial assets. In 2018, HK\$3.1 million of revenue (2017: HK\$0.6 million (as restated)) was generated under the new business segment. The increase in revenue was primarily due to upward movement of interest rate during 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group's cash and cash equivalents was HK\$415.5 million (2017: HK\$407.1 million) and the Group did not have any bank borrowings. The gearing ratio of the Group was zero (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.

PROSPECTS AND STRATEGIES

For the coming year, the Group expects the global economy to be weak and will continue to be affected by negative factors such as trade conflicts between China and the US, uncertain results and impact of implementation of Brexit. In addition, the unstable global geopolitical environment still posts threats to global market confidence and economic recovery. However, it is anticipated the pace of interest rate hikes by US Federal Reserve may slow down in response to the sluggish economic recovery.

In Hong Kong, the local economy is largely affected by economic development in Mainland China which is currently impacted by the China and US trade war. It is anticipated that the economic growth and the property market in Hong Kong will be challenging in 2019.

In UK, the economy will inevitably be affected by the uncertainty surrounding the implementation of Brexit. It is expected that the economy and property market in London will be relatively more resilient than other regions of UK as London is still the most developed and important business hub of Europe for global investors and corporations.

To deal with the anticipated market uncertainty and challenging economic climate, the Group will continue to be cautious and proactive in managing its core investments and selection for future investment opportunities in order to produce sustainable and stable returns for our shareholders.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

STAFF

As at 31 December 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 directors depending upon the financial performance of the Group.

APPRECIATION

I would like to take this opportunity to thank our shareholders and business partners for their continuing support, and the Group's dedicated management and staff for their valuable contributions during the past year.

Cheung Chung Kiu

Chairman and Managing Director

Hong Kong, 22 March 2019

EXECUTIVE DIRECTORS / SENIOR MANAGEMENT

Cheung Chung Kiu, aged 54, was appointed Chairman of the Company on 28 September 2000 and has further assumed the role of Managing Director since 29 February 2016. He is a member of the Executive Committee and the Remuneration Committee of the Company, as well as a member and the chairman of the Nomination Committee of the Company. He also holds directorships in certain other members of the Group. Mr. Cheung has a wide range of experience in investment and business management, including over 25 years of experience in property development and investment mainly in Hong Kong and the PRC as well as in other mature cities globally, including London and Sydney. 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 and Chongqing Industrial Limited which are companies disclosed in the section headed “Other Persons’ Interests and Short Positions” on page 49.

Yuen Wing Shing, aged 72, was appointed Executive Director of the Company on 28 September 2000 and is a member of the Executive Committee of the Company and director of 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, an executive director of Cross-Harbour and a non-executive director of Shengjing Bank Co., Ltd., all being public listed companies in Hong Kong.

Tung Wai Lan, Iris, aged 53, was appointed Executive Director of the Company on 28 September 2000 and is a member of the Executive Committee of the Company and director of certain other members of the Group. Ms. Tung holds a master of philosophy degree from The Chinese University of Hong Kong. She is an executive director of Cross-Harbour.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ng Kwok Fu, aged 47, was appointed Independent Non-executive Director of the Company on 30 September 2004 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. 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 64, was appointed Independent Non-executive Director of the Company on 10 September 2007 and is a member and the chairman of the Audit Committee of the Company. 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 59, was appointed Independent Non-executive Director of the Company on 1 October 2007 and is a member of the Audit Committee and the Nomination Committee of the Company, as well as a member and the chairman of the Remuneration Committee of the Company. 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 30 years of experience in assurance, financial management and corporate finance, having previously worked as assistant vice president in the International Finance and Corporate Finance Department of Nomura International (Hong Kong) Limited. He is an independent non-executive director of Suga International Holdings Limited, Yugang International, Cross-Harbour and C C Land, all being public listed companies in Hong Kong.

SHAREHOLDER VALUE

The Company has always been committed to upholding the principles of good corporate governance. These principles highlight an effective board, sound risk management and internal control systems 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 2018 of the Corporate Governance Code (the “CG Code”) set out within Appendix 14 to the Main Board Listing Rules (the “Listing Rules”). To ensure that governance standards are met, and that processes are in place to ensure continuous improvements, the full board assumes the corporate governance duties rather than delegates the responsibility to a committee.

The board is responsible for discharging the corporate governance functions prescribed under the CG Code.

During the year up to the date of this report, the board conducted an annual review of (a) the Company’s policies and practices on corporate governance; (b) the training and continuous professional development of directors (including executive directors who are senior management of the Company); (c) the Company’s policies and practices on compliance with legal and regulatory requirements; and (d) the conduct codes applicable to employees and directors. The board also reviewed the Company’s compliance with the CG Code at regular intervals and relevant disclosure in the interim report and in this report. In the opinion of the board, the Company complied with the principles and the code provisions of the CG Code in all respects throughout the year save for the 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. Having considered the existing structure and composition of the board and operations of 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.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE *(continued)*

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.

INSIDE INFORMATION

The board is responsible for ensuring the Group's compliance with its disclosure obligations regarding inside information, and has appointed a disclosure group with specific designated duties to assist it in, among other things, overseeing and co-ordinating the disclosure of inside information. The procedures and internal controls for the handling and dissemination of inside information are given in the policy (the "PSI Policy") adopted by the Company to ensure that it is able to meet relevant obligations under Part XIVA of the Securities and Futures Ordinance (Cap. 571) (the "SFO"). The PSI Policy applies to the directors, officers and employees of the Group.

Under the PSI Policy, the Company must disclose inside information to the public by way of an announcement as soon as reasonably practicable unless the information falls within any of the safe harbours described under the SFO. Any director, officer or employee who becomes aware of a matter, development or event that he or she considers to be, or potentially to be, inside information shall report it promptly to the disclosure group. Before the relevant information is fully disclosed to the public, the disclosure group should take reasonable precautions to ensure that the information is kept strictly confidential. Where it is believed that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the information should be disclosed immediately to the public. If the disclosure group needs time to clarify the details of, and the impact arising from, an event or a set of circumstances before it is in a position to issue a full announcement to properly inform the public, the disclosure group should consider issuing a "holding announcement" which details as much ascertainable information of the subject matter as possible and sets out the reasons why a fuller announcement cannot be made. Following a holding announcement, the disclosure group should ensure that a full announcement is made as soon as reasonably practicable. In the event that confidentiality has not been maintained and it is not able to make a full announcement or a holding announcement, the disclosure group should consider applying for a suspension of trading in the Company's securities, subject to approval of the board, until disclosure can be made. All inside information related announcements must be properly approved by the board before publication, and all unpublished inside information must be kept in strict confidence until a formal announcement is made. The disclosure group must further ensure that access to unpublished inside information is given only to employees on a "need-to-know" basis for discharging their duties. Apart from reporting to the disclosure group, every director, officer or employee who possesses or has been given access to unpublished inside information must not disclose, discuss or share such information to or with any other parties within or outside the Group.

INSIDE INFORMATION *(continued)*

The PSI Policy also sets out the criteria for advance disclosure of inside information to certain categories of people as may be necessary in the circumstances. In this case, the disclosure group should monitor the situation so that disclosure may be made as soon as reasonably practicable if there is any leakage of information. Directors, officers and employees must refrain from dealing in the shares of the Company at any time when they are in possession of unpublished inside information. Securities dealings are governed by the securities codes applicable to directors and relevant employees (within the meaning of the CG Code), as described in the section below.

SECURITIES DEALINGS

Directors' dealings are governed by a code adopted by the Company (the "Securities Code") (of which the Model Code for Securities Transactions by Directors of Listed Issuers set out within Appendix 10 to the Listing Rules as amended from time to time (the "Model Code") forms part). Each director will be given a copy of the Securities Code at the time of his or her appointment, and a copy of any revised Securities Code thereafter in a timely manner. Directors will be notified in advance of the commencement of each period during which they are not allowed 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 regarding securities transactions on terms 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 in the Company's securities with reminders of their obligations under the code.

THE BOARD

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

CORPORATE GOVERNANCE REPORT

THE BOARD *(continued)*

Board balance

The board, which is chaired by Mr. Cheung Chung Kiu, comprised six 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 and 7.

The Company embraces the benefits of having a diverse board and directs that the review of board composition 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 policies adopted by the Company governing the nomination and diversity of board members. Recommendations of the nomination committee will then be put forth at the next board meeting for directors' consideration and approval.

In the opinion of the nomination committee, an appropriate level of diversity on the board was achieved, and a balanced composition of executive directors and independent non-executive directors, the latter being of sufficient calibre and number for their views to carry weight in the board's deliberations, was maintained, throughout the year. The committee has noted that none of the independent non-executive directors has any interests or relationships that could materially interfere with his independent judgment and concluded that all independent non-executive directors remain independent.

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

THE BOARD *(continued)***Attendance at board and general meetings**

Four regular scheduled meetings of the board and a general meeting (annual general meeting) were held during the year. Attendance of each director at the above meetings is shown below.

	No. of meetings attended/held	
	annual general meeting	regular board meeting
<i>Executive Director</i>		
Cheung Chung Kiu (<i>Chairman and Managing Director</i>)	1/1	4/4
Yuen Wing Shing	1/1	4/4
Tung Wai Lan, Iris	1/1	4/4
<i>Independent Non-executive Director</i>		
Ng Kwok Fu ¹	1/1	4/4
Luk Yu King, James ²	1/1	4/4
Leung Yu Ming, Steven ²	1/1	4/4

Notes:

- ¹ Mr. Ng Kwok Fu was appointed for a term commencing 21 May 2018 and ending at the close of the annual general meeting in 2021.
- ² Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven were appointed for a term commencing 18 May 2017 and ending at the close of the annual general meeting in 2020.
- ³ 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.

During the year, the chairman convened a meeting with the independent non-executive directors without the presence of other directors.

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. In performing the role of managing director, the chairman delegates aspects of the management and administrative functions to senior executives who report directly to him on a regular basis.

CORPORATE GOVERNANCE REPORT

THE BOARD *(continued)*

Delegations to management and reserving matters for the board

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

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

The board sees to it that management is managing properly and does not exceed its remit. The statement gives clear directions as to the powers of management. These include executing the business strategies and initiatives adopted by the board, approving investments and divestments as well as managing the Group's assets and liabilities in accordance with the policies and directives of the board. Management carries out such specific duties as to prepare interim and annual accounts/reports, and to implement and monitor the Company's financial controls and systems of risk management and internal control. Management typically meets each month to review the operating and financial performance of the Group against agreed budgets and targets.

Supply of and access to information

The board and individual directors have separate and independent access to senior management at all times. The management ensures that the board and its committees receive adequate information, board papers and related materials in a timely manner to enable them to make informed decisions. All directors have access to the advice and services of the company secretary, who is responsible to the board to ensure that board procedures are being followed and that applicable rules and regulations are being complied with. Every director or board committee member can seek independent professional advice in appropriate circumstances at the Company's expense.

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 by the company secretarial department is open to all directors. Stocked with the Company's corporate publications and governance policies and procedures, it also collects applicable rules, ordinances, codes and acts. Directors are welcome to visit the library and borrow those materials.

THE BOARD *(continued)*

Directors' responsibilities *(continued)*

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

According to the records provided to the Company, each director received no less than five hours of mixed-code training during the year, involving both face-to-face courses, conferences or seminars as well as the use of on-line methods.

Insurance cover

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

CHAIRMAN AND MANAGING DIRECTOR

Although the roles of chairman and chief executive are both performed by the same individual, in view of the existing structure and composition of the board and operations of the Group in Hong Kong, the board believes that this 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 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 chairman provides leadership for the board, ensuring its effectiveness in all aspects of its role. In his capacity as managing director, he provides planning and implementation with the support of the management.

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

The chairman settles the agenda for each individual board meeting, taking into account any additional items 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 in a timely manner and, where possible, at least three days before the time appointed for the meeting.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND MANAGING DIRECTOR *(continued)*

It is also the chairman's responsibility to control board meetings, to lead discussions to clear conclusions, and to satisfy himself that the secretary of the meeting has understood each conclusion reached. The company secretary and financial controller attend the meetings and advise, where appropriate, on corporate governance and accounting and financial matters.

Minutes of board meetings and meetings of board committees are kept by a duly appointed secretary of the meeting and open for inspection by any director. Draft and final versions of minutes of board meetings are sent to all directors for their comments and records respectively.

ACCOUNTABILITY AND AUDIT

Financial reporting

The directors are responsible for preparing the accounts. The board seeks to give a balanced, clear and understandable assessment in annual and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules. It also does so for reports to regulators and information disclosed under statutory requirements.

The directors are also responsible for the integrity of financial information and for ensuring its timely disclosure. Arrangements are made which will allow them to be satisfied that the accounts are true and fair, which accurately disclose the financial position of the Company and comply with statutory requirements and applicable accounting standards.

Risk management and internal control

The board is responsible for ensuring that the Group maintains appropriate and effective risk management and internal control systems (the "systems") to safeguard shareholders' investment and the Company's assets and hence for taking reasonable steps to prevent and detect fraud and other irregularities. The Company has in place a risk management structure, comprising the board, the audit committee, the internal audit function and management. The board evaluates and determines the nature and extent of the risks that should be taken in achieving the Company's strategic objectives, and oversees management in the design, implementation and monitoring of the systems, through the audit committee and the internal audit function, and management provides a confirmation to the board on the system effectiveness.

While acknowledging responsibility for the systems and for reviewing their effectiveness, the board recognises that they are designed to assist the Company in managing, rather than eliminating, the risk of failure to achieve its business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

ACCOUNTABILITY AND AUDIT *(continued)***Risk management and internal control** *(continued)*

The system review is an ongoing process, being conducted in turn by management, by the internal audit function and the audit committee, and, ultimately, by the board. Each year, the audit committee receives an internal audit report and a management report with respect to the operational aspects of internal controls over the areas of key risk identified. Any material internal control defects, and recommendations for resolving the defects, are identified and made to the board as appropriate. Based on those reports, the audit committee conducts relevant review and reports to the board, highlighting any areas where action or improvement is needed. The board reviews the effectiveness of the systems, taking into account the views and recommendations of the audit committee, and reports to shareholders by way of disclosure in this report.

Using the above process, the board scheduled a meeting in December 2018 and an additional meeting in March 2019 and reviewed the Company's compliance with the risk management and internal control code provisions during the year. The review covered all material controls, including financial, operational and compliance controls, and gave particular consideration to the items under C.2.2 and C.2.3 of the CG Code. They are: the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions; the changes in the nature and extent of significant risks, and the Company's ability to respond to changes to its business and the external environment; the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and the work of its internal audit function; the extent and frequency of communication of monitoring results to the audit committee; significant control failings or weaknesses and their impacts on the Company's financial performance or condition; and the effectiveness of the Company's processes for financial reporting and Listing Rule compliance. Nothing wrong or improper with respect to any of the foregoing items was noted on both occasions.

The Company's process for identifying, evaluating, and managing significant risks, as well as the main features of the systems, are described in the sub-section headed "*Risk management process*" below. In addition, the Company has adopted procedures and internal controls governing the handling and dissemination of inside information, as described in the inside information section on pages 9 and 10.

The risk management process and the procedures and internal controls for the handling and dissemination of inside information were in place throughout the year up to the date of this report.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT *(continued)*

Risk management and internal control *(continued)*

Risk management process

The board acknowledges that its risk assessment process provides a reliable basis for determining appropriate risk responses. The business operation of the Group exposes the Group to various risks. The board is responsible for identifying and assessing risks so that appropriate risk management policies and strategies can be defined to deal with the risks identified. Management seeks to have risk management features embedded in our business operations as well as in functional areas such as property investment, management, treasury, legal and finance.

The risk management process includes the establishment of risk context (strategic, organisational and operational), the identification of risk factors, the analysis and evaluation of risk levels and the related impacts on the business performance of the Group, prioritisation of risk factors, selection and implementation as well as evaluation of the control mechanisms/activities which contribute to mitigating the risk of business disruptions or non-compliance with applicable rules and regulations. The management is delegated to perform risk assessment by reviewing and updating the risk profiles. The scope of risk review of the Group includes strategic, compliance, operations and financial risks, which are further divided into various risk categories, risk titles and descriptions. Since the risk profile may vary and may be valid for only a certain period of time, the management is responsible for monitoring any risk changes as well as the effectiveness of the related control mechanisms and/or control activities by conducting reviews on the overall risk profile on an as-needed basis but at least once a year.

The board, together with the audit committee and the internal audit function, regularly assesses the effectiveness of the systems established and maintained by management, and ensures that management has performed its duty to have effective systems.

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 three executive directors in office, 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.

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

BOARD COMMITTEES *(continued)***The remuneration committee**

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

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

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

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

The Group's remuneration approach seeks to attract, motivate and retain the executive talent that is essential for the implementation of its business strategy towards sustained and long-term returns for shareholders. Its remuneration structure comprises fixed and variable components, including salaries, discretionary bonuses, pension scheme contributions and share options.

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

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

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

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, supports the Company's 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 7 to the financial statements on pages 97 and 98.

CORPORATE GOVERNANCE REPORT

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 supports the board in formulating and implementing the policy for the nomination of directors; in assessing the independence of independent non-executive directors and in advising on directors' appointment or re-appointment and the management of board succession. Its primary role is to recruit, screen and recommend board candidates for election by shareholders to ensure that the right mix of talent, skills and experience, as well as diversity on the board, is retained.

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

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

The following policy has been adopted by the nomination committee to assist it in fulfilling its duties and responsibilities as provided in its terms of reference. The policy may be amended from time to time by the committee as provided therein.

Recommended candidates

The committee shall consider any and all candidates recommended as nominees for directors to it by any directors or shareholders; provided that in the case of shareholder recommendations, such recommendations comply with all applicable notice requirements set forth in the Company's bye-laws, the procedures for a shareholder's nomination to be properly brought before a general meeting, and the Listing Rules. The committee may also consider, in its sole discretion, any and all candidates recommended as nominees for directors to it by any source.

BOARD COMMITTEES *(continued)***The nomination committee** *(continued)**Desired qualifications, qualities and skills*

The committee shall endeavour to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of all shareholders. Candidates will be selected for their ability to exercise good judgment, to provide the commitment to enhancing shareholder value, practical insights and diverse perspectives. Candidates will also be assessed in the context of the then-current composition of the board, the operating requirements of the Company and the long-term interests of all shareholders. In conducting this assessment, the committee will, in connection with its assessment and recommendation of director candidates, consider diversity (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience and skills) and such other factors as it deems appropriate given the then-current and anticipated future needs of the board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the board. The committee may also consider such other factors as it may deem are in the best interests of the Company and its shareholders. The above diversity perspectives, taking into account the Company's business model and needs, are set out in a board diversity policy which has been established by the Company to see that diversity on the board can be achieved.

Independence

The committee shall ensure that at least one-third of the board members (or such other number of the members of the board as prescribed by the Listing Rules from time to time) meet the definition of independent non-executive director. The committee shall annually assess each nominee for independent non-executive director by reviewing any potential conflicts of interest that he or she and their immediate family members (as defined in the Listing Rules) may have, based on the criteria for independence set forth in Rule 3.13 of the Listing Rules. A retiring independent non-executive director who has served the board for a period of nine consecutive years or more is eligible for nomination by the board to stand for re-election at a general meeting provided that he or she is still considered independent by the board.

Nominee evaluation process

The committee will consider as a candidate any director who has indicated his or her willingness to stand for re-election and any other person who is recommended by any shareholders. The committee may also undertake its own search process for candidates and may retain the services of professional firms or other third parties to assist in identifying and evaluating potential nominees. The committee may use any process it deems appropriate for the purpose of evaluating candidates which is consistent with those set forth in its terms of reference, the Company's bye-laws, the corporate governance policy and the policy described herein; provided that the process used for evaluating a nominee for each election or appointment of directors shall be substantially similar and under no circumstances shall the committee evaluate nominees recommended by a shareholder pursuant to a process that is substantially different than that used for other nominees for the same election or appointment of directors.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

The nomination committee *(continued)*

Nomination procedures

1. The secretary of the committee shall call a meeting of the committee, and invite nominations of candidates from board members, if any, for consideration by the committee prior to its meeting. The committee may also put forward candidates who are not nominated by board members.
2. For filling a casual vacancy, the committee shall make recommendations for the board's consideration and approval. For proposing candidates to stand for election at a general meeting, the committee shall make nominations to the board for its consideration and recommendation.
3. Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the board to stand for election at the general meeting.
4. In order to provide information of the candidates nominated by the board to stand for election at a general meeting, a circular will be sent to shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), and any other information, as required pursuant to applicable laws, rules and regulations, of the proposed candidates.
5. A shareholder can serve a notice to the board of directors or the company secretary within the lodgement period of its intention to propose a resolution to elect a certain person as a director in accordance with the relevant procedures posted on the Company's website. The particulars of the candidates so proposed will be provided to all shareholders for information by way of announcement and/or supplementary circular.
6. A candidate is allowed to withdraw his or her candidature at any time before the general meeting by serving a notice in writing to the board of directors or the company secretary.
7. The board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.
8. Shareholder proposed resolutions shall take the same form as the resolutions proposed for the candidates recommended by the board.

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

BOARD COMMITTEES *(continued)***The audit committee**

The audit committee, which was chaired by Mr. Luk Yu King, James, comprised 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 acts as the key representative body for overseeing the Company's relations with the external auditor. It supports the board in monitoring the Company's financial information and whistleblowing procedures for employees, and oversees the Group's financial reporting system, risk management and internal control systems.

Meetings of the audit committee are held at least biannually with the external auditor, Ernst & Young, and triannually with management.

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

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

During the year, the audit committee approved the remuneration and terms of engagement of Ernst & Young, and considered their suitability for re-appointment. It examined Ernst & Young's independence and objectivity, having regard to any non-audit services and the effectiveness of the audit process. The committee was satisfied that Ernst & Young had demonstrated the independence and objectivity required for external auditors and that the audit process had been effective. Ernst & Young were remunerated a total of HK\$1.40 million for services rendered to the Group, of which HK\$1.07 million were audit fees, HK\$0.26 million were fees for agreed-upon procedures on interim financial statements and preliminary announcement of annual results and HK\$0.07 million were fees for tax compliance services. The provision of the said agreed-upon procedures on interim financial statements and preliminary announcement of annual results and tax compliance services did not, in the opinion of the committee, compromise their independence. The committee also reviewed the Company's financial statements and half-yearly and annual results, and discharged its other duties under the CG Code, including reviewing the risk management and internal control systems, the effectiveness of the internal audit function as well as the non-audit services policy and whistleblowing procedures.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES *(continued)*

The audit committee *(continued)*

As disclosed in the risk management and internal control section on pages 15 to 17, the audit committee plays a vital role in monitoring the Group's risk management and internal control systems. This was done through regular meetings of the committee with Ernst & Young and with the internal audit function (whether or not in the presence of management) during the year, in which the committee engaged discussions on the risk areas identified, and reviewed any key findings related to risk assessment as well as arising from the internal and external audit.

In the opinion of management, adequate risk management and internal control systems had been in place and maintained properly throughout the year to ensure the effectiveness and efficiency of operations; to safeguard assets against unauthorised use and disposition; to ensure the maintenance of proper accounting records and the truth and fairness of the financial statements; to allow proactive management of the relevant risks identified; 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. Management was of the further views that there had been no changes, since the last annual review, in the nature and extent of significant risks; that the Company was able to respond to changes to its business and the external environment and its processes for financial reporting and Listing Rule compliance were effective; that the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions were adequate. For the year under review, no significant control failings or weaknesses were identified and there revealed no significant areas of improvement or modification which were required to be brought to the attention of the audit committee.

The audit committee concurred with the above findings, and was satisfied that management had performed its duty to have effective systems. The committee further noted that there was no conflict between internal audit and external audit, and the internal audit function was still adequately resourced and effective and had appropriate standing within the Company, during the year. Recommendations were made to the board on the re-appointment of Ernst & Young as the external auditor of the Company for the ensuing year and on the submission of the 2018 annual accounts for shareholder approval at the forthcoming annual general meeting.

COMMUNICATION WITH SHAREHOLDERS

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

SHAREHOLDERS' RIGHTS

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

Convening 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 to vote at general meetings of the Company shall at all times have the right to require a special general meeting to be called by the board for the transaction of any business specified in such requisition by written requisition.
2. A requisition referred to above must state the purposes of such meeting, and must be signed by the requisitioner(s) and deposited at the Company's registered office in Bermuda, and may consist of several documents in like form, each signed by one or more requisitioner(s). To ensure that the requisition is received by the Company at the earliest opportunity, the requisitioner(s) is/are urged to deposit also a copy of the signed requisition at the Company's principal place of business in Hong Kong (for the attention of the board of directors or the company secretary).
3. If the directors do not within twenty-one (21) days from the date of the deposit of the requisition proceed duly to convene a special general meeting to be held within two (2) months after the deposit of the requisition, the requisitioner(s), or any of them representing more than one-half (1/2) of the total voting rights of all of them, may themselves convene a meeting and be repaid by the Company for any reasonable expenses incurred by reason of the failure of the directors duly to convene a meeting as aforesaid provided that any meeting so convened by the requisitioner(s) shall not be held after the expiration of three (3) months from the said date.
4. Other than an adjourned meeting, pursuant to the bye-laws of the Company and the Listing Rules,
 - (1) a special general meeting called for the passing of a special resolution shall be called by at least twenty-one (21) clear days and not less than ten (10) clear business days written notice. All other special general meetings may be called by at least fourteen (14) clear days and not less than ten (10) clear business days written notice.
 - (2) any special general meeting may be called by shorter notice than that specified in subsection (1) if it is so agreed by a majority in number of the shareholders having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the shares giving that right.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS *(continued)*

Putting forward proposals at general meetings

1. In addition to the right to requisition a special general meeting, shareholders have also the right to request circulation of resolutions which may properly be moved at an annual general meeting. Any number of shareholders representing not less than one-twentieth (1/20) of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the general meetings; or not less than one hundred (100) shareholders, shall (unless otherwise resolved by the Company) at their own expense have the right by written requisition: (a) to require notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting to be given to shareholders; and/or (b) to request for circulation to shareholders any statement of not more than one thousand (1000) words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.
2. A requisition referred to above must be signed by the requisitionist(s) in a single document or in separate copies prepared for the purpose. A copy of the signed requisition, accompanied by a sum reasonably sufficient to meet the Company's expenses, must be deposited at the Company's registered office in Bermuda: (a) in the case of a requisition requiring notice of a resolution, not less than six (6) weeks before the annual general meeting unless an annual general meeting is called for a date six (6) weeks or less after the copy has been deposited, in which case the copy shall be deemed to have been properly deposited though not deposited within the time required; and (b) in the case of any other requisition, not less than one (1) week before the general meeting. To ensure that the requisition is received by the Company at the earliest opportunity, the requisitionist(s) is/are urged to deposit also a copy of the signed requisition at the Company's principal place of business in Hong Kong (for the attention of the board of directors or the company secretary).
3. A shareholder who wishes to propose a person (other than a retiring director and any person recommended by the directors for election) for election as a director at a general meeting must give notice in writing of such intent and notice in writing by that person and accompanying personal information, being information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, must also be given to the Company at its principal place of business in Hong Kong (for the attention of the board of directors or the company secretary) not earlier than the day after the dispatch of the notice of the general meeting appointed for such election and not later than seven (7) days prior to the date of such meeting. The first notice must be signed by the shareholder concerned and the second notice, indicating willingness to be elected and consent to publication of his or her personal information, must be signed by that person being proposed for election.

Note: In order to give shareholders sufficient time to consider the election of the proposed person as a director without adjourning the meeting, the shareholder making the proposal is urged to submit or procure the submission of the required notices and information as early as practicable, preferably not later than fourteen (14) business days before the date of the relevant general meeting.

SHAREHOLDERS' RIGHTS *(continued)*

Putting forward proposals at general meetings *(continued)*

Shareholders may at any time send enquiries to the board via the Company's principal place of business in Hong Kong or via investors@ytrealtygroup.com.hk. The company secretarial or investor relations personnel will, where appropriate, forward the relevant enquiries to the board or the board committee(s). For enquiries concerning shareholdings and related matters, they should call or visit the Company's branch registrar and transfer office in Hong Kong.

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 as to Hong Kong laws. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We are pleased to present our annual report on environmental, social and governance (“ESG”) matters. This report has been prepared in compliance with Rule 13.91 of the Main Board Listing Rules published by The Stock Exchange of Hong Kong Limited, and gives information required to be disclosed pursuant to the Environmental, Social and Governance Reporting Guide in Appendix 27 to the said Rules.

This report provides an update of the environmental and social performances of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2018. There is no significant change in the scope of this report from that of last report.

ESG STRATEGY AND REPORTING

The board has overall responsibility for our ESG strategy and reporting, including evaluating and determining ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. To this end, the managing director has appointed senior executives to identify relevant ESG issues and assess their materiality to our business as well as to our stakeholders, through regular review and internal discussions. Management has provided a confirmation to the board on the effectiveness of those systems for the reporting year.

Our ESG approach begins with good principles and practices across all our operations. We aim to reconcile our commercial objectives of realising long-term shareholder value and business sustainability with long-term imperatives of sustainable growth, social prosperity and social well-being. The Group has adopted a comprehensive policy which outlines the policies that were designed to fulfil its obligations with respect to sustainable development and corporate social responsibility. The said policy guides our business and operational decisions to take into account our responsibility to the focus areas which reflect the Group’s business nature: workplace, operating practices, community and environment. We strive to integrate our contribution to society into our business by minimising potential environmental impact; providing a safe and healthy work environment to employees; supporting community initiatives; seeking to promote awareness of corporate social responsibility in the business; providing staff training as well as monitoring and improving our ESG performance.

A. ENVIRONMENTAL

Our commitment to sustainable development is well reflected in our continuous efforts in promoting awareness among our various stakeholders to minimise the environmental impact of our business activities. We uphold the 3Rs principle of “Reduce, Recycle and Reuse”. This began with green office practices, for which the Human Resources Practice Guide and Employee Handbook provide specific guidelines. The guidelines highlight three broad areas into which those practices may fall, namely energy conservation, waste reduction and the handling of wastes. They include: (1) in terms of energy conservation, energy saving, water saving and fuel saving procedures; (2) in terms of waste reduction, waste saving procedures; and (3) in terms of the handling of wastes, procedures for waste collection and records.

We have long been leasing an office space in China Resources Building (“CRB”) in Hong Kong, an office building managed by China Resources Property Limited (“CR Property”, a strong advocate of environmental protection and winner of the yearly HK Green Awards in the category of “Green Management Award – Service Provider (Large Corporation)” organised by the Hong Kong Green Council consecutively since 2013). As tenant of the building, we endeavour to participate in and complement CR Property’s efforts in supporting green initiatives, along with the environmental measures that have been introduced in our workplaces to facilitate managers to reduce carbon emissions and improve energy use efficiency. To build an environmental responsible culture with our landlord, for example, we supported the building’s “Annual Recycling Programme 2018” by donating unwanted clothes, books, toys and other household items, which were in turn distributed to Christian Action, Friends of the Earth and Environmental Protection Department. As a result of these efforts, we are able to improve the workplace; provide a happy, healthy and comfortable work environment for our employees while satisfying stakeholders’ expectation; and continue to contribute to the environment, thereby leading to a multi-win situation.

So far as is known to the directors, all workplaces of the Group were operated and maintained in safe and reliable conditions throughout the year.

Major variations of the KPIs are highlighted below:

The Company continued its efforts in raising green awareness among its staff on all fronts. Paper reduction initiatives such as adopting paperless meeting solutions have been undertaken by the Group. The transition into a paperless environment, together with continual use of electronic communications, led to a 21.4% decrease in the greenhouse gas (“GHG”) emissions generated from paper waste (A1.2, Scope 3) from 6.25 tonnes in 2017 to 4.91 tonnes in 2018.

By taking various electricity saving efforts, the energy consumption from electricity sources (A2.1) was reduced by 11.5% from 8704 kWh in 2017 to 7704 kWh in 2018. The efforts also helped reduce the GHS emissions generated from purchased electricity (A1.2, Scope 2) by 11.5% from 6.88 tonnes in 2017 to 6.09 tonnes in 2018.

The annual water consumed (A2.2) was reduced by 14.4% from 74.70 m³ in 2017 to 63.94 m³ in 2018. This was because for the majority of 2017, conventional faucets were installed before they were fully replaced with eco-friendly faucets as a green building feature of the refurbished CRB, while eco-friendly faucets were in place for the whole of 2018 to reduce the amount of water being used.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

A1: Emissions			
<i>Policies and compliance</i>			
<ul style="list-style-type: none"> ✓ Comply with all applicable emissions laws and regulations. ✓ Adopt measures to reduce air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. ✓ Promote the use of recyclable materials, minimise the use of paper and dispose of wastes in a socially responsible manner. ✓ Give due consideration to carbon emissions issues in decision-making processes, and actively seek to reduce, whenever practicable, the impact of our operations on the environment. ✓ Identify and appropriately manage marked environmental impacts arising from carbon emissions. ✓ Help mitigate the direct and indirect environmental impacts of our properties in Hong Kong arising from carbon emissions. ✓ Encourage the use of eco-friendly products and services and keep on improving our emissions management practices. ✓ Promote awareness amongst staff, customers and business partners to manage environmental and social risks and support community activities in relation to environmental protection and sustainability. <p>During the year, there was no violation of any emissions laws and regulations that had a significant impact on the Group known to the directors relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p>			
KPI		2017	2018
<i>A1.1 emission types and respective data</i>	Emissions data from gaseous fuel consumption	N/A	N/A
	Emissions data from vehicles	N/A	N/A

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

KPI		2017		2018	
		Emission	Intensity	Emission	Intensity
<i>A1.2 GHG emissions</i>	Scope 1 – Direct emissions or removals from sources	0 tonnes		0 tonnes	
	(Scope 1) total:	0 tonnes (0%)	0 tonnes/ employee	0 tonnes (0%)	0 tonnes/ employee
	Scope 2 – Energy indirect emissions				
	• from the generation of purchased electricity	6.88 tonnes		6.09 tonnes	
	(Scope 2) total:	6.88 tonnes (52.2%)	1.72 tonnes/ employee	6.09 tonnes (55.14%)	1.22 tonnes/ employee
	Scope 3 – Other indirect emissions				
	• from paper waste disposed at landfills	6.25 tonnes		4.91 tonnes	
	• from electricity used for processing fresh water and sewage by government departments	0.04 tonnes		0.04 tonnes	
	(Scope 3) total:	6.29 tonnes (47.8%)	1.57 tonnes/ employee	4.95 tonnes (44.86%)	0.99 tonnes/ employee
(Scope 1 + Scope 2 + Scope 3) Total GHG emissions:	13.17 tonnes	3.29 tonnes/ employee	11.04 tonnes	2.21 tonnes/ employee	
KPI		Annual hazardous waste	Intensity	Annual hazardous waste	Intensity
<i>A1.3 hazardous waste</i>	Total hazardous waste produced:	0 tonnes	0 tonnes/ employee	0 tonnes	0 tonnes/ employee
KPI		Annual non-hazardous waste	Intensity	Annual non-hazardous waste	Intensity
<i>A1.4 non-hazardous waste</i>	Total non-hazardous waste produced:	0.70 tonnes	0.18 tonnes/ employee	0.79 tonnes	0.16 tonnes/ employee

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL (continued)

KPI	
A1.5 <i>emission mitigation</i>	<ol style="list-style-type: none"> 1. Fuel Saving <ul style="list-style-type: none"> • Encourage staff to use public transport when performing out-of-office duties. 2. Air-conditioning Economy <ul style="list-style-type: none"> • Maintain the indoor temperature between 23-25 degrees Celsius (+/-1°C) as optimal temperature settings for our offices throughout the year, and adjust the temperature settings only when needed. • Cut off air-conditioning supply after non-office hours. Do not apply for extended air-conditioning supply except in genuinely required circumstances. • Keep doors closed between air-conditioned and non-air-conditioned spaces to prevent wastage of cooling power. • Dress lightly in the hot summer months and where possible, open windows for better air circulation to minimise the use of air-conditioning. 3. Electricity Saving <ul style="list-style-type: none"> • Set up light zoning where possible. • Use window blinds or curtains to effectively reduce direct sunlight penetration. Make good use of natural light to minimise the energy consumed by electric lights. • Replace malfunctioning lights with energy saving LED lights. • Switch on the lights in the conference room only immediately before the meeting, and turn them off before leaving the room. Where applicable, install sensors to make sure that lights are not accidentally left on after office hours. 4. Paper Saving and Recycling <ul style="list-style-type: none"> • Communicate and share information by electronic means (e.g. via intranet, internet or email) as far as possible to minimise paper use. • Use both sides of paper and reuse envelopes. • Provide recycling bins near places where paper consumption is high (such as copiers and fax machines). • Separate waste paper into single-sided and used papers. • Avoid putting food-soiled paper or non-recyclable paper (such as carbon paper and paper with plastic components) or paper carrying confidential information relating to the Group into the waste paper recycling bins. 5. Business Travel Efficiency <ul style="list-style-type: none"> • Properly plan the car and air routes for business travel and the commuting routes for mail delivery/collection to help reduce GHG emissions. • Use telephone/video conferencing for online presentations and meetings to substitute unnecessary overseas business trips. 6. Others <ul style="list-style-type: none"> • Place green plants in appropriate office areas. • Encourage staff to keep green plants.

A. ENVIRONMENTAL (continued)

KPI	
<p>A1.6 <i>hazardous and non-hazardous waste handling and reduction</i></p>	<p>Handling of Wastes</p> <ol style="list-style-type: none"> 1. Hazardous Waste <ul style="list-style-type: none"> • Not applicable 2. Non-hazardous Waste <ul style="list-style-type: none"> • Discharge effluent to the city’s sewer collection and treatment system. • Establish facilities for paper recycling by placing appropriate bins at convenient locations in the workplace. • Encourage staff to participate in recycling of general solid waste and paper by using the above facilities. 3. Computers & Peripherals <ul style="list-style-type: none"> • Collect and reuse old computers (which would unlikely increase energy consumption) and peripherals. • Collect used toner cartridges for picking up by appropriate recycling contractors. 4. Collection and Records <ul style="list-style-type: none"> • Dispose of office refuse in appropriate containers for regular collection by collectors to prevent odour. • Maintain records of waste disposed of and waste recycled. • Arrange pest control and ventilation system and carpet cleaning on a regular basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

KPI	
<p>A1.6 <i>hazardous and non-hazardous waste handling and reduction</i></p>	<p>Reduction of Wastes</p> <ol style="list-style-type: none"> 1. Paper Saving <ul style="list-style-type: none"> • Use computerised office equipment (such as high-speed scanners, digital senders and fax servers) to reduce paper use. • Make use of “Digital Photo System” to store photo archives where appropriate. • Make use of the internet for press and photo release. • Send files through e-mail, USB, disk or CD-Rom to reduce the production of hard copies. • Place scrap paper trays next to printers to encourage reuse of paper that is only printed on one side. • Purchase printing paper and paper towels with recycled content. • Circulate internal documents instead of making photocopies. • Adjust the margin, use smaller fonts and decrease line space for documents that must be printed to optimise the use of paper. • Avoid unnecessary cover pages (e.g. fax covering sheets). • Reduce the use of envelopes and where appropriate, make use of circular service to distribute promotional materials. 2. Stationery Saving <ul style="list-style-type: none"> • Encourage reuse of binding rings, ropes, envelopes, folders, etc. • Remind staff to follow the “first-in, first-out” principle when using stationery. • Use green stationery such as refillable ball pens and mechanical pencils where applicable. • Print less to save ink or toner. 3. Utensils Saving <ul style="list-style-type: none"> • Reuse tableware, cutlery, cups and glasses to reduce the use of disposable eating utensils. • Serve drinks with teapots and cups/glasses instead of bottled water at meetings to reduce plastic wastage.

A. ENVIRONMENTAL *(continued)*

A2: Use of Resources					
<i>Policies</i>					
<ul style="list-style-type: none"> ✓ Conserve resources, including energy, water and other raw materials, in an efficient manner whenever practicable. ✓ Introduce energy saving and water saving guidelines for staff to follow. ✓ Give due consideration to issues arising from energy and/or water consumption in decision-making processes, and actively seek to reduce, whenever practicable, the impact of our operations on natural resources. ✓ Identify and appropriately manage marked environmental impacts arising from the use of natural resources. ✓ Help mitigate the direct and indirect environmental impacts of our properties in Hong Kong arising from energy consumption. ✓ Encourage the use of eco-friendly products and services and keep on improving our natural resources management practices. ✓ Improve energy use and water efficiency by strengthening initiatives and strategies which are essential for the Group's sustainable growth. 					
		2017		2018	
KPI	Source of energy consumption	Energy consumed	Intensity	Energy consumed	Intensity
A2.1 <i>energy consumption</i>	Electricity	8704 kWh	2176 kWh/ employee	7704 kWh	1540.80 kWh/ employee
	Stationary combustion	0 kWh	0 kWh/ employee	0 kWh	0 kWh/ employee
	Mobile combustion	0 kWh	0 kWh/ employee	0 kWh	0 kWh/ employee
	Total energy consumed:	8704 kWh	2176 kWh/ employee	7704 kWh	1540.80 kWh/ employee
KPI		Water consumed	Intensity	Water consumed	Intensity
A2.2 <i>water consumption</i>	Annual water consumed:	74.70 m ³	18.70 m ³ / employee	63.94 m ³	12.79 m ³ / employee

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

KPI	
<p>A2.3 <i>energy use efficiency</i></p>	<ol style="list-style-type: none"> 1. Energy Saving <ul style="list-style-type: none"> • Purchase electrical appliances and office equipment with energy efficient labels. Where applicable, consider solar and other renewable energy options. • Use energy-saving features and options for electrical appliances and office equipment, such as adopting the “sleep/standby mode” when the computer is idle. • Create consolidated servers and share use of the same server, as appropriate, to reduce energy consumption. • Switch off unneeded lights, electrical appliances and office equipment (such as printers, copiers, shredders, computers and monitors) when not in use. Whenever practicable, turn them off completely during non-operating hours. • Serve reminders by affixing conspicuous “save energy” labels near the power switches of printing equipment and information & communications technology equipment, and designate staff to monitor the situation periodically. • Carry out regular checking and cleaning of office equipment. Where necessary, arrange for maintenance and procure timely replacement of deteriorated/aged parts to reduce power loss due to equipment malfunction and component failure. • Switch off all unnecessary power supply before leaving the office, and remind the staff remaining in the office to do so. • Encourage the use of stairs instead of elevators for inter-floor traffic. • Encourage staff participation in energy saving campaigns (e.g. Earth Hour, Biz-Green Dress Day, etc.) 2. Fuel Saving and Business Travel Efficiency <i>(as per the mitigating measures disclosed under KPI A1.5 on page 31)</i>

A. ENVIRONMENTAL *(continued)*

KPI				
<i>A2.4 water sourcing and water use efficiency</i>	<ol style="list-style-type: none"> 1. Issues in Sourcing Water <ul style="list-style-type: none"> • None 2. Water Saving <ul style="list-style-type: none"> • Serve reminders by affixing conspicuous “save water” and “protect our natural environment” labels near water taps. • Turn off the water taps after use in areas (such as the pantry) where self-closing faucets are not available. Shut off the main water supply to the area concerned after office hours, and designate staff to monitor the situation periodically. • Notify the responsible personnel of any leaking water taps or pipes for repair to avoid wastage of water. • Use dual-flush toilets. • Use faucets and urinals with infrared sensors where possible. • Appoint staff to inspect the water supply system to ensure no leakage on a regular basis. 			
	2017		2018	
KPI	Total packaging material used	Intensity	Total packaging material used	Intensity
<i>A2.5 packaging material for finished products</i>	N/A	N/A	N/A	N/A

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL *(continued)*

A3: The Environment and Natural Resources	
<i>Policies</i>	
<ul style="list-style-type: none"> ✓ Adopt measures, whenever practicable, to minimise the possible significant impacts of our activities on the environment and natural resources. ✓ Instil a green office culture and enlist staff support to maintain a “Green Workplace”, by taking simple steps or procedures during daily operation to implement the “Go Green” strategies. 	
KPI	
<i>A3.1 significant impacts of activities on the environment and natural resources and specific actions</i>	<p>We promote environmental awareness and cultural change among our employees so as to complement other elements of good practice as part of an integrated approach to our environmental management in the Group, through in-house seminars and company events as well as staff gatherings where energy saving and other eco-friendly tips are shared, and a deeper understanding of the impact that our activities may have on the environment and natural resources is gained.</p> <p>During the year, there were negligible impacts of the Group’s activities on the environment and natural resources. The Group will review its environmental practices and adopt policies and/or measures specific to managing its significant impacts as and when necessary.</p>

B. SOCIAL

The Group recognises that employees are a valuable asset of the organisation and it is essential to attract and motivate good talent while balancing the interests of other stakeholders. Apart from a safe and healthy workplace, we offer a comprehensive remuneration and benefits package to our employees, training opportunities, equal opportunities and fairness at work for all as well as channels for staff communication. Teamwork activities and/or staff social functions are arranged to enhance employees' sense of belonging and to help create a friendly and harmonious work environment. Salaries are reviewed and adjusted on a yearly basis, and from time to time, to ensure balancing pay for performance with shareholder alignment. The Group recognises the importance of a sound, healthy stakeholder relationship in building its long-term success. To this end, the senior management maintains good communication and, where appropriate, exchanges ideas with the stakeholders.

B.1 Employment

We strive to attract and retain talent and to reconcile economical imperatives with human well-being, with an aim to promoting satisfaction, loyalty and commitment. The Group has adopted a Human Resources Practice Guide and Staff Handbook to govern, among others, the recruitment, promotion, discipline, working hours, leaves and other duties and benefits of employees. The level of employees' remuneration is reviewed and adjusted annually on a performance basis with reference to the market standard. In addition, a wide range of staff benefits, including medical insurance, retirement schemes, training subsidies and paid leaves, are provided; and social, recreational activities are arranged for employees to strike a work-life balance while fostering cohesion and team spirit among them. The Group respects cultural and individual diversity. We believe that no one should receive less favourable treatment on the grounds of age, race, ethnicity or nationality, gender, religion, marital status, disability or family status. At our workplace, opportunities for employment, training and career development are equally open to all staff members.

The Group was not aware of any violation of employment laws and regulations that had a significant impact on it relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

B.2 Health and Safety

We are committed to providing and maintaining a safe, healthy, and hygienic work environment. To this end, health and safety measures are in place and given prime consideration; employees are required to stringently abide by all safety rules and regulations and adhere to those measures at all times to avoid accidents and protect themselves and co-workers from safety hazards. Employees at all levels are accountable for the delivery of the safety initiatives described in the Employee Handbook. Potential hazards are identified and addressed by relevant personnel. So far as is known to the directors, all offices of the Group were operated and maintained in safe and reliable conditions throughout the year. We will review relevant procedures from time to time to safeguard employees' occupational health and safety.

The Group was not aware of any violation of health and safety laws and regulations that had a significant impact on it relating to providing a safe work environment and protecting employees from occupational hazards during the year.

B.3 Development and Training

We acknowledge the importance of training not just to staff development, but also to our success as a whole. The Group offers customised and general training to its staff members, through organised or sponsored training programmes, seminars, workshops and conferences, regular sharing sessions, peer learning and on-the-job coaching, as appropriate, to help equip employees with the knowledge and skills that help enable them to perform their job effectively and efficiently and to assist them in developing the required character, knowledge and skills that help advance their career. We believe this combined effort is essential to achieving personal and corporate goals of our employees and the Company respectively.

B. SOCIAL *(continued)*

B.4 Labour Standards

We strive to treat everyone equally at work and to ensure that no employees are disadvantaged and expectations of equality are always met in the workplace. All employment with the Group is voluntary and any child or forced labour in any of our operations and services is strictly prohibited. We also avoid engaging vendors of administrative supplies and services and contractors that are known to employ child or forced labour in their operations. Employment decisions are subject to a fair and equal selection process, based on the candidate's suitability in terms of qualifications, personality and career goals.

The Group was not aware of any violation of labour standards laws and regulations that had a significant impact on it relating to preventing child and forced labour during the year.

B.5 Supply Chain Management

We recognise the importance of supply chain management to our business, and focus our efforts in areas along the supply chain where we believe they can add value to our operations. The Group is committed to ensuring that fair operating practices are in place in all aspects of its sourcing, procurement and supply process.

B.6 Product Responsibility

We are committed to adapting our operating practices to fully embrace the concept of sustainable development. To avoid and reduce the environmental impacts caused by our products and services, the Group ensures that appropriate measures and clear procedures are in place and are being followed by relevant personnel with respect to health and safety, advertising, labelling and privacy matters. Statutory requirements are strictly adhered to and employees are required to retain in confidence any and all information obtained in connection with their employment, including but not limited to trade secrets, client personal data and information, supplier information and other proprietary information.

The Group was not aware of any violation of product responsibility laws and regulations that had a significant impact on it relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress during the year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL *(continued)*

B.7 Anti-corruption

We aim to set and maintain a high standard of business integrity throughout our operations. The Group prohibits all forms of bribery, extortion, fraudulent, money laundering and corruption activities in connection with any of its business activities. All directors and employees are required to strictly comply with the code of conduct prohibiting bribery, extortion, fraud, money laundering and corruption. The Company has further adopted whistleblowing procedures for employees to raise concerns, in confidence, about possible improprieties in any matters related to the Group. These arrangements are reviewed on a regular basis by the audit committee and reported back to the board. Any reported case of fraudulence will receive immediate, fair and independent, investigation and appropriate follow-up action.

The Group was not aware of any violation of anti-corruption laws and regulations that had a significant impact on it relating to bribery, extortion, fraud and money laundering during the year.

B.8 Community Investment

We strive to promote social development and progress by contributing to education, charity, sports, and arts and culture. The Group is dedicated towards raising awareness of social responsibility among its staff. We encourage employees to better serve the community, through volunteer work, donations and participation in charity sport/fund-raising events. We will strive to expand our efforts in charity work to cater to the needs of our community as well as to create a more favourable environment for our community and our business.

The Group will review its practices and consider implementing further eco-friendly measures and practices, as appropriate, to improve the quality of life, promote energy conservation and enhance the environment, while minimising fuel consumption, air pollution and GHG emissions. We shall continue with our dedicated efforts in taking these initiatives forward.

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 2018.

PRINCIPAL ACTIVITIES AND GROUP PERFORMANCE

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, treasury management and investment holding. Details of those activities are set out in note 1 to the financial statements. Over 50% of the Group’s revenue for the year was derived from its property rental business in the United Kingdom. An analysis of the Group’s performance for the year by operating segments is set out in note 4 to the financial statements.

BUSINESS REVIEW

This business review is made pursuant to paragraph 28(2)(d) of Appendix 16 to the Main Board Listing Rules (the “Listing Rules”) published by The Stock Exchange of Hong Kong Limited (the “Exchange”), pursuant to which further analysis of and discussion on the above principal activities of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”) are made. In the opinion of the directors, the Chairman’s Statement and Management Discussion and Analysis section provides a comprehensive review of the performance of the Group for the year ended 31 December 2018 as well as its future prospects.

Principal risks and uncertainties

The directors recognise that the Group’s performance and prospects are dependent on economic conditions and market performance of the property market in which the Group has its business operations. The Group monitors business risks associated with the external factors affecting the Group and takes prompt actions to minimise potential business impact. In addition, the directors are aware that the Group is exposed to various financial risks in its business operations. An analysis of the Group’s financial risk management is provided in note 32 to the consolidated financial statements.

Environmental policies and performance

The Company has in place a corporate social responsibility policy (the “CSR Policy”) applicable to itself and to its subsidiaries. The CSR Policy outlines the policies that were designed to fulfil our obligations with respect to sustainable development and corporate social responsibility. Our commitment to sustainable development is well reflected in our continuous efforts in promoting awareness among our various stakeholders to minimise the environmental impact of our business activities. We uphold the 3Rs principle of “Reduce, Recycle and Reuse”. This began with green office practices, for which the Human Resources Practice Guide and Employee Handbook provide specific guidelines. The guidelines highlight three broad areas into which those practices may fall, namely energy conservation, waste reduction and the handling of wastes. They include: (1) in terms of energy conservation, energy saving, water saving and fuel saving procedures; (2) in terms of waste reduction, waste saving procedures; and (3) in terms of the handling of wastes, procedures for waste collection and records.

DIRECTORS' REPORT

BUSINESS REVIEW *(continued)*

Environmental policies and performance *(continued)*

We have long been leasing an office space in China Resources Building in Hong Kong, an office building managed by China Resources Property Limited ("CR Property", a strong advocate of environmental protection and winner of the yearly HK Green Awards in the category of "Green Management Award – Service Provider (Large Corporation)" organised by the Hong Kong Green Council consecutively since 2013). As tenant of the building, we endeavour to participate in and complement CR Property's efforts in supporting green initiatives, along with the environmental measures that have been introduced in our workplaces to facilitate managers to reduce carbon emissions and improve energy use efficiency. To build an environmental responsible culture with our landlord, for example, we supported the building's "Annual Recycling Programme 2018" by donating unwanted clothes, books, toys and other household items, which were in turn distributed to Christian Action, Friends of the Earth and Environmental Protection Department. As a result of these efforts, we are able to improve the workplace; provide a happy, healthy and comfortable work environment for our employees while satisfying stakeholders' expectation; and continue to contribute to the environment, thereby leading to a multi-win situation.

So far as is known to the directors, all workplaces of the Group were operated and maintained in safe and reliable conditions throughout the year.

We will review our environmental practices and consider implementing further eco-friendly measures and practices, as appropriate, to improve our performance.

Compliance with relevant laws and regulations

During the year, there were no areas of material non-compliance with applicable laws and regulations that had a significant impact on the Company known to the directors, including but not limited to the Bermuda Companies Act 1981, the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

Key relationships with employees, customers and suppliers and others

The Group recognises the importance of a sound, healthy stakeholder relationship in building its long-term success. To this end, the senior management maintains good communication and, where appropriate, exchanges ideas with the stakeholders.

During the year, there were no material and significant disputes between the Company or any of its subsidiaries and their respective employees, customers and suppliers, shareholders or business partners known to the directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year and the financial position of the Group at that date are set out in the consolidated statement of profit or loss and consolidated statement of financial position on page 56 and 58 respectively.

The directors recommend the payment of a final dividend of HK1 cent per share (2017: HK1 cent per share).

DIVIDEND POLICY

The Company aims to provide a steady return to shareholders and at the same time to maintain a strong balance sheet for investment opportunities and sustainable development in the future. Dividends proposed or declared, or not recommended, is subject to financial performance, cash flow and future investment opportunities of the Group.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 12 to the financial statements

PRINCIPAL PROPERTIES

Particulars of the principal properties held by the Group are set out on page 122.

SUBSIDIARIES

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

SHARE CAPITAL

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

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on pages 59 and 60 and note 33 to the financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981, amounted to HK\$1,455.3 million (2017: HK\$1,447.9 million), of which HK\$8.0 million (2017: HK\$8.0 million) has been proposed as a final dividend for the year. In addition, the Company's share premium account in the amount of HK\$95.7 million (2017: HK\$95.7 million) may be distributed in the form of fully paid bonus shares.

DIRECTORS' REPORT

CHARITABLE CONTRIBUTIONS

During the year, there was no charitable contribution made by the Group (2017: Nil).

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 123. 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:

	2018	2017
	%	%
Purchases		
– the largest supplier	18	28
– the five largest suppliers combined	56	66
Revenue		
– the largest customer	51	50
– the five largest customers combined	89	90

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

DIRECTORS

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

In accordance with bye-law 87 of the bye-laws of the Company, Mr. Cheung Chung Kiu and Mr. Yuen Wing Shing retire from office by rotation at the forthcoming annual general meeting. 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. 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 updated information is set out on page 6.

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 paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules since its last update to shareholders nor in any of their significant commitments for the purpose of A.6.6 of the Corporate Governance Code set out within Appendix 14 to the Listing Rules.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement nor contract of significance to which the Company or any of its subsidiaries was a party, and in which a director of the Company or an entity connected with 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 7 and 8 to the financial statements respectively.

DIRECTORS' REPORT

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 31 December 2018:

Name	Capacity	No. of shares ¹	Total no. of shares	% of shareholding
Cheung Chung Kiu	Beneficial owner	1,564,053		
	Interest of controlled corporation	93,703,417 ²		
	Interest of controlled corporation	24,990,681 ³		
	Interest of controlled corporation	<u>14,488,000</u> ⁴	134,746,151	16.85%
Ng Kwok Fu	Beneficial owner	50,000		
	Interest of spouse	<u>40,000</u>	90,000	0.01%

Notes:

- ¹ All of the interests represent long positions.
- ² Mr. Cheung Chung Kiu ("Mr. C.K. Cheung") was deemed to be interested in 93,703,417 shares in the Company by virtue of his indirect control of Chongqing Industrial Limited ("Chongqing Industrial") which owned those shares. 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. The remaining 50% of Prize Winner and both 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.
- ³ Mr. C.K. Cheung was deemed to be interested in 24,990,681 shares in the Company held directly by Timmex Investment Limited, a company wholly owned by Mr. C.K. Cheung.
- ⁴ Mr. C.K. Cheung was deemed to be interested in 14,488,000 shares in the Company by virtue of his indirect control of First Rose Global Limited ("First Rose") which owned those shares. First Rose was a wholly owned subsidiary of Windsor Dynasty Limited, a company wholly owned by Mr. C.K. Cheung.

Save as disclosed herein, as at 31 December 2018, no directors 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 Exchange pursuant to the Code for Securities Transactions by Directors.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are as follows:

Share option scheme

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 Scheme is given below. Other principal terms of the Scheme are given in the circular to shareholders dated 17 April 2015 (the "Scheme Circular").

- | | | |
|---|---|--|
| (1) Purpose | : | To provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits, to the participants and to serve such other purposes as the board may approve from time to time |
| (2) Participants | : | Any director (or any person proposed to be appointed as such, whether executive or non-executive), officer and employee (whether full-time or part-time) of each member of the Eligible Group (as defined in the Scheme Circular); any business consultant, professional or other advisers (in the areas of legal, technical, financial or corporate managerial) (including any executive, officer and employee of such business consultant, professional and other advisers) to each member of the Eligible Group (or persons proposed to be appointed as such) who has rendered service or will render service to the Group, as absolutely determined by the board |
| (3) Total number of shares available for issue (% of number of shares in issue as at 22 March 2019) | : | 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 as being the period during which an option may be exercised, such period to expire not later than 10 years from the date of grant of the option |
| (6) Minimum period for which an option must be held before exercise | : | To be determined by the board from time to time |
| (7) Amount payable on application or acceptance of the option | : | HK\$1.00 |

DIRECTORS' REPORT

EQUITY-LINKED AGREEMENTS *(continued)*

Share option scheme *(continued)*

- (8) Basis of determining the exercise price : The exercise price shall be a price solely determined by the board but shall be not less than the higher of:
- (a) the closing price of the shares as stated in the Exchange's daily quotations sheet on the date of grant of the option which must be a business day;
 - (b) the average closing price of the shares as stated in the Exchange's daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option; and
 - (c) the nominal value of a share on the date of grant of the option
- (9) Remaining life : Until 20 May 2025

No option lapsed and no option was granted, exercised or cancelled under the Scheme during the year. 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 year.

Apart from the foregoing, 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 of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER PERSONS' INTERESTS AND SHORT POSITIONS

As at 31 December 2018, 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 by the Company under section 336 of the SFO:

Name	Capacity	No. of shares	% of shareholding
Palin Holdings	Interest of controlled corporation	93,703,417	11.72%
Chongqing Industrial	Beneficial owner	93,703,417	11.72%

Note: Each parcel of 93,703,417 shares represents a long position and Chongqing Industrial's direct interest in the Company. Palin Holdings was deemed to be interested in those shares by virtue of its indirect control of Chongqing Industrial.

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 31 December 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 47.

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(v) to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

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

INDEMNITY OF DIRECTORS

Permitted indemnity provisions (within the meaning of section 469 of the Companies Ordinance) for the benefit of the directors of the Company are currently in force and were in force throughout the year.

EXTERNAL AUDITOR

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 auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the board

Cheung Chung Kiu

Chairman and Managing Director

Hong Kong, 22 March 2019

INDEPENDENT AUDITOR'S REPORT



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

OPINION

We have audited the consolidated financial statements of Y. T. Realty Group Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 56 to 121, which comprise the consolidated statement of financial position as at 31 December 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of investment properties</i></p> <p>The Group holds a portfolio of investment properties situated in the United Kingdom, Hong Kong and Mainland China for rental earning purpose. Such investment properties are measured at fair value at the end of each reporting period and the aggregate carrying amount of these investment properties amounted to HK\$1,213 million as at 31 December 2018.</p> <p>Significant estimation is required to determine the fair values of the investment properties, which reflect market conditions at the end of the reporting period. Management engaged external valuers to perform valuations of these investment properties at the end of the reporting period and in the absence of current prices in an active market for similar properties, the external valuers considered information from a variety of sources such as current prices of properties of a similar location/condition and estimated rental value of the relevant properties and made assumptions about capitalisation rates, etc.</p> <p>Disclosures in relation to the estimation of the fair values of the investment properties are included in notes 3 and 13 to the consolidated financial statements.</p>	<p>Our audit procedures to assess the valuations of the investment properties included the following:</p> <ul style="list-style-type: none"> • obtained and reviewed the valuation reports prepared by the external valuers engaged by the Group; • assessed the external valuers' qualifications, experience and expertise and considered their objectivity and independence; • involved our internal valuation specialists to assist us to assess the valuation methodologies applied and the key assumptions and estimates adopted in the valuations; • compared property-related data used as inputs for the valuations with underlying documentation, such as lease agreements; and • assessed the adequacy of the disclosures on the valuation of the investment properties.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Cheuk Keung.

Ernst & Young

Certified Public Accountants

Hong Kong

22 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)
REVENUE	5		
Rental income		47,546	45,273
Interest income		3,071	591
Total revenue		50,617	45,864
Direct outgoings		(2,226)	(71)
		48,391	45,793
Other income and other net losses	5	(4,209)	2,197
Administrative expenses		(11,450)	(8,136)
Changes in fair value of investment properties		51,414	15,853
PROFIT BEFORE TAX	6	84,146	55,707
Income tax expense	9	(1,837)	(943)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		82,309	54,764
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	11	HK10.3 cents	HK6.8 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	2018 HK\$'000	2017 HK\$'000
PROFIT FOR THE YEAR		82,309	54,764
OTHER COMPREHENSIVE (LOSS)/INCOME			
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>			
Change in fair value of an available-for-sale investment	15	—	280
Exchange differences on translation of foreign operations		(67,268)	111,871
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		(67,268)	112,151
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Change in fair value of an equity investment designated at fair value through other comprehensive income	15	370	—
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(66,898)	112,151
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		15,411	166,915

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	12	912	170
Investment properties	13	1,212,690	1,216,548
Intangible asset	14	13,680	16,760
Equity investment designated at fair value through other comprehensive income	15	2,220	—
Available-for-sale investment	15	—	1,850
Debt investments at amortised cost	16	12,400	—
Deposits	18	279	—
Total non-current assets		<u>1,242,181</u>	<u>1,235,328</u>
CURRENT ASSETS			
Trade receivables	17	—	44
Other receivables, deposits and prepayments	18	3,242	10,162
Cash and cash equivalents	19	415,523	407,121
Total current assets		<u>418,765</u>	<u>417,327</u>
CURRENT LIABILITIES			
Trade payables	20	—	95
Other payables and accrued expenses	21	16,540	17,235
Tax payable		4,170	4,318
Total current liabilities		<u>20,710</u>	<u>21,648</u>
NET CURRENT ASSETS		<u>398,055</u>	<u>395,679</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,640,236</u>	<u>1,631,007</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	22	4,068	4,243
Other payables	21	5,208	3,219
Total non-current liabilities		<u>9,276</u>	<u>7,462</u>
Net assets		<u>1,630,960</u>	<u>1,623,545</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital	23	79,956	79,956
Reserves	24	1,551,004	1,543,589
Total equity		<u>1,630,960</u>	<u>1,623,545</u>

Cheung Chung Kiu
Director

Yuen Wing Shing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	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 reserve [#] <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 year	—	—	—	—	—	—	—	82,309	82,309
Change in fair value of an equity investment designated at fair value through other comprehensive income	—	—	—	—	—	—	370	—	370
Exchange differences on translation of foreign operations	—	—	—	—	—	(67,268)	—	—	(67,268)
Other comprehensive (loss)/ income for the year	—	—	—	—	—	(67,268)	370	—	(66,898)
Total comprehensive income/ (loss) for the year	—	—	—	—	—	(67,268)	370	82,309	15,411
Final 2017 dividend declared and paid	10	—	—	—	—	—	—	(7,996)	(7,996)
At 31 December 2018	<u>79,956</u>	<u>95,738*</u>	<u>1,350*</u>	<u>1,800*</u>	<u>4,767*</u>	<u>(64,317)*</u>	<u>1,480*</u>	<u>1,510,186*</u>	<u>1,630,960</u>

* These reserve accounts comprise the consolidated reserves of HK\$1,551,004,000 (2017: HK\$1,543,589,000) in the consolidated statement of financial position.

Other reserve represents the fair value reserve arising from an equity investment designated at fair value through other comprehensive income with no recycling of gains or losses to profit or loss on derecognition.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	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 reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 year	—	—	—	—	—	—	—	54,764	54,764
Change in fair value of an available- for-sale investment	—	—	—	—	—	—	280	—	280
Exchange differences on translation of foreign operations	—	—	—	—	—	111,871	—	—	111,871
Other comprehensive income for the year	—	—	—	—	—	111,871	280	—	112,151
Total comprehensive income for the year	—	—	—	—	—	111,871	280	54,764	166,915
At 31 December 2017	<u>79,956</u>	<u>95,738</u>	<u>1,350</u>	<u>1,800</u>	<u>4,767</u>	<u>2,951</u>	<u>1,110</u>	<u>1,435,873</u>	<u>1,623,545</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operations	25	36,120	30,068
Oversea profits tax paid		(2,175)	(1,065)
Hong Kong profits tax refunded		15	10
Net cash flows from operating activities		<u>33,960</u>	<u>29,013</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		77	356
Purchases of items of property, plant and equipment		(857)	(126)
Proceeds from disposal of an item of property, plant and equipment		—	9
Purchase of an intangible asset		—	(16,760)
Purchase of debt investments at amortised cost		(12,375)	—
Net cash flows used in investing activities		<u>(13,155)</u>	<u>(16,521)</u>
CASH FLOW FROM A FINANCING ACTIVITY			
Dividends paid		(7,996)	—
Net cash flows used in a financing activity		<u>(7,996)</u>	<u>—</u>
Net increase in cash and cash equivalents		12,809	12,492
Cash and cash equivalents at 1 January		407,121	390,399
Effect on foreign exchange rate changes, net		(4,407)	4,230
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		<u>415,523</u>	<u>407,121</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	63,003	117,121
Non-pledged time deposits with original maturity of less than three months when acquired	19	352,520	290,000
		<u>415,523</u>	<u>407,121</u>

1 CORPORATE AND GROUP INFORMATION

Y. T. Realty Group Limited (the “Company”) is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 25th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (the “Group”) were involved in the following principal activities:

- (a) Property investment and trading;
- (b) Provision of property management and related services;
- (c) Treasury management; and
- (d) Investment holding.

During the year, the Group decided to further develop its treasury management business to further enhance returns and therefore, designated its treasury management business as one of the principal activities of the Group. Other than this change, there were no significant changes in the nature of the Group’s principal activities.

Information about subsidiaries

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

Name of company	Place of incorporation and operation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Best View Investments Hong Kong Company Limited	British Virgin Islands; Hong Kong	US\$1	—	100%	Property investment
Century Well Enterprises Limited	Hong Kong	HK\$1	—	100%	Corporate management service
Cypress Dynasty Limited	British Virgin Islands; United Kingdom	US\$1	—	100%	Property investment
Grand Galaxy Limited	Hong Kong	HK\$1	—	100%	Treasury management

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1 CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name of company	Place of incorporation and operation	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Grove Asset 4 S.à.r.l.	Luxembourg	GBP12,000	—	100%	Investment holding
Mainland Sun Ltd.	British Virgin Islands; Mainland China	US\$1	—	100%	Property investment
Nathan Cliff Limited	British Virgin Islands	US\$1	—	100%	Treasury management
Radiance Ventures Limited	British Virgin Islands	US\$1	100%	—	Investment holding
Solent Ventures Limited	British Virgin Islands	US\$1	—	100%	Investment holding
Super Gain Ventures Limited	British Virgin Islands	US\$1	—	100%	Investment holding
Unique Time Investments Limited	British Virgin Islands	US\$1	—	100%	Investment holding
Y. T. Group Management Limited	Hong Kong	HK\$2	—	100%	Investment holding

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.

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 an equity investment designated at fair value through other comprehensive income, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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.

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 2014-2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i>

Other than as explained below regarding the impact of HKFRS 9, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

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 recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Classification and measurement

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	Note	HKAS 39 measurement		Re- classification HK\$'000	HKFRS 9 measurement	
		Category	Amount HK\$'000		Amount HK\$'000	Category
<u>Financial assets</u>						
Equity investment designated at fair value through other comprehensive income		N/A	—	1,850	1,850	FVOCI ¹
From: Available-for-sale investment	(i)			1,850		
Available-for-sale investment		AFS ²	1,850	(1,850)	—	N/A
To: Equity investment designated at fair value through other comprehensive income	(i)			(1,850)		
Trade receivables		L&R ³	44	—	44	AC ⁴
Financial assets included in other receivables, deposits and prepayments		L&R	10,027	—	10,027	AC
Cash and cash equivalents		L&R	407,121	—	407,121	AC
Total			<u>419,042</u>	<u>—</u>	<u>419,042</u>	
<u>Financial liabilities</u>						
Trade payables		AC	95	—	95	AC
Financial liabilities included in other payables and accrued expenses		AC	17,309	—	17,309	AC
Total			<u>17,404</u>	<u>—</u>	<u>17,404</u>	

¹ FVOCI: Financial asset designated at fair value through other comprehensive income

² AFS: Available-for-sale investment

³ L&R: Loans and receivables

⁴ AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The Group has elected the option to irrevocably designate its previously available-for-sale equity investment as an equity investment designated at fair value through other comprehensive income.

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

Impairment

The Group's financial assets that are subject to the impairment requirements of HKFRS 9 include trade receivables (lease receivables), financial assets included in other receivables, deposits and prepayments, and cash and cash equivalents. The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets, however, the identified impairment losses were immaterial and accordingly, no opening adjustment of impairment allowance was made upon the adoption of HKFRS 9.

Impact on reserves

As a result of the reclassification of an equity investment from available-for-sale investment to equity investment designated at fair value through other comprehensive income upon the adoption of HKFRS 9 as at 1 January 2018, the corresponding fair value reserve account (i.e. other reserve) is re-defined as a reserve account for gains and losses which are never recycled to the statement of profit or loss.

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.

Amendments to HKFRS 3	<i>Definition of a Business</i> ²
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ²
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates. However, the amendments are available for adoption now.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK\$3,047,000, as disclosed in note 26. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested 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 (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Business combination and goodwill *(continued)*

Where goodwill has been allocated to a part of a cash-generating unit (or group of cash-generating units) 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. 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.

(b) Fair value measurement

The Group measures its investment properties and an equity investment designated at fair value through other comprehensive income 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises.

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)*

(d) Related parties

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

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) 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)*

(f) 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.

(g) Golf club membership

Golf club membership acquired is measured on initial recognition at cost and its useful life is assessed to be indefinite.

Golf club membership is tested for impairment annually and not amortised. Its useful life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(h) 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

(j) Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- (j) Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) *(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 (applicable before 1 January 2018)” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

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

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(l) Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(I) Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) *(continued)*

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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.

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effect interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

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

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) *(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.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

(n) Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

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

(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.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(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 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, except:

- when the deferred tax liability 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(t) Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Revenue recognition (applicable from 1 January 2018) *(continued)*

Revenue from contracts with customers (continued)

(a) Sale of properties

Revenue from the sale of properties is recognised at the point in time when the purchasers obtained the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

(b) Provision of management services

Revenue from the provision of property management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

(a) Rental income is recognised on a time proportion basis over the lease terms.

(b) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimate future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

(u) Revenue recognition (applicable before 1 January 2018)

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; and
- (iv) property management and related services revenue, when the services are rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) 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 is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Employee benefits *(continued)*

Pension scheme

The Group operates 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.

(w) Dividends

Final dividend is recognised as a liability when it is approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(x) Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Foreign currencies *(continued)*

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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.

The key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is described below:

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 of determination of the fair values, 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. More details are given in note 13 to the consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

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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 treasury management segment which invests in debt securities and time deposits for earning interest income.

During the year, as mentioned in note 1 to the financial statements, the Group has designated its treasury management business as one of the principal business activities. The performance and results of the treasury management business are separately reviewed and evaluated for management reporting purpose. Accordingly, the presentation of segment information for the year ended 31 December 2017 has been restated to reflect this change of segment composition for comparison purpose.

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 property, plant and equipment, an equity investment designated at fair value through other comprehensive income, an available-for-sale investment, an intangible asset, certain 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

4 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>	Treasury management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
2018					
Segment revenue (note 5)	<u>47,546</u>	<u>—</u>	<u>—</u>	<u>3,071</u>	<u>50,617</u>
Segment results	81,156	—	—	2,990	84,146
Profit before tax					84,146
Income tax expense	(1,837)	—	—	—	(1,837)
Profit for the year					<u>82,309</u>
Assets and liabilities					
Segment assets	1,216,057	—	—	365,074	1,581,131
Unallocated assets					79,815
Total assets					<u>1,660,946</u>
Segment liabilities	22,620	—	—	54	22,674
Unallocated liabilities					7,312
Total liabilities					<u>29,986</u>
Other segment information:					
Capital expenditure	857	—	—	—	857
Depreciation	103	—	—	—	103
Changes in fair value of investment properties	51,414	—	—	—	51,414
Impairment of an intangible asset	<u>3,080</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,080</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2018

4 OPERATING SEGMENT INFORMATION (continued)

	Property investment <i>HK\$'000</i> (Restated)	Property trading <i>HK\$'000</i>	Property management and related services <i>HK\$'000</i>	Treasury management <i>HK\$'000</i> (Restated)	Consolidated <i>HK\$'000</i> (Restated)
2017					
Segment revenue (note 5)	<u>45,273</u>	<u>—</u>	<u>—</u>	<u>591</u>	<u>45,864</u>
Segment results	55,186	—	—	521	<u>55,707</u>
Profit before tax					55,707
Income tax expense	(958)	—	—	—	(958)
Unallocated income tax credit					<u>15</u>
Profit for the year					<u>54,764</u>
Assets and liabilities					
Segment assets	1,226,753	—	—	290,041	1,516,794
Unallocated assets					<u>135,861</u>
Total assets					<u>1,652,655</u>
Segment liabilities	21,763	—	—	42	21,805
Unallocated liabilities					<u>7,305</u>
Total liabilities					<u>29,110</u>
Other segment information:					
Capital expenditure	126	—	—	—	126
Depreciation	42	—	—	—	42
Changes in fair value of investment properties	<u>15,853</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,853</u>

4 OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)
United Kingdom	47,306	45,033
Hong Kong	3,311	831
	<u>50,617</u>	<u>45,864</u>

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

(b) Non-current assets

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
United Kingdom	1,176,090	1,179,748
Hong Kong	28,871	30,430
Mainland China	22,600	23,300
	<u>1,227,561</u>	<u>1,233,478</u>

The non-current assets information above is based on the locations 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A under the property investment segment	24,215	22,495
Customer B under the property investment segment	8,160	4,949
Customer C under the property investment segment	N/A ¹	5,092
Customer D under the property investment segment	N/A ¹	4,827

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group in 2018.

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5 REVENUE, OTHER INCOME AND OTHER NET LOSSES

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)
Revenue from other sources		
Rental income from investment properties	<u>47,546</u>	<u>45,273</u>
Interest income from debt investments at amortised cost	39	—
Interest income from time deposits	<u>3,032</u>	<u>591</u>
	<u>3,071</u>	<u>591</u>
	<u>50,617</u>	<u>45,864</u>
Other income and other net losses		
Bank interest income	77	356
Foreign exchange differences, net	(2,593)	1,742
Impairment of an intangible asset	(3,080)	—
Others	<u>1,387</u>	<u>99</u>
	<u>(4,209)</u>	<u>2,197</u>

NOTES TO FINANCIAL STATEMENTS

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6 PROFIT BEFORE TAX

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Gross rental income	(47,546)	(45,273)
Less: Outgoings	<u>2,226</u>	<u>71</u>
Net rental income	<u>(45,320)</u>	<u>(45,202)</u>
Depreciation (<i>note 12</i>)	103	42
Minimum lease payments under operating leases:		
Land and buildings	841	791
Auditors' remuneration	1,070	1,030
Staff costs (including executive directors' remuneration (<i>note 7</i>)):		
Wages and salaries	2,627	1,906
Discretionary bonuses	3,095	280
Pension scheme contributions*	<u>86</u>	<u>67</u>
	<u>5,808</u>	<u>2,253</u>
Impairment of an intangible asset (<i>note 14</i>)**	3,080	—
Foreign exchange differences, net**	<u>2,593</u>	<u>(1,742)</u>

* At 31 December 2018, there were no forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years (2017: Nil).

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

7 DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Fees	1,070	1,020
Other emoluments:		
Discretionary bonuses	2,800	—
Pension scheme contributions	4	—
	<u>3,874</u>	<u>1,020</u>

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

(a) Independent non-executive directors

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Mr. Luk Yu King, James	440	420
Mr. Ng Kwok Fu	315	300
Mr. Leung Yu Ming, Steven	315	300
	<u>1,070</u>	<u>1,020</u>

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

7 DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2018					
Mr. Cheung Chung Kiu	—	—	—	—	—
Mr. Yuen Wing Shing	—	—	1,500	2	1,502
Ms. Tung Wai Lan, Iris	—	—	1,300	2	1,302
	<u>—</u>	<u>—</u>	<u>2,800</u>	<u>4</u>	<u>2,804</u>
2017					
Mr. Cheung Chung Kiu	—	—	—	—	—
Mr. Yuen Wing Shing	—	—	—	—	—
Ms. Tung Wai Lan, Iris	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

8 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include two directors (2017: Nil), details of whose remuneration are set out in note 7 above. Details of the remuneration of three (2017: five) non-director, highest paid employees are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and benefits in kind	1,847	1,851
Discretionary bonuses	220	280
Pension scheme contributions	54	67
	<u>2,121</u>	<u>2,198</u>

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

	Number of employees	
	2018	2017
Below HK\$500,001	—	2
HK\$500,001 to HK\$1,000,000	3	3
	<u>3</u>	<u>5</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2018

9 INCOME TAX EXPENSE

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 year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current – United Kingdom	3,416	961
Over-provision in prior years – United Kingdom	<u>(1,404)</u>	<u>(493)</u>
	2,012	468
Deferred (<i>note 22</i>)	<u>(175)</u>	<u>475</u>
Total tax charge for the year	<u><u>1,837</u></u>	<u><u>943</u></u>

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before tax	<u>84,146</u>	<u>55,707</u>
Tax at the statutory tax rates of different jurisdictions	11,777	3,813
Adjustments in respect of current tax of previous periods	(1,404)	(493)
Income not subject to tax	(11,283)	(3,236)
Expenses not deductible for tax	1,362	120
Tax losses utilised from previous periods	(31)	(30)
Tax losses not recognised	1,783	1,188
Unrecognised temporary difference	(419)	(487)
Others	<u>52</u>	<u>68</u>
Tax charge at the Group's effective rate	<u><u>1,837</u></u>	<u><u>943</u></u>

NOTES TO FINANCIAL STATEMENTS

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10 DIVIDENDS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Proposed final dividend – HK1 cent (2017: HK1 cent) per ordinary share	<u>7,996</u>	<u>7,996</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. No interim dividend was declared in respect of the current year (2017: Nil).

11 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.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<u>Earnings</u>		
Profit for the year attributable to ordinary equity holders of the Company	<u>82,309</u>	<u>54,764</u>
Number of shares		
	2018	2017
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year	<u>799,557,415</u>	<u>799,557,415</u>

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12 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Office equipment, furniture and fixtures HK\$'000	Computer software HK\$'000	Motor vehicles HK\$'000	Computer equipment HK\$'000	Total HK\$'000
31 December 2018						
At 31 December 2017 and at 1 January 2018:						
Cost	9	130	76	—	125	340
Accumulated depreciation	(2)	(93)	(10)	—	(65)	(170)
Net carrying amount	<u>7</u>	<u>37</u>	<u>66</u>	<u>—</u>	<u>60</u>	<u>170</u>
At 1 January 2018, net of accumulated depreciation						
	7	37	66	—	60	170
Additions	631	186	—	—	40	857
Write-off	(8)	(8)	—	—	—	(16)
Depreciation provided during the year	(44)	(15)	(15)	—	(29)	(103)
Write-back of depreciation	2	2	—	—	—	4
At 31 December 2018, net of accumulated depreciation	<u>588</u>	<u>202</u>	<u>51</u>	<u>—</u>	<u>71</u>	<u>912</u>
At 31 December 2018:						
Cost	632	308	76	—	165	1,181
Accumulated depreciation	(44)	(106)	(25)	—	(94)	(269)
Net carrying amount	<u>588</u>	<u>202</u>	<u>51</u>	<u>—</u>	<u>71</u>	<u>912</u>
31 December 2017						
At 1 January 2017:						
Cost	783	443	495	20	260	2,001
Accumulated depreciation	(774)	(398)	(485)	(12)	(237)	(1,906)
Net carrying amount	<u>9</u>	<u>45</u>	<u>10</u>	<u>8</u>	<u>23</u>	<u>95</u>
At 1 January 2017, net of accumulated depreciation						
	9	45	10	8	23	95
Additions	—	—	70	—	56	126
Disposal/write-off	(774)	(313)	(489)	(20)	(191)	(1,787)
Depreciation provided during the year	(2)	(8)	(12)	(1)	(19)	(42)
Write-back of depreciation	774	313	487	13	191	1,778
At 31 December 2017, net of accumulated depreciation	<u>7</u>	<u>37</u>	<u>66</u>	<u>—</u>	<u>60</u>	<u>170</u>
At 31 December 2017:						
Cost	9	130	76	—	125	340
Accumulated depreciation	(2)	(93)	(10)	—	(65)	(170)
Net carrying amount	<u>7</u>	<u>37</u>	<u>66</u>	<u>—</u>	<u>60</u>	<u>170</u>

13 INVESTMENT PROPERTIES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Carrying amount at 1 January	1,216,548	1,093,054
Lease incentives	7,589	—
Fair value adjustment	51,414	15,853
Exchange realignment	<u>(62,861)</u>	<u>107,641</u>
Carrying amount at 31 December	<u>1,212,690</u>	<u>1,216,548</u>

The Group's investment properties were revalued on 31 December 2018 and 2017 based on valuations performed by John D Wood and Savills Valuation and Professional Services Limited, independent firms of professionally qualified valuers. Selection criteria of valuers include market knowledge, reputation, independence and whether professional standards are maintained.

There is no pledge on the Group's investment properties at 31 December 2018 and 2017.

Further particulars of the Group's investment properties are included on page 122.

Fair value hierarchy

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

	<u>Fair value measurement using</u>			Total <i>HK\$'000</i>
	<u>Quoted prices in active markets (Level 1) <i>HK\$'000</i></u>	<u>Significant observable inputs (Level 2) <i>HK\$'000</i></u>	<u>Significant unobservable inputs (Level 3) <i>HK\$'000</i></u>	
At 31 December 2018				
Recurring fair value measurement for:				
Investment properties	<u>—</u>	<u>22,600</u>	<u>1,190,090</u>	<u>1,212,690</u>
At 31 December 2017				
Recurring fair value measurement for:				
Investment properties	<u>—</u>	<u>23,300</u>	<u>1,193,248</u>	<u>1,216,548</u>

During the year, there were no transfer of fair value measurements between Level 1 and Level 2, and there was no transfer in or out of Level 3 (2017: transfer of fair value measurements into Level 3 from Level 2 of HK\$13,500,000).

The fair value of the investment properties which were classified as Level 2 of the fair value hierarchy is determined by using the sales comparison approach by reference to comparable market transactions.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

13 INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial Properties HK\$'000
Carrying amount at 1 January 2017	1,058,654
Net gain from a fair value adjustment recognised in changes in fair value of investment properties	13,453
Transfer from Level 2 into Level 3 (Note)	13,500
Exchange realignment	<u>107,641</u>
Carrying amount at 31 December 2017 and 1 January 2018	1,193,248
Lease incentives	7,589
Net gain from a fair value adjustment recognised in changes in fair value of investment properties	52,114
Exchange realignment	<u>(62,861)</u>
Carrying amount at 31 December 2018	<u>1,190,090</u>

Note: The transfer from Level 2 to Level 3 is due to a lack of observable market data, resulting from a decrease in market activity for certain investment properties. The entity's policy is to recognise transfers into and transfers out of Level 3 as at the date of the event or change in circumstances that caused the transfer.

Below is a summary of the valuation techniques 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	
			2018	2017
Commercial properties – United Kingdom	Income capitalisation approach	Market yields (initial yield)	3.4% to 4.2%	3.5% to 4.5%
		Market rental (per square foot)	GBP51 to GBP90 per year	GBP51 to GBP74 per year
Commercial properties – Hong Kong	Sales comparison approach	Price per square foot	HK\$26,700	HK\$25,700

13 INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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 or sales comparison approach by reference to comparable market transactions and adjusted for differences on location and physical attributes, such as saleable area and age of the building. Measurement of the fair value is positively correlated to the market rental and price per square foot and inversely correlated to market yields.

14 INTANGIBLE ASSET

	Golf club membership HK\$'000
31 December 2018	
Cost at 1 January 2018, net of accumulated impairment	16,760
Impairment during the year	(3,080)
	<hr/>
As at 31 December 2018	13,680
	<hr/> <hr/>
As at 31 December 2018	
Cost	16,760
Accumulated impairment	(3,080)
	<hr/>
Net carrying amount	13,680
	<hr/> <hr/>
31 December 2017	
Cost at 1 January 2017, net of accumulated impairment	—
Addition	16,760
Impairment during the year	—
	<hr/>
As at 31 December 2017	16,760
	<hr/> <hr/>
As at 31 December 2017	
Cost	16,760
Accumulated impairment	—
	<hr/>
Net carrying amount	16,760
	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

31 December 2018

14 INTANGIBLE ASSET *(continued)*

Golf club membership is considered as having an indefinite useful life as there is no time limit for which the Group can use the membership, and therefore it will not be amortised until its useful life is determined to be finite upon reassessment annually. Accordingly, the intangible asset is tested for impairment annually and whenever there is an indication that it may be impaired.

During the year ended 31 December 2018, an impairment loss of HK\$3,080,000 (2017: Nil) was recognised in other income and other net losses because the fair value of the golf club membership (by reference to the quoted market prices less transfer fees) fell below its carrying amount. The fair value of the golf club membership is classified as level 1 of the fair value hierarchy.

15 EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME / AVAILABLE-FOR-SALE INVESTMENT

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Equity investment designated at fair value through other comprehensive income			
Unlisted equity investment, at fair value	<i>(i)</i>	<u>2,220</u>	<u>—</u>
Available-for-sale investment:			
Unlisted equity investment, at fair value	<i>(ii)</i>	<u>—</u>	<u>1,850</u>

Notes:

- (i) The above unlisted equity instrument was irrevocably designated at fair value through other comprehensive income as the Group considers the investment is made primarily for non-financial benefits. During the year ended 31 December 2018, the fair value gain recognised in other comprehensive income amounted to HK\$370,000.
- (ii) During the year ended 31 December 2017, the fair value gain in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK\$280,000.

16 DEBT INVESTMENTS AT AMORTISED COST

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Listed debt investments at amortised cost	<i>(i)</i>	12,400	—
Impairment allowance		—	—
		<u>12,400</u>	<u>—</u>

Note:

- (i) In December 2018, the Group subscribed for two senior notes at an aggregate consideration of USD1,580,000 (equivalent to HK\$12,375,000) issued by the two companies ("Issuers") listed on The Stock Exchange of Hong Kong Limited. The senior notes bear interest at rates ranging from 7.875% to 8.375% per annum, payable semi-annually and will mature in 2021. The Issuers may redeem all or any part of the senior note prior to the maturity at redemption prices equivalent to the outstanding principal, accrued interests and applicable premium applicable from time to time.

The Group applies the general approach and measures impairment allowance for listed debt investments at an amount equal to 12-month expected credit losses as there were no significant increase in credit risk since initial recognition. The listed debt investments are categorised in Stage 1 as at 31 December 2018 as they have no history of default and was not overdue. They were of investment grades on the credit rating of Moody and being listed on a recognised stock exchange. Furthermore, the remaining maturity periods of the listed debt investments are less than 3 years and there were no unfavourable current conditions and forecast of future economic conditions as at 31 December 2018. As such, the Group did not expect any investment counterparty will fail to meet its obligation and considered the listed debt investments are of low credit risk and the associated expected credit loss of these listed debt investments was minimal. Therefore, no impairment allowance was made for the listed debt investment as at 31 December 2018.

The fair value of listed debt investments at amortised cost as at 31 December 2018 was HK\$12,350,000 which was determined by reference to published prices in an active market and classified as level 1 of the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

17 TRADE RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	—	44
Impairment	—	—
	<u>—</u>	<u>44</u>

The trade receivables primarily include rental receivables which are normally billed in advance and 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.

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 to 30 days	<u>—</u>	<u>44</u>

Impairment under HKFRS 9 for the year ended 31 December 2018

The Group's tenants normally settle their bills in a timely manner and the Group's trade receivables as at the end of the reporting periods aged less than 30 days. As such, the Group's exposure to credit risk is insignificant and no impairment loss was recognised.

Impairment under HKAS 39 for the year ended 31 December 2017

An aging analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 <i>HK\$'000</i>
Neither past due nor impaired	<u>44</u>

Receivables that were neither past due nor impaired related to a number of diversified customers for whom there was no recent history of default.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

18 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Prepayments	474	135
Other receivables and deposits	<u>3,047</u>	<u>10,027</u>
	3,521	10,162
Impairment allowance	<u>—</u>	<u>—</u>
	3,521	10,162
Less: Deposits classified as non-current assets	<u>(279)</u>	<u>—</u>
Portion classified as current assets	<u><u>3,242</u></u>	<u><u>10,162</u></u>

Other receivables and deposits mainly represent rental deposits and rental receivables collected and temporarily held by a property management company on behalf of the Group. Given the Group has not experienced any significant credit losses in the past and the property management company was restricted to use the rental receivables collected on behalf of the Group, the Group estimated the expected credit losses related to these receivables are insignificant.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

19 CASH AND CASH EQUIVALENTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Cash and bank balances	63,003	117,121
Time deposits	352,520	290,000
	<u>415,523</u>	<u>407,121</u>

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

20 TRADE PAYABLES

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 to 30 days	<u>—</u>	<u>95</u>

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

21 OTHER PAYABLES AND ACCRUED EXPENSES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Receipts in advance	3,155	5,367
Deposits received	5,252	5,546
Other payables	7,551	6,396
Accruals	5,790	3,145
	<u>21,748</u>	<u>20,454</u>
Less: Other payables classified as non-current liabilities	<u>(5,208)</u>	<u>(3,219)</u>
Portion classified as current liabilities	<u>16,540</u>	<u>17,235</u>

Other payables are non-interest-bearing and repayable on demand.

22 DEFERRED TAX

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

		Deferred tax liabilities		Deferred tax assets		
	Note	Depreciation allowance in excess of related depreciation	Revaluation of investment properties	Losses available for offsetting against future taxable profits		Net
		HK\$'000	HK\$'000	HK\$'000		HK\$'000
At 1 January 2017		(96)	(3,768)	96		(3,768)
Deferred tax (charged)/ credited to the statement of profit or loss during the year	9	(60)	(475)	60		(475)
At 31 December 2017 and at 1 January 2018		(156)	(4,243)	156		(4,243)
Deferred tax credited/ (charged) to the statement of profit or loss during the year	9	(23)	175	23		175
At 31 December 2018		(179)	(4,068)*	179		(4,068)

* 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\$23,992,000 (2017: HK\$13,126,000) 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.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

23 SHARE CAPITAL

Shares

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

Share options

At a special general meeting held on 21 May 2015, the Company adopted a share option scheme (the "Scheme") to replace the old scheme. Employees (including directors) of the Group are included in the eligible participants. A total of 79,955,741 shares will be available for issue under the 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 20 May 2025. No share options have been granted under the Scheme during the current year and no options were outstanding at 31 December 2018 and 2017.

24 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 59 and 60 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

25 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)
Profit before tax		84,146	55,707
Adjustments for:			
Interest income	5	(77)	(356)
Changes in fair value of investment properties	13	(51,414)	(15,853)
Lease incentives	13	(7,589)	—
Imputed interest income from debt investments at amortised cost		(25)	—
Depreciation	6	103	42
Loss on write-off of items of property, plant and equipment		12	—
Impairment of an intangible asset	6	3,080	—
		<u>28,236</u>	<u>39,540</u>
Decrease/(increase) in trade receivables, other receivables, deposits and prepayments		6,685	(7,900)
Increase/(decrease) in trade payables, other payables and accrued expenses		<u>1,199</u>	<u>(1,572)</u>
Net cash generated from operations		<u><u>36,120</u></u>	<u><u>30,068</u></u>

NOTES TO FINANCIAL STATEMENTS

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26 OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13) under operating lease arrangements, with leases negotiated for terms ranging from three to thirty five years.

The terms of the leases generally (i) require tenants to pay rent in advance on a quarterly basis; (ii) provide for rent reviews; (iii) grant certain lessees tenant exercisable break clauses; (iv) provide a rent-free period if each tenant exercisable break clause is not exercised; and (v) require certain tenants to pay security deposits.

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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	45,296	42,704
In the second to fifth years, inclusive	177,259	170,851
Beyond five years	<u>501,738</u>	<u>536,519</u>
	<u><u>724,293</u></u>	<u><u>750,074</u></u>

(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 to four 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within one year	950	791
In the second to fifth years, inclusive	<u>2,097</u>	<u>462</u>
	<u><u>3,047</u></u>	<u><u>1,253</u></u>

NOTES TO FINANCIAL STATEMENTS

31 December 2018

27 COMMITMENTS

Other than the operating lease commitments detailed in note 26(b) above, the Group did not have any commitments at 31 December 2018 (2017: Nil).

28 CONTINGENT LIABILITIES

The Group did not have any contingent liabilities at 31 December 2018 (2017: Nil).

29 RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Short term employee benefits	3,385	585
Post-employment benefits	<u>22</u>	<u>18</u>
Total compensation paid to key management personnel	<u><u>3,407</u></u>	<u><u>603</u></u>

Further details of directors' emoluments are included in note 7 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

30 FINANCIAL INSTRUMENTS BY CATEGORY

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)
<u>Financial assets</u>		
Equity investment designated at fair value through other comprehensive income:		
Unlisted equity investment at fair value	2,220	—
Financial assets at amortised cost:		
Debt investments at amortised cost	12,400	—
Trade receivables	—	—
Other receivables and deposits	3,047	—
Cash and cash equivalents	415,523	—
	<u>430,970</u>	<u>—</u>
	<u>433,190</u>	<u>—</u>
Loans and receivables:		
Trade receivables	—	44
Other receivables and deposits	—	10,027
Cash and cash equivalents	—	407,121
	<u>—</u>	<u>417,192</u>
Available-for-sale investment:		
Unlisted investment at fair value	—	1,850
	<u>—</u>	<u>419,042</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost:		
Trade payables	—	95
Receipts in advance, deposits received and other payables	15,958	17,309
	<u>15,958</u>	<u>17,404</u>

31 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of listed debt investments at amortised cost and an equity investment designated at fair value through other comprehensive income are based on quoted market prices.

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 <i>HK\$'000</i>
	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	
At 31 December 2018				
Equity investment designated at fair value through other comprehensive income	<u>2,220</u>	<u>—</u>	<u>—</u>	<u>2,220</u>
At 31 December 2017				
Available-for-sale investment	<u>1,850</u>	<u>—</u>	<u>—</u>	<u>1,850</u>

During the year, there were no transfers into or out of Level 1 fair value measurements (2017: Nil).

The Group did not have any financial liabilities measured at fair value as at 31 December 2018 (2017: Nil).

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly comprise debt investments at amortised cost, 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 foreign currency risk, credit risk and liquidity risk. These risks are limited under the Group's financial risk management policies and practices as summarised below.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from business activities by operating units in currencies other than the units' functional currencies. The Group's exposure to market risk for changes in foreign currency exchange rates primarily to certain cash equivalents in currency other than the functional currency of the Group's operating subsidiaries.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the GBP exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in GBP rate %	Increase/ (decrease) in profit before tax HK\$'000
2018		
If the Hong Kong dollar weakens against the GBP	5	2,336
If the Hong Kong dollar strengthens against the GBP	(5)	(2,336)
2017		
If the Hong Kong dollar weakens against the GBP	5	1,608
If the Hong Kong dollar strengthens against the GBP	(5)	(1,608)

Credit risk

The Group's credit risk is primarily attributable to debt investments at amortised cost, and 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 rents are due according to respective tenant leases. The Group obtains rental deposits from certain tenants.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. For listed debt investments at amortised cost, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets.

	12-month	Lifetime ECLs			Total HK\$'000
	ECLs				
	Stage 1 HK\$'000	Stage 2 HK\$'000	Stage 3 HK\$'000	Simplified approach HK\$'000	
Debt investments at amortised cost					
- Ba1 to B3	12,400	—	—	—	12,400
Trade receivables					
- Not yet past due	—	—	—	—	—
Other receivables and deposits					
- Normal*	3,047	—	—	—	3,047
Cash and cash equivalents					
- Not yet past due	415,523	—	—	—	415,523
	<u>430,970</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>430,970</u>

* The credit quality of the financial assets included in other receivables and deposits is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Maximum exposure as at 31 December 2017

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the statement of financial position. The Group does not provide any guarantees which would expose the Group to credit risk in last and prior years.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

32 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.

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

	On demand <i>HK\$'000</i>	Within 12 months <i>HK\$'000</i>	Over 1 year to 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
2018				
Trade payables	—	—	—	—
Other payables	5,266	5,484	5,208	15,958
	<u>5,266</u>	<u>5,484</u>	<u>5,208</u>	<u>15,958</u>
2017 (Restated)				
Trade payables	—	95	—	95
Other payables	5,319	8,771	3,219	17,309
	<u>5,319</u>	<u>8,866</u>	<u>3,219</u>	<u>17,404</u>

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, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

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 2018, the Group's gearing ratio was zero (2017: zero).

NOTES TO FINANCIAL STATEMENTS

31 December 2018

33 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
NON-CURRENT ASSETS		
Investments in subsidiaries	1,617,481	1,606,070
Intangible asset	<u>13,680</u>	<u>16,760</u>
Total non-current assets	<u>1,631,161</u>	<u>1,622,830</u>
CURRENT ASSETS		
Other receivables	239	86
Tax recoverable	—	16
Cash and bank balances	<u>6,932</u>	<u>7,918</u>
Total current assets	<u>7,171</u>	<u>8,020</u>
CURRENT LIABILITIES		
Other payables	<u>7,372</u>	<u>7,305</u>
NET CURRENT (LIABILITIES)/ASSETS		
	<u>(201)</u>	<u>715</u>
Net assets	<u>1,630,960</u>	<u>1,623,545</u>
EQUITY		
Issued share capital	79,956	79,956
Reserves (<i>Note</i>)	<u>1,551,004</u>	<u>1,543,589</u>
Total equity	<u>1,630,960</u>	<u>1,623,545</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2018

33 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

	Attributable to equity holders of the Company				Total HK\$'000
	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	
At 1 January 2017	95,738	1,350	—	1,279,586	1,376,674
Profit for the year	—	—	—	166,915	166,915
Total comprehensive income for the year	—	—	—	166,915	166,915
At 31 December 2017 and 1 January 2018	95,738	1,350	—	1,446,501	1,543,589
Profit for the year	—	—	—	15,411	15,411
Total comprehensive income for the year	—	—	—	15,411	15,411
Final 2017 dividend declared and paid	—	—	—	(7,996)	(7,996)
At 31 December 2018	95,738	1,350	—	1,453,916	1,551,004

34 COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 4 to the financial statements, due to the adoption of HKFRS 9 and the changes in the designation of principal activities and segment composition, certain comparative amounts have been reclassified to conform to the current year's presentation and disclosures.

35 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 22 March 2019.

PARTICULARS OF PROPERTIES

31 December 2018

INVESTMENT PROPERTIES IN THE UNITED KINGDOM

Location	Use	Lease expiry	Approximate floor area <i>Sq. ft.</i>	Group's interest %
1 Chapel Place London W1G 0BG United Kingdom	Office	Freehold	34,180 (Net internal)	100
1 Harrow Place London E1 7DB United Kingdom	Hotel	2189	45,528 (Gross internal)	100

INVESTMENT PROPERTY IN MAINLAND CHINA

Location	Use	Lease expiry	Approximate gross floor area <i>Sq. ft.</i>	Group's interest %
Certain units of Di Wang Apartment Shun Hing Square No. 333 Shennan East Road Luohu District, Shenzhen	Residential	2045	4,480	100

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below.

	Year ended 31 December				
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000 (Restated)	2018 HK\$'000
ASSETS AND LIABILITIES					
Property, plant and equipment	691	1,342	95	170	912
Investment properties	3,959,200	4,099,900	1,093,054	1,216,548	1,212,690
Intangible asset	—	—	—	16,760	13,680
Investment in a joint venture	—	119,665	—	—	—
Investment in an associate	1,954,043	2,236,514	—	—	—
Equity investment designated at fair value through other comprehensive income	—	—	—	—	2,220
Available-for-sale investment	1,627	1,777	1,570	1,850	—
Debt investments at amortised cost	—	—	—	—	12,400
Deposits	—	—	—	—	279
Current assets	388,250	424,741	392,705	417,327	418,765
Current liabilities	(104,706)	(183,530)	(27,026)	(21,648)	(20,710)
Net current assets	283,544	241,211	365,679	395,679	398,055
Non-current liabilities	(160,535)	(84,390)	(3,768)	(7,462)	(9,276)
Net assets	<u>6,038,570</u>	<u>6,616,019</u>	<u>1,456,630</u>	<u>1,623,545</u>	<u>1,630,960</u>
EQUITY					
Equity attributable to equity holders of the Company					
Issued share capital	79,956	79,956	79,956	79,956	79,956
Reserves	5,958,614	6,536,063	1,376,674	1,543,589	1,551,004
Total equity	<u>6,038,570</u>	<u>6,616,019</u>	<u>1,456,630</u>	<u>1,623,545</u>	<u>1,630,960</u>
RESULTS					
Revenue	<u>211,826</u>	<u>218,691</u>	<u>66,653</u>	<u>45,864</u>	<u>50,617</u>
Profit before tax	507,965	562,322	366,397	55,707	84,146
Income tax expense	(25,712)	(27,970)	(10,285)	(943)	(1,837)
Profit for the year	<u>482,253</u>	<u>534,352</u>	<u>356,112</u>	<u>54,764</u>	<u>82,309</u>
Attributable to:					
Equity holders of the Company	<u>482,253</u>	<u>534,352</u>	<u>356,112</u>	<u>54,764</u>	<u>82,309</u>