

# 2019

## INTERIM REPORT



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

Stock Code : 75



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# Corporate Information

## Executive Director

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

## Independent Non-executive Director

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

## Audit Committee

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

## Remuneration Committee

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

## Nomination Committee

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

## Authorised Representative

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

## Company Secretary

Albert T. da Rosa, Jr.

## Registered Office

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## Principal Place of Business

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

## External Auditor

Ernst & Young

## Principal Banker

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

## Legal Adviser

*Bermuda:*  
Conyers Dill & Pearman

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

## Registrar & Transfer Office

*Bermuda:*  
MUFG Fund Services (Bermuda) Limited  
\* 4th Floor North, Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

*Hong Kong:*  
Tricor Abacus Limited  
# Level 54, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong  
Tel: (852) 2980 1700  
Fax: (852) 2890 9350

## Share Listing

The Stock Exchange of Hong Kong Limited  
Stock Code: 75

\* The Company's principal registrar and transfer agent in Bermuda has relocated its offices from The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda to the 4th Floor North of Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda with effect from 19 July 2019.

# The Company's branch registrar and transfer office in Hong Kong has relocated from Level 22 to Level 54 of Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong with effect from 11 July 2019.

# Management Discussion and Analysis

The board of directors is pleased to present the unaudited consolidated results of the Company and its subsidiaries for the six months ended 30 June 2019.

## Business Review

For the first half of 2019, the global economy had experienced uncertainties and volatility. Trade conflicts between US and China continued as additional tariffs had been imposed on goods from both sides. The major issues of the US-China trade war had yet been resolved and therefore continued to pose threats to global economy. The other major negative factors included the uncertain outcome of implementation of Brexit, and continuous geopolitical tension in the Middle East, etc.

In the US, the economy showed signs of weakness. The effects of trade war with China eventually created negative impact to the US economy affecting consumer spending and corporate earnings. In order to counter the impact on economic growth in US and the global market due to the weak global growth and the trade war, the US Federal Reserve had begun its plan to cut interest rate.

For Mainland China, the trade war with the US had added pressure on economic growth which was already weak in 2018. Even though the central government had been committed to support the economy via fiscal stimulus and accommodative monetary policy, the pace of GDP growth slipped below expectation and the stock market was lackluster during the period. Volatility in China's economy is expected to continue until the trade dispute with US can be settled with satisfactory outcome.

In Hong Kong, due to the US-China trade war and the weak economic performance in PRC, the local economy was impacted. The overall economy was weak with sectors such as import-export and retail being affected the most and recorded significant decline in the period. Towards the end of the period under review, social unrest and large scale protests had escalated due to political differences in Hong Kong. As a result, it further impacted the already weak economy. Property market generally remained weak during the period, especially in the retail sectors due to weak retail sales and in-bound travel performance.

In the UK, acceptable agreement for Brexit had not been reached. As a result, uncertainty and negative impact on UK economy continued during the period. Despite the economy was stagnant in UK, the commercial property market in London, where the Group's major investment properties are located, though under pressure, remained relatively resilient as compared to our parts of UK during the period.

For the first half of 2019, the Group's revenue increased by 4.6% to HK\$26.2 million from the last corresponding period. Rental income from investment properties amounted to HK\$22.9 million, down 5.5% from HK\$24.2 million. Decrease in rental income was mainly due to decline in exchange rate of British Pound Sterling as compared to the last corresponding period. The Group's investment properties in UK generated stable recurring rental income and achieved 100% occupancy rate. Treasury management income amounted to HK\$3.3 million up 314.6% from HK\$0.8 million (as restated).

The Group's net profit attributable to shareholders for the first six months of 2019 amounted to HK\$34.4 million which was 1.7% higher than the results of the corresponding period of 2018. Earnings per share for the first six-month period of 2019 was HK4.3 cents (2018: HK4.2 cents).

The Group's investment property portfolio was independently valued at the end of the period resulting in revaluation surplus of HK\$15.3 million (2018: HK\$16.3 million). The revaluation surplus was reported in the statement of profit or loss.

# Management Discussion and Analysis

## Prospects

For the second half of the year, we anticipate that volatility and uncertainty to continue and will undermine global economic growth. Despite the US Federal Reserve has started to cut interest rates and other major economies continued to adopt accommodative monetary policies to boost liquidity, the impact of US-China trade war, the potential no-deal Brexit and global geopolitical tension will continue affecting the global market confidence and pose threat to economic development.

In Hong Kong, the local economy will continue to be affected by economic development in Mainland China and the US-China trade war. In addition, the escalating local social unrest and the intensified violent actions of protestors had further dampened the already weak local retail and travel industry. Despite interest rate cut may continue, downside pressure on economic recovery and local property market is expected for the rest of the year.

In the UK, the economy will certainly be impacted by the uncertainty of Brexit. A no-deal Brexit will pose the biggest risk to the UK economy. Inevitably, the economy and property market in London will be affected by Brexit. However, it is expected that London will be relatively more resilient as compared to other regions of UK as it is still the primary business center of Europe and the preferred city for corporate head quarter in Europe and global investors.

In anticipation of the volatile and uncertain economic environment, the Group will remain cautious and proactive in its approach in managing its core business and to look for sound and stable investment opportunities, in particular in the property industry, to produce sustainable and stable returns for our shareholders.

## Liquidity and Financial Resources

As at 30 June 2019, the Group's cash and cash equivalents was HK\$423.8 million and the Group did not have any bank borrowings. The gearing ratio of the Group was zero (31 December 2018: zero). The gearing ratio, if any, is calculated as the ratio of net bank borrowings to shareholders' funds. With cash and recurring rental income, the Group has sufficient resources to meet the foreseeable funding needs for working capital and capital expenditure.

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

## Contingent Liabilities

As at 30 June 2019, the Group had no contingent liabilities (31 December 2018: Nil).

## Staff

As at 30 June 2019, the Group employed 5 staff members. Staff remuneration is reviewed by the Group from time to time. In addition to salaries, the Group provides staff benefits including medical insurance, pension scheme and discretionary vocational tuition/training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the board depending upon the financial performance of the Group.

## Interim Dividend

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).



# Disclosure of Interests

## Directors' and Chief Executive's Interests and Short Positions

The register kept by the Company under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") shows the following interests of directors in the shares of the Company as at 30 June 2019:

Name	Capacity	No. of shares <sup>1</sup>	Total no. of shares	% of shareholding
Cheung Chung Kiu	Beneficial owner	1,564,053		
	Interest of controlled corporation	93,703,416 <sup>2</sup>		
	Interest of controlled corporation	24,990,681 <sup>3</sup>		
	Interest of controlled corporation	<u>15,896,000</u> <sup>4</sup>	136,154,150	17.03%
Ng Kwok Fu	Beneficial owner	50,000		
	Interest of spouse	<u>40,000</u>	90,000	0.01%

### Notes:

- <sup>1</sup> All of the interests represent long positions.
- <sup>2</sup> Mr. Cheung Chung Kiu ("Mr. C.K. Cheung") was deemed to be interested in 93,703,416 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.
- <sup>3</sup> 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.
- <sup>4</sup> Mr. C.K. Cheung was deemed to be interested in 15,896,000 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 30 June 2019, 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 Stock Exchange of Hong Kong Limited pursuant to the Code for Securities Transactions by Directors.

# Disclosure of Interests

## Share Options

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

No option lapsed and no option was granted, exercised or cancelled under the Scheme during the half-year period ended 30 June 2019. Nor were there any outstanding options with regard to the Scheme and any other schemes of the Company at the beginning and/or at the end of the period.

## Other Persons’ Interests and Short Positions

As at 30 June 2019, 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	93,703,416	11.72%
Chongqing Industrial	Beneficial owner	93,703,416	11.72%

*Note:* Each parcel of 93,703,416 shares represents a long position and Chongqing Industrial’s direct interest in the Company. Palin Holdings, a company controlled by Mr. C.K. Cheung, 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 30 June 2019, had, or was deemed to have, any interest or short position in the shares and underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO, other than as disclosed on page 4.



## Corporate Governance Code

Throughout the accounting period covered by the interim report, the Company complied with the code provisions of the Corporate Governance Code (the “CG Code”) set out within Appendix 14 to the Main Board Listing Rules (the “Listing Rules”) save for the deviations described below.

The Company has deviated from A.2.1 of the CG Code to the extent that the roles of chairman and chief executive are performed by Mr. Cheung Chung Kiu (“Mr. C.K. Cheung”). Having considered the existing structure and composition of the board and operations of the Company and its subsidiaries (the “Group”) in Hong Kong, the board believes that vesting the roles of both chairman and managing director in Mr. C.K. Cheung facilitates the effective implementation and execution of its business strategies by, and ensure a consistent leadership for, the Group. Further, a balance of power and authority between the board and management can be ensured by the operation of the board, whose members (including the three independent non-executive directors) are individuals of high calibre with ample experience, such that the interests of shareholders can be safeguarded. The Company will continue to review the structure and composition of the board from time to time to ensure that a balance of power and authority between the board and management is appropriately maintained for the Group.

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

## Model Code for Securities Transactions

The Company has adopted codes of conduct regarding securities transactions by directors and by relevant employees (within the meaning of the CG Code) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers set out within Appendix 10 to the Listing Rules (the “Model Code”).

All directors confirmed that they had complied with the required standard set out within the Model Code and the Company’s code of conduct regarding directors’ securities transactions throughout the period.

## Purchase, Sale or Redemption of Shares

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

## Other Information

### Review by Audit Committee

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

### Directors' Information

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

### Appreciation

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

On behalf of the board

**Cheung Chung Kiu**

*Chairman and Managing Director*

Hong Kong, 23 August 2019

# Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Notes	Unaudited Six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000 (Restated)
<b>REVENUE</b>	4		
Rental income		22,908	24,245
Interest income		3,275	790
Total revenue		26,183	25,035
Direct outgoings		(345)	(695)
		25,838	24,340
Other income and other net losses		(341)	(974)
Administrative expenses		(4,647)	(4,331)
Finance costs		(55)	—
Changes in fair value of investment properties		15,281	16,280
<b>PROFIT BEFORE TAX</b>	5	36,076	35,315
Income tax expense	6	(1,666)	(1,496)
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<b>34,410</b>	<b>33,819</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted	7	HK4.3 cents	HK4.2 cents

# Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	34,410	33,819
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(6,015)	(25,392)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(6,015)	(25,392)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	28,395	8,427

# Consolidated Statement of Financial Position

30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	3,236	912
Investment properties	9, 10	1,222,819	1,212,690
Intangible asset		13,680	13,680
Equity investment designated at fair value through other comprehensive income		2,220	2,220
Debt investments at amortised cost		13,143	12,400
Deposits		279	279
Total non-current assets		1,255,377	1,242,181
<b>CURRENT ASSETS</b>			
Trade receivables	11	417	—
Other receivables, deposits and prepayments		1,774	3,242
Cash and cash equivalents		423,792	415,523
Total current assets		425,983	418,765
<b>CURRENT LIABILITIES</b>			
Trade payables	12	150	—
Other payables and accrued expenses		16,261	16,540
Tax payables		2,579	4,170
Total current liabilities		18,990	20,710
<b>NET CURRENT ASSETS</b>		406,993	398,055
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,662,370	1,640,236
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		4,026	4,068
Other payables		6,876	5,208
Total non-current liabilities		10,902	9,276
Net assets		1,651,468	1,630,960
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued share capital	13	79,956	79,956
Reserves		1,571,512	1,551,004
Total equity		1,651,468	1,630,960

# Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

		Unaudited Attributable to equity holders of the Company								
		Issued share capital	Share premium account	Capital redemption reserve	Capital reserve	Contributed surplus	Exchange fluctuation reserves	Other reserves <sup>a</sup>	Retained profits	Total
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2018		79,956	95,738	1,350	1,800	4,767	(64,317)	1,480	1,510,186	1,630,960
Effect of adoption of HKFRS 16	2(a)	—	—	—	—	—	—	—	109	109
At 1 January 2019 (restated)		79,956	95,738	1,350	1,800	4,767	(64,317)	1,480	1,510,295	1,631,069
Profit for the period		—	—	—	—	—	—	—	34,410	34,410
Other comprehensive loss for the period		—	—	—	—	—	(6,015)	—	—	(6,015)
Total comprehensive income/(loss) for the period		—	—	—	—	—	(6,015)	—	34,410	28,395
Final dividend declared and paid		—	—	—	—	—	—	—	(7,996)	(7,996)
At 30 June 2019		<u>79,956</u>	<u>95,738<sup>*</sup></u>	<u>1,350<sup>*</sup></u>	<u>1,800<sup>*</sup></u>	<u>4,767<sup>*</sup></u>	<u>(70,332)<sup>*</sup></u>	<u>1,480<sup>*</sup></u>	<u>1,536,709<sup>*</sup></u>	<u>1,651,468</u>
At 1 January 2018		79,956	95,738	1,350	1,800	4,767	2,951	1,110	1,435,873	1,623,545
Profit for the period		—	—	—	—	—	—	—	33,819	33,819
Other comprehensive loss for the period		—	—	—	—	—	(25,392)	—	—	(25,392)
Total comprehensive income/(loss) for the period		—	—	—	—	—	(25,392)	—	33,819	8,427
Final dividend declared and paid		—	—	—	—	—	—	—	(7,996)	(7,996)
At 30 June 2018		<u>79,956</u>	<u>95,738</u>	<u>1,350</u>	<u>1,800</u>	<u>4,767</u>	<u>(22,441)</u>	<u>1,110</u>	<u>1,461,696</u>	<u>1,623,976</u>

\* These reserve accounts comprise the consolidated reserves of HK\$1,571,512,000 (31 December 2018: HK\$1,551,004,000) in the consolidated statement of financial position.

# Other reserves represent 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.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
		(Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>17,379</b>	<b>21,201</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(7)	—
Other cash flows arising from investing activities	64	55
<b>Net cash flows from investing activities</b>	<b>57</b>	<b>55</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal portion of lease payments	(420)	—
Interest paid	(55)	—
Dividend paid	(7,996)	(7,996)
<b>Net cash flows used in financing activities</b>	<b>(8,471)</b>	<b>(7,996)</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,965</b>	<b>13,260</b>
<b>Cash and cash equivalents at 1 January</b>	<b>415,523</b>	<b>407,121</b>
<b>Effect on foreign exchange rate changes, net</b>	<b>(696)</b>	<b>(1,819)</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>423,792</b>	<b>418,562</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	53,846	116,222
Non-pledged time deposits with original maturity of less than three months when acquired	369,946	302,340
	<b>423,792</b>	<b>418,562</b>



# Notes to Interim Condensed Consolidated Financial Statements

30 June 2019

## 1 Basis of Preparation and Accounting Policies

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

These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by HKICPA and accounting principles generally accepted in Hong Kong, except for the adoption of the new and revised HKFRSs as disclosed in note 2 to these unaudited interim condensed consolidated financial statements.

## 2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements:

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements</i> <i>2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

### (a) Adoption of HKFRS 16

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 account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

## 2 Changes in Accounting Policies and Disclosures *(continued)*

### (a) Adoption of HKFRS 16 *(continued)*

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the adjustments arising from the initial adoption recognised in the opening balances of retained profits and the statement of financial position as at 1 January 2019. The comparative information for 2018 was not restated and continues to be reported under HKAS 17.

#### New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

#### As a lessee – Leases previously classified as operating leases

##### *Nature of the effect of adoption of HKFRS 16*

The Group has a lease contract for an item of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2019

## 2 Changes in Accounting Policies and Disclosures *(continued)*

### (a) Adoption of HKFRS 16 *(continued)*

As a lessee – Leases previously classified as operating leases *(continued)*

#### *Impacts on transition*

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other payables and accrued expenses.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets as part of the elements of property, plant and equipment in the statement of financial position.

Accordingly, the Group recognised right-of-use asset under property, plant and equipment of HK\$2,846,000 and lease liabilities under other payables and accrued expenses of HK\$2,846,000 as at 1 January 2019. Accrued effective rental expenses under other payables and accrued expenses of HK\$109,000 as at 1 January 2019 were derecognised, resulting in an increase in retained profits of HK\$109,000.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase HK\$'000 (Unaudited)
<b>Assets</b>	
Increase in property, plant and equipment	2,846
Increase in total assets	<u>2,846</u>
<b>Liabilities</b>	
Increase in other payables and accrued expenses	2,737
Increase in total liabilities	<u>2,737</u>
<b>Equity</b>	
Increase in retained profits	<u>109</u>

## 2 Changes in Accounting Policies and Disclosures *(continued)*

### (a) Adoption of HKFRS 16 *(continued)*

As a lessee – Leases previously classified as operating leases *(continued)*

*Impacts on transition (continued)*

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	<i>HK\$'000</i> (Unaudited)
Operating lease commitments as at 31 December 2018	3,047
Incremental borrowing rate as at 1 January 2019	4.24%
	<hr/>
Discounted operating lease commitments as at 1 January 2019	2,846
	<hr/>
Lease liabilities as at 1 January 2019	<u>2,846</u>

#### Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

#### *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2019

## 2 Changes in Accounting Policies and Disclosures *(continued)*

### (a) Adoption of HKFRS 16 *(continued)*

#### Summary of new accounting policies *(continued)*

##### *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

#### Amounts recognised in the unaudited interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use asset (included within "property, plant and equipment") and lease liabilities (included within "other payables and accrued expenses"), and the movement during the period are as follow:

	Right-of- use asset - Property HK\$'000	Lease liabilities HK\$'000
As at 1 January 2019	2,846	2,846
Depreciation charge	(422)	—
Interest expense	—	55
Payments	—	(475)
As at 30 June 2019	<u>2,424</u>	<u>2,426</u>

## 2 Changes in Accounting Policies and Disclosures *(continued)*

- (b) 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 amendments did not have any significant impact on the Group's interim condensed consolidated financial information.
- (c) 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 did not have any significant impact on the Group's interim condensed consolidated financial information.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective in these unaudited interim condensed consolidated financial statements.

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2019

## 3 Operating Segment Information

For management purposes, the Group is organised into business units based on its business activities and has four reportable operating segments during the first six months of 2019 as follows:

- (a) The property investment segment invests in properties for rental income and potential capital appreciation;
- (b) The treasury management segment which invests in debt securities and time deposits for earning interest income;
- (c) The property trading segment comprises the trading of properties; and
- (d) The property management and related services segment comprises the provision of property management and related technical consultancy services.

During the year ended 31 December 2018, 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 purpose. Accordingly, comparative figures have been restated to conform to the current period's presentation.

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 intangible asset and cash and bank balances under 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 Interim Condensed Consolidated Financial Statements

30 June 2019

## 3 Operating Segment Information *(continued)*

	Property investment <i>HK\$'000</i>	Treasury management <i>HK\$'000</i>	Property trading <i>HK\$'000</i>	Property management and related services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended 30 June 2019 (Unaudited)					
Segment revenue	<u>22,908</u>	<u>3,275</u>	<u>—</u>	<u>—</u>	<u>26,183</u>
Segment results	32,898	3,233	—	—	36,131
Finance costs					<u>(55)</u>
Profit before tax					36,076
Income tax expense	(1,666)	—	—	—	<u>(1,666)</u>
Profit for the period					<u>34,410</u>
At 30 June 2019 (Unaudited)					
Assets and liabilities					
Segment assets	1,224,723	383,654	—	—	1,608,377
Unallocated assets					<u>72,983</u>
Total assets					<u>1,681,360</u>
Segment liabilities	24,589	38	—	—	24,627
Unallocated liabilities					<u>5,265</u>
Total liabilities					<u>29,892</u>
Six months ended 30 June 2019 (Unaudited)					
Other segment information:					
Capital expenditure	7	—	—	—	7
Depreciation	529	—	—	—	529
Changes in fair value of investment properties	<u>15,281</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,281</u>

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2019

## 3 Operating Segment Information *(continued)*

	Property investment <i>HK\$'000</i> (Restated)	Treasury management <i>HK\$'000</i> (Restated)	Property trading <i>HK\$'000</i>	Property management and related services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Restated)
Six months ended 30 June 2018 (Unaudited)					
Segment revenue	<u>24,245</u>	<u>790</u>	<u>—</u>	<u>—</u>	<u>25,035</u>
Segment results	34,557	758	—	—	<u>35,315</u>
Profit before tax					35,315
Income tax expense	(1,496)	—	—	—	<u>(1,496)</u>
Profit for the period					<u>33,819</u>
At 31 December 2018 (Audited)					
<b>Assets and liabilities</b>					
Segment assets	1,216,057	365,074	—	—	1,581,131
Unallocated assets					<u>79,815</u>
Total assets					<u>1,660,946</u>
Segment liabilities	22,620	54	—	—	22,674
Unallocated liabilities					<u>7,312</u>
Total liabilities					<u>29,986</u>
Six months ended 30 June 2018 (Unaudited)					
<b>Other segment information:</b>					
Capital expenditure	—	—	—	—	—
Depreciation	24	—	—	—	24
Changes in fair value of investment properties	<u>16,280</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>16,280</u>

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2019

## 3 Operating Segment Information *(continued)*

### Geographical information

#### (a) Revenue from external customers

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
		(Restated)
United Kingdom	22,788	24,125
Hong Kong	3,395	910
	<u>26,183</u>	<u>25,035</u>

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

#### (b) Non-current assets

	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
United Kingdom	1,186,619	1,176,090
Hong Kong	31,195	28,871
Mainland China	22,200	22,600
	<u>1,240,014</u>	<u>1,227,561</u>

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

### Information about major customers

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

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Customer A under the property investment segment	11,645	12,378
Customer B under the property investment segment	<u>4,618</u>	<u>3,444</u>

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2019

## 4 Revenue

An analysis of revenue is as follows:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
		(Restated)
<b>Revenue from other sources</b>		
Rental income from investment properties	22,908	24,245
Interest income from debt investments at amortised cost	1,218	—
Interest income from time deposits	2,057	790
	3,275	790
	26,183	25,035

## 5 Profit Before Tax

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

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
		(Restated)
Depreciation	529	24
Staff costs:		
Wages and salaries	1,270	1,325
Pension scheme contributions	41	44
	1,311	1,369
Foreign exchange differences, net	404	1,035
Bank interest income	(63)	(55)

## 6 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 period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdiction in which the Group operates.

UK tax reform enacted on 17 February 2019 and effective from 5 April 2019 extended the scope of UK's taxation of gains accruing to non-UK residents to include gains on disposals of interests in non-residential UK properties. Properties will be rebased to market value at 5 April 2019 and any gain arising from sales of property between 6 April 2019 and 31 March 2020 would be subject to corporation tax rate at 19% and from 1 April 2020 onwards would be subject to a corporation tax rate of 17%. Accordingly, deferred tax would be recognised on fair value gain from revaluation of investment properties in the UK after 5 April 2019 at a tax rate of 17%. Fair value of the investment properties in the UK did not change materially between 5 April 2019 and 30 June 2019 and therefore no deferred tax regarding this was recognised for the period ended 30 June 2019.

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current - United Kingdom	1,708	1,671
Deferred	(42)	(175)
Total tax charge for the period	<u>1,666</u>	<u>1,496</u>

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2019

## 7 Earnings Per Share Attributable to Ordinary Equity Holders of the Company

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

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2019 and 2018.

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

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
<u>Earnings</u>		
Profit for the period attributable to ordinary equity holders of the Company	<u>34,410</u>	<u>33,819</u>
	Number of shares	
	Six months ended 30 June	
	2019	2018
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period	<u>799,557,415</u>	<u>799,557,415</u>

## 8 Dividends

During the period ended 30 June 2019, the Company declared a final dividend of HK1 cent per ordinary share amounting to HK\$7,996,000 for the year ended 31 December 2018 which was paid on 6 June 2019.

The board of directors has resolved not to declare an interim dividend for the six months ended 30 June 2019 (2018: Nil).

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2019

## 9 Movements in Property, Plant and Equipment and Investment Properties

	Unaudited Property, plant and equipment HK\$'000	Investment properties HK\$'000
<b>At 30 June 2019</b>		
Net carrying amount at beginning of reporting period	912	1,212,690
Effect of adoption of HKFRS 16 ( <i>note 2(a)</i> )	2,846	—
Restated net carrying amount at beginning of reporting period	3,758	1,212,690
Additions	7	—
Depreciation provided during the period	(529)	—
Lease incentives	—	167
Fair value adjustment	—	15,281
Exchange realignment	—	(5,319)
Net carrying amount at end of reporting period	<u>3,236</u>	<u>1,222,819</u>
<b>At 30 June 2018</b>		
Net carrying amount at beginning of reporting period	170	1,216,548
Depreciation provided during the period	(24)	—
Fair value adjustment	—	16,280
Exchange realignment	—	(23,573)
Net carrying amount at end of reporting period	<u>146</u>	<u>1,209,255</u>

## 10 Investment Properties

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



# Notes to Interim Condensed Consolidated Financial Statements

30 June 2019

## 11 Trade Receivables

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
0 to 30 days	<u>417</u>	<u>—</u>

The trade receivables primarily include rental receivables which are normally bill 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.

## 12 Trade Payables

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
0 to 30 days	<u>150</u>	<u>—</u>

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

## 13 Share Capital

### Shares

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Authorised:		
1,500,000,000 ordinary shares of HK\$0.1 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid:		
799,557,415 ordinary shares of HK\$0.1 each	<u>79,956</u>	<u>79,956</u>

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2019

## 14 Related Party Transactions

Compensation of key management personnel of the Group:

	Unaudited	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Short term employee benefits	270	270
Post-employment benefits	9	9
Total compensation paid to key management personnel	<u>279</u>	<u>279</u>

## 15 Fair Value and Fair Value Hierarchy of Financial Instruments

The fair values of 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, deposits and prepayments, financial liabilities included in other payables and accrued expenses 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			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
<b>At 30 June 2019 (Unaudited)</b>				
Equity investment designated at fair value through other comprehensive income	<u>2,220</u>	<u>—</u>	<u>—</u>	<u>2,220</u>
<b>At 31 December 2018 (Audited)</b>				
Equity investment designated at fair value through other comprehensive income	<u>2,220</u>	<u>—</u>	<u>—</u>	<u>2,220</u>

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

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 (31 December 2018: Nil).

# Notes to Interim Condensed Consolidated Financial Statements

30 June 2019

## 16 Comparative Amounts

As further explained in note 3 to these unaudited interim condensed consolidated financial statements, due to the changes in the designation of principal activities and segment composition, certain comparative amounts have been reclassified to conform to the current period's presentation and disclosures.

## 17 Approval of the Interim Financial Statements

These unaudited interim condensed consolidated financial statements were approved by the board of directors on 23 August 2019.