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

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

2019 Interim Results Announcement

The board of directors of Y. T. Realty Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019. The interim results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2019	2018
		HK\$'000	HK\$'000
			(Restated)
REVENUE	2, 3		
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
PROFIT BEFORE TAX	4	36,076	35,315
Income tax expense	5	(1,666)	(1,496)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		34,410	33,819
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	6	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)
NON-CURRENT ASSETS			
Property, plant and equipment		3,236	912
Investment properties		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
CURRENT ASSETS			
Trade receivables	8	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
CURRENT LIABILITIES			
Trade payables	9	150	-
Other payables and accrued expenses		16,261	16,540
Tax payables		2,579	4,170
Total current liabilities		18,990	20,710
NET CURRENT ASSETS		406,993	398,055
TOTAL ASSETS LESS CURRENT LIABILITIES		1,662,370	1,640,236
NON-CURRENT LIABILITIES			
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
EQUITY			
Equity attributable to equity holders of the Company			
Issued share capital		79,956	79,956
Reserves		1,571,512	1,551,004
Total equity		1,651,468	1,630,960

Notes:

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 Main Board Listing Rules (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 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 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.

1 Basis of preparation and accounting policies (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.

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.

1 Basis of preparation and accounting policies (continued)

(a) Adoption of HKFRS 16 (continued)

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

Impacts on transition (continued)

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)
Assets	
Increase in property, plant and equipment	2,846
Increase in total assets	<u>2,846</u>
Liabilities	
Increase in other payables and accrued expenses	2,737
Increase in total liabilities	<u>2,737</u>
Equity	
Increase in retained profits	<u>109</u>

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

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

1 Basis of preparation and accounting policies (continued)

(a) Adoption of HKFRS 16 (continued)

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.

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>

1 Basis of preparation and accounting policies *(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.

2 Operating segment information

For management purposes, the Group is organised into business units based on its business activities and has four reportable operating segments 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 reporting 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.

2 Operating segment information (continued)

	Property investment HK\$'000	Treasury management HK\$'000	Property trading HK\$'000	Property management and related services HK\$'000	Consolidated HK\$'000
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>

2 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)					
Assets and liabilities					
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)					
Other segment information:					
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>

2 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	4,618	3,444

3 Revenue

Revenue represents the aggregate of gross rental income received and receivable from investment properties and the interest income from debt investments and time deposits.

4 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)

5 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	1,666	1,496

6 Earnings per share attributable to ordinary equity holders of the Company

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

The Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 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	34,410	33,819
	Number of shares	
	Six months ended 30 June	
	2019	2018
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period	799,557,415	799,557,415

7 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).

8 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	417	-

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.

9 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	150	-

10 Comparative amounts

As further explained in note 2 above, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Business Review *(continued)*

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.

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.

Prospects (continued)

In the UK, the economy will certainly be impacted by the uncertainty of Brexit. A no-deal Brexit will post 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).

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 Listing Rules save for the deviations described below.

CORPORATE GOVERNANCE CODE *(continued)*

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 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.

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

Hong Kong, 23 August 2019

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

** For identification purposes only*