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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)

2018 Annual Results Announcement

The board of directors of Y. T. Realty Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2018. The results have been reviewed by the audit committee of the Company.

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			
Rental income		47,546	45,273
Interest income		<u>3,071</u>	<u>591</u>
Total revenue	2, 3	50,617	45,864
Direct outgoings		<u>(2,226)</u>	<u>(71)</u>
		48,391	45,793
Other income and other net losses		(4,209)	2,197
Administrative expenses		(11,450)	(8,136)
Changes in fair value of investment properties		<u>51,414</u>	<u>15,853</u>
PROFIT BEFORE TAX	4	84,146	55,707
Income tax expense	5	<u>(1,837)</u>	<u>(943)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>82,309</u>	<u>54,764</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	7	<u>HK10.3 cents</u>	<u>HK6.8 cents</u>

Per share information:

- Proposed final dividend per share	HK1 cent	HK1 cent
- Net asset value per share	HK\$2.04	HK\$2.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>82,309</u>	<u>54,764</u>
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	-	280
Exchange differences on translation of foreign operations	<u>(67,268)</u>	<u>111,871</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(67,268)</u>	<u>112,151</u>
<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	<u>370</u>	<u>-</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u>(66,898)</u>	<u>112,151</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u><u>15,411</u></u>	<u><u>166,915</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i> (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		912	170
Investment properties		1,212,690	1,216,548
Intangible asset		13,680	16,760
Equity investment designated at fair value through other comprehensive income		2,220	-
Available-for-sale investment		-	1,850
Debt investments at amortised cost		12,400	-
Deposits		279	-
Total non-current assets		<u>1,242,181</u>	<u>1,235,328</u>
CURRENT ASSETS			
Trade receivables	8	-	44
Other receivables, deposits and prepayments		3,242	10,162
Cash and cash equivalents		415,523	407,121
Total current assets		<u>418,765</u>	<u>417,327</u>
CURRENT LIABILITIES			
Trade payables	9	-	95
Other payables and accrued expenses		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		4,068	4,243
Other payables		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		79,956	79,956
Reserves		1,551,004	1,543,589
Total equity		<u>1,630,960</u>	<u>1,623,545</u>

Notes:

1 Basis of preparation and accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and 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.

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>	Amendments to HKFRS 1 and HKAS 28

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.

1 Basis of preparation and accounting policies (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		HKFRS 9 measurement		
		Category	Amount HK\$'000	Re- classification 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	<u>17,309</u>	<u>-</u>	<u>17,309</u>	AC
Total			<u>17,404</u>	<u>-</u>	<u>17,404</u>	

¹ FVOCI: Financial assets 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.

1 Basis of preparation and accounting policies *(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.

The Group has not early applied any new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. However, the Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application, certain of which may be relevant to the Group's operation and may result in changes in the Group's accounting policies, and changes in presentation and measurement of certain items of the Group's financial information.

2 Operating segment information

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

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

During the year, 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.

2 Operating segment information (continued)

	Year ended 31 December 2018				
	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>
Segment revenue	<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>

2 Operating segment information (continued)

	Year ended 31 December 2017				
	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)
Segment revenue	45,273	-	-	591	45,864
Segment results	55,186	-	-	521	55,707
Profit before tax					55,707
Income tax expense	(958)	-	-	-	(958)
Unallocated income tax credit					15
Profit for the year					54,764
Assets and liabilities					
Segment assets	1,226,753	-	-	290,041	1,516,794
Unallocated assets					135,861
Total assets					1,652,655
Segment liabilities	21,763	-	-	42	21,805
Unallocated liabilities					7,305
Total liabilities					29,110
Other segment information:					
Capital expenditure	126	-	-	-	126
Depreciation	42	-	-	-	42
Changes in fair value of investment properties	15,853	-	-	-	15,853

2 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
	50,617	45,864

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
	1,227,561	1,233,478

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.

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):

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Depreciation	103	42
Foreign exchange differences, net*	2,593	(1,742)
Impairment of an intangible asset*	3,080	-
Bank Interest income*	(77)	(356)
	<u><u> </u></u>	<u><u> </u></u>

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

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 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	(1,404)	(493)
	<u> </u>	<u> </u>
	2,012	468
Deferred	(175)	475
	<u> </u>	<u> </u>
Total tax charge for the year	1,837	943
	<u><u> </u></u>	<u><u> </u></u>

6 Dividends

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

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

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

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><u>82,309</u></u>	<u><u>54,764</u></u>
	Number of shares	
	2018	2017
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year	<u><u>799,557,415</u></u>	<u><u>799,557,415</u></u>

8 Trade receivables

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></u>	<u><u>44</u></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.

9 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></u>	<u><u>95</u></u>

10 Comparative amounts

As further explained in notes 1 and 2 to this announcement, 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.

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). No interim dividend was paid during the year (2017: Nil).

Subject to the approval of shareholders of the final dividend being obtained in the forthcoming annual general meeting on 20 May 2019 (the “AGM”), (i) the dividend warrants will be despatched on Thursday, 6 June 2019 to shareholders registered at the close of business on Tuesday, 28 May 2019 and (ii) the register of members and transfer books of the Company will be closed from Friday, 24 May 2019 to Tuesday, 28 May 2019, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to qualify for the final dividend, all transfer documents and accompanying share certificates must be lodged for registration with Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m., Thursday, 23 May 2019.

LAST SHARE REGISTRATION DATE FOR AGM

For determining the right of shareholders to attend the AGM and to vote at the AGM, the deadline for share registration will be Tuesday, 14 May 2019. Shareholders should therefore ensure that all transfer documents and accompanying share certificates are lodged for registration with Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:30 p.m., Tuesday, 14 May 2019.

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.

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.

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.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2018 (2017: Nil).

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.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2018, the Company complied with the code provisions of the Corporate Governance Code (the “CG Code”) set out within Appendix 14 to the Main Board Listing Rules (the “Listing Rules”) save for the deviations described below.

The Company has deviated from A.2.1 of the CG Code to the extent that the roles of chairman and chief executive are performed by Mr. Cheung Chung Kiu (“Mr. Cheung”). Having considered the existing structure and composition of the board and operations of the 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 CODE *(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.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the preliminary announcement of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, Ernst & Young ("EY"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by EY on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

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

Hong Kong, 22 March 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*