渝 太 地 產 集 團 有 限 公 司*
Y. T. REALTY GROUP LIMITED

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

2 0 1 9 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 2019. The results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
REVENUE	*2, 3*		
Rental income		**45,520**	47,546
Interest income		**7,510**	3,071
Total revenue		**53,030**	50,617
Direct outgoings		**(413)**	(2,226)
		52,617	48,391
Other income and gains		**3,021**	1,464
Other expenses and losses		**(5,120)**	(5,673)
Administrative expenses		**(12,856)**	(11,450)
Finance costs	*5*	**(101)**	-
Changes in fair value of investment properties		**56,265**	51,414
PROFIT BEFORE TAX	*4*	**93,826**	84,146
Income tax expense	*6*	**(10,041)**	(1,837)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**83,785**	82,309
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	*8*	**HK10.5 cents**	HK10.3 cents

Per share information:

- Proposed final dividend per share	**HK1 cent**	HK1 cent
- Net asset value per share	**HK$2.18**	HK$2.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**83,785**	82,309
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**32,342**	(67,268)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**32,342**	(67,268)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of an equity investment designated at fair value through other comprehensive income	**100**	370
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**32,442**	(66,898)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**116,227**	15,411

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	2019	2018
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**2,838**	912
Investment properties	**1,299,417**	1,212,690
Intangible asset	**8,560**	13,680
Equity investment designated at fair value through other comprehensive income	**2,320**	2,220
Debt investments at amortised cost	**13,744**	12,400
Deposits	**279**	279
Total non-current assets	**1,327,158**	1,242,181
CURRENT ASSETS		
Other receivables, deposits and prepayments	**1,481**	3,242
Cash and cash equivalents	**451,571**	415,523
Total current assets	**453,052**	418,765
CURRENT LIABILITIES		
Other payables and accrued expenses	**20,747**	16,540
Tax payable	**2,440**	4,170
Total current liabilities	**23,187**	20,710
NET CURRENT ASSETS	**429,865**	398,055
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,757,023**	1,640,236
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**10,892**	4,068
Other payables	**6,831**	5,208
Total non-current liabilities	**17,723**	9,276
Net assets	**1,739,300**	1,630,960
EQUITY		
Equity attributable to equity holders of the Company		
Issued share capital	**79,956**	79,956
Reserves	**1,659,344**	1,551,004
Total equity	**1,739,300**	1,630,960

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

Except for the amendments to HKAS 19 and HKAS 28, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 9 allow financial assets with prepayment features that permit or require either the borrower or the lender to pay or receive reasonable compensation for the early termination of a contract to be measured at amortised cost or at fair value through other comprehensive income, rather than at fair value through profit or loss. The amendments clarify that a financial asset passes the "solely payments of principal and interest on the principal amount outstanding" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for that early termination. The Group's current accounting policy is consistent with this clarification and therefore the amendments did not have any impact on the Group's financial statements.

(b) 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

    The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balances of the statement of financial position at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

1 Basis of preparation and accounting policies *(continued)*

(b) *(continued)*

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.

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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognise depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

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 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.

For leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group continued to include them as investment properties at 1 January 2019. They continued to be measured at fair value applying HKAS 40.

1 Basis of preparation and accounting policies *(continued)*

(b) *(continued)*

Financial impact at 1 January 2019

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

	Increase *HK$'000*
Assets	
Increase in property, plant and equipment	2,846
Increase in total assets	2,846
Liabilities	
Increase in other payables and accrued expenses	2,737
Increase in total liabilities	2,737
Equity	
Increase in retained profits	109

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

	HK$'000
Operating lease commitments as at 31 December 2018	3,047
Weighted average incremental borrowing rate as at 1 January 2019	4.24%
Discounted operating lease commitments as at 1 January 2019	2,846
Lease liabilities as at 1 January 2019	2,846

(c) The 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. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup transactions. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

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.

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, 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)*

	Year ended 31 December 2019				
	Property investment *HK$'000*	**Treasury management** *HK$'000*	**Property trading** *HK$'000*	**Property management and related services** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue	**45,520**	**7,510**	**-**	**-**	**53,030**
Segment results	**86,488**	**7,439**	**-**	**-**	**93,927**
Finance costs					**(101)**
Profit before tax					**93,826**
Income tax expense	**(10,041)**	**-**	**-**	**-**	**(10,041)**
Profit for the year					**83,785**
Assets and liabilities					
Segment assets	**1,300,744**	**402,994**	**-**	**-**	**1,703,738**
Unallocated assets					**76,472**
Total assets					**1,780,210**
Segment liabilities	**33,588**	**45**	**-**	**-**	**33,633**
Unallocated liabilities					**7,277**
Total liabilities					**40,910**
Other segment information:					
Capital expenditure	**164**	**-**	**-**	**-**	**164**
Depreciation	**1,084**	**-**	**-**	**-**	**1,084**
Changes in fair value of investment properties	**56,265**	**-**	**-**	**-**	**56,265**
Impairment of an intangible asset	**5,120**	**-**	**-**	**-**	**5,120**

2 Operating segment information *(continued)*

	Year ended 31 December 2018				
	Property investment *HK$'000*	Treasury management *HK$'000*	Property trading *HK$'000*	Property management and related services *HK$'000*	Consolidated *HK$'000*
Segment revenue	47,546	3,071	-	-	50,617
Segment results	81,156	2,990	-	-	84,146
Profit before tax					84,146
Income tax expense	(1,837)	-	-	-	(1,837)
Profit for the year					82,309
Assets and liabilities					
Segment assets	1,216,057	365,074	-	-	1,581,131
Unallocated assets					79,815
Total assets					1,660,946
Segment liabilities	22,620	54	-	-	22,674
Unallocated liabilities					7,312
Total liabilities					29,986
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	3,080	-	-	-	3,080

2 Operating segment information *(continued)*

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
United Kingdom	**45,280**	47,306
Hong Kong	**7,750**	3,311
	53,030	50,617

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

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
United Kingdom	**1,264,617**	1,176,090
Hong Kong	**24,677**	28,871
Mainland China	**21,800**	22,600
	1,311,094	1,227,561

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

Information about major customers

Revenue from customers which individually amounted to over 10% of the total revenue of the Group is as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A under the property investment segment	**23,153**	24,215
Customer B under the property investment segment	**9,182**	8,160

3 Revenue

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

4 Profit before tax

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

	2019 *HK$'000*	2018 *HK$'000*
Depreciation of owned assets	**241**	103
Depreciation of right-of-use asset	**843**	-
	1,084	103
Foreign exchange differences, net	**(2,948)***	2,593**
Impairment of an intangible asset**	**5,120**	3,080
Bank Interest income*	**(73)**	(77)

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

5 Finance costs

	2019 *HK$'000*	2018 *HK$'000*
Interest on lease liabilities	**101**	-

6 Income tax expense

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

The United Kingdom tax reform enacted on 17 February 2019 and effective from 5 April 2019 extended the scope of the United Kingdom's taxation of gains accruing to non-UK tax residents to include gains on disposal of interests in non-residential properties in the United Kingdom. Properties would be rebased to market value at 5 April 2019 and any gain arising from sales of properties 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 corporate tax rate of 17%. Accordingly, deferred tax would be recognised on fair value gain from revaluation of investment properties in the United Kingdom after 5 April 2019 at a tax rate of 17% on the basis that the Company does not expect to sell the properties before 31 March 2020.

	2019 *HK$'000*	2018 *HK$'000*
Current – United Kingdom	**3,390**	3,416
Over-provision in prior years – United Kingdom	**(173)**	(1,404)
	3,217	2,012
Deferred	**6,824**	(175)
Total tax charge for the year	**10,041**	1,837

7 Dividends

	2019 *HK$'000*	2018 *HK$'000*
Proposed final dividend – HK1 cent (2018: HK1 cent) per ordinary share	**7,996**	7,996

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 (2018: Nil).

8 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 2019 and 2018.

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

	2019 *HK$'000*	2018 *HK$'000*
Earnings		
Profit for the year attributable to ordinary equity holders of the Company	**83,785**	82,309

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year	**799,557,415**	799,557,415

DIVIDENDS

The directors recommend the payment of a final dividend of HK1 cent per share for the year ended 31 December 2019 (2018: HK1 cent). No interim dividend was paid during the year (2018: Nil).

Subject to shareholder approval of the proposed final dividend being obtained in the forthcoming annual general meeting on 18 May 2020 (the "AGM"), it is expected that the dividend warrants will be despatched on Friday, 5 June 2020 to shareholders registered at the close of business on Tuesday, 26 May 2020. The register of members and transfer books of the Company will be closed from Friday, 22 May 2020 to Tuesday, 26 May 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m., Thursday, 21 May 2020.

LAST SHARE REGISTRATION DATE FOR AGM

For determining the right of shareholders to attend and vote at the AGM, the deadline for share registration will be Tuesday, 12 May 2020. Shareholders should therefore ensure that all transfer documents and accompanying share certificates are lodged for registration with Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m., Tuesday, 12 May 2020.

NET ASSET VALUE

The consolidated net asset value of the Group as at 31 December 2019 was HK$1,739.3 million (2018: HK$1,631.0 million). The consolidated net asset value per share as at 31 December 2019 was HK$2.18 based on 799,557,415 shares in issue as compared to HK$2.04 per share based on 799,557,415 shares in issue as at 31 December 2018.

BUSINESS REVIEW

In 2019, the global economy had experienced great uncertainties and volatility. Trade conflicts between US and China had continued with additional tariffs imposed on imported goods from both sides. The escalating level of the US-China trade war together with other significant negative factors, such as the uncertain outcome of implementation of Brexit and continuous geopolitical tension in the Middle East contributed to downturn of global economy.

In the US, the pace of economic growth slowed down from prior year. The effects of trade war with China triggered negative impact to the US economy affecting business and consumer spending. Reacting to the slowdown of US economic growth, the US Federal Reserve had cut interest rates during 2019 to provide stimulus for the US economy.

For Mainland China, the trade war with the US increased pressure on economic growth which was already weak in 2018. During the year, the central government provided fiscal stimulus and accommodative monetary policy to support the economic growth. However, the pace of GDP growth slipped as compared to the previous year.

BUSINESS REVIEW *(continued)*

In Hong Kong, the local economy was impacted by the US-China trade war and the weak economic performance in PRC. In addition, starting from June, social unrest, large scale protests and violent demonstrations escalated due to political differences in Hong Kong. Starting from the third quarter of 2019, the number of PRC tourists which is a strong support for our local economy dropped drastically. As a result, it further dampened the local economic and investment sentiment. Sectors such as retail, restaurant, and hospitality and tourist related industry had been affected the most. Property market remained weak, especially in the retail sectors in prime locations.

In the UK, the uncertainty of implementation of Brexit continued to affect the economic growth in 2019. The economy remained stagnant and overall property market showed signs of decline in UK. However, the commercial property market in London, where the Group's major investment properties are located, remained relatively resilient as compared to other regions of UK during the year.

The Group's net profit attributable to shareholders for the year was HK$83.8 million as compared to the net profit of HK$82.3 million in 2018, representing a 1.8% increase.

Property Business

As at the end of 2019, 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$45.5 million representing a decrease of about 4.3% when compared with last year's rental income of HK$47.6 million. Decrease in rental income is due to decline in exchange rate of British Pound Sterling during the year as compared to last year. The Group's investment properties in UK generated stable recurring rental income and achieved 100% occupancy rate at end of 2019.

Revaluation of the Group's portfolio of properties resulted in a surplus of HK$56.3 million (2018: HK$51.4 million). The revaluation surplus was reported in the statement of profit or loss.

Treasury Management Business

In 2019, treasury management income amounted to HK$7.5 million, an increase of 144.5% from HK$3.1 million recorded in 2018. The increase in treasury management income was primarily due to upward movement of bank interest rate and increase in bond interest income during 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group's cash and cash equivalents was HK$451.6 million (2018: HK$415.5 million) and the Group did not have any bank borrowings. The gearing ratio of the Group was zero (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.

PROSPECTS AND STRATEGIES

For the coming year, we anticipate that volatility and uncertainty will continue to undermine global economic growth. Despite the first phase of trade deal was signed in January 2020 between US and China, there remain hurdles for subsequent trade negotiations. The outbreak of the novel coronavirus in China starting from around January of 2020 has since dampened the economic growth of China which in turn affects global economy since China is the major supplier in the global supply chain. Infections of the novel coronavirus have been detected in other countries outside China and outbreak have already taken place in certain countries. As a result, the global economy will inevitably be impacted. In response to the immense threat to US and the global economy by the novel coronavirus outbreak, the US Federal Reserve cut interest rate twice in March 2020 by a total of 1.5%. It is expected that the US Federal Reserve will further provide necessary fiscal stimulus in 2020 to counter the effect of US-China trade conflicts as well the negative impact of the novel coronavirus. Other major economies will likely continue to adopt accommodative monetary policies to provide liquidity and prevent further economic downturn.

In Mainland China, the pace of economic growth is likely to be lower than previous years due to factors including the trade conflict with the US and the severe impact of the novel coronavirus outbreak. However, it is expected that the Chinese Government will provide necessary fiscal stimulus and formulate accommodative monetary policy to maintain a stable economic growth.

In Hong Kong, the local economy continues to be affected by economic development in Mainland China, the US-China trade war, and potential continuation of social and political unrest. The outbreak of the novel coronavirus is expected to worsen the economic outlook. Sectors such as retail, catering, tourism, and exports are expected to be impacted the most. Further slide of local economy and downward adjustments in the property market seems inevitable in 2020.

UK had formally left the European Union after January 2020. However, UK economy will still be affected by uncertainty arising from trade and other negotiations between UK and European Union in the future. Even though the economy and property market in UK are subject to uncertainty, it is expected that London will be relatively more resilient as compared to other regions of UK as London is still the most developed and primary business center in Europe.

The Group has been proactive in searching for business opportunities in the property market both in and outside Hong Kong to further the sustainable development of the Group and achieve stronger positive returns for the shareholders in the long run amid the current challenging market conditions. If China's economy can continue to grow albeit at a relatively slower pace compared to previous years, the Group will remain positive about the long-term economic prospect of China and will consider expanding its property businesses by tapping into China's property market which is expected to be resilient with sustainable demand in the long run.

In anticipation of market uncertainty and volatile economic environment, the Group will remain cautious and proactive in managing its core investments while looking for investment opportunities, in particular in the property markets, in order to produce sustainable and stable returns for our shareholders.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2019 (2018: Nil).

STAFF

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

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2019, 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.

The Company has no formal letters of appointment for directors except Mr. Wong Hy Sky 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 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 2019 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, 20 March 2020

As at the date hereof, the board of directors of the Company comprises Cheung Chung Kiu, Yuen Wing Shing, Tung Wai Lan, Iris and Wong Hy Sky 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*