YUGANG

# YUGANG INTERNATIONAL LIMITED
# （渝港國際有限公司）*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 00613)

## 2014 ANNUAL RESULTS

The board (the **"Board"**) of directors (the **"Directors"**) of Yugang International Limited (the **"Company"**) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the **"Group"**) for the year ended 31 December 2014 together with the comparative figures for the corresponding year in 2013 as follows:

**Consolidated Statement of Profit or Loss**
For the year ended 31 December 2014

| | Notes | **2014** *HK$'000* | 2013 *HK$'000* |
|---|---|---|---|
| **REVENUE** | 3 | **71,786** | 10,308 |
| Other income and gains | 3 | **175,798** | 40,324 |
| Administrative expenses | | **(85,426)** | (82,658) |
| Impairment of an available-for-sale investment | 4 | **(24,740)** | (2,725) |
| Finance costs | 5 | **(6,492)** | (4,574) |
| Share of profit of an associate | | **164,641** | 199,627 |
| **PROFIT BEFORE TAX** | 6 | **295,567** | 160,302 |
| Income tax credit/(expense) | 7 | **(20)** | 29,431 |
| PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | **295,547** | 189,733 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | 9 | | |
| Basic and diluted | | **HK3.18 cents** | HK2.04 cents |

**Consolidated Statement of Comprehensive Income**
For the year ended 31 December 2014

| | Note | **2014** *HK$'000* | 2013 *HK$'000* |
|---|---|---|---|
| PROFIT FOR THE YEAR | | **295,547** | 189,733 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | |
| *Items that will be reclassified subsequently to profit or loss when specific conditions are met:* | | | |
| Available-for-sale investments: | | | |
| Changes in fair value | | **( 76,972)** | ( 201,939) |
| Reclassification adjustment for an impairment loss included in the consolidated statement of profit or loss | 4 | **24,740** | 2,725 |
| Reclassification adjustment for a gain on disposal included in the consolidated statement of profit or loss | | **( 80,555)** | - |
| | | **( 132,787)** | ( 199,214) |
| Share of other comprehensive income/(loss) of an associate | | **3,128** | ( 977) |
| OTHER COMPREHENSIVE LOSS FOR THE YEAR | | **( 129,659)** | ( 200,191) |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | **165,888** | ( 10,458) |

**Consolidated Statement of Financial Position**
31 December 2014

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK'000* |
| **NON-CURRENT ASSETS** | | |
| Property and equipment | **34,610** | 51,694 |
| Investment properties | **44,500** | 37,600 |
| Investment in an associate | **2,061,573** | 1,903,359 |
| Loans receivable | **6,000** | 2,000 |
| Available-for-sale investments | **351,534** | 518,383 |
| Other assets | **360** | 360 |
| Total non-current assets | **2,498,577** | 2,513,396 |
| **CURRENT ASSETS** | | |
| Listed equity investments at fair value through profit or loss | **110,513** | 160,082 |
| Convertible notes receivable – loan portion | **-** | 9,868 |
| Embedded option derivatives | **-** | 1,108 |
| Loans receivable | **1,000** | 1,000 |
| Prepayments, deposits and other receivables | **3,382** | 2,703 |
| Pledged time deposits | **9,487** | 9,457 |
| Time deposits | **77,700** | 22,000 |
| Cash and bank balances | **9,142** | 5,621 |
| Total current assets | **211,224** | 211,839 |
| **CURRENT LIABILITIES** | | |
| Other payables and accruals | **20,769** | 20,500 |
| Bank borrowings | **12,000** | 163,000 |
| Total current liabilities | **32,769** | 183,500 |
| **NET CURRENT ASSETS** | **178,455** | 28,339 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **2,677,032** | 2,541,735 |
| **NON-CURRENT LIABILITIES** | | |
| Deferred tax liabilities | **260** | 240 |
| Bank borrowing | **37,000** | 49,000 |
| Total non-current liabilities | **37,260** | 49,240 |
| Net assets | **2,639,772** | 2,492,495 |
| EQUITY | | |
| **Equity attributable to equity holders of the Company** | | |
| Issued capital | **93,053** | 93,053 |
| Reserves | **2,546,719** | 2,399,442 |
| Total equity | **2,639,772** | 2,492,495 |

***Notes:***

## 1. Basis of preparation and changes in accounting policies and disclosures

Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Changes in Accounting Policies and Disclosures

The accounting policies and basis of preparation used in the preparation of these financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except that the Group has in the current year adopted, for the first time, the following revised standards and new interpretation issued by the HKICPA.

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | *Investment Entities* |
| Amendments to HKAS 32 | *Offsetting Financial Assets and Financial Liabilities* |
| Amendments to HKAS 36 | *Recoverable Amount Disclosures for Non-Financial Assets* |
| Amendments to HKAS 39 | *Novation of Derivatives and Continuation of Hedge Accounting* |
| HK(IFRIC)-Int 21 | *Levies* |
| Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle* | *Definition of Vesting Condition*[1] |
| Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle* | *Accounting for Contingent Consideration in a Business Combination*[1] |
| Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle* | *Short-term Receivables and Payables* |
| Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle* | *Meaning of Effective HKFRSs* |

[1] Effective from 1 July 2014

The adoption of the above revised standards and new interpretation has had no significant financial effect on these financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

## 2. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has three reportable segments as follows:

(a) The treasury management segment which trades and holds debt and equity securities, earns interest and dividend income from the relevant securities investments, and generates interest income from the provision of financing services.

(b) The property and infrastructure investment segment which consists of investment through Y. T. Realty Group Limited, an associate of the Group, in properties for rental income and/or capital appreciation potential; and in an associate which holds two tunnels in Hong Kong generating toll revenue.

(c) The "Others" segment which consists of the trading of scrap metals and other materials, property investment for rental income and/or capital appreciation potential, and other investments.

The management of the Company monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Information regarding the Group's reportable segments is presented below:

### Year ended 31 December 2014

| | Treasury management *HK$'000* | Property and infrastructure investment *HK$'000* | Others *HK$'000* | Reportable segments total *HK$'000* | Adjustments (Note) *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|
| **Segment revenue:** | | | | | | |
| Revenue | **70,441** | **211,826** | **1,345** | **283,612** | **(211,826)** | **71,786** |
| Other income and gains | **134,299** | **155,638** | **41,499** | **331,436** | **(155,638)** | **175,798** |
| Total revenue and gains | **204,740** | **367,464** | **42,844** | **615,048** | **(367,464)** | **247,584** |
| **Segment profit for the year** | **101,432** | **482,253** | **37,836** | **621,521** | **(317,612)** | **303,909** |
| Corporate and unallocated expenses, net | | | | | | **( 8,362)** |
| Profit for the year | | | | | | **295,547** |

| | Treasury management *HK$'000* | Property and infrastructure investment *HK$'000* | Others *HK$'000* | Corporate and unallocated *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|
| **Other segment information:** | | | | | |
| Share of profit of an associate | **-** | **164,641** | **-** | **-** | **164,641** |
| Investment in an associate | **-** | **2,061,573** | **-** | **-** | **2,061,573** |
| Capital expenditure | **-** | **-** | **-** | **9** | **9** |
| Depreciation | **-** | **-** | **149** | **2,510** | **2,659** |
| Gain on disposal of an available-for-sale investment | **80,232** | **-** | **-** | **-** | **80,232** |
| Gain on disposal of a subsidiary | **-** | **-** | **34,595** | **-** | **34,595** |
| Impairment of an available-for-sale investment | **24,740** | **-** | **-** | **-** | **24,740** |
| Interest revenue | **459** | **-** | **-** | **-** | **459** |
| Interest expense | **6,492** | **-** | **-** | **-** | **6,492** |

Year ended 31 December 2013

| | Treasury management *HK$'000* | Property and infrastructure investment *HK$'000* | Others *HK$'000* | Reportable segments total *HK$'000* | Adjustments (Note) *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|---|
| **Segment revenue:** | | | | | | |
| Revenue | 9,105 | 200,766 | 1,203 | 211,074 | (200,766) | 10,308 |
| Other income and gains | 36,278 | 275,806 | 4,046 | 316,130 | (275,806) | 40,324 |
| Total revenue and gains | 45,383 | 476,572 | 5,249 | 527,204 | (476,572) | 50,632 |
| **Segment profit for the year** | 1,616 | 584,731 | 223 | 586,570 | (385,104) | 201,466 |
| Corporate and unallocated expenses, net | | | | | | ( 11,733) |
| Profit for the year | | | | | | 189,733 |

| | Treasury management *HK$'000* | Property and infrastructure investment *HK$'000* | Others *HK$'000* | Corporate and unallocated *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|---|
| **Other segment information:** | | | | | |
| Share of profit of an associate | - | 199,627 | - | - | 199,627 |
| Investment in an associate | - | 1,903,359 | - | - | 1,903,359 |
| Capital expenditure | - | - | - | 3,011 | 3,011 |
| Depreciation | - | - | 415 | 2,865 | 3,280 |
| Impairment of an available-for-sale investment | 2,725 | - | - | - | 2,725 |
| Interest revenue | 1,962 | - | - | - | 1,962 |
| Interest expense | 4,574 | - | - | - | 4,574 |

Note: The activities of the property and infrastructure investment segment are carried on through an associate of the Group and therefore, the entire revenue and gains of this reportable segment and its profit for the year not attributable to the Group are adjusted to arrive at the Group’s consolidated revenue and gains and consolidated profit for the year.

The Group’s revenue is set out in note 3 below.

The Group’s revenue is derived solely from its operations in Hong Kong, and the non-current assets of the Group are substantially located in Hong Kong.

## 3. Revenue, other income and gains

Revenue represents the aggregate of the net gains or losses on disposal of listed equity investments at fair value through profit or loss, dividend income from listed equity investments at fair value through profit or loss, interest income from convertible notes and loans receivable, and gross rental income received and receivable from investment properties during the year.

An analysis of the Group's revenue, other income and gains is as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Revenue | | |
| Gains on disposal of listed equity investments at fair value through profit or loss, net | **59,591** | 6,857 |
| Dividend income from listed equity investments at fair value through profit or loss | **10,391** | 286 |
| Interest income from convertible notes and loans receivable | **459** | 1,962 |
| Gross rental income | **1,345** | 1,203 |
| | **71,786** | 10,308 |
| Other income and gains | | |
| Interest income on bank deposits | **44** | 23 |
| Fair value gains, net: | | |
| Listed equity investments at fair value through profit or loss | **42,305** | 23,326 |
| Embedded option derivatives | **-** | 1,095 |
| Dividend income from an available-for-sale investment | **11,718** | 11,718 |
| Fair value gains on investment properties | **6,900** | 2,600 |
| Gain on disposal of items of property and equipment | **-** | 618 |
| Gain on disposal of an available-for-sale investment | **80,232** | - |
| Gain on disposal of a subsidiary | **34,595** | 859 |
| Others | **4** | 85 |
| | **175,798** | 40,324 |

## 4. Impairment of an available-for-sale investment

As at 31 December 2013, the share price of an available-for-sale investment of the Group, which is a listed equity investment in Hong Kong, recorded a subsequent further decline after an impairment loss made in prior years. As at 31 December 2014, the Group's another Hong Kong listed available-for-sale investment also recorded a subsequent further decline in its share price after an impairment loss made in prior years. The Directors considered that such decline constituted an objective evidence of impairment and accordingly, impairment loss of HK$24,740,000 and HK$2,725,000 for each available-for-sale investment which represented a reclassification from other comprehensive income, were recognized in the consolidated statement of profit or loss for the year ended 31 December 2014 and 2013 respectively.

## 5. Finance costs

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank borrowings wholly repayable within five years | **4,797** | 4,574 |
| Interest on other borrowing wholly repayable within five years | **1,695** | - |
| | **6,492** | 4,574 |

## 6. Profit before tax

The Group's profit before tax is arrived at after charging the following:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Depreciation | **2,659** | 3,280 |

## 7. Income tax

Hong Kong profits tax calculated at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Group: | | |
| Current – Hong Kong | | |
| Overprovision in prior years (Note) | **-** | (29,463) |
| Deferred | **20** | 32 |
| Total tax charge/(credit) for the year | **20** | (29,431) |

Note: The tax provision of HK$29,463,000 was made in years prior to 1 January 2013 and was reversed during the year ended 31 December 2013 after taking into consideration the judgment made by the Court of Final Appeal in the relevant case.

There were no significant potential deferred tax liabilities for which provision has not been made.

The share of tax attributable to an associate amounting to HK$8,778,000 (2013: HK$8,568,000) is included in "Share of profit of an associate" in the consolidated statement of profit or loss.

## 8. Dividend

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Proposed final dividend – HK$0.003 per ordinary share (2013: HK$0.002) | **27,916** | 18,611 |

The Board recommended the payment of a final dividend of HK$0.003 per share for the year ended 31 December 2014 (2013: HK$0.002), subject to approval by the Company's shareholders at the annual general meeting to be held on 21 May 2015 (the **"AGM"**). No interim dividend was declared in respect of the current and the prior years.

## 9. Earnings per share attributable to ordinary equity holders of the Company

The calculation of the basic earnings per share amounts 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.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculations of basic and diluted earnings per share are based on:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Earnings | | |
| Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations | **295,547** | 189,733 |

| | **Number of shares** | |
|---|---|---|
| | **2014** | 2013 |
| Shares | | |
| Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations | **9,305,276,756** | 9,305,276,756 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS

The Group recorded a consolidated profit of HK$295.5 million attributable to shareholders for the year ended 31 December 2014, representing an increase of HK$105.8 million or 55.8% from the last corresponding year. It was mainly attributable to an exceptional gain of HK$80.2 million on disposal of an available-for-sale investment as announced in November 2014 as well as a significant increase in both the realized and unrealized gain on listed equity investments.

The basic earnings per share for the year was HK3.18 cents, representing an increase of HK1.14 cents from the last corresponding year.

## BUSINESS REVIEW

2014 remained a challenging year as various uncertainties had undermined the global financial market. Although the gradual recovery of U.S. economy with low unemployment rate had led the Federal Reserve to end the bond purchase program in October 2014, the growth of Euro zone economy remained weak. In addition, the collapse of crude oil price had sparked volatility in the financial market, particularly the currency market of Russia which further revealed a slowdown of global demand.

China's economic growth remained subdued during the year and the key economic indicators such as PMI and CPI slumped to the year low toward the year end which had stimulated investors' concern over a slowing economy. In November, the People's Bank of China surprisingly relaxed their monetary policy by cutting interest rate with a view to supporting the economic growth. It had subsequently turned China A-shares market in a frenzy and thereby attracted hot money into China stock market. Local stock market was therefore supported by the bull runs of A-shares notwithstanding the global financial market remained volatile under crude oil plunges.

The growth of Hong Kong economy was obviously dragged by economic slowdown of Mainland China in 2014. The local consumption and spending for the year, however, remained robust with minor effect under a buoyant property market. Unemployment rate of Hong Kong continued to linger at low level. The number of Mainland tourist arrival grew moderately and continued to support the retail consumption as well as the demand for office and retail space in commercial leasing market.

### Property and Infrastructure Investment Business

*Property Investment Business*

The Group is carrying on its property investment business through Y. T. Realty Group Limited (**"Y. T. Realty"**), an associate of the Group, the shares of which are traded on the main board of The Stock Exchange of Hong Kong Limited (the **"Stock Exchange"**). The principal investment properties held by Y. T. Realty include the whole block of Century Square and Prestige Tower, both are situated in the core districts of Central and Tsimshatsui respectively.

The gross rental income of Y. T. Realty for the year was HK$202.6 million, representing an increase of HK$10.5 million or 5.5% over the last corresponding year. The overall occupancy rate of over 97% was maintained at the end of 2014 (2013: 97%). During the year, the leasing demand for office and retail space in prime location could be maintained although the local economy slightly slid down due to various uncertainties in both external and internal environment. External factors included sluggish global trade demand as well as slowdown of China economy. Internal factor was mainly political struggles. On the other hand, the number of Mainland tourist arrivals grew moderately for the year but their lavish spending on luxury goods was restrained by the anti-corruption policy of the PRC which inevitably affected the upward potential of rental price of retail space. As at the end of the year, the investment properties of Y. T. Realty, being revalued by an independent professional valuer, recorded a fair value gain of HK$152.8 million, representing a decrease of HK$120.5 million from the last corresponding year. The profit after tax of Y. T. Realty was HK$482.3 million for the year, representing a decrease of HK$102.5 million or 17.5% from the last corresponding year.

*Infrastructure Investment Business*

The infrastructure investment business of the Group comprises investments in tunnels, transports and logistic operations. It is carrying on through The Cross-Harbour (Holdings) Limited (**"Cross-Harbour"**), whose shares are traded on the main board of the Stock Exchange. Cross-Harbour currently holds 50% and 39.5% equity interests in Western Harbour Tunnel Company Limited and Tate's Cairn Tunnel Company Limited respectively, both of which generate a stable stream of toll income.

The toll demand of tunnel operations remained in a strong track for the first three quarters of the year. The key driving forces which supported the growth of the average daily throughput of the tunnel operations included the low unemployment rate, high income and strong consumers' confidence in Hong Kong. However, under the influence of a local political event throughout the fourth quarter, the daily throughput of the western harbor tunnel was severely impacted and therefore recorded a significant decrease in toll revenue for the fourth quarter. As a result, the toll revenue of tunnel operations only recorded a moderate growth for the year.

The profit after tax and non-controlling interests of Cross-Harbour for the year was HK$472.2 million, representing an increase of HK$32.0 million or 7.3% from the last corresponding year. It was mainly attributable to an increased contribution from tunnel operations and transport operations of motoring schools.

**Treasury Management**

The local stock market index in 2014 only recorded a modest rise for the last year. The performance of the local stock market during the year was overall hindered by the economic slowdown of China and the withdrawal of the bond purchase program by the Federal Reserve of the U.S. Furthermore, the crash in crude oil prices at the year-end sparked volatility in the financial market which adversely impacted emerging market currencies and economies, particularly the energy-exporting countries. However, the launch of Shanghai and Hong Kong Stock Connect Program as well as bull rally of A-shares of China stock market after interest rate cut added strong support to the local stock market.

The Group has recorded a satisfactory performance in the treasury management for the year when compared against the stock market. In the first half of the year, the Group reported a total gain of about HK$79.5 million in the treasury management (exclusive of dividend income) which included a majority of an unrealized gain on the listed equity investments. Subsequently, the Group seized a good market timing to dispose of certain listed equity investments in the second half of the year and certain amount of unrealized fair value gain has become realized. The Group therefore recorded an overall total gain of about HK$101.9 million in the treasury management with relatively more realized gain for the year under review. In addition, the share price of an available-for-sale investment of the Group, which is a listed equity investment in Hong Kong, rocketed significantly during the year. The Group therefore disposed of all its entire interest in November to realize an exceptional gain of HK$80.2 million. Further details of the transactions were set out in the Company's announcement published on 18 and 19 November 2014. However, the Group had made an impairment loss of HK$24.7 million on the other available-for-sale investment due to a significant decline of its fair value below its original investment cost at the end of the year.

## OUTLOOK AND STRATEGY

Looking ahead 2015, the Group is conservative and cautious about its performance, in particular, during the first half of 2015. Following a steady gradual recovery of the U.S. economy with most of its economic indicators pointing to a strong rebound, it is expected that the Federal Reserve of the U.S. is likely to commence an interest rate hike in the third quarter of 2015 which will negatively impact the stock market sentiment in the second half of the year. In addition, the recent currency depreciation of some countries and the potential threat of European debt crisis of Greece's exit from the Eurozone have further undermined the investors' confidence. The market also expects the slowdown of China economy in the first half of 2015 notwithstanding the central government of the PRC will maintain a relaxation of monetary policies for increasing market liquidity and reducing market interest rate. The Group is therefore cautious about the performance of local financial market in 2015. Taking into consideration that the value of the Group's listed equity investment as at 31 December 2014 has been substantially reduced to HK$110.5 million and without the similar level of exceptional gains as it was in 2014, it is expected that the performance of the Group's treasury management for the interim period of 2015 will likely be substantially reduced as compared to 2014 interim period.

It is expected that the Hong Kong government will continue the existing cooling measures for property market in 2015. Given a decreasing lavish spending of Mainland tourists and increasing domestic political disputes, investor's confidence may be affected. Therefore, the upside potential of property value may be restrained both in terms of price and rental rate. Nevertheless, as the overall occupancy rate of the investment properties of Y. T. Realty is currently maintained at 97%, the Group does not expect any significant effect on their rental income in the short run but the upside potential of rental rate as well as properties value may be limited. In addition, the Group has noted a preliminary trend of decreasing fair value gain on investment properties of Y. T. Realty in 2014, resulting in reduction of its profit after tax by 17.5% in the year. If this trend continues in 2015, the contribution to the Group from Y. T. Realty in 2015 may be affected.

The Group will adhere to its long-sustained strategy of focusing on strategic expansion and diversification of business which has been proved successful in the past to strengthen the contribution to the Group's net profit in long term. The Group will continue to strengthen its core competencies in the main business segments as well as explore related business opportunities. However, the Group will strive to maintain a prudent approach in pursuing a long-term strategic growth that give the Group sound financial and management capabilities.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group was HK$71.8 million for the year (2013: HK$10.3 million) which mainly consisted of gains of HK$59.6 million on disposal of listed equity investments (2013: HK$6.9 million) and dividend income of HK$10.4 million from listed equity investments (2013: HK$0.3 million).

### Net Asset Value

As at 31 December 2014, the consolidated net asset value of the Group was HK$2,639.8 million, representing an increase of 5.9% from the last corresponding year. The consolidated net asset value per share of the Group was HK$0.284. The Group's total assets and total liabilities were HK$2,709.8 million and HK$70.0 million respectively.

### Capital Structure

The Group's capital expenditure and investments were mainly funded from cash on hand, internally-generated funds and bank borrowings.

The Group consistently adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars and Hong Kong dollars. The Group does not use any financial instruments for hedging purpose.

### Liquidity and Financial Resources

As at 31 December 2014, the Group's cash and cash equivalents, being mainly denominated in Hong Kong dollars, was HK$86.8 million. The cash and cash equivalents and the listed equity investments in aggregate were about HK$197.3 million. The liquidity of the Group improved significantly for the year with a current ratio of 6.4 as at 31 December 2014 (2013: 1.2).

The Group had bank borrowings of HK$49.0 million at 31 December 2014. The bank loan, being a term loan repayable within five years and subject to a normal and general term of repayable on demand clause after 31 December 2015, was interest-bearing at a variable rate based on Hong Kong Interbank Offered Rate and denominated in Hong Kong dollars.

The maturity profile of the Group's bank borrowings as at 31 December 2014 was set out as follows:

| | HK$ |
|---|---|
| Due within one year or on demand | 12,000,000 |
| Due more than one year but not exceeding two years | 14,500,000 |
| Due more than two years but not exceeding five years | 22,500,000 |
| Total | 49,000,000 |

The Group had available unutilized short-term revolving banking facilities of approximately HK$180.0 million as at 31 December 2014.

**Gearing Ratio**

As at 31 December 2014, the gearing ratio of the Group, as measured by dividing the net debt to shareholders' equity, was inapplicable as it became negative when cash and cash equivalents could entirely cover the total debt (2013: 8.2%). Net debt was bank borrowings, other payables and accruals, net of cash and cash equivalents.

**Contingent Liabilities**

The Group did not have any material contingent liabilities as at 31 December 2014.

**Exposure to Fluctuation in Exchange Rates and Related Hedges**

As the Group's major source of income, expenses, major assets and bank deposits were denominated in Hong Kong dollars and U.S. dollars, the Group' exposure to fluctuations in foreign exchange rates was minimal and the Group did not have any related hedging instruments.

**Charges on Group Assets**

As at 31 December 2014, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK$69.9 million and time deposits of approximately HK$9.5 million as securities for general banking facilities granted to the Group.

**Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets**

The Group continuously holds two significant investments for long term, which are an investment in an associate and an available-for-sale investment.

The Group held an equity interest in C C Land Holdings Limited (**"C C Land"**, the shares of which are listed on the main board of the Stock Exchange) which was classified as an available-for-sale investment of the Group. The carrying value of C C Land was stated in fair value of HK$351.5 million as at 31 December 2014 (2013: HK$507.8 million) and a fair value loss of HK$156.3 million on C C Land was recorded in a reserve account which was recognized as other comprehensive loss for the year in the Consolidated Statement of Comprehensive Income. However, the Group had made a reclassification adjustment of HK$24.7 million as an impairment loss in the Consolidated Statement of Profit or Loss due to significant decline in the share price of C C Land below its original investment cost as at the end of the year. The Group received a final dividend income of HK$11.7 million (2013: HK$11.7 million) from C C Land during the year.

The Group held a substantial equity interest in Y. T. Realty which was classified as an investment in an associate. The carrying value of Y. T. Realty was HK$2,061.6 million as at 31 December 2014 (2013: HK$1,903.4 million). The net profit after tax of Y. T. Realty for the year was HK$482.3 million and the Group's share of profit of an associate was HK$164.6 million (2013: HK$199.6 million). Detailed discussion of performance of Y. T. Realty contained in the section of Business Review.

During the year, the Group had disposed of a wholly-owned subsidiary with a gain of HK$34.6 million. The principal asset of the subsidiary was a leasehold property situated in Hong Kong, the cost less accumulated depreciation and impairment of which was HK$14.9 million as at 31 December 2013.

Save as disclosed above, there was no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates or joint ventures during the year under review. There was no present plan for material investments or acquisition of material capital assets as at the date of this announcement.

## OTHER INFORMATION

### Corporate Governance

The Company is committed to an ongoing enhancement of effective and efficient corporate governance. The Company complied with all code provisions contained in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2014, save and except for deviation of code provision D.1.4 that the Company does not have formal letters of appointment for Directors setting out key terms and conditions of their appointment. The Company is of the view that the current arrangement is more appropriate and flexible, particularly in light of the current business activities and operational structure of the Company. Additionally, each Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years pursuant to bye-laws of the Company. The Board will review this arrangement in light of the evolving development of the Group's business activities.

### Compliance of Model Code

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the **"Model Code"**) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transaction by Directors. The Company uses various communication channels to promptly inform Directors on any updates on the Model Code released by the Stock Exchange, and reminds Directors to adhere to the Model Code accordingly.

Following specific enquiry by the Company, each Director confirmed that throughout the accounting period under review, they have complied with the required standard set out in the Model Code.

The Company also adopted the code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standards set out in Model Code.

### Human Resources Practices

The Group's remuneration policy is to ensure fair and competitive packages based on business needs and industry practice. The Company aims to provide incentives to Directors, senior management and employees to perform at their highest levels as well as to attract, retain and motivate the very best people. Remuneration will be determined by taking into consideration factors such as market and economic situation, inflation, employment conditions elsewhere in the Group and salaries paid by comparable companies. In addition, performance-based assessment such as individual's potential and contribution to the Group, time commitment and responsibilities undertaken will all be considered.

There are effectively 32 staffs working for the Group as at 31 December 2014. The Group also provides other staff benefits including MPF, medical insurance and discretionary training subsidy. The Company also operates a discretionary share option scheme to motivate the performance of employees.

## SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditors, Ernst & Young, certified public accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young 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 Ernst & Young on the preliminary announcement.

## AUDIT COMMITTEE

The audit committee of the Company had reviewed the accounting principles and standards adopted by the Group, the internal control system and financial reporting matters of the Group. The annual results of the Group for the year ended 31 December 2014 had been reviewed by the audit committee.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2014.

## FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.003 per share for the year ended 31 December 2014 (2013: HK$0.002 per share) to holders of ordinary shares whose names appear on the register of members of the Company on 3 June 2015. No interim dividend was declared for the financial year of 2014 and 2013. Subject to shareholders' approval at the AGM, the proposed final dividend will be paid to shareholders on or about 12 June 2015.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 1 June 2015 to Wednesday, 3 June 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. To qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 29 May 2015.

## ANNUAL GENERAL MEETING

The AGM will be held at 11:15 a.m. on Thursday, 21 May 2015 at Salon I & II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong. The Notice of AGM will be published on the website of the Company (www.yugang.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk), and despatched to shareholders of the Company around 16 April 2015.

## BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises nine Directors, namely Mr. Cheung Chung Kiu (Chairman), Mr. Yuen Wing Shing (Managing Director), Mr. Zhang Qing Xin, Mr. Lam Hiu Lo and Mr. Liang Kang as executive Directors; Mr. Lee Ka Sze, Carmelo as non-executive Director; and Mr. Luk Yu King, James, Mr. Leung Yu Ming, Steven and Mr. Ng Kwok Fu as independent non-executive Directors.

## APPRECIATION

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to management and all staff for their diligence and dedication to the Company throughout the year.

By order of the Board
**Yugang International Limited**
Yuen Wing Shing
*Managing Director*

Dated the 25th day of March 2015, Hong Kong SAR

* *For identification purpose only*