YUGANG

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 00613)

2018 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 2018 together with the comparative figures for the corresponding year in 2017 as follows:

Consolidated Statement of Profit or Loss
For the year ended 31 December 2018

	Notes	**2018** *HK$'000*	2017 *HK$'000*
REVENUE	3		
Interest income from loan receivables		**15,253**	6,291
Interest income from debt investments at amortised cost		**447**	-
Other revenue		**50,258**	28,002
Total revenue		**65,958**	34,293
Other income and gains	3	**31,636**	137,228
Administrative expenses		**(26,814)**	(46,687)
Impairment losses on loan receivables		**(5,912)**	-
Other expenses	4	**(2,110)**	-
Finance costs	5	**(440)**	(745)
Share of profit of an associate		**28,048**	18,696
PROFIT BEFORE TAX		**90,366**	142,785
Income tax credit/(expense)	6	**18,814**	(15,280)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**109,180**	127,505
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		**HK1.17 cents**	HK1.37 cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018

	2018 *HK$'000*	2017 *HK$'000*
PROFIT FOR THE YEAR	**109,180**	127,505
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be reclassified subsequently to profit or loss when specific conditions are met:		
Changes in fair value of an available-for-sale investment	**-**	(146,596)
Share of other comprehensive income/(loss) of an associate	**(20,957)**	38,289
Release of other reserves upon distribution in specie of shares in an associate	**230,861**	-
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**209,904**	(108,307)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**319,084**	19,198

Consolidated Statement of Financial Position
31 December 2018

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS		
Equipment	**1,162**	635
Investment properties	**464,000**	437,300
Investment in an associate	**-**	554,278
Loan receivables	**94,084**	2,996
Debt investments at amortised cost	**66,769**	-
Available-for-sale investment	**-**	505,498
Prepayment and deposits	**3,787**	4,028
Other assets	**360**	360
Total non-current assets	**630,162**	1,505,095
CURRENT ASSETS		
Listed equity investments at fair value through profit or loss	**818,481**	1,080,205
Loan receivables	**21,000**	173,000
Prepayments, deposits and other receivables	**8,319**	9,702
Time deposits	**151,028**	46,957
Cash and bank balances	**17,855**	16,238
Total current assets	**1,016,683**	1,326,102
CURRENT LIABILITIES		
Other payables and accruals	**11,094**	9,654
Bank borrowing	**-**	7,500
Tax payable	**-**	145
Total current liabilities	**11,094**	17,299
NET CURRENT ASSETS	**1,005,589**	1,308,803
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,635,751**	2,813,898
NON-CURRENT LIABILITIES		
Other payables and accruals	**2,477**	2,196
Deferred tax liabilities	**895**	19,698
Total non-current liabilities	**3,372**	21,894
Net assets	**1,632,379**	2,792,004
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**93,053**	93,053
Reserves	**1,539,326**	2,698,951
Total equity	**1,632,379**	2,792,004

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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies 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 2017, except that 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	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	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 adjustment against the applicable opening balances in equity as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

(a) Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

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	Category	HKAS 39 measurement Amount	Re-classification	HKFRS 9 measurement Amount	Category
			HK$'000	*HK$'000*	*HK$'000*	
Financial assets						
Available-for-sale investment	(i)	AFS[1]	505,498	(505,498)	-	N/A
Loan receivables		L&R[2]	175,996	-	175,996	AC[3]
Financial assets included in prepayments, deposits and other receivables		L&R	13,730	-	13,730	AC
Listed equity investments at fair value through profit or loss	(i)	FVPL[4]	1,080,205	505,498	1,585,703	FVPL
Time deposits		L&R	46,957	-	46,957	AC
Cash and bank balances		L&R	16,238	-	16,238	AC
Total assets			1,838,624	-	1,838,624	
Financial liabilities						
Financial liabilities included in other payables and accruals		AC	11,850	-	11,850	AC
Bank borrowing		AC	7,500	-	7,500	AC
Total liabilities			19,350	-	19,350	

1 AFS: Available-for-sale investment

2 L&R: Loans and receivables

3 AC: Financial assets or financial liabilities at amortised cost

4 FVPL: Financial assets at fair value through profit or loss

Note:

(i) The Group has classified its listed equity investment previously classified as available-for-sale investment as listed equity investments measured at fair value through profit or loss as the Group had not irrevocably elected, at initial recognition or transition, to classify as fair value through other comprehensive income.

(b) Impairment

The Group has five types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- Loan receivables;
- Financial assets included in prepayments, deposits and other receivables;
- Debt investments at amortised cost;
- Time deposits; and
- Cash and bank balances

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The restatement of the loss allowance for these classes of assets on transition to HKFRS 9 as a result of applying the expected credit risk model was immaterial. Therefore, the carrying amount for these classes of assets and the retained profits at 1 January 2018 have not been impacted by the initial application of HKFRS 9. The Group has provided the information in the financial statements for the year ended 31 December 2018.

While time deposits, and cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(c) Hedge accounting

The requirements related to hedge accounting would better align the accounting treatments with risk management activities and enable entities to better reflect these activities in their financial statements. It relaxes the requirements for assessing hedge effectiveness which more risk management strategies may be eligible for hedge accounting. It also relaxes the rules on using non-derivative financial instruments as hedging instruments and allows greater flexibility on hedged items. Users of the financial statements will be provided with more relevant information about risk management and the effect of hedge accounting on the financial statements. The Group does not have any financial instruments related to hedge accounting throughout the year ended 31 December 2018 and year ended 31 December 2017.

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 money lending activities.

(b) The property investment segment consists of investment through Y. T. Realty Group Limited ("**Y. T. Realty**"), an associate of the Group, in properties for rental income and/or capital appreciation potential. In November 2018, the Group completed a distribution in specie of the shares in Y. T. Realty, and following completion of the distribution in specie, Y. T. Realty ceased to be an associated company of the Group.

(c) The property leasing segment which consists of the leasing of properties directly owned by the Group for rental income and/or capital appreciation potential.

The management of the Company monitors the operating results of the Group's business units separately for the purpose of making decisions about resource 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 2018

	Treasury management *HK$'000*	Property investment *HK$'000*	Property leasing *HK$'000*	Reportable segments total *HK$'000*	Adjustments (Note) *HK$'000*	Consolidated *HK$'000*
Segment revenue:						
Revenue	**54,671**	**43,771**	**11,287**	**109,729**	**(43,771)**	**65,958**
Other income and gains	**6,690**	**54,180**	**24,946**	**85,816**	**(54,180)**	**31,636**
Total revenue and gains	**61,361**	**97,951**	**36,233**	**195,545**	**(97,951)**	**97,594**
Segment profit for the year	**59,338**	**82,155**	**26,986**	**168,479**	**(54,107)**	**114,372**
Corporate and unallocated expenses, net						**(5,192)**
Profit for the year						**109,180**

	Treasury management *HK$'000*	Property investment *HK$'000*	Property leasing *HK$'000*	Corporate and unallocated *HK$'000*	Consolidated *HK$'000*
Other segment information:					
Share of profit of an associate	**-**	**28,048**	**-**	**-**	**28,048**
Capital expenditure	**-**	**-**	**-**	**842**	**842**
Depreciation	**-**	**-**	**78**	**234**	**312**
Interest income	**15,964**	**-**	**-**	**-**	**15,964**
Interest expense	**440**	**-**	**-**	**-**	**440**

Year ended 31 December 2017

	Treasury management *HK$'000*	Property investment *HK$'000*	Property leasing *HK$'000*	Reportable segments total *HK$'000*	Adjustments (Note) *HK$'000*	Consolidated *HK$'000*
Segment revenue:						
Revenue	26,197	45,273	8,096	79,566	(45,273)	34,293
Other income and gains	107,192	18,641	30,036	155,869	(18,641)	137,228
Total revenue and gains	133,389	63,914	38,132	235,435	(63,914)	171,521
Segment profit for the year	83,895	54,764	31,245	169,904	(36,068)	133,836
Corporate and unallocated expenses, net						(6,331)
Profit for the year						127,505

	Treasury management *HK$'000*	Property investment *HK$'000*	Property leasing *HK$'000*	Corporate and unallocated *HK$'000*	Consolidated *HK$'000*
Other segment information:					
Share of profit of an associate	-	18,696	-	-	18,696
Investment in an associate	-	554,278	-	-	554,278
Capital expenditure	-	-	340	107	447
Depreciation	-	-	49	554	603
Interest income	7,194	-	-	-	7,194
Interest expense	745	-	-	-	745

Note: The activities of the property 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 excluded 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 located in Hong Kong.

3. Revenue, other income and gains

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

	2018	2017
	HK$'000	*HK$'000*
Revenue from other sources		
Interest income from loan receivables	**15,253**	6,291
Interest income from debt investments at amortised cost	**447**	-
	15,700	6,291
Other revenue:		
Gains/(losses) on disposal of listed equity investments at fair value through profit or loss, net	**10,624**	(3,922)
Dividend income from listed equity investments at fair value through profit or loss	**28,347**	23,828
Gross rental income	**11,287**	8,096
	50,258	28,002
	65,958	34,293
Other income and gains		
Interest income on bank deposits	**264**	903
Fair value gains on listed equity investments at fair value through profit or loss, net	**-**	103,857
Gain on disposal of rights to subscribe shares of an available-for-sale investment	**-**	2,432
Gain on disposal of items of equipment	**-**	10
Gain on distribution in specie of shares in an associate	**139**	-
Gain on distribution in specie of shares in a listed equity investment at fair value through profit or loss	**6,072**	-
Fair value gains on investment properties	**24,918**	29,994
Others	**243**	32
	31,636	137,228

4. Other expenses

	2018	2017
	HK$'000	*HK$'000*
Fair value losses on listed equity investments at fair value through profit or loss, net	**2,110**	-

5. Finance costs

	2018	2017
	HK$'000	*HK$'000*
Interest on bank borrowings	**440**	745

6. Income tax

	2018 *HK$'000*	2017 *HK$'000*
Current:		
Charge for the year	**19**	80
Overprovision in prior years	**(30)**	(20)
	(11)	60
Deferred	**(18,803)**	15,220
Total tax charge/(credit) for the year	**(18,814)**	15,280

The share of tax attributable to an associate amounting to HK$1,018,000 (2017: HK$322,000) is included in "Share of profit of an associate" in the consolidated statement of profit or loss.

7. Dividend

	2018 *HK$'000*	2017 *HK$'000*
Proposed final dividend – Nil (2017: HK$0.002) per ordinary share	**-**	18,611
Interim dividend by way of distribution in specie (2017: Nil)	**1,460,098**	-
	1,460,098	18,611

The Board has resolved not to recommend the payment of final dividend for the year ended 31 December 2018 (2017: HK$0.002 per share). No interim dividend in the form of cash was declared for the financial year of 2018 and 2017.

On 24 August 2018, the Board declared the payment of an interim dividend by way of a distribution in specie of 51,179,018 shares of The Cross-Harbour (Holdings) Limited ("**CHH**"), a listed equity investment at fair value through profit or loss held by the Group to the qualifying Shareholders of the Company (the "**Shareholders**") in proportion to their respective shareholdings in the Company on the basis of 11 CHH shares for every 2,000 Company shares held by Shareholders whose names appeared on the register of members of the Company on 11 September 2018 (the "**Distribution in Specie of CHH**"). Out of the total of 53,009,708 shares of CHH, 51,179,018 shares of CHH with fair value amounted to approximately HK$668,398,000 were distributed, and the remaining 1,830,690 undistributed shares of CHH with fair value amounted to approximately HK$21,309,000 as listed equity investments at fair value through profit or loss as at 31 December 2018. The Distribution in Specie of CHH was completed on 19 September 2018.

On 30 October 2018, the Board declared the payment of an interim dividend by way of a distribution in specie of approximately 34.14% of the issued capital of its associate, Y. T. Realty, to the qualifying Shareholders in proportion to their respective shareholdings in the Company on the basis of 44 Y. T. Realty shares for every 1,500 Company shares held by Shareholders whose names appeared on the register of members of the Company on 15 November 2018 (the "**Distribution in Specie of Y. T. Realty**"). A total of 273,000,000 shares of Y. T. Realty held by the Group with fair value amounted to approximately HK$791,700,000 were distributed. The Distribution in Specie of Y. T. Realty was completed on 23 November 2018.

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

The calculation of the basic earnings per share amount 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 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	**109,180**	127,505

	Number of shares	
	2018	2017
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

REVIEW OF RESULTS

The Group recorded a consolidated profit of HK$109.2 million attributable to shareholders for the year ended 31 December 2018, representing a decrease of HK$18.3 million or 14.4% from the last corresponding year. It was mainly attributable to a moderate amount of fair value loss of HK$2.1 million on listed equity investments at fair value through profit or loss as a result of a bearish market sentiment for the year as compared to a fair value gain of HK$103.9 million recorded under a bullish market sentiment in the last corresponding year. Following the strengthening of all other business segments, the Group however could record an improvement in almost all other key performance indicators for the year including an increase in all revenue items with an aggregate amount of HK$31.7 million, a cost reduction by a further decrease in administrative expenses of HK$19.9 million, an increase in share of profit of an associate of HK$9.3 million, and an income tax provision difference of HK$34.1 million for the year. In addition, with an effort to promote a stable stream of income, the operating results of the Group are gradually becoming less affected by the fair value change of listed equity investments.

The basic earnings per share for the year was HK1.17 cents, whereas the basic earnings per share of HK1.37 cents was recorded for the last corresponding year.

FINAL DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended 31 December 2018 (2017: HK$0.002 per share). No interim dividend in the form of cash was declared for the financial year of 2018 and 2017. An interim dividend by way of Distribution in Specie of CHH and Distribution in Specie of Y. T. Realty in an aggregate fair value of HK$1,460.1 million were declared for the financial year of 2018 (2017: Nil).

BUSINESS REVIEW

2018 was a challenging year as the global economy had been impacted by the intensified trade disputes between the U.S. and China. The economy of Mainland China was particularly affected with a deteriorating Purchasing Manager Index (PMI) of Manufacturing, weakening business and consumer confidence and slowing down of GDP during the year. In contrast, the economy of U.S. appeared strong for the year with good economic indicators such as unemployment rate, non-farm payrolls, purchasing manager indices and consumer confidence, etc. without any notable impact by the rising trade protectionism which enabled the U.S. Federal Reserve to raise interest rate continuously throughout the year.

Hong Kong economy however maintained a solid growth trend even under the influence of trade disputes between U.S. and China during the year. It was mainly attributable to strong performance across some key economic sectors including tourism and retail sales which were particularly stimulated after the launch of Hong Kong-Zhuhai-Macau Bridge and Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link bringing PRC visitors to record high. In addition, as the central government of the PRC announced the development plan of the Guangdong-Hong Kong-Macao Greater Bay Area, local consumer confidence and consumer spending remained strong notwithstanding the property market entered into the correction phase with a decline by 7.4% from its peak according to the statistics from real estate agency.

Nevertheless, due to the geopolitical uncertainties such as Brexit or trade protectionism, the global financial markets became much volatile during the year under review. The investor confidence was inevitably dampened with a bearish market outlook which would therefore increase the volatility of financial markets in both Hong Kong and China for the year.

Given a negative impact on the treasury investments of the Group due to the volatility of the financial market, the overall financial performance of the Group fell back moderately for the year due to an improvement in the performance of all other segments.

Property Investment Business

The Group carried on its Property Investment Business through Y. T. Realty, an associate of the Group, the shares of which are traded on the main board of the Stock Exchange. Y. T. Realty mainly focuses on prime properties in established overseas markets and principally indirectly hold 100% interest in a prime commercial property, 1 Chapel Place in London, United Kingdom ("**London Property**") and all the issued units in a property unit trust, Grove Property Unit Trust 4, which owns a prime hotel property located at 1 Harrow Place and 11 White Kennett Street, London, United Kingdom ("**London Hotel**").

Both of London Property and London Hotel are located in the prime central London business district and the leasing demands for office and retail were stable and strong. The London Hotel, trading as Travelodge London Liverpool Street, has been leased to Travelodge Hotels for a term of 35 years as from 26 April 2007 under an investment lease.

The performance of Property Investment Business was satisfactory for the year. The gross rental income of Y. T. Realty was HK$47.5 million for the year, a 5.0% increase from the last corresponding year. The occupancy rate of the London Property and London Hotel maintained at 100% as at the end of 2018. The revaluation of the investment properties of Y. T. Realty generated a surplus of HK$51.4 million as at the end of 2018 (2017: HK$15.9 million).

On 30 October 2018, the Group declared an interim dividend by way of distribution in specie of all its entire interests in Y. T. Realty ("**Distribution in Specie of Y. T. Realty**"). Upon completion of Distribution in Specie of Y. T. Realty on 23 November 2018, Y. T. Realty ceased to be an associate of the Group and would no longer contribute to the Group through share of profit of an associate. In this respect, the Group could still record a share of profit of an associate of HK$28.0 million for the year ended 31 December 2018, representing an increase of HK$9.3 million or 50.0% from the last corresponding year. Meanwhile, the Group recorded a net gain of approximately HK$0.14 million on deemed disposal of an associate by way of distribution in specie after deducting the relevant cost and expenses and netting off a release of other reserves related to Y. T. Realty upon deemed disposal.

Property Leasing Business

In addition to the Property Investment Business, the Group held various classes of properties in Hong Kong comprising industrial, residential and commercial for rental income under Property Leasing Business segment. The aggregate rental income from Property Leasing Business was HK$11.3 million for the year (2017: HK$8.1 million). The increase in rental income was mainly attributable to the acquisition of two commercial properties in May 2017 which generated a monthly rental income of HK$660,000, exclusive of government rent, rates, management fees and other charges. As the property market entered into a correction phase in the last quarter of 2018, the investment properties under Property Leasing Business segment were revalued to HK$464.0 million as at 31 December 2018 with a fair value gain of HK$24.9 million for the year, representing a decrease of HK$5.1 million from the last corresponding year.

Treasury Management Business

During the year under review, the stock market of Hong Kong was extremely volatile with a substantial drop of Hang Seng Index by almost 9,000 points under the negative effect of an intensified trade disputes between U.S.A and China and a continuing of an U.S. interest rate hike together with an orderly shrink of the balance sheet by U.S. Federal Reserve. The market therefore expected a downward pressure on the overall corporate earnings as well as dividend payout of listed companies in Hong Kong for the year. The treasury investments of the Group were inevitably affected even the Group has persistently maintained a well-diversified portfolio of listed equity investments with various industries and sectors. However, the Group recorded a dividend income of HK$28.3 million from the listed equity investments at fair value through profit or loss for the year, representing an increase of HK$4.5 million or 19.0% from the last corresponding year. Given a volatile financial market particularly appearing in the second half of the year, the Group subsequently recorded a net amount of unrealized fair value loss of HK$2.1 million on the listed equity investments at fair value through profit or loss for the year, comparing to a fair value gain of HK$8.6 million in the 2018 interim results and a fair value gain of HK$103.9 million in the last corresponding year. Nevertheless, the Group realized a gain of HK$10.6 million on disposal of a listed equity investment at fair value through profit or loss during the year as compared to a loss of HK$3.9 million recorded in the last corresponding year. In addition, the Group declared an interim dividend by way of distribution in specie of 51,179,018 shares in The Cross-Harbour (Holdings) Ltd ("**CHH**", stock code: 00032), which was classified as listed equity investment at fair value through profit or loss ("**Distribution in Specie of CHH**") on 24 August 2018. Upon completion of Distribution in Specie of CHH on 19 September 2018, the Group recorded a net gain of approximately HK$6.1 million after deducting the relevant costs and expenses.

In view of various economic and geopolitical uncertainties, the Group adopted a defensive strategy in Treasury Management Business segment by reducing its portfolios in listed equity investments and increasing the fixed income debt investments in order to secure a stable stream of interest income to the Group. In December 2018, the Group purchased two senior notes bearing an annual coupon interest rate ranging from 7.875% to 8.5% issued by two separate listed issuers with a total consideration of approximately HK$69.1 million. Detailed information of the two senior notes including the coupon interest rates, terms of maturity and descriptions of issuers etc. were separately contained in the announcements of the Company published on 13 and 14 December 2018. The Group recorded an interest income of HK$0.45 million from the senior notes for the year accordingly. In addition, the Group also actively expanded its money lending business in the second half of the year as mentioned in the Prospect section of Management Discussion and Analysis of 2018 Interim Report. In December 2018, the Group provided financial assistance to two new corporate customers in the amount of HK$50.0 million and HK$48.0 million for a term of two years and at an annual interest rate of 16% and 17% respectively. Detailed information of the provisions of financial assistance were separately contained in the announcements of the Company published on 19 and 27 December 2018. The Group recorded an interest income of HK$15.3 million from the Money Lending Business for the year which represented a significant increase of approximately HK$9.0 million or 142.5% from the last corresponding year. However, an impairment of HK$5.9 million was made on loan receivables for the year when applying the expected credit risk model upon the adoption of HKFRS 9 as at 1 January 2018.

OUTLOOK AND STRATEGY

Looking forward, the Group is cautious toward the global economy for 2019. The global economy is sluggish as reflected by a slowing down of purchasing manager indices in U.S., Europe, China and Japan etc. The pace of interest rate hike by U.S Federal Reserve may also slowdown in view of various uncertainties affecting U.S economic growth in the year of 2019. The trade disputes between U.S and China remains uncertain even the progress of negotiation appeared good. In addition, geopolitical uncertainties such as implementation of Brexit may also post a threat to global economic recovery and investor confidence.

The economy of Hong Kong is however expected to be stable with growth momentum being maintained for 2019. Even Hong Kong property market has entered into a correction and consolidation phase previously, the tourism and retail sales continue to perform well and private consumption remains robust as Hong Kong is expected to benefit from the implementation of Guangdong-Hong Kong-Macao Greater Bay Area plan and Hong Kong-Zhuhai-Macau Bridge.

In view of an economic slowdown of China, the central government of Mainland China has actively launched a number of fiscal and monetary policies to stimulate the economic growth, such as lowering down the deposit reserve ratio of commercial banks by 100 basis points, planning for a tax rate cut and implementing subsidy measures to stimulate the private consumption since January 2019. In addition, on 28 February 2019, MSCI declared the increase of weighting of China A shares in MSCI Emerging Market Index in 2019 which has fueled up an escalation of China A Shares as well as Hong Kong stock market. It is expected that the Group's Treasury Management Business will be positively benefited by the improved sentiment of financial markets during the first half of 2019.

The corporate strategy of the Group focuses on maintaining a stable business development principally by increasing its exposure in investment properties for recurring and stable rental income with reasonable return, fixed income debt investment for stable interest income with sustainable return and expanding its money lending business to earn interest income for future growth. The Group also aims to maintain its long-sustained strategy of focusing on strategic expansion and diversification of business for long-term growth. In addition, the Group aims to strike a balance between maintaining a sound financial and management capabilities and enhancing the Shareholder's return.

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately HK$66.0 million for the year, representing an increase of HK$31.7 million or 92.3% from the last corresponding year. There was an increase in all revenue items for the year including a gain of HK$10.6 million on disposal of listed equity investments at fair value through profit or loss (2017: loss of HK$3.9 million), an increase of both interest income on loan receivables for an amount of HK$9.0 million and rental income from investment properties for an amount of HK$3.2 million.

Other Comprehensive Income

The Group recorded other comprehensive income of HK$209.9 million for the year (2017: other comprehensive loss of HK$108.3 million) which arose from a release of other reserves related to Y. T. Realty upon deemed disposal of an associate.

Net Asset Value

As at 31 December 2018, the consolidated net asset value of the Group was HK$1,632.4 million (2017: HK$2,792.0 million). The consolidated net asset value per share of the Group was HK$0.175 (2017: HK$0.30). The Group's total assets and total liabilities were HK$1,646.8 million (2017: HK$2,831.2 million) and HK$14.5 million (2017: HK$39.2 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

The Group's cash and cash equivalents, being mainly denominated in Hong Kong dollars, was HK$168.9 million as at 31 December 2018 (2017: HK$63.2 million). The cash and cash equivalents and the listed equity investments in aggregate were HK$987.4 million as at 31 December 2018 (2017: HK$1,143.4 million). The liquidity of the Group was very strong with a current ratio of 91.6 as at 31 December 2018 (2017: 76.7).

The Group did not have any bank borrowing as at 31 December 2018 (2017: HK$7.5 million). The Group had available short-term revolving banking facilities of approximately HK$150.0 million as at 31 December 2018 (2017: HK$150.0 million). None of them were utilized as at 31 December 2018 (2017: Nil).

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's exposure to fluctuation in foreign exchange rates was minimal due to the pegged exchange rate. The Group did not have any related hedging instruments.

Gearing Ratio

As at 31 December 2018, 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 (2017: N/A). Net debt was calculated as bank borrowings plus 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 2018 (2017: Nil).

Charges on Group Assets

As at 31 December 2018, the Group pledged its investment properties with an aggregate carrying value of approximately HK$130.3 million as securities for general banking facilities granted to the Group (2017: HK$121.2 million).

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

The Group maintained a diversified portfolio of listed equity investments at fair value through profit or loss with a carrying value of HK$818.5 million as at 31 December 2018 (2017: HK$1,080.2 million). The Group held a total of 21 listed companies in the portfolio of listed equity investments, all of which are listed in Hong Kong. The significant investments held by the portfolio included C C Land Holdings Limited ("**C C Land**", stock code: 01224) with a carrying value of approximately HK$552.2 million and China Resources Pharmaceutical Group Limited ("**China Resources Pharmaceutical**", stock code: 03320) with a carrying value of approximately HK$145.5 million respectively as at 31 December 2018, which accounted for approximately 67.5% and 17.8% of the aggregate carrying value of the portfolio respectively. The Group reclassified the investment in C C Land from available-for-sale investment to listed equity investments at fair value through profit or loss on 1 January 2018 upon the date of initial application of HKFRS 9. The Group's investment in C C Land and China Resources Pharmaceutical outperformed the Hang Seng Index to record a fair value gain of HK$46.8 million and HK$1.4 million (2017: HK$34.3 million) respectively for the year. The Group also received dividend income of HK$5.8 million and HK$2.8 million from C C Land and China Resources Pharmaceutical respectively. In addition, the Group partially disposed of certain shares in China Resources Pharmaceutical to realize a gain of HK$10.6 million during the year. The future prospect and performance of the Group's listed equity investments depend on, to a large extent, the corresponding performance of the relevant financial markets which is expected to be less volatile in the first half of 2019 as compared to the year of 2018.

Save as disclosed above and the deemed disposal of an associate by Distribution in Specie of Y. T. Realty, there was no other significant investment 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 authorized by the Board for material investments or acquisition of material capital assets as at the date of this announcement.

Significant Events since the End of the Reporting Period

On 16 January 2019, the Company was informed by Chongqing Industrial Limited, Timmex Investment Limited and Mr. Cheung Chung Kiu, the controlling Shareholders of the Company, collectively referred to as (the **"Vendors"**) that they entered into the sale and purchase agreement with Future Capital Group Limited (the **"Offeror"**), pursuant to which the Vendors agreed to sell and the Offeror agreed to purchase in aggregate of 4,099,709,732 sale shares of the Company (**"Sale Shares"**) which represented approximately 44.06% of the entire issued share capital of the Company as at 16 January 2019 for a cash consideration of HK$0.175 per Sale Share. The Offeror was required to make a conditional mandatory general offer under The Codes on Takeovers and Mergers and Share Buy-backs. Detailed information was contained in the announcements of the Company published on 23 January, 28 January, 13 February and 28 February 2019.

Save as disclosed above, there were no other significant events affecting the Group since the end of the reporting period.

OTHER INFORMATION

Corporate Governance

The Company is committed to achieving and maintaining high standards of corporate governance practice. The Company has fully complied with all code provisions of Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the year under review, 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. All Directors have been serving the Company for long period of time and a clear understanding of terms and conditions of their appointment already exists between the Company and Directors. 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. The Company will continually review its corporate governance framework to ensure best corporate governance practices.

Compliance of Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transaction by Directors and relevant employees. Following specific enquiry by the Company, each Director confirmed that throughout the accounting period under review, they have complied with the required standards set out in the Model Code.

Environmental, Social and Governance ("ESG") Performance

The Board is committed to achieving sustainable development and protection of the environment and engaging ESG considerations as an integral part of the business operations and investment of the Company. The Company's strategy in ESG management can be achieved by adopting eco-friendly management practices, making efficient use of resources, and promoting green awareness within the Group. The Company strives to promote awareness on environmental protection and optimizes efficient use of energy in daily operation by encouraging employees to recycle office suppliers, plus a series of measures to develop practices to promote energy-saving and emission reduction. The Company will further enhance ESG management by participating in community engagement and ensuring our business development will take into consideration the communities' interest. The Company has complied with all the applicable environmental laws and regulations that have a significant impact on the Company. Details of ESG practice of the Group are set out in 2018 annual report which are prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Listing Rules, and will be available on the website of the Company (www.yugang.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk) in due course.

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 approximately 16 work forces effective serving the Group as at 31 December 2018. 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 Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Company'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 performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by EY on this announcement.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the accounting principles and standards adopted by the Group, the risk management and internal control systems and financial reporting matters of the Group. In addition, the consolidated financial statements of the Group for the year ended 31 December 2018 have 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 2018.

PUBLICATION OF 2018 ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Company (www.yugang.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The 2018 annual report will be dispatched to Shareholders and made available on the above websites in due course.

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
Yuen Wing Shing
Managing Director

Dated the 22nd day of March 2019, Hong Kong SAR

** For identification purpose only*