

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

YUGANG

YUGANG INTERNATIONAL LIMITED

(渝港國際有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00613)

2016 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 2016 together with the comparative figures for the corresponding year in 2015 as follows:

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Notes	2016 HK\$'000	2015 HK\$'000
REVENUE	3	30,114	34,957
Other income and gains	3	2,411	27,093
Administrative expenses		(91,484)	(81,073)
Other expenses	4	(35,438)	-
Finance costs	5	(1,146)	(1,544)
Share of profit of an associate		<u>121,577</u>	<u>182,428</u>
PROFIT BEFORE TAX	6	26,034	161,861
Income tax expense	7	(<u>4,186</u>)	(<u>32</u>)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u><u>21,848</u></u>	<u><u>161,829</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		<u><u>HK0.23 cents</u></u>	<u><u>HK1.74 cents</u></u>

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<u>21,848</u>	<u>161,829</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</i>		
Changes in fair value of an available-for-sale investment	(41,663)	278,623
Share of other comprehensive income/(loss) of an associate	(65,489)	<u>24,268</u>
	(107,152)	302,891
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Surplus on property revaluation upon transfer from owner-occupied properties to investment properties	<u>49,211</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	(57,941)	<u>302,891</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u>(36,093)</u>	<u><u>464,720</u></u>

Consolidated Statement of Financial Position
31 December 2016

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
NON-CURRENT ASSETS		
Property and equipment	934	32,678
Investment properties	125,600	45,500
Investment in an associate	497,293	2,258,714
Loan receivable	3,996	4,996
Available-for-sale investment	588,494	630,157
Other assets	<u>360</u>	<u>360</u>
Total non-current assets	<u>1,216,677</u>	<u>2,972,405</u>
CURRENT ASSETS		
Listed equity investments at fair value through profit or loss	996,865	72,440
Loan receivables	1,000	81,000
Prepayments, deposits and other receivables	4,281	3,458
Time deposits	553,119	30,200
Cash and bank balances	<u>77,095</u>	<u>8,611</u>
Total current assets	<u>1,632,360</u>	<u>195,709</u>
CURRENT LIABILITIES		
Other payables and accruals	30,642	20,564
Bank borrowings	15,000	44,500
Deferred income	-	3,682
Total current liabilities	<u>45,642</u>	<u>68,746</u>
NET CURRENT ASSETS	<u>1,586,718</u>	<u>126,963</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,803,395</u>	<u>3,099,368</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	4,478	292
Bank borrowing	<u>7,500</u>	<u>22,500</u>
Total non-current liabilities	<u>11,978</u>	<u>22,792</u>
Net assets	<u>2,791,417</u>	<u>3,076,576</u>
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	93,053	93,053
Reserves	<u>2,698,364</u>	<u>2,983,523</u>
Total equity	<u>2,791,417</u>	<u>3,076,576</u>

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 (“**HKICPA**”), 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 2015, except that the Group has in the current year adopted, for the first time, the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

The adoption of the above new and revised HKFRSs 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, earns dividend income from an available-for-sale investment 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 (“**Y. T. Realty**”), an associate of the Group, in properties for rental income and/or capital appreciation potential; and in an associate of Y. T. Realty (the “**Y. T. Realty Associate**”) which holds two tunnels in Hong Kong generating toll revenue. In November 2016, Y. T. Realty had completed a distribution in specie of the shares in the Y. T. Realty Associate to its shareholders. Upon the receipt of its portion of distribution, the Group ceased to engage in the infrastructure investment.
- (c) The property leasing segment which consists of leasing of properties directly owned by the Group for rental income and/or capital appreciation potential.

The Group has reclassified “Other” segment into “Property leasing” segment during the year. As the Group has changed the use of some of its properties from owner-occupied properties to investment properties during the year, the aggregate carrying amount of investment properties owned by the Group became significant and the Group considers that property leasing activities will become predominant in the Group’s segment reporting. In the opinion of the Directors, this change in the classification of “Other” segment into a “Property leasing” segment results in a more appropriate presentation of the segment results and provides more relevant information about the performance of the Group’s operating segment. Accordingly, comparative amounts have been restated to conform with the current year’s presentation and disclosures.

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, together with their restated comparative information, is presented below:

Year ended 31 December 2016

	Treasury management <i>HK\$'000</i>	Property and infrastructure investment <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Reportable segments total <i>HK\$'000</i>	Adjustments (Note) <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue:						
Revenue	28,714	66,653	1,400	96,767	(66,653)	30,114
Other income and gains	1,311	138,473	1,100	140,884	(138,473)	2,411
Total revenue and gains	<u>30,025</u>	<u>205,126</u>	<u>2,500</u>	<u>237,651</u>	<u>(205,126)</u>	<u>32,525</u>
Segment profit/(loss) for the year	<u>(88,121)</u>	<u>356,112</u>	<u>1,129</u>	<u>269,120</u>	<u>(234,535)</u>	34,585
Corporate and unallocated expenses, net						<u>(12,737)</u>
Profit for the year						<u>21,848</u>

	Treasury management HK\$'000	Property and infrastructure investment HK\$'000	Property leasing HK\$'000	Corporate and unallocated HK\$'000	Consolidated HK\$'000
Other segment information:					
Share of profit of an associate	-	121,577	-	-	121,577
Investment in an associate	-	497,293	-	-	497,293
Capital expenditure	-	-	-	16	16
Depreciation	-	-	8	1,963	1,971
Interest revenue	9,307	-	-	-	9,307
Interest expense	1,146	-	-	-	1,146

Year ended 31 December 2015

	Treasury management HK\$'000	Property and infrastructure investment HK\$'000	Property leasing HK\$'000 (Restated)	Reportable segments total HK\$'000 (Restated)	Adjustments (Note) HK\$'000	Consolidated HK\$'000 (Restated)
Segment revenue:						
Revenue	33,461	218,691	1,496	253,648	(218,691)	34,957
Other income and gains	26,091	138,743	1,002	165,836	(138,743)	27,093
Total revenue and gains	59,552	357,434	2,498	419,484	(357,434)	62,050
Segment profit/(loss) for the year	(12,057)	534,352	1,273	523,568	(351,924)	171,644
Corporate and unallocated expenses, net						(9,815)
Profit for the year						161,829
	Treasury management HK\$'000	Property and infrastructure investment HK\$'000	Property leasing HK\$'000	Corporate and unallocated HK\$'000	Consolidated HK\$'000	
Other segment information:						
Share of profit of an associate	-	182,428	-	-	-	182,428
Investment in an associate	-	2,258,714	-	-	-	2,258,714
Capital expenditure	-	-	-	135	-	135
Depreciation	-	-	8	2,058	-	2,066
Interest revenue	6,234	-	-	-	-	6,234
Interest expense	1,544	-	-	-	-	1,544

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 mainly 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 and an available-for-sale investment, interest income from loan receivables, 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:

	2016 HK\$'000	2015 HK\$'000
<u>Revenue</u>		
Gains on disposal of listed equity investments at fair value through profit or loss, net	-	13,301
Dividend income from listed equity investments at fair value through profit or loss	6,396	930
Dividend income from an available-for-sale investment	14,322	13,020
Interest income from loan receivables	7,996	6,210
Gross rental income	1,400	1,496
	<u>30,114</u>	<u>34,957</u>
<u>Other income and gains</u>		
Interest income on bank deposits	1,311	24
Fair value gains on listed equity investments at fair value through profit or loss, net	-	26,067
Fair value gains on investment properties	1,100	1,000
Others	-	2
	<u>2,411</u>	<u>27,093</u>

4. Other expenses

	2016 HK\$'000	2015 HK\$'000
Fair value losses on listed equity investments at fair value through profit or loss, net	<u>35,438</u>	<u>-</u>

5. Finance costs

	2016 HK\$'000	2015 HK\$'000
Interest on bank borrowings	<u>1,146</u>	<u>1,544</u>

6. Profit before tax

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Depreciation	<u>1,971</u>	<u>2,066</u>

7. Income tax

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Deferred tax charge for the year	<u>4,186</u>	<u>32</u>

The share of tax attributable to an associate amounting to HK\$3,511,000 (2015: HK\$9,549,000) is included in "Share of profit of an associate" in the consolidated statement of profit or loss.

8. Dividend

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Proposed final dividend – HK\$0.002 (2015: HK\$0.004) per ordinary share	<u>18,611</u>	<u>37,221</u>

The Board recommended the payment of a final dividend of HK\$0.002 (2015: HK\$0.004) per share for the year ended 31 December 2016, subject to the approval by the Company's shareholders at the annual general meeting to be held on 18 May 2017. 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 2016 and 2015 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	<u>21,848</u>	<u>161,829</u>
	Number of shares	
	2016	2015
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	<u>9,305,276,756</u>	<u>9,305,276,756</u>

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

The Group recorded a consolidated profit of HK\$21.8 million attributable to shareholders for the year ended 31 December 2016, representing a significant decrease of 86.5% over the last corresponding year. It was mainly attributable to an unrealized fair value loss of HK\$35.4 million on listed equity investments as compared to an unrealized fair value gain of HK\$26.1 million in the last corresponding year and a decrease in the share of profit of an associate by an amount of HK\$60.8 million for the year as a result of the associate's disposal of its investment properties in Hong Kong on 29 February 2016.

The basic earnings per share for the year was HK0.23 cents, whereas basic earnings of HK1.74 cents was recorded for the last corresponding year.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK\$0.002 per share for the year ended 31 December 2016 (2015: HK\$0.004 per share) to holders of ordinary shares whose names appear on the register of members of the Company on 29 May 2017. No interim dividend was declared for the financial year of 2016 and 2015. Subject to shareholders' approval at the forthcoming annual general meeting, the proposed final dividend will be paid to shareholders on or about 6 June 2017.

BUSINESS REVIEW

In 2016, Hong Kong economy recorded the slowest pace of growth since the global financial crisis. The external environment remained weak against the subdued global economic backdrop. The exports of goods and services recorded notable decline with sluggish external trade performance. The number of visitors and their per capita spending were continuously declined. Furthermore, the momentum of economic growth in Mainland China remained sluggish as a result of the implementation of economic reforms including deleveraging, cutting industrial overcapacity, destocking and supply-side reform during the year.

The financial market in Hong Kong was highly volatile during the year given anemic economic growth and elevated uncertainties. Investors were continuously spooked by a number of negative factors such as depreciation of Renminbi and surge of capital outflows from China, rout of A-shares market after launching of Circuit Breaker, market fear of economic hard-landing in China and the implementation of a new round cooling measures on the local property market. In addition, external factors including Brexit referendum and its repercussion on global economy, inception of U.S. interest rate hike cycle and Donald Trump's presidency all increased the volatility of the financial market.

Property and Infrastructure Investment Business

Property Investment Business

The Group principally carries on its property investment business through Y. T. Realty Group Limited (“**Y. T. Realty**”), an associate of the Group and the shares of which are traded on the main board the Stock Exchange. During the year under review, Y. T. Realty has changed its investment strategy by focusing on prime properties in established overseas markets and at the same time reducing its exposure to Hong Kong property market. On 29 February 2016, Y. T. Realty completed the disposal of 100% interest in both Century Square and Prestige Tower and at the same time increased its interest in a prime commercial property, 1 Chapel Place in London, United Kingdom (the “**London Property**”) to 100% through acquiring the remaining 50% interest from its joint venture partner. Details of the transaction were set out in the circular of Y. T. Realty dated 29 January 2016.

On 18 July 2016, Y. T. Realty directly and indirectly completed an acquisition of 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 (the “**London Hotel**”), detailed information were set out in the announcement of Y. T. Realty dated 19 July 2016.

As a result, the gross rental income of Y. T. Realty for the year was HK\$64.9 million, representing a significant decrease of HK\$145.1 million from the last corresponding year. The London Property is located in the prime central London business location and the leasing demand for office and retail is generally stable and strong. During the year under review, the rental income from London Property was approximately HK\$19.3 million and occupancy rate of which was 100% throughout the year. The London Hotel is located in a convenient location in Central London operating as the Travelodge London Central – Liverpool Street Hotel and has been leased to Travelodge Hotels for a term of 35 years from 26 April 2007 under an investment lease. The leasing demand for the London Hotel is generally stable and strong. During the year under review, the rental income from London Hotel for Y. T. Realty was approximately HK\$9.3 million.

As at the end of the year, the value of investment properties of Y. T. Realty including London Property and London Hotel were revalued to approximately HK\$1,093.1 million by an independent professional valuer. There was an overall fair value gain of approximately HK\$55.3 million recorded for the year (2015: HK\$137.1 million). The profit after tax of Y. T. Realty for the year was HK\$356.1 million, representing a decrease of HK\$178.3 million from the last corresponding year.

Infrastructure Investment Business

The infrastructure business of the Group comprises investments in tunnels, transports and logistic operations. It was carried on through The Cross-Harbour (Holdings) Limited (“**Cross-Harbour**”), being an associate of Y. T. Realty up to November 2016, the shares of which 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 GDP growth of Hong Kong slowed down in 2016. The private consumption however remained strong given a low unemployment rate, a moderate increase in wages and income, and soaring of property price. The transport and tunnel operations of Cross-Harbour continued to grow steadily for the year.

The profit after tax and non-controlling interests of Cross-Harbour for the year was HK\$410.4 million, representing a decrease of HK\$209.4 million or 33.8% from the last corresponding year. It was mainly attributable to a significant loss in the performance of its treasury investment due to a significant fair value loss on its securities investment for the year as compared to a fair value gain recorded in the last corresponding year.

On 14 November 2016, shareholders of Y. T. Realty had, in a special general meeting, approved the payment of a special dividend by way of distribution in specie of all the shares of Cross-Harbour held by Y. T. Realty to its shareholders. As a result, Y. T. Realty ceased to hold any interest in Cross-Harbour and thereby the Group has ceased to benefit from any profit contributions from the infrastructure investment business since December 2016.

Treasury Management Business

The fluctuation of Hong Kong stock market remained vigorous during the year. The performance of Hong Kong stock market was overall dragged by the economic slowdown of China with most of its economic indicators showing a trend of slowdown in the first half of the year. Even worse, the fear of hard-landing in China's economy has led to the devaluation of Renminbi and capital outflow from China. Local stock market became more volatile and investor's confidence had been dampened by worsening external environment such as Brexit referendum and U.S. president election.

The performance of treasury management segment of the Group receded as the Group's listed equity investment recorded an unrealized fair value loss of HK\$35.4 million for the year whereas a fair value gain of HK\$26.1 million was recorded in the last corresponding year. The Group did not dispose of any listed equity investments during the year (2015: gain of HK\$13.3 million on disposal of listed equity investments).

Property Leasing Business

In addition to the property investment business of Y. T. Realty focusing on oversea prime properties, the Group has gradually diversified its business into the property leasing business in Hong Kong to earn rental income. During the year, the leasehold properties held by the Group had been leased out and been transferred and re-classified to investment properties. As a result, the value of investment properties held by the Group was revalued to be HK\$125.6 million by an independent professional valuer as at 31 December 2016. A fair value gain of HK\$1.1 million on the revaluation of investment properties was recorded for the year (2015: HK\$1.0 million). The rental income from investment properties for the year was HK\$1.4 million (2015: HK\$1.5 million).

OUTLOOK AND STRATEGY

Looking forward, the Group holds a cautious view towards the global economy for 2017. After Donald Trump won the U.S. presidential election in November 2016, the market has worried about the possibilities of trade de-globalization and imposition of tariff on imported goods between U.S. and China which might be harmful to the global economy. The global financial market and international capital flow will be heavily influenced by the uncertainties of the new U.S. policies. In addition, the global financial markets are still hindered by various uncertainties particularly the fastening pace of U.S. interest rate hike in 2017, the rise in global inflationary pressure due to increase in commodity price and geopolitical risks for the three elections in Netherlands, France and Germany in 2017 which all may elevate the volatility of financial markets.

On the other hand, the economic performance of China has been stabilizing with most of its economic indicators such as PMI and PPI rebounded since the end of 2016. Investor's confidence has gradually restored and the stock market sentiment has gradually improved since February 2017. In addition, following the commencement of Shenzhen-Hong Kong Stock Connect in December 2016, the market is expecting more inflow of China funds to Hong Kong stock market and hence Hong Kong stock market may be benefited in the interim or long term.

The Group has maintained its long-sustained strategy of focusing on strategic expansion and diversification of business which has been proved successful in enhancing the Group's investment objective of long-term growth and provided a solid foundation for the Group's generation of profit in long term. In addition, the Group will also 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\$30.1 million for the year, representing a decrease of HK\$4.9 million from the last corresponding year. It was mainly attributable to the gain of HK\$13.3 million on disposal of listed equity investments in the last corresponding year whereas there was no disposal of listed equity investments during the year.

Other Comprehensive Income

The Group recorded other comprehensive loss of HK\$57.9 million for the year (2015: other comprehensive income of HK\$302.9 million). It was mainly attributable to a fair value loss of HK\$41.7 million (2015: fair value gain of HK\$278.6 million) on an available-for-sale investment of the Group and share of other comprehensive loss of an associate for HK\$65.5 million (2015: share of other comprehensive income of HK\$24.3 million). In addition, a fair value gain of HK\$49.2 million had been taken to a reserve account which was arisen from revaluation of leasehold properties by transferring from owner-occupied properties to investment properties during the year.

Net Asset Value

As at 31 December 2016, the consolidated net asset value of the Group was HK\$2,791.4 million (2015: HK\$3,076.6 million), representing a decrease of 9.3% from the last corresponding year. The consolidated net asset value per share of the Group was HK\$0.30 (2015: HK\$0.33). The Group's total assets and total liabilities were HK\$2,849.0 million (2015: 3,168.1 million) and HK\$57.6 million (2015: HK\$91.5 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\$630.2 million as at 31 December 2016 (2015: HK\$38.8 million). The cash and cash equivalents and the listed equity investments in aggregate were HK\$1,627.1 million as at 31 December 2016 (2015: HK\$111.2 million). The liquidity of the Group was very strong with a current ratio of 35.8 as at 31 December 2016 (2015: 2.8).

The bank borrowing of the Group as at 31 December 2016 was HK\$22.5 million (2015: HK\$67.0 million). The bank loan, being a term loan repayable within five years and subject to a normal and general term of repayment on demand clause after 31 January 2018 (2015: after 31 January 2017), 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 borrowing as at 31 December 2016 was set out as follows:

	<u>HK\$</u>
Due within one year or on demand	15,000,000
Due more than one year but not exceeding two years	<u>7,500,000</u>
Total	<u><u>22,500,000</u></u>

The Group had available short-term revolving banking facilities of approximately HK\$150.0 million as at 31 December 2016 (2015: HK\$150.0 million). None of them were utilized as at 31 December 2016 (2015: HK\$30.0 million).

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 2016, 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 (2015: 1.6%). 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 2016 (2015: Nil).

Charges on Group Assets

As at 31 December 2016, the Group pledged its investment properties with an aggregate carrying value of approximately HK\$109.3 million as securities for general banking facilities granted to the Group (2015: leasehold and investment properties with an aggregate carrying value of HK\$70.3 million).

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

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

The Group held a substantial equity interest in Y. T. Realty which was classified as an investment in an associate. The carrying value of the Group's investment in Y. T. Realty was substantially reduced to HK\$497.3 million as at 31 December 2016 (2015: HK\$2,258.7 million) after the distribution of a special cash dividend of HK\$3.8 per share and a special dividend by way of distribution in specie of all the shares in Cross-Harbour held by Y. T. Realty during the year. The profit after tax of Y. T. Realty for the year was HK\$356.1 million and the Group's share of profit of an associate was HK\$121.6 million (2015: HK\$182.4 million). Detailed discussion about the performance of Y. T. Realty for the year is contained in the section of Business Review.

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. The carrying value of C C Land was stated in fair value of HK\$588.5 million as at 31 December 2016 (2015: HK\$630.2 million) and a fair value loss of HK\$41.7 million was recorded in a reserve account and recognized as other comprehensive loss in the Consolidated Statement of Comprehensive Income. The Group received final dividend income of HK\$14.3 million (2015: HK\$13.0 million) from C C Land during the year.

As at 31 December 2016, the Group maintained a diversified portfolio of listed equity investments at fair value through profit or loss with a carrying value of HK\$996.9 million, representing a substantial increase of HK\$924.5 million from the last year. It was mainly attributable to the distributed shares of Cross-Harbour from Y. T. Realty through a special dividend by way of distribution in specie in November 2016, with a carrying value of HK\$593.7 million. Detailed discussion about the performance of Cross-Harbour is contained in the section of Business Review. In addition, the Group purchased listed equity investments at fair value through profit or loss of approximately HK\$391.6 million during the year. The Group recorded an overall fair value loss of HK\$35.4 million on the listed equity investment for the year (2015: fair value gain of HK\$26.1 million). In terms of future prospects of the Group’s listed equity investments, their performance is to a large extent subject to the corresponding performance of the relevant financial markets which can be volatile.

On 14 March 2017, the Group announced the acquisition of the entire issued share capital of Supreme Access International Limited and August Estate Limited, for an aggregate consideration of HK\$280.7 million. The principal activities of the two companies are property investments in Hong Kong by holding two floors of commercial properties situated in Hong Kong with an aggregate monthly rental of approximately HK\$660,000 (exclusive of government rent, rates, management fees and other charges). It is expected that the acquisition will further expand the Group’s property leasing business in Hong Kong. Details of the transaction were contained in the Company’s announcement dated 14 March 2017.

Save as disclosed above, 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

OTHER INFORMATION

Corporate Governance

The Company is committed to an ongoing enhancement of effective and efficient corporate governance. The Company has fully complied with all code provisions contained in the 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. 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. Further information on the Company's corporate governance structure and practices were contained in the annual report.

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 Group is committed to achieving sustainable development and protection of the environment and engaging ESG considerations as an integral part of our business operations and investment. 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 Company. The Group strives to promote awareness on environmental protection and optimizes efficient use of energy in daily operation by encouraging employees to recycle office supplies, 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 Group has complied with all the applicable environmental laws and regulations that have a significant impact on the Group. Details of ESG practice of the Group are set out in 2016 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 were effectively approximately 29 work forces serving for the Group as at 31 December 2016. 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 2016 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 controls systems and financial reporting matters of the Group. In addition, the consolidated financial statements of the Group for the year ended 31 December 2016 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 2016.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Thursday, 18 May 2017 ("AGM") at Lounge, 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 and the designated issuer website of the Stock Exchange and dispatched to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 15 May 2017 to Thursday, 18 May 2017, both days inclusive, during which period no transfer of shares will be registered for the purpose of determining shareholders' entitlement to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 12 May 2017.

RECORD DATE FOR PROPOSED FINAL DIVIDEND

The record date for the purpose of determining shareholders' entitlement to the proposed final dividend is Monday, 29 May 2017. The register of members of the Company will also be closed from Thursday, 25 May 2017 to Monday, 29 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement of the proposed final dividend payable on Tuesday, 6 June 2017, 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, Hong Kong not later than 4:30 p.m. on Wednesday, 24 May 2017.

PUBLICATION OF 2016 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 2016 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 23rd day of March 2017, Hong Kong SAR

** For identification purpose only*