

YUGANG

YUGANG INTERNATIONAL LIMITED

Stock Code: 00613



2015 *Annual
Report*

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cheung Chung Kiu (*Chairman*)
Mr. Yuen Wing Shing (*Managing Director*)
Mr. Zhang Qing Xin
Mr. Lam Hiu Lo
Mr. Liang Kang

Non-Executive Director

Mr. Lee Ka Sze, Carmelo

Independent Non-Executive Directors

Mr. Luk Yu King, James
Mr. Leung Yu Ming, Steven
Mr. Ng Kwok Fu

COMMITTEES

Executive Committee

Mr. Cheung Chung Kiu (*Chairman*)
Mr. Yuen Wing Shing
Mr. Zhang Qing Xin
Mr. Lam Hiu Lo
Mr. Liang Kang

Audit Committee

Mr. Luk Yu King, James (*Chairman*)
Mr. Lee Ka Sze, Carmelo
Mr. Leung Yu Ming, Steven
Mr. Ng Kwok Fu

Nomination Committee

Mr. Cheung Chung Kiu (*Chairman*)
Mr. Leung Yu Ming, Steven
Mr. Ng Kwok Fu

Remuneration Committee

Mr. Leung Yu Ming, Steven (*Chairman*)
Mr. Cheung Chung Kiu
Mr. Ng Kwok Fu

AUTHORISED REPRESENTATIVES

Mr. Cheung Chung Kiu
Mr. Yuen Wing Shing

COMPANY SECRETARY

Mr. Albert T. da Rosa, Jr.

EXTERNAL AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

LEGAL ADVISERS

Bermuda:

Conyers Dill & Pearman

Hong Kong:

Woo Kwan Lee & Lo
Cheung Tong & Rosa Solicitors

REGISTERED OFFICE

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Church Street
Hamilton HM11
Bermuda

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

00613

Chairman's Statement and Management Discussion and Analysis

Dear shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Yugang International Limited (the “**Company**”), I am pleased to present the annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2015.

REVIEW OF RESULTS

The Group recorded a consolidated profit of HK\$161.8 million attributable to shareholders for the year ended 31 December 2015, representing a decrease of HK\$133.7 million or 45.2% from the last corresponding year. It was mainly attributable to a decrease in both the realized and unrealized gain on listed equity investments as compared to the last corresponding year, whilst an exceptional gain of HK\$80.2 million on disposal of an available-for-sale investment was recorded in the last corresponding year. No such exceptional disposal gain was recorded for the year.

The basic earnings per share for the year was HK1.74 cents, representing a decrease of HK1.44 cents from the last corresponding year.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK\$0.004 per share for the year ended 31 December 2015 (2014: HK\$0.003 per share) to holders of ordinary shares of the Company (the “**Shares**”) whose names appear on the register of members of the Company on 30 May 2016. No interim dividend was declared for the financial year of 2015 and 2014. Subject to shareholders' approval at the annual general meeting of the Company to be held on Friday, 20 May 2016 (the “**AGM**”), the proposed final dividend will be paid to shareholders on or about 7 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 26 May 2016 to Monday, 30 May 2016, both days inclusive, during which period no transfer of Shares 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, Hong Kong not later than 4:30 p.m. on Wednesday, 25 May 2016.

BUSINESS REVIEW

2015 was overall a difficult year as global economic environment was weak and economy of Hong Kong slowed down markedly with feeble export, tourism and retail performance. During the year, the overall global demand remained sluggish due to subdued global economic recovery and slow economic growth of Mainland China. As the Mainland economy has been undergoing a period of rebalancing, the Mainland's economic momentum was decreasing throughout the year, together with weak commodity price, devaluation of RMB and a slump in A-shares. The economy of emerging and developing countries also faced intense downward pressure. In addition, the rising expectation of a U.S. interest rate hike led to a sharp and significant capital outflows from the emerging economies particularly Mainland China during the year. The global financial market therefore fluctuated vigorously especially in the second half of the year.

During the year, the growth of Hong Kong economy was hindered by several factors including economic slowdown of Mainland China and strong U.S. dollar. Notwithstanding the implementation of loosing monetary policy and stabilizing fiscal policies throughout the year, the key economic indicators of China continued to slide down. In August, a sudden sharp depreciation of RMB fueled up market fear of further slowdown of China's economy which pressured the financial markets of China and Hong Kong. On the other hand, the implication of strong U.S. dollar has debilitated Hong Kong's external competitiveness. In spite of this, Hong Kong economy was still supported by strong domestic consumption as the employment market remained steady with low unemployment rate of around 3.3% and employment income continued to grow in real terms during the year.

Chairman's Statement and Management Discussion and Analysis

Property and Infrastructure Investment Business

Property Investment Business

The Group 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 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 (collectively the “**Investment Properties**”), 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\$210.0 million, representing an increase of HK\$7.4 million or 3.6% over the last corresponding year. During the year, the leasing demand for office and retail space in prime location was moderately affected as the local economy slid down due to the subdued global demand and slowdown of China economy. However, benefited by low unemployment rate, robust local consumption, fashion and beauty façade of the Investment Properties, as well as extra effort focusing on tenant retention policy, Y. T. Realty was capable of attracting and retaining famous brands at favorable rent. Therefore, Y. T. Realty could still maintain a stable rental income with nearly full occupancy rate at the end of the year.

As at the end of the year, the fair value of Investment Properties, being revalued by an independent professional valuer, recorded an increase of HK\$137.1 million over the last corresponding year (2014: HK\$152.8 million). The profit after tax of Y. T. Realty was HK\$534.4 million for the year, representing an increase of HK\$52.1 million or 10.8% from the last corresponding year.

On 17 December 2015, Y. T. Realty announced the proposal for disposal of two companies holding the Investment Properties and a company engaging in property management services at cash consideration of HK\$4,020.9 million; and also the acquisition of 50% interest of a company holding a London property (the “**London Property**”) (collectively the “**Proposed Transactions**”). After the completion of the Proposed Transactions on 29 February 2016, Y. T. Realty no longer receives rental income from the Investment Properties but has 100% interest in the London Property which has generated a recurring rental income of approximately HK\$18.0 million as from February to October, 2015. Details of the Proposed Transactions and the proforma financial effect to Y. T. Realty are contained in the circular which was published and dispatched to shareholders on 29 January 2016.

Infrastructure Investment Business

The infrastructure business of the Group comprises investments in tunnels, transports and logistic operations which has been carried 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 generated a stable stream of toll income.

During the year, the toll revenue of tunnel operations continued to grow due to a favorable increase in daily throughput of the western harbor tunnel and Tate's Cairn tunnel. The toll demand of tunnel operations remained robust despite the economy of Hong Kong slowed down in the second half of the year. It was mainly attributable to the low unemployment rate and robust private consumption throughout the year which had strongly supported the growth of the average daily throughput of the tunnel operations.

The profit after tax and non-controlling interests of Cross-Harbour for the year was HK\$619.8 million, representing an increase of HK\$147.6 million or 31.3% from the last corresponding year. It was mainly attributable to an increased contribution from tunnel operations and a significant improvement in the performance of its treasury investment due to a fair value gain on securities investment for the year as compared to fair value loss recorded in the last corresponding year.

Chairman's Statement and Management Discussion and Analysis

Treasury Management Business

The stock market of Hong Kong fluctuated vigorously during the year under review. Following the Mainland's buoyant performance of A-shares in second quarter, the local stock market soared sharply with Hang Seng Index up to the year-high of 28,500 points, as well as daily turnover of over HK\$200.0 billion. However, owing to the financial crisis of Mainland stock market in third quarter, the stock market of Hong Kong declined sharply with Hang Seng Index slumping to the year-low of 20,400 points. In addition, the performance of local stock market was further hindered by the concern over global economic slowdown and an interest rate hike by the U.S. Federal Reserve.

The overall performance of the Group's treasury management business for the year was satisfactory when compared against the stock market. The Group disposed of certain listed equity investments to realize a net gain of HK\$13.3 million during the bull sentiment in the first half of the year. Notwithstanding the financial crisis in third quarter, the stock market rebounded drastically in the fourth quarter. As certain listed equity investments in the Group's investment portfolio had overall outperformed the market with lesser downward adjustment than the market index, there was overall an unrealized fair value gain of HK\$26.1 million on the listed equity investments for the full financial year (2014: HK\$42.3 million).

OUTLOOK AND STRATEGY

Looking ahead into 2016, the Group is cautious about the economic development of Hong Kong with increasing downward pressure on stock and property markets. Hong Kong economy is expected to be challenging in 2016 as the local property market will enter into consolidation with downward pressure. Uncertainty and volatility will continue to affect the overall economy on the local and global markets. Slackened economic growth, falling commodity prices and the recent volatile in global financial and stock market have already weakened market confidence. A Federal Reserve interest rate hike will inevitably have negative impacts on the global economy and the asset markets.

In view of the sharp plunge of Hang Seng Index with an overall decrease of at least 3,000 points during January to February 2016, the investor's confidence has been adversely impacted by a bearish market sentiment. The Group's listed equity investments were unavoidably adversely affected. In addition, owing to the relatively small in size of the Group's listed equity investments which are only of HK\$72.4 million as at 31 December 2015, it is expected that the Group's performance in listed equity investments for 2016 interim will be substantially reduced when compared against an aggregate of realized and unrealized gain of HK\$102.8 million on listed equity investments as recorded in 2015 interim.

As discussed in the section headed "Property and Infrastructure Investment Business", due to disposal of the Investment Properties upon completion of the Proposed Transactions on 29 February 2016, it is expected that the revenue of HK\$107.7 million that was attributable to the Investment Properties and the fair value gains of HK\$115.1 million on the revaluation of Investment Properties for 2015 interim will not be recorded in the 2016 interim results of Y. T. Realty from March 2016 onwards. Therefore, the Group's share of profits of an associate for 2016 interim is expected to be largely reduced and as a result, the 2016 interim results of the Group is expected to be significantly decreased accordingly.

On the other hand, the board of directors of Y. T. Realty has announced on 28 January 2016 to declare a special cash dividend in the amount of HK\$3.8 per share to shareholders whose names appear in the register of members at the close of business on 25 February 2016. The Group therefore received a special cash dividend income of approximately HK\$1,037.4 million on 4 March 2016. Such substantial dividend income will significantly strengthen the Group's financial position, and with such surplus working capital, the Group will strive to explore business expansion and development opportunities in the forthcoming years. Meanwhile, the Group will consider actively engaging in and expanding its money lending business, which is one of its core business providing steady interest income in previous years.

Nevertheless, the Group will maintain its long-sustained strategy to focus on strategic expansion and diversification of business which has been proved to be successful for the maintenance of long-term growth objective and thereby strengthen the contribution to the Group's 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.

Chairman's Statement and Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The revenue of the Group was HK\$35.0 million for the year, representing a decrease of HK\$48.5 million from the last corresponding year. It was mainly attributable to the gain of HK\$13.3 million on disposal of listed equity investments for the year, representing a decrease of HK\$46.3 million from the last corresponding year.

Other Comprehensive Income

The Group recorded other comprehensive income of HK\$302.9 million for the year (2014: other comprehensive loss of HK\$129.7 million). It was mainly attributable to a fair value gain of HK\$278.6 million on available-for-sale investment of the Group for the year (2014: fair value loss of HK\$132.8 million).

Net Asset Value

As at 31 December 2015, the consolidated net asset value of the Group was HK\$3,076.6 million, representing an increase of 16.5% from the last corresponding year. The consolidated net asset value per share of the Group was HK\$0.33. The Group's total assets and total liabilities were HK\$3,168.1 million and 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\$38.8 million as at 31 December 2015 (2014: HK\$86.8 million). The cash and cash equivalents and the listed equity investments in aggregate were HK\$111.2 million as at 31 December 2015 (2014: HK\$197.3 million). Although lower cash and cash equivalents was recorded as compared to the last corresponding year, the liquidity of the Group still remained healthy with a current ratio of 2.8 as at 31 December 2015 (2014: 6.4).

As at 31 December 2015, the Group had bank borrowings of HK\$67.0 million, of which a term loan of HK\$37.0 million (2014: HK\$49.0 million) was subject to a general term of repayable on demand clause after 31 January 2017 (2014: after 31 December 2015). All bank loans were 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 2015 was set out as follows:

	HK\$
Due within one year or on demand	44,500,000
Due more than one year but not exceeding two years	15,000,000
Due more than two years but not exceeding five years	7,500,000
Total	<u>67,000,000</u>

Chairman's Statement and Management Discussion and Analysis

The Group had available short-term revolving banking facilities of approximately HK\$150.0 million as at 31 December 2015 (2014: HK\$180.0 million), of which HK\$30.0 million was utilized as at 31 December 2015 (2014: 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, since Hong Kong dollar is pegged to the U.S. dollar, the Group's exposure to fluctuation in foreign exchange rates was minimal and the Group did not have any related hedging instruments.

Gearing Ratio

As at 31 December 2015, the gearing ratio of the Group, measured by dividing the net debt to shareholders' equity, was 1.6% (2014: inapplicable as it became negative when cash and cash equivalents could entirely cover the total debt). 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 2015.

Charges on Group Assets

As at 31 December 2015, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK\$70.3 million as securities for general banking facilities granted to the Group (2014: HK\$69.9 million).

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group include the risks pertaining to the property investment business carried on through Y. T. Realty and the equity price risk relating to the treasury management business.

The property investment business is affected by a number of factors, including the changes in economic environment and the implementation of economic, monetary and housing policies in Hong Kong. It is also susceptible to changes in consumer confidence and consumption spending of both local consumers and Mainland visitors.

The equity price risk facing the treasury management business is the price volatility of the listed equity investments. It can be affected by various macroeconomic factors such as interest rate and foreign exchange fluctuation, changes in commodity and crude oil prices, and other geopolitical factors.

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

The Group currently holds two significant investments 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\$630.1 million as at 31 December 2015 (2014: HK\$351.5 million) and a fair value gain of HK\$278.6 million was recorded in a reserve account and recognized as other comprehensive income in the Consolidated Statement of Comprehensive Income. The Group received final dividend income of HK\$13.0 million (2014: HK\$11.7 million) from C C Land during the year.

Chairman's Statement and Management Discussion and Analysis

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 HK\$2,258.7 million as at 31 December 2015 (2014: HK\$2,061.6 million). The profit after tax of Y. T. Realty for the year was HK\$534.4 million and the Group's share of profit of an associate was HK\$182.4 million (2014: HK\$164.6 million). Detailed discussion about the performance of Y. T. Realty is contained in the section of Business Review.

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 Annual Report.

Comment on Segment Information

Discussion and comments on the Group's segments, including the changes and development, were covered in the Business Review, Outlook and Strategy section of the Management Discussion and Analysis. Detailed information on recent changes and development of property investment business segment, particularly the Proposed Transactions and its effect on the Company was contained in the Business Review, Outlook and Strategy section. The segment information and operating results are set out in note 4 of the Notes to Financial Statements in this Annual Report.

Save as disclosed herein, there were no other significant changes in the market conditions, new products and services introduced that had significantly affected the Group's performance.

OTHER INFORMATION

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 30 work forces serving for the Group as at 31 December 2015. 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.

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.

Cheung Chung Kiu
Chairman

Hong Kong, 23 March 2016

Corporate Governance Report

The Company is committed to an ongoing enhancement of effective and efficient corporate governance practices. The board of directors (the “**Directors**”) of the Company (the “**Board**”) recognizes that good corporate governance practices are essential in bringing up the success of the Company, upholding accountability and transparency, and balancing the interests of shareholders, investors and employees as a whole.

CORPORATE GOVERNANCE PRACTICE

Throughout the year ended 31 December 2015, the Company complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (“**Listing Rules**”) on the Stock Exchange, 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 (“**Bye-Laws**”).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has 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 transactions by Directors and relevant employees. Following specific enquiry by the Company, each Director confirmed that throughout the accounting period covered by the annual report, they have complied with the required standard set out in the Model Code.

THE BOARD

A. Board Composition

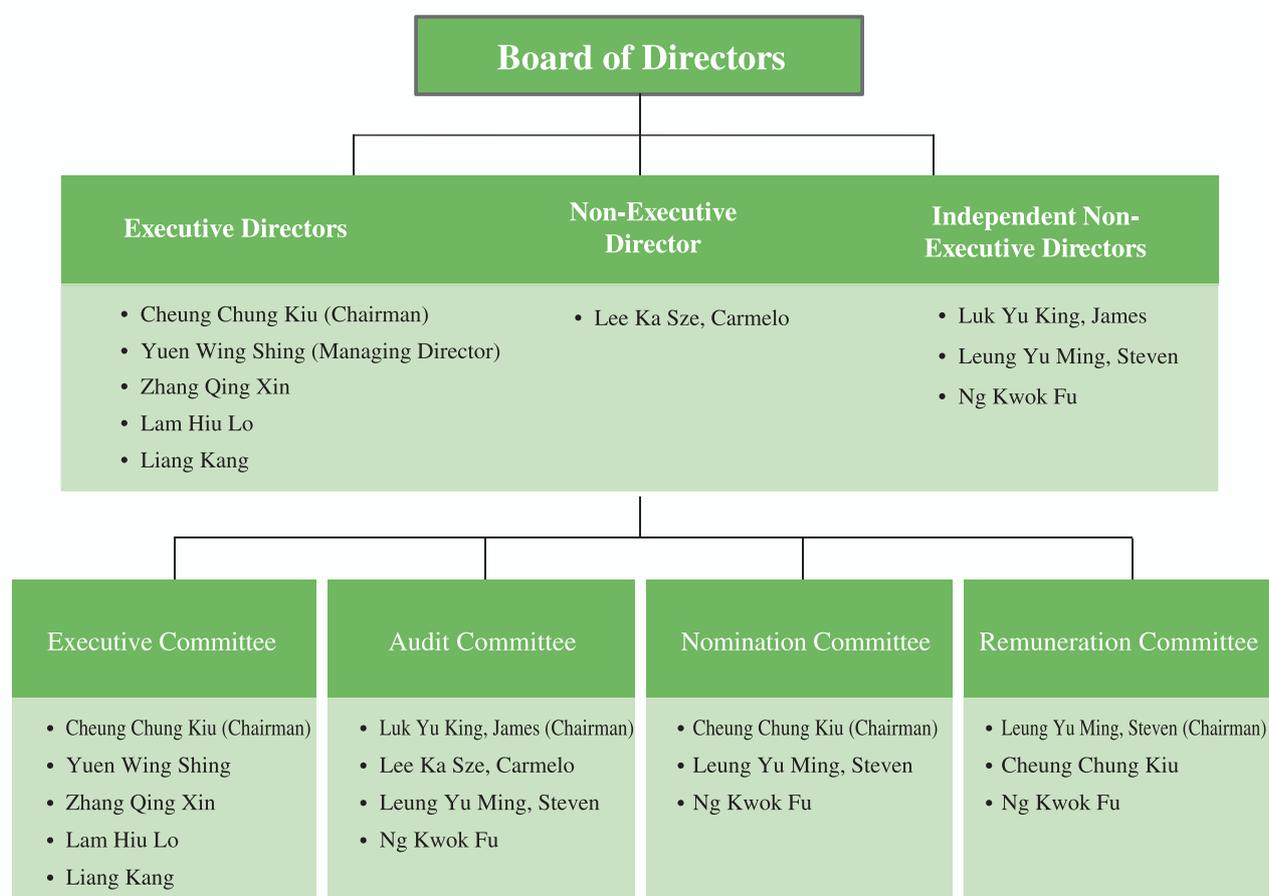
The Company is headed by an effective Board which collectively responsible for promoting the success of the Company, and to balance the long-term interest of shareholders and stakeholders. The Board currently comprises nine Directors and chaired by Mr. Cheung Chung Kiu, among whom five are executive Directors, one non-executive Director and three independent non-executive Directors (“**INEDs**”). That is, one-third of the Board is INEDs which complied with Rule 3.10 and 3.10A of the Listing Rules. Such balanced composition of executive and non-executive Directors ensures a strong independent element on the Board, and provides adequate check and balance to safeguarding the interest of shareholders and the Company as a whole. Members of the Board who come from different backgrounds and possess a diverse range of professional expertise and experience, collectively have a balance of skill, competence and personal qualities relevant to the business of the Group and therefore discharge the responsibilities efficiently and effectively. They are experienced personnel with academic or professional qualifications either in accounting, legal or business management and at least one of whom has appropriate professional qualification of accounting or related financial management expertise.

At a meeting held on 2 February 2016, the Nomination Committee reviewed the Board composition and resolved that the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board was appropriate and thereby achieving the measurable objectives of the Board Diversity Policy and complied with the Listing Rules. The Committee also recommended the re-appointment of Mr. Cheung Chung Kiu, Mr. Luk Yu King, James and Mr. Ng Kwok Fu as Directors at the forthcoming annual general meeting. The respective recommendation for re-appointment were made based on merit and contribution by the relevant Directors to the Board by reference to the Company’s principal activities and specific needs, with due regards to a wide range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Corporate Governance Report

Mr. Zhang Qing Xin is the father of Mr. Cheung Chung Kiu, an executive Director and the chairman of the Company. Save as disclosed herein, none of Directors has any relationship (including financial, business, family or other material/relevant relations) between each other. The list of Directors and their biographical details are set out in the section headed “Profiles of Directors and Senior Management” of this Annual Report.

The following chart illustrates the current Board composition including Board Committees:



B. Chairman and Managing Director

The role of the Chairman and Managing Director are separately assumed and performed by Mr. Cheung Chung Kiu and Mr. Yuen Wing Shing respectively and their responsibilities are clearly identified in writing and segregated. There is a clear distinction between the Chairman’s responsibility for management of the Board and Managing Director’s responsibility for running the day-to-day business of the Company in order to ensure a balance of power and authority. The key responsibilities of the Chairman and Managing Director are set out hereunder:

Key Responsibilities of the Chairman

Mr. Cheung Chung Kiu was appointed the Chairman of the Board in 1993. The primary role and key responsibilities of the Chairman include the followings:

1. To provide leadership for and overseeing the functioning of the Board to ensure its effectiveness;
2. To sketch business development plans, formulate overall strategies, objectives and policies of the Company;
3. To draw up and approve the agenda for each Board meeting, and ensure matters proposed by Directors will be included in the agenda;

Corporate Governance Report

4. To ensure each Director is giving an opportunity to express his view at Board meetings, allow sufficient time for discussion and that each Director is properly briefed on issues arising at Board meetings;
5. To ensure all Directors will receive, in a timely manner, adequate information which are accurate, clear, complete and reliable;
6. To ensure good corporate governance practices and procedures are established; and
7. To ensure appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.

Key Responsibilities of Managing Director

Mr. Yuen Wing Shing was appointed Managing Director of the Company in 2005 who takes the role of CEO as described in Appendix 14 to the Listing Rules. The primary role and key responsibilities of the Managing Director are as follows:

1. To provide leadership for the implementation of the Company's objectives, policies and strategies;
2. To be responsible for the day-to-day management of the Company;
3. To be responsible for setting up budgets, monitoring performance of management and effectiveness of the Company;
4. To be responsible for establishing and maintaining proper internal control system of the Group;
5. To ensure the timely and effective implementation of objectives, policies and strategies set by the Board and other decisions taken by or on behalf of the Board; and
6. To ensure the effectiveness functioning of the Company's operational divisions and departments.

C. Non-executive Directors

Mr. Lee Ka Sze, Carmelo was appointed the non-executive Director whilst Mr. Luk Yu King, James, Mr. Leung Yu Ming, Steven and Mr. Ng Kwok Fu were appointed the INEDs. The Non-executive Directors play an important role in the Board. They possess extensive academic, professional and industry expertise and management experience, in particular, Mr. Luk Yu King, James and Mr. Leung Yu Ming, Steven have appropriate professional qualifications of accounting or related financial management expertise. During the year, the non-executive Directors (including the INEDs) met once with the Chairman without presence of the Executive Directors. The non-executive Directors have made a positive contribution to the development of the Company's strategy and policies by giving independent, constructive and informed comments for safeguarding the interest of the shareholders and the Group as a whole.

The Non-executive Directors of the Company are appointed for a term of three years and are subject to retirement by rotation at the Company's annual general meetings at least once every three years in accordance with the Bye-Laws.

On 2 February 2016, the Nomination Committee assessed and reviewed the individual INED's written confirmation of independence based on the independent criteria set out in Rule 3.13 of the Listing Rules, and affirmed that all INEDs remained independent. It was noted that each of the INEDs had no interests or relationships that could materially interfere with their independent judgment. Notwithstanding Mr. Ng Kwok Fu has served as an INED for more than nine years, the Committee was satisfied and believed that the long service did not affect the exercise of independent judgment by him. The Committee is of the view that Mr. Ng has the required character, integrity, independence and experience to continue fulfilling his role of an INED effectively and his knowledge and experience may continue to generate significant contribution to the Company and the Shareholders as a whole. The Board therefore recommended the re-election of Mr. Ng as an INED at the AGM.

Corporate Governance Report

D. Board Delegation

The Board steers the Company's business direction. The day-to-day management, administration and operation of the Company have been delegated to management. The Executive Committee, chaired by the Chairman of the Board and comprised all executive Directors, has an enhanced executive role of management and undertakes full accountability to the Board for the day-to-day management and operation of the Group. Directions as to the powers delegated to the management are clearly identified. The Board shall review the delegation arrangements periodically to ensure they remain appropriate to the Company's need.

The Board has reserved the following functions to the Board. Or, prior approval from the Board is required if the management is dealing with the following functions:

1. To formulate the long-term corporate strategy and setting business development plans;
2. To declare an interim dividend, to recommend a final dividend or to declare or recommend other distribution;
3. To supervise and monitor performance of management;
4. To review the effectiveness of the system of internal control including financial, operational, compliance and risk management;
5. To be responsible for the appointment, removal or re-appointment of Directors, senior management and auditors, and determine the remuneration of Directors and senior management based on the recommendations of the Remuneration Committee; and
6. To recommend the members of the Company for the winding up of the Company.

Board Committees

The Board has delegated authorities to four Board committees to deal with matters, and specific written terms of reference were clearly set out to enable them to perform their functions properly. Board committees are required, unless restricted by laws and regulations, to report to the Board on their decisions or recommendations on a regular basis.

1. Executive Committee

The Executive Committee, comprising all executive Directors and chaired by the Chairman of the Board, was established on 31 December 2004. It takes the executive role of management and is responsible for the day-to-day management, administration and operation of the Company.

2. Audit Committee

The Company established the Audit Committee on 30 June 2005 which is chaired by Mr. Luk Yu King, James, with other members including Mr. Lee Ka Sze, Carmelo, Mr. Leung Yu Ming, Steven and Mr. Ng Kwok Fu. The composition of the Audit Committee comprises a majority of INEDs with diversified industry experience, such as accounting, legal, commercial or management sectors. The chairman has appropriate professional qualifications and experiences in accounting matters.

The Audit Committee has been provided with sufficient resources to perform its duties. The Audit Committee meets regularly since its establishment and three meetings were held in 2015. Full minutes of the Audit Committee meetings were kept by the company secretary. Draft and final version of minutes of the Audit Committee meetings were sent to all members for comments and record within a reasonable time.

The works and duties performed by the Audit Committee during the year of 2015 can be summarised as follows:

- (a) to review the annual financial statements and interim financial statements of the Group; and to consider and review any significant financial reporting judgments contained in them;

- (b) to review the 2015 Annual Report and 2015 Interim Report;
- (c) To consider any significant or unusual items that may need to be reflected in the 2015 Annual Report and any matters that have been raised by the Company's staff responsible for accounting and financial reporting function, compliance officer or auditors (if any);
- (d) To review the financial reporting system, risk management and internal control systems of the Group including:
 - (i) the Group's financial controls, risk management and internal control systems;
 - (ii) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
 - (iii) major investigation findings on risk management and internal control matters and management's response to these findings (if any); and
 - (iv) the financial and accounting policies and practices of the Group;
- (e) To review if any employees has raised concerns about any possible improprieties in financial reporting, internal control or other matters;
- (f) To review and discuss the engagement of external auditors and the effectiveness of the audit process including:
 - (i) Independence and objectivity of external auditors and the effectiveness of the audit process in accordance with applicable standards;
 - (ii) to make recommendations to the Board regarding the re-appointment of the external auditors;
 - (iii) Review the policy on engaging an external auditors to supply non-audit services;

Attendance of the meeting of the Audit Committee is set out in the section headed "Directors' Attendance and Time Commitment".

3. Nomination Committee

The Nomination Committee, comprising a majority of INEDs and chaired by the Chairman of the Board, was established on 30 March 2012. Other members include Mr. Leung Yu Ming, Steven and Mr. Ng Kwok Fu. The Nomination Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice at the Company's expense if considered necessary. The major roles and functions of the Nomination Committee are set out in its terms of reference which are published on websites of the Company and the Stock Exchange.

On 26 August 2013, the Company adopted the Board Diversity Policy which aims to set out the approach to achieve diversity on the Board. The Nomination Committee is responsible for monitoring the implementation and recommending any revisions that may be required to ensure effectiveness of the Policy. In addition, the Nomination Committee will discuss, review and agree annually on measurable objectives for implementing diversity on the Board.

At a meeting of the Nomination Committee held on 2 February 2016, the following matters were discussed, reviewed and approved:

- (a) the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board;
- (b) to assess the independence of INEDs by reference to the independent criteria set out in Rule 3.13 of the Listing Rules;
- (c) the Nomination Policy and the Board Diversity Policy and their implementation; and
- (d) to make recommendation to the Board on the re-appointment of Mr. Cheung Chung Kiu, Mr Luk Yu King, James and Mr. Ng Kwok Fu as Directors at the forthcoming annual general meeting. The nominations were made in accordance with the Nomination Policy and the Board Diversity Policy.

Corporate Governance Report

The Nomination Committee considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, whether considered in terms of professional background or skills.

On 23 March 2016, the Board acknowledged and approved the Nomination Committee's nominations and has resolved to recommend Mr. Cheung Chung Kiu, Mr. Luk Yu King, James and Mr. Ng Kwok Fu, the retiring Directors, to stand for re-election by shareholders at the forthcoming annual general meeting to be held on 20 May 2016. As a good corporate governance practice, each retiring Director abstained from voting on the respective propositions of their recommendations in the Board meeting. All retiring Directors standing for re-election do not have any service contracts with the Company that are not determinable by the Company within one year without compensation (other than statutory compensation). Biographical details of retiring Directors standing for re-election is set out in the circular to shareholders to be sent together with the 2015 Annual Report and posted under websites of the Company and the Stock Exchange.

Attendance of the meeting of the Nomination Committee is set out in the section headed "Directors' Attendance and Time Commitment".

4. Remuneration Committee

The Remuneration Committee, comprising a majority of INEDs and chaired by Mr. Leung Yu Ming, Steven, was established on 30 June 2005. Other members include Mr. Cheung Chung Kiu and Mr. Ng Kwok Fu. The head of Human Resources Department serves as the secretary of the Remuneration Committee and minutes of the meetings will be and have been sent to members within a reasonable time after the meetings. The major role and functions of the Remuneration Committee are set out in its terms of reference which are published on the website of the Company and the Stock Exchange.

In dealing with remuneration packages of Directors, no member of the Remuneration Committee was involved in deciding his own remuneration packages. The Board reviews the Remuneration Policy annually to ensure remuneration packages offered by the Company remains fair and competitive based on business needs and industry practice to attract and retain Directors to run the Company successfully without paying more than necessary. The Company aims to provide incentives to Directors, senior management and employees to perform at their highest level 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. The Remuneration Committee also ensures that no individual Directors are involved in deciding their own remuneration. The Remuneration Committee consulted the chairman and Managing Director on the remuneration proposals of executive Directors, and taking into consideration other relevant factors including corporate goals and objectives of the Company in recommending remuneration of Directors. The Company has provided sufficient resources for them to perform the duties and they may access to professional advice if considered necessary.

At a meeting of the Remuneration Committee held on 2 February 2016, the following matters were discussed, reviewed and approved:

- (a) the remuneration policy of the Group;
- (b) the management's remuneration proposal with reference to the Board's corporate goals and objectives;
- (c) to make recommendation to the Board on the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (d) to make recommendation to the Board on the remuneration of non-executive Directors;

Attendance of the meeting of the Remuneration Committee is set out in the section headed "Directors' Attendance and Time Commitment".

Corporate Governance Report

5. Corporate Governance Functions

The Board does not have a Corporate Governance Committee. However, the Corporate Governance Functions as set out in Code Provision D.3.1 of the Corporate Governance Code are performed by the Board. On 23 March 2016, the Board has conducted a meeting of the full Board to transact the following corporate governance matters:

- (a) to review the Company's policies and practices on corporate governance;
- (b) to review the training and continuous professional development of Directors and senior management;
- (c) to review the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to review the Code of Conduct applicable to employees and Directors; and
- (e) to review the Company's compliance with the Corporate Governance Code and applicable disclosure in the Corporate Governance Report.

E. Directors' Attendance and Time Commitment

The members of the Board meet regularly to review and discuss the overall strategy, operational and financial performance of the Company. Normally four regular meetings of the full Board will be held at quarterly intervals and special ad hoc Board meetings will be convened when necessary to deal with everyday matters which require the Board's prompt decision. In addition, the Company has established various Board committees under the Board and members of the committees have met at least annually to conduct business of the committees. All Directors are experienced personnel with academic or professional qualifications either in accounting, legal or business management, and who have given the Board and Board committees the benefits of their skills, expertise, backgrounds and qualifications through regular attendance and active participation. All Directors have attended the 2015 annual general meeting and have developed a balanced understanding of the views of shareholders in general.

During the year of 2015, the attendance records of Directors at regular Board meetings, Board committee meetings and the 2015 annual general meeting are set out hereunder:

	Number of meetings attended/held				2015 Annual General Meeting
	Regular Board Meetings	Audit Committee Meetings	Remuneration Committee Meeting	Nomination Committee Meeting	
Number of meetings held	4	3	1	1	1
Executive Directors					
Cheung Chung Kiu (Chairman)	3/4	N/A	1/1	1/1	1/1
Yuen Wing Shing (Managing Director)	4/4	3/3	1/1	1/1	1/1
Zhang Qing Xin	4/4	N/A	N/A	N/A	1/1
Lam Hiu Lo	4/4	N/A	N/A	N/A	1/1
Liang Kang	4/4	N/A	N/A	N/A	1/1
Non-Executive Director					
Lee Ka Sze, Carmelo	4/4	3/3	N/A	N/A	1/1
Independent Non-Executive Directors					
Luk Yu King, James	4/4	3/3	N/A	N/A	1/1
Leung Yu Ming, Steven	4/4	3/3	1/1	1/1	1/1
Ng Kwok Fu	4/4	3/3	1/1	1/1	1/1

Corporate Governance Report

Each Director is aware of his obligation to give sufficient time and attention to the affairs of the Company and should not accept the appointment if he cannot do so. Upon reviewing (i) the attendance rates of each Director in annual general meeting, regular Board meetings and their respective board committee meetings; (ii) written confirmation of Directors regarding the number and nature of offices held in public companies or organisations and other significant commitments pursuant to code provision A.6.6; (iii) written confirmation of Directors to give sufficient time and attention to the affairs of the Company throughout the terms of their appointments; the Board is of the view that all Directors have spent sufficient time in performing their responsibilities during the year under review.

F. Induction and Continuous Professional Development of Directors

Every Director is required to keep abreast of his responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. In-house briefings on regulatory updates and relevant continuous professional development seminars have been provided at the Company's expenses. Every newly appointed Director had received a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently further briefings and continuous professional development will be arranged if necessary, to ensure each Director has a proper understanding of the Company's operations and business and that he is fully aware of his responsibilities under statute and common law, the Listing Rules and all other applicable regulations and governance.

The Company acknowledges that Directors' training is an ongoing process. During the year under review, all Directors have been updated on the latest developments of Listing Rules, Companies Ordinance and other applicable laws and regulations related to Directors' duties and responsibilities. In addition, the Company Secretarial Department has arranged various training courses and encouraged Directors to attend at the Company's expenses. Directors are requested to provide records of training to the Company Secretarial Department. All Directors confirmed that they have complied with code provision A.6.5 to the Listing Rules by attending various continuous professional development seminars/in-house briefings/reading relevant materials relevant to Directors' duties and responsibilities.

Directors' Participation in Continuous Professional Development Training

Name	Area of Training					
	Corporate Governance/ Regulatory Updates		Operation/Industry		Finance	
	Seminar/ Conference	E-learning/ Reading Materials	Seminar/ Conference	E-learning/ Reading Materials	Seminar/ Conference	E-learning/ Reading Materials
Cheung Chung Kiu	√	√		√		
Yuen Wing Shing	√	√	√	√	√	
Zhang Qing Xin	√	√		√		
Lam Hiu Lo	√	√		√		
Liang Kang	√	√		√		
Lee Ka Sze, Carmelo	√	√	√	√	√	√
Luk Yu King, James	√		√		√	
Leung Yu Ming, Steven	√		√		√	
Ng Kwok Fu	√		√		√	

Corporate Governance Report

G. Supply of and Access to Information

The management has supplied the Board and Board Committees with adequate information in a timely manner to enable the Board to make informed decisions and to perform their duties and responsibilities as Director of the Company.

Generally, notice of Board meetings together with the proposed agenda are given to all Directors at least 14 days before each regular Board meeting and Directors are given an opportunity to include matters they wish to discuss in the agenda. Agendas and accompanying Board papers are provided to Directors at least 3 days before the intended date of a board or board committee meetings.

Minutes of the Board/Board Committee meetings with details of matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed, after circulation for comments by Directors, are kept by the company secretary or a duly appointed secretary of the relevant meeting and are open for inspection by Directors if necessary.

All Directors have access to the advices and services of the company secretary to ensure necessary Board procedures and all applicable rules and regulations are followed. All Directors are regularly updated on governance and regulatory matters. Directors, upon reasonable request, may have access to independent professional advice in appropriate circumstances at the Company's expenses.

The Company has arranged appropriate insurance cover in respect of legal action against Directors.

The Board is fully aware that, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of circulation or by a committee (except for an appropriate Board committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a Board meeting will be held. INEDs who, and whose associates, have no material interest in the transaction will be present at such Board meeting.

ACCOUNTABILITY AND AUDIT

A. Directors' Responsibility for Financial Reporting

The Board acknowledges the responsibility for preparing the accounts and to present a balanced, clear and understandable assessment in the Company's annual and interim reports and other financial disclosures in accordance with the Listing Rules and other statutory requirements and applicable accounting standards, so as to give a true and fair view of the state of affairs of the Company. The Directors also ensure the timely publication of the financial statements of the Group by publishing the annual and interim reports within 3 months and 2 months respectively after the end of the relevant periods to provide shareholders and stakeholders with transparent and timely financial information.

Management undertakes to provide sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before the Board for approval. In addition, management provides all members of the Board with monthly financial updates which gave a balanced and understandable assessment of the Group's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties under the relevant requirements of the Listing Rules.

In preparing the financial statements for the year ended 31 December 2015, the Board:

- (a) adopted HKFRSs, which conform to the International Financial Reporting Standards in all material respects;
- (b) selected suitable accounting policies and applied them consistently;
- (c) made prudent and reasonable judgments and estimates; and
- (d) prepared the accounts on a going concern basis.

Corporate Governance Report

B. External Auditors and their Remuneration

The Company's external auditors is Messrs. Ernst & Young. The auditors' acknowledgment of their reporting responsibilities is set out in the Independent Auditors' Report of the Annual Report. The independence of the auditors is monitored by the Audit Committee. Apart from providing audit services of the Group's consolidated annual financial statements, the auditors also engaged in non-audit services such as performing agreed-upon procedures on the interim financial report and tax compliance services, all appointments are in line with the Company's Policy on Use of External Auditors for Non-audit Services.

During the year under review, the remuneration paid/payable for services provided by the auditors is as follows:

Services rendered	Fees paid/payable (HK\$)
Audit fee	1,400,000
Non-audit Fees (Note)	424,110
Total	<u>1,824,110</u>

Note: Non-audit fees include fees of HK\$243,500 and HK\$180,610 for agreed-upon procedures on interim financial report and tax compliance services fee, respectively.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges the responsibilities of establishing, maintaining and operating a sound and effective system of internal controls to safeguarding shareholders' investment and the Company's assets. The Group's internal control system comprises a well-established organizational structure, comprehensive budgeting, reporting, policies and procedures, aiming to identify and manage risks that could adversely hinder the achievement of business objectives of the Company, provide reasonable, albeit not absolute, assurance against failure in operational system, material error, loss or fraud to the Company. In addition, the Board adopted the Inside Information Policy in line with the new "Inside Information" disclosure regime under the Securities and Future Ordinance on 31 December 2012. This policy sets out the framework and guidelines to Directors, officers and all employees of the Group in dealing with, control and release of inside information of the Group, and to ensure that inside information can be promptly identified, assessed and broadly disseminated to the public in equal and timely manner in accordance with the Listing Rules, applicable laws and regulations. At a meeting of the Board held on 3 December 2015, the Board approved the establishment of an internal audit function and the new terms of reference of the Audit Committee were duly adopted and approved to authorise the Audit Committee to review the Company's financial controls, risk management and internal control systems.

An annual review on the effectiveness of the internal control system of the Group had been conducted by the Board and reviewed by the Audit Committee, covering all material controls, including financial, operational and compliance control and risk management functions. The annual review had, in particular, considered the adequacy of resources, staff qualifications and experience, training programmes and budgets of the Company's accounting and financial reporting function. The Board is of the view that, the internal control system of the Group for the year under review and up to the date of issuance of the annual report is sound and effective, and sufficient to safeguarding the interests of shareholders and assets of the Company. There were no suspected frauds, material error, misstatement and irregularities, nor infringement of applicable laws, rules and regulations that had come to the Board's attention.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Set out hereunder is a summary of shareholders' rights as required to be disclosed pursuant to Code Provision O of the Corporate Governance Code, which are subject to the Bye-Laws, Companies Act 1981 of Bermuda and applicable legislation and regulation.

Every year, an annual general meeting will be held by the Company. Further, the Board may whenever it thinks fit call general meetings known as special general meetings.

Shareholders who wish to convene a special general meeting or put forward proposals at any general meeting, including the proposal to nominate a person for election as a Director, should follow the applicable procedures described below.

Procedures to Convene a Special General Meeting

1. Shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.
2. The requisition must state the purposes of such meeting, and must be signed by the requisitionists and deposited at the Company's registered office in Bermuda at Clarendon House, Church Street, Hamilton HM11, Bermuda ("**Registered Office**"), and may consist of several documents in like form each signed by one or more requisitionists. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's principal place of business in Hong Kong at Rooms 3301-7, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong ("**Principal Place of Business**"), marked for the attention of the Board or the company secretary.
3. If Directors do not within twenty-one (21) days from the date of deposit of requisition proceed duly to convene a special general meeting to be held within two (2) months after the deposit of the requisition, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting and be repaid by the Company for any reasonable expenses incurred, provided that any meeting so convened by the requisitionists shall not be held after the expiration of three (3) months from the said date of deposit of the requisition.
4. Other than an adjourned meeting,
 - (1) a special general meeting at which the passing of a special resolution is to be considered shall be called by at least twenty-one (21) clear days and not less than ten (10) clear business days written notice. All other special general meetings may be called by at least fourteen (14) clear days and not less than ten (10) clear business days written notice.
 - (2) any special general meeting may be called by shorter notice than that specified in sub-paragraph (1) above if it is so agreed by a majority in number of the shareholders having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the shares giving that right.

Corporate Governance Report

Procedures to Put Forward Proposals at General Meetings

1. Any number of shareholders representing not less than one-twentieth (1/20) of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the general meetings of the Company; or not less than one hundred (100) shareholders, shall (unless otherwise resolved by the Company) at their own expense have the right, by written requisition to the Company: (a) to require notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting to be given to shareholders; and/or (b) to request for circulation to shareholders any statement of not more than one thousand (1000) words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.
2. The requisition must be signed by the requisitionists in a single document or in separate copies prepared for the purpose. A copy of the signed requisition, accompanied by a sum reasonably sufficient to meet the Company's expenses, must be deposited at the Company's Registered Office: (a) in the case of a requisition requiring notice of a resolution, not less than six (6) weeks before the annual general meeting unless an annual general meeting is called for a date six (6) weeks or less after the copy has been deposited, in which case the copy shall be deemed to have been properly deposited though not deposited within the time required; and (b) in the case of any other requisition, not less than one (1) week before the general meeting. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition may also be deposited at the Company's Principal Place of Business in Hong Kong, marked for the attention of the Board or the company secretary.

Procedures to Propose a Person for Election as a Director

Detailed information and procedures for shareholders to propose a person for election as a Director are set out in the Company's website www.yugang.com.hk.

COMPANY SECRETARY

The Company engages an external service provider to provide secretarial service and has appointed Mr Albert T. da Rosa, Jr. of Cheung Tong & Rosa Solicitors as its company secretary. Although Mr. da Rosa is not an employee of the Company, the Company has assigned Mr. Wong Ka Tai, senior finance and accounting manager of the Company, as the contact person with Mr. da Rosa. Information in relation to the performance, financial position and other major developments of the Group are speedily delivered to Mr. da Rosa through the contact person assigned, to enable Mr. da Rosa to get hold of the Group's development promptly without material delay. Given the long-term relationship between Mr. da Rosa and the Group, Mr. da Rosa is very familiar with the operations of the Group and has an in depth knowledge of the management of the Group. The Company is confident that having Mr. da Rosa as the company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

During the year ended 31 December 2015, Mr da Rosa has taken no less than 15 hours of relevant professional trainings.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communications with shareholders and the investment community, and the value of providing current and relevant information in a timely and appropriate manner. The Board has formulated the Shareholder Communication Policy, aiming to ensure shareholders and investment community are provided with ready, equal and timely access to current and relevant information of the Company, in order to enable the shareholders to have a better understanding on the financial and business operation of the Company, as well as to exercise their rights in a timely and informed manner. In addition, the Board has adopted the Inside Information Policy which sets out a guideline for identifying, assessing and broadly disseminating inside information of the Group to the public in a timely and equal manner in accordance with the Listing Rules, laws and regulations applicable to the Company. The Board reviews these policies regularly to ensure their effectiveness.

The Board endeavours to maintaining an on-going dialogue with shareholders and general meetings of the Company provide the best opportunity for communication between the Board and shareholders. Shareholders are encouraged to participate in general meetings or, if they are unable to attend meetings, to appoint proxies to attend and vote at the meetings on their behalf. At the annual general meeting held on 21 May 2015, a separate resolution was proposed by the chairman in respect of each substantially separate issue. The Company complied with the required notice periods for general meetings under the applicable laws, rules and regulations. The chairman of the Board, the chairman of the Audit Committee, Remuneration Committee and Nomination Committee, and representative from the external auditors attended the 2015 annual general meeting to answer questions of shareholders. Poll voting has been used for passing all resolutions at annual general meetings since 29 April 2005. Details of the poll voting procedures are clearly explained at the commencement of the meetings. The poll results are posted on the website of the Company and the Stock Exchange on the same day of the poll.

In addition, information may also be communicated to shareholders and the investment community through the following methods:

- (a) periodic disclosure through financial reports of the Company, including but not limited to interim and annual reports, financial statements, results announcement etc;
- (b) disclosure of information through circulars, announcements, notice of meetings and any other special notices whenever and wherever necessary in accordance with the Listing Rules; and
- (c) the Company's website at <http://www.yugang.com.hk> and HKEX's website at www.hkex.com.hk.

INVESTOR RELATIONS

There were no significant changes in the Company's constitutional documents during the year.

Report of the Directors

The board (the “**Board**”) of directors (the “**Directors**”) of Yugang International Limited (the “**Company**”) has pleasure in presenting the report together with the audited financial statements of the Company and the Group for the year ended 31 December 2015.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Yugang International Limited is incorporated in Bermuda and its head office and principal place of business in Hong Kong is Room 3301-07 China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries and associate are set out in notes 1 and 15 of the Notes to Financial Statements respectively.

There were no significant changes in the nature of the Group’s principal activities during the year.

RESULTS AND STATE OF AFFAIRS

The results of the Group for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 81.

BUSINESS REVIEW

Discussion and analysis of the business review including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year of 2015, and an indication of likely future development in the Group’s business, can be found in the Annual Report, particularly in the following sections:

Review of the Company’s Business and Future Development

A fair review of the business and a discussion and analysis of the performance of the Group during the year and the material factors underlying the results and financial position is set out in the “Chairman’s Statement and Management Discussion and Analysis” whilst future development of the Group’s business is set out in the section headed “Outlook and Strategy” of the Annual Report.

Environmental Policies

The Group is committed to sustainable development and protection of the environment. The Group strives to promote awareness on environmental protection and optimize 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.

Compliance with Regulations

The Group complies with the requirements under the Companies Act 1981 of Bermuda, the Companies Ordinance (to the extent applicable to the Group), the Listing Rules and the Securities and Futures Ordinance (the “**SFO**”) for, among other things, the disclosure of information and corporate governance.

Relationship with Employee, Customers, Suppliers and Others

The Company actively manages its relationships with employees, customers, investors, regulators, members of the communities in which we operate, and other stakeholders whose actions can affect the Company’s performance and value. Further discussion can be found in the section headed “Communication with Shareholders” of the Corporate Governance Report.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group is set out in the section headed “Principal Risks and Uncertainties” on page 7 of the Annual Report.

Report of the Directors

DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK\$0.004 per Share for the year ended 31 December 2015 (2014: HK\$0.003 per Share) to holders of ordinary Shares whose names appear on the register of members of the Company on 30 May 2016. No interim dividend was declared for the financial year of 2015 and 2014. Subject to shareholders' approval at the AGM, the proposed final dividend will be paid to shareholders on or about 7 June 2016.

RESERVES

Particulars of movement in the reserves of the Company and the Group during the year are set out in note 37(b) of the Notes to Financial Statements and the Consolidated Statement of Changes in Equity respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2015, calculated in accordance with Companies Act 1981 of Bermuda, amounted to HK\$917,487,000 (2014: HK\$871,139,000), of which HK\$37,221,000 (2014: 27,916,000) was proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$907,280,000 (2014: HK\$907,280,000), may be distributed in the form of fully paid bonus Shares.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 December 2015 are set out in note 22 of the Notes to Financial Statements.

SEGMENT INFORMATION

An analysis of the segment performance of the Group for the year ended 31 December 2015 is set out in note 4 of the Notes to Financial Statements.

FIVE YEAR SUMMARY

A summary of the published results, assets and liabilities of the Group for the past five financial years, as extracted from the audited financial statements, is set out on page 82. This summary does not form part of the audited financial statements.

PROPERTY AND EQUIPMENT

Particulars of the property and equipment of the Group during the year are set out in note 13 of the Notes to Financial Statements.

INVESTMENT PROPERTIES

The Group's investment properties were revalued by an independent professional valuer as at 31 December 2015. The increase in fair value arising on the revaluation, which has been credited directly to the Consolidated Statement of Profit or Loss, amounted to HK\$1,000,000. Details of the investment properties of the Group are set out in note 14 of the Notes to Financial Statements.

SUBSIDIARIES AND ASSOCIATE

Particulars of the Company's subsidiaries and associate are set out in notes 1 and 15 of the Notes to Financial Statements respectively.

SHARE CAPITAL

Particulars of the Company's share capital during the year are set out in note 25 of the Notes to Financial Statements.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in Companies Act 1981 of Bermuda or the Bye-Laws.

Report of the Directors

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as disclosed below, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

DONATIONS

No charitable and other donations was made by the Group during the year (2014: HK\$2,503,000).

DIRECTORS

The list of Directors during the year and up to the date of this Annual Report is set out in the Board of Directors and Committees section on page 2 of this Annual Report. Information about the Board, including appointment and re-election of Directors, is set out in the Corporate Governance Report. The biographical details of Directors and senior management is set out in the section headed “Profiles of Directors and Senior Management” on pages 32 to 33 of the Annual Report.

CHANGE IN INFORMATION OF DIRECTORS

Mr. Cheung Chung Kiu was appointed the managing director of Y. T. Realty Group Limited (Stock Code: 00075), an associate of the Group and a public company listed on the Stock Exchange, with effect from 29 February 2016. Other information of Mr. Cheung is set out in Profiles of Directors and Senior Management of the Annual Report.

Mr. Lee Ka Sze, Carmelo was appointed an independent non-executive director of China Pacific Insurance (Group) Co., Limited, a public company listed on the Stock Exchange (Stock Code: 02601), on 26 November 2015. In addition, Mr. Lee resigned as the non-executive director of Y. T. Realty Group Limited (Stock Code: 00075), an associate of the Group and a public company listed on the Stock Exchange with effect from 29 February 2016. Other information of Mr. Lee is set out in Profiles of Directors and Senior Management of the Annual Report.

Save as disclosed herein, upon specific enquiry by the Company and following confirmations from Directors, there is no change in information of Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

Particulars of Directors’ emoluments and the five highest paid employees of the Group are set out in notes 8 to 9 of the Notes to Financial Statements respectively.

MANAGEMENT CONTRACTS

There was no contract concerning management and/or administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

DIRECTORS’ SERVICE CONTRACT

No Director has a service contract with the Company that is not determinable by the Company within one year without compensation (other than statutory compensation). No Director has a service contract with the Company that are exempt under Rule 13.69 of the Listing Rules.

DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

There were no transaction, arrangement or contract of significance in relation to the Group’s business to which the Company or any of its holding companies or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisting during or at the end of the year.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this Annual Report, none of Directors and their associates had any interest in business which competed or was likely to compete, directly or indirectly, with the principal business of the Group.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2015, the Group entered into certain transactions with parties regarded as “related parties” under the applicable accounting principles. None of which were subject to the reporting requirements under Chapter 14A to the Listing Rules. Details of these transactions are disclosed in note 31 of the Notes to Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

In 2015, revenue to the Group's five largest customers accounted for 90% of the total revenue for the year whereas revenue to the largest customer included therein amounted to 39%. There was no purchase from suppliers by the Group during the year.

None of Directors, their associates or any shareholders who, to the knowledge of Directors, own more than 5% of the issued Shares, had any interest in any of the five largest customers.

MANDATORY PROVIDENT FUND

The Group operates a defined contribution Mandatory Provident Fund retirement benefit Scheme (the “MPF Scheme”) for all of its employees. Particulars of the MPF Scheme are set out in note 2.4 of the Notes to Financial Statements.

CORPORATE GOVERNANCE

The Company's principal corporate governance practice is set out in the Corporate Governance Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this Annual Report as required under the Listing Rules.

PURCHASE, REDEMPTION OR SALE 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.

PERMITTED INDEMNITY PROVISIONS

The Bye-Laws provides that each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of duties of his or her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

Such permitted indemnity provisions have been in force throughout the year under review and is currently in force at the time of approval of this Annual Report.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 31 December 2015, the interests and short positions of Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long positions in Shares:

Name of Director	Nature of Interest	Number of Ordinary Shares Held	Percentage of Issued Share Capital
Mr. Cheung Chung Kiu	Interest of controlled corporation (<i>note 1</i>)	4,046,389,740	43.49
	Beneficial owner	53,320,000	0.57
Mr. Zhang Qing Xin	Beneficial owner	13,600,000	0.15
Mr. Lam Hiu Lo	Beneficial owner	41,800,000	0.45
Mr. Liang Kang	Beneficial owner	30,000,000	0.32

(ii) Long positions in shares of associated corporations:

Name of Director	Name of Associated Corporation	Shares	Nature of Interest	Number of Shares Held	Percentage of Issued Share Capital of Associated Corporation
Mr. Cheung Chung Kiu	Y. T. Realty Group Limited	Ordinary shares	Interest of controlled corporation (<i>note 2</i>)	273,000,000	34.14
Mr. Ng Kwok Fu	Y. T. Realty Group Limited	Ordinary shares	Beneficial owner	50,000	0.006
			Interest of spouse	40,000	0.005

Notes:

- (1) Under Part XV of the SFO, Mr. Cheung Chung Kiu is deemed to be interested in 3,194,434,684 Shares which are held by Chongqing Industrial Limited (“**Chongqing**”) and 851,955,056 Shares are held by Timmex Investment Limited (“**Timmex**”).

Mr. Cheung Chung Kiu, Peking Palace Limited, Miraculous Services Limited and Prize Winner Limited have 35%, 30%, 5% and 30% equity interests in Chongqing respectively.

Peking Palace Limited and Miraculous Services Limited are beneficially owned by Palin Discretionary Trust, a family discretionary trust, the objects include Mr. Cheung Chung Kiu and his family.

Prize Winner Limited is beneficially owned by Mr. Cheung Chung Kiu and his associates.

Timmex is 100% beneficially owned by Mr. Cheung Chung Kiu.

- (2) The 273,000,000 shares are held by Funrise Limited, a company indirectly controlled by Palin Holdings Limited, which in turn is wholly-owned by Mr. Cheung Chung Kiu. Palin Holdings Ltd is the trustee for Palin Discretionary Trust, a family discretionary trust, the objects include Mr. Cheung Chung Kiu and his family.

Save as disclosed above, as at 31 December 2015, none of Directors or chief executive of the Company and their respective associates had any interest or short positions in the Shares, underlying Shares or debentures of the Company or any its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

SHARE OPTION SCHEME

The share option scheme of the Company (the “**Share Option Scheme**”) was adopted on 21 May 2015, the terms of which were in line with and complied with the requirements of Chapter 17 of the Listing Rules.

The particulars in relation to the Share Option Scheme that are required to be disclosed under Rules 17.07 to 17.09 of the Listing Rules are set out below:

- (1) Purpose
To provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits, to the Participants (as hereinafter defined) and to serve such other purposes as the Board may approve from time to time.
- (2) Participants
It includes any director (or any persons proposed to be appointed as such, whether executive or non-executive), officer or employee (whether full-time or part-time) of each member of the Eligible Group (as hereinafter defined); any business consultant, professional or other advisers (in the areas of legal, technical, financial or corporate managerial) (including any executive, officer or employee of such business consultant, professional and other advisers) to each member of the Eligible Group (or persons proposed to be appointed as such) who has rendered service or will render service to the Group, as absolutely determined by the Board;

The Eligible Group includes:
 - (i) the Company and each of its substantial shareholders; and
 - (ii) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the Company or of a substantial shareholder referred to in (i) above; and
 - (iii) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the foregoing entities referred to in (ii) above; and
 - (iv) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the foregoing entities referred to in (iii) above; and
 - (v) each associate or substantial shareholder or direct or indirect subsidiary, associated company or joint venture of any of the foregoing entities referred to in (iv) above.
- (3) The total number of securities available for issue under the Share Option Scheme together with the percentage of the issued share capital as at the date of the Annual Report
930,527,675 ordinary Shares which represent 10% of the issued share capital of the Company as at the date of the Annual Report.

Report of the Directors

- (4) The maximum entitlement of Shares of each Participant
- (a) Subject to sub-paragraphs (b), (c) and (d) below, the total number of Shares issued and to be issued upon exercise of all options granted to each Participant under the Share Option Scheme and any other share option schemes of the Company (including those exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1 per cent of the total number of Shares in issue.
 - (b). Notwithstanding sub-paragraph (a), where any further grant of options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant (including those exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent of the total number of Shares in issue, such further grant must be separately approved by the shareholders of the Company in general meeting with such Participant and his or her close associates, or his or her associates if the Participant is a connected person of the Company (all within the meaning as ascribed under the Listing Rules), abstaining from voting.
 - (c) Each grant of options to a Participant who is a director, chief executive or substantial shareholder of the Company (all within the meaning as ascribed under the Listing Rules) or any of their respective associates, must be approved by the INEDs (excluding any INED who is a proposed grantee).
 - (d) Where the Board proposes to grant any option to a Participant who is a substantial shareholder or an INEDs, or any of their respective associates which would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to the Participant under the Share Option Scheme and any other share option schemes of the Company in the 12-month period up to and including the date of such grant:-
 - (i) representing in aggregate more than 0.1 per cent of the total number of Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

such proposed grant of options must be approved by the shareholders of the Company in general meeting. The Participant, his or her associates, and all core connected persons (within the meaning as ascribed under the Listing Rules) of the Company shall abstain from voting in favour at such general meeting.

Report of the Directors

- (5) The period within which the securities must be taken up under an option An option may be exercised at any time during a period to be determined and notified by Directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the Share Option Scheme.
- (6) The minimum period for which an option must be held before it can be exercised There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by Directors.
- (7) Amount payable on acceptance of the option and the period within which such payment must be made The offer of a grant of share options may be accepted with a consideration of HK\$1.00 being payable by the grantee.
- (8) The basis of determining the exercise price The exercise price shall be a price solely determined by the Board and shall not be less than the highest of:-
- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the option which must be a Business Day;
 - (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 consecutive Business Days immediately preceding the date of grant of the option; and
 - (iii) the nominal value of a Share on the date of grant of the option.
- Without prejudice to the generality of the foregoing and subject to the Listing Rules, the Board may grant the options in respect of which the exercise price is fixed at different prices for different periods during the option period.
- (9) The remaining life of the Share Option Scheme The Share Option Scheme remains in force until 20 May 2025.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. No shares options had been granted since adoption of the Share Option Scheme, nor there were any outstanding share options as at 31 December 2015.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed “Directors’ and Chief Executive’s Interests” and “Share Option Scheme” above, at no time during the year under review, the Company or any of its subsidiaries or its holding company, was a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of Directors, or any of their associates, had any interests in or was granted any rights to subscribe for Shares, or had exercised any such rights.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the following persons had interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions in Shares:

Name	Notes	Capacity and Nature of Interest	Number of Ordinary Shares Held	Percentage of Issued Share Capital
Timmex Investment Limited	1	Beneficial owner	851,955,056	9.16
Chongqing Industrial Limited	2	Beneficial owner	3,194,434,684	34.33
Palin Holdings Limited	3	Interest of controlled corporation	3,194,434,684	34.33
Mr. Cheung Chung Kiu	4	Interest of controlled corporation	4,046,389,740	43.49
		Beneficial owner	53,320,000	0.57

Notes:

- (1) Timmex is 100% beneficially owned by Mr. Cheung Chung Kiu.
- (2) The voting rights of these Shares are exercisable by Chongqing which is controlled by Mr. Cheung Chung Kiu.
- (3) Under Part XV of the SFO, Palin Holdings Limited (“Palin”) is deemed to be interested in 3,194,434,684 Shares held by Chongqing since Palin is entitled to control the exercise of 65% of the voting power at general meetings of Chongqing. Such interest in Chongqing is also held by Palin in the capacity as the trustee of Palin Discretionary Trust, a family discretionary trust, the objects include Mr. Cheung Chung Kiu and his family.
- (4) Out of 4,046,389,740 Shares, 3,194,434,684 Shares and 851,955,056 Shares are held by Chongqing and Timmex respectively.

Save as disclosed above, as at 31 December 2015, the Company has not been notified of any other relevant interests or short positions in the Shares or underlying Shares that were recorded in the register required to be kept by the Company under section 336 of the SFO; or as otherwise notified to the Company and the Stock Exchange.

Report of the Directors



AUDITORS

The financial statements for the year ended 31 December 2015 have been audited by Messrs. Ernst & Young, Certified Public Accountants, who will retire at the AGM, being eligible, offer themselves for reappointment at the AGM. A resolution for re-appointment of Messrs. Ernst & Young as auditors of the Company and to authorize Directors to fix their remuneration will be proposed at the AGM.

On behalf of the Board

Yugang International Limited

Yuen Wing Shing

Managing Director

Hong Kong, 23 March 2016

Profiles of Directors and Senior Management

Cheung Chung Kiu, aged 51, was appointed the chairman and an executive Director in 1993. Mr. Cheung is the chairman and a member of the Nomination Committee, a member of the Remuneration Committee and an authorised representative of the Company. Mr. Cheung also serves as a director of several subsidiaries of the Company. In addition, Mr. Cheung is the director of Palin Holdings Limited, Chongqing Industrial Limited and Timmex Investment Limited, all are companies disclosed in the section headed “Interests of Substantial Shareholders” of the Annual Report. Mr. Cheung is the founder of the Company and set up Chongqing Industrial Limited in 1985. Mr. Cheung is also the chairman and managing director of Y. T. Realty Group Limited, the Chairman of The Cross-Harbour (Holdings) Limited and C C Land Holdings Limited, all are public companies listed on the Stock Exchange. Further, Mr. Cheung is the son of Mr. Zhang Qing Xin, a Director of the Company.

Yuen Wing Shing, aged 69, was appointed an executive Director in 1993 and the managing director of the Company on 1 January 2005. He is the authorised representative of the Company and also serves as a director of several subsidiaries of the Company. Mr. Yuen is responsible for the Group’s administration and business operations. Mr. Yuen holds a diploma in management studies from The Hong Kong Polytechnic University. Prior to joining the Company, he held senior management position with a major bank in Hong Kong for over 20 years. He is also an executive director of Y. T. Realty Group Limited and The Cross-Harbour (Holdings) Limited, all are public companies listed on the Stock Exchange.

Zhang Qing Xin, aged 79, was appointed an executive Director in 1995. Mr. Zhang has over 20 years of experience in import and export trading business. Prior to joining the Company, he was the Deputy General Manager of a foreign trade enterprise for more than 10 years. Mr. Zhang is the director of Chongqing Industrial Limited, the major shareholder of the Company. Further, Mr. Zhang is the father of Mr. Cheung Chung Kiu, the chairman of the Company.

Lam Hiu Lo, aged 54, was appointed an executive Director in 1993. He also serves as a director of several subsidiaries of the Company. He is mainly responsible for the sales and marketing of the Group’s trading business in the PRC. He has over 30 years of experience in trading with PRC parties. He is an independent non-executive director of EVA Precision Industrial Holdings Limited, a public company listed on the Stock Exchange. Previously, Mr. Lam was an executive director of China Optoelectronics Holding Group Co., Limited (formerly known as Qualipak International Holdings Limited), a public company listed on the Stock Exchange and resigned on 26 November, 2014.

Liang Kang, aged 73, was appointed an executive Director in 1995. He is mainly responsible for the sales and marketing of the Group’s trading business in the PRC. Prior to joining the Company, he engaged in trading business in the PRC for over 16 years.

Lee Ka Sze, Carmelo, aged 55, was appointed an INED in 1993 and re-designated as a non-executive Director on 30 September 2004. He is also a member of the Audit Committee. Mr. Lee received a bachelor of laws degree and a postgraduate certificate in laws from The University of Hong Kong. He qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory, Australia. Mr. Lee is a senior partner of Woo Kwan Lee and Lo, which firm rendered professional services to the Company. Mr. Lee is a member of SFC Dual Filing Advisory Group of Securities and Futures Commission, SFC (HKEC Listing) Committee, Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants and Campaign Committee of the Community Chest of Hong Kong; and the co-chairman of the Community Chest Corporate Challenge Half Marathon. Mr. Lee is an independent non-executive director of China Pacific Insurance (Group) Co., Ltd., KWG Property Holding Limited and Esprit Holdings Limited; and a non-executive director of CSPC Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Company, Limited and Termbray Industries International (Holdings) Limited, all are public companies listed on the Stock Exchange. Previously, Mr. Lee was a non-executive director of Y. T. Realty Group Limited and an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd but resigned on 29 February 2016 and 30 June 2015 respectively, all are public companies listed on the Stock Exchange. In addition, Mr. Lee was the Chairman of the Listing Committee of the Stock Exchange from 2012 until 9 July 2015.

Profiles of Directors and Senior Management

Luk Yu King, James, aged 61, was appointed an independent non-executive Director in 2007. He is the chairman and a member of the Audit Committee. Mr. Luk graduated from The University of Hong Kong with a bachelor degree in Science. He is a fellow of The Association of Chartered Certified Accountants, an associate of The Hong Kong Institute of Certified Public Accountants and an ordinary member of Hong Kong Securities and Investment Institute. Mr. Luk has over ten years of experience in corporate finance, securities and commodities trading business with several international and local financial institutions. Mr. Luk is an independent non-executive director of Y. T. Realty Group Limited and The Cross-Harbour (Holdings) Limited, all are public companies listed on the Stock Exchange.

Leung Yu Ming, Steven, aged 56, was appointed an independent non-executive Director in 2007. Mr. Leung is a member of the Audit Committee and Nomination Committee. He is also the chairman and a member of the Remuneration Committee. Mr. Leung holds a degree of master in accountancy from Charles Sturt University in Australia and a degree of bachelor of social science from The Chinese University of Hong Kong. Mr. Leung is an associate of The Institute of Chartered Accountants in England and Wales, and a fellow of The Association of Chartered Certified Accountants, The Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong respectively. Mr. Leung is also a practising certified public accountant in Hong Kong and a certified practicing accountant of CPA Australia. Mr. Leung previously worked in Nomura International (Hong Kong) Limited as an Assistant Vice-President in International Finance and Corporate Finance Department. He commenced public practice in auditing and taxation in 1990 and is currently a senior partner of a firm of certified public accountants. Mr. Leung has over 29 years of experience in assurance, accounting, taxation, financial management and corporate finance. Mr. Leung is an independent non-executive director of Suga International Holdings Limited, Y. T. Realty Group Limited, The Cross-Harbour (Holdings) Limited and C C Land Holdings Limited, all are public companies listed on the Stock Exchange.

Ng Kwok Fu, aged 44, was appointed an independent non-executive Director in 2004. Mr. Ng is a member of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Ng holds a certificate in accounting from Grant MacEwan Community College. Mr. Ng has over 25 years experience in marketing, trading and purchasing of construction materials and providing technical control, support and management in building projects. He is an independent non-executive director of Y. T. Realty Group Limited and The Cross-Harbour (Holdings) Limited, all are public companies listed on the Stock Exchange.

Independent Auditors' Report



To the shareholders of Yugang International Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Yugang International Limited (the “Company”) and its subsidiaries set out on pages 36 to 81, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report



OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

23 March 2016

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Notes	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> <i>(Restated)</i>
REVENUE	5	34,957	83,504
Other income and gains	5	27,093	164,080
Administrative expenses		(81,073)	(85,426)
Impairment of an available-for-sale investment	17	—	(24,740)
Finance costs	7	(1,544)	(6,492)
Share of profit of an associate		182,428	164,641
PROFIT BEFORE TAX	6	161,861	295,567
Income tax expense	10	(32)	(20)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		161,829	295,547
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted		HK1.74 cents	HK3.18 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Note	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
PROFIT FOR THE YEAR		161,829	295,547
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</i>			
Available-for-sale investments:			
Changes in fair value	17	278,623	(76,972)
Reclassification adjustment for an impairment loss included in the consolidated statement of profit or loss	17	—	24,740
Reclassification adjustment for a gain on disposal included in the consolidated statement of profit or loss	17	—	(80,555)
		278,623	(132,787)
Share of other comprehensive income of an associate		24,268	3,128
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		302,891	(129,659)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		464,720	165,888

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property and equipment	13	32,678	34,610
Investment properties	14	45,500	44,500
Investment in an associate	15	2,258,714	2,061,573
Loan receivable	16	4,996	6,000
Available-for-sale investment	17	630,157	351,534
Other assets		360	360
Total non-current assets		2,972,405	2,498,577
CURRENT ASSETS			
Listed equity investments at fair value through profit or loss	18	72,440	110,513
Loan receivables	16	81,000	1,000
Prepayments, deposits and other receivables	19	3,458	3,382
Pledged time deposits	20	—	9,487
Time deposits	20	30,200	77,700
Cash and bank balances	20	8,611	9,142
Total current assets		195,709	211,224
CURRENT LIABILITIES			
Other payables and accruals	21	20,564	20,769
Bank borrowings	22	44,500	12,000
Deferred income	23	3,682	—
Total current liabilities		68,746	32,769
NET CURRENT ASSETS		126,963	178,455
TOTAL ASSETS LESS CURRENT LIABILITIES		3,099,368	2,677,032
NON-CURRENT LIABILITIES			
Deferred tax liabilities	24	292	260
Bank borrowing	22	22,500	37,000
Total non-current liabilities		22,792	37,260
Net assets		3,076,576	2,639,772
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	25	93,053	93,053
Reserves	26	2,983,523	2,546,719
Total equity		3,076,576	2,639,772

Cheung Chung Kiu
Director

Yuen Wing Shing
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to equity holders of the Company							
	Note	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Available-for-sale investment	Other reserves <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
					revaluation reserve <i>HK\$'000</i>			
At 1 January 2014		93,053	907,280	760,799	132,787	1,745	596,831	2,492,495
Profit for the year		—	—	—	—	—	295,547	295,547
Other comprehensive income/(loss) for the year:								
Available-for-sale investments:								
Changes in fair value		—	—	—	(76,972)	—	—	(76,972)
Reclassification adjustment for an impairment loss included in the consolidated statement of profit or loss		—	—	—	24,740	—	—	24,740
Reclassification adjustment for a gain on disposal included in the consolidated statement of profit or loss		—	—	—	(80,555)	—	—	(80,555)
Share of other comprehensive income of an associate		—	—	—	—	3,128	—	3,128
Total comprehensive income/(loss) for the year		—	—	—	(132,787)	3,128	295,547	165,888
2013 final dividend proposed and paid		—	—	—	—	—	(18,611)	(18,611)
At 31 December 2014 and 1 January 2015		93,053	907,280*	760,799*	—*	4,873*	873,767*	2,639,772
Profit for the year		—	—	—	—	—	161,829	161,829
Other comprehensive income for the year:								
Changes in fair value of an available-for-sale investment		—	—	—	278,623	—	—	278,623
Share of other comprehensive income of an associate		—	—	—	—	24,268	—	24,268
Total comprehensive income for the year		—	—	—	278,623	24,268	161,829	464,720
2014 final dividend proposed and paid	11	—	—	—	—	—	(27,916)	(27,916)
At 31 December 2015		93,053	907,280*	760,799*	278,623*	29,141*	1,007,680*	3,076,576

* These reserve accounts comprise the consolidated reserves of HK\$2,983,523,000 (2014: HK\$2,546,719,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> <i>(Restated)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		161,861	295,567
Adjustments for:			
Interest on bank and other borrowings	7	1,544	6,492
Share of profit of an associate		(182,428)	(164,641)
Interest income on bank deposits	5	(24)	(44)
Changes in fair value of investment properties	5	(1,000)	(6,900)
Fair value gains on listed equity investments at fair value through profit or loss, net	5	(26,067)	(42,305)
Impairment of an available-for-sale investment	17	—	24,740
Depreciation	6	2,066	2,659
Write-off of items of property and equipment	13	1	—
Gain on disposal of an available-for-sale investment	5	—	(80,232)
Gain on disposal of a subsidiary	5	—	(34,595)
		(44,047)	741
Decrease in listed equity investments at fair value through profit or loss		64,140	103,080
Increase in loan receivables		(78,996)	(4,000)
Increase in prepayments, deposits and other receivables		(30)	(604)
Increase in interest receivable from convertible notes and loan receivables		(47)	(310)
Increase/(decrease) in other payables and accruals		(238)	354
Increase in deferred income		3,682	—
Net cash flows from/(used in) operating activities		(55,536)	99,261
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		(135)	(9)
Proceeds from disposal of an available-for-sale investment		—	89,554
Proceeds from disposal of a subsidiary	27	—	7,341
Interest received from bank deposits		25	42
Dividends received from an associate		9,555	9,555
Decrease/(increase) in pledged time deposits		9,487	(30)
Net cash flows from investing activities		18,932	106,453

Consolidated Statement of Cash Flows *(Continued)*

Year ended 31 December 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> <i>(Restated)</i>
Net cash flows from investing activities	<u>18,932</u>	<u>106,453</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	90,000	60,000
Repayment of bank borrowings	(72,000)	(183,000)
Interest paid	(1,511)	(4,882)
Dividend paid	<u>(27,916)</u>	<u>(18,611)</u>
Net cash flows used in financing activities	<u>(11,427)</u>	<u>(146,493)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(48,031)	59,221
Cash and cash equivalents at beginning of year	<u>86,842</u>	<u>27,621</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>38,811</u>	<u>86,842</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	8,611	9,142
Non-pledged time deposits with original maturity of less than three months when acquired	<u>30,200</u>	<u>77,700</u>
	<u>38,811</u>	<u>86,842</u>

Notes to Financial Statements

31 December 2015

1. CORPORATE AND GROUP INFORMATION

Yugang International Limited (the “**Company**”) is a company incorporated in Bermuda with limited liability. The principal place of business of the Company is located at Rooms 3301-3307, 33/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) were involved in the following principal activities:

- (i) treasury management consists of securities investment and money lending;
- (ii) property investment; and
- (iii) trading of scrap metals and other materials.

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Place of incorporation and business	Issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Bookman Properties Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Securities investment
Chase Create Investments Limited	Hong Kong	HK\$2	—	100	Property holding
Ferrex Holdings Limited	British Virgin Islands	US\$1	—	100	Investment holding
First River Investments Limited	British Virgin Islands	US\$1	—	100	Investment holding
Funrise Limited	British Virgin Islands	US\$1	—	100	Investment holding
Joywell Holdings Limited	British Virgin Islands	US\$1	—	100	Investment holding
Maxking Industries Limited	Hong Kong	HK\$2	—	100	Motor vehicle leasing
Maxlord Enterprises Limited	Hong Kong	HK\$2	—	100	Money lending
New Wealth Limited	Hong Kong	HK\$2	—	100	Property Investment
Regulator Holdings Limited	British Virgin Islands	US\$1	—	100	Investment holding
Senico Investments Limited	British Virgin Islands	US\$1	—	100	Trading of scrap metal and other materials
Time Lander Limited	British Virgin Islands	US\$1	—	100	Property holding
Top Eagle Holdings Limited	British Virgin Islands	US\$1	—	100	Investment holding
Yugang Finance Limited	Hong Kong	HK\$2	—	100	Provision of financial services
Yugang International (B.V.I.) Limited	British Virgin Islands	US\$5	100	—	Investment holding
Yugang Management Limited	Hong Kong	HK\$2	—	100	Corporate management

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements

31 December 2015

2.1 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. They have been prepared under the historical cost convention, except for investment properties and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year’s financial statements.

Amendments to HKAS 19

Defined Benefit Plans: Employee Contributions

Annual Improvements to HKFRSs 2010-2012 Cycle

Annual Improvements to HKFRSs 2011-2013 Cycle

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The nature and the impact of each amendment is described below:

- (a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.
- (b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
- *HKFRS 8 Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.
 - *HKAS 16 Property, Plant and Equipment* and *HKAS 38 Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.
 - *HKAS 24 Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.
- (c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:
- *HKFRS 3 Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.
 - *HKFRS 13 Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.
 - *HKAS 40 Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group does not have any acquisition of investment properties during the year.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

In addition, the Company has adopted the amendments to The Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	<i>Financial Instruments</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ³
HKFRS 15	<i>Revenue from Contracts with Customers</i> ²
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i> ¹
<i>Annual improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

Notes to Financial Statements

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

- (i) the materiality requirements in HKAS 1;
- (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
- (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
- (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment and depreciation

Property and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	Over the lease terms
Buildings	2%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Dividends earned whilst holding the available-for-sale financial investments are reported as dividend income and are recognised in the statement of profit or loss as revenue in accordance with the policy set out for “Revenue recognition” below.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include other payables and accruals and bank borrowings.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset;
- (d) dividend income, when the shareholders' right to receive payment has been established; and
- (e) gain or loss on the disposal of listed securities, on the trade date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all its employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements following the implementation of the Hong Kong Companies Ordinance (Cap. 622).

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments - Group as lessor

The Group has entered into industrial property leases on its investment property portfolio. The Group has determined, based on evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of investment in an associate

The Group assesses whether there are any indicators of impairment of the investment in an associate at the end of each reporting period. Investment in an associate is tested for impairment when there are indicators that the carrying amount may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Estimation of fair value of investment properties

The fair values of the Group's investment properties are assessed by management based on the property valuation performed by independent professionally qualified valuers on an open market, existing use basis. The assumptions adopted in the property valuation are based on market conditions existing at each reporting date, with reference to comparable sales transactions and where appropriate, on the basis of capitalisation of the net income after allowances for outgoings and in some cases provisions for reversionary income potential.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 24 to the financial statements.

Impairment of an available-for-sale financial asset

The Group classifies an equity investment as available for sale and recognises movement in its fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its original cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

For the year ended 31 December 2015, there was no impairment (2014: HK\$24,740,000) recognised in the statement of profit or loss for an available-for-sale investment.

At 31 December 2015, the carrying amount of an available-for-sale investment was HK\$630,157,000 (2014: HK\$351,534,000).

Impairment of loan receivables

In determining whether an impairment loss on loan receivables is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the Group's responsible personnel discusses with the relevant counterparties and reports to management on the recoverability. An impairment loss is only made for receivables that are unlikely to be collected.

4. 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.

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4. OPERATING SEGMENT INFORMATION (Continued)

- (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 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, together with their related revised comparative information, is presented below:

Year ended 31 December 2015

	Treasury management <i>HK\$’000</i>	Property and infrastructure investment <i>HK\$’000</i>	Others <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	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	<u>59,552</u>	<u>357,434</u>	<u>2,498</u>	<u>419,484</u>	<u>(357,434)</u>	<u>62,050</u>
Segment profit/(loss) for the year	<u>(12,057)</u>	<u>534,352</u>	<u>(2,376)</u>	<u>519,919</u>	<u>(351,924)</u>	<u>167,995</u>
Corporate and unallocated expenses, net						(6,166)
Profit for the year						<u>161,829</u>

	Treasury management <i>HK\$’000</i>	Property and infrastructure investment <i>HK\$’000</i>	Others <i>HK\$’000</i>	Corporate and unallocated <i>HK\$’000</i>	Consolidated <i>HK\$’000</i>
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	6,210	—	—	—	6,210
Interest expense	1,544	—	—	—	1,544

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4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2014

	Treasury management <i>HK\$'000</i> <i>(Restated)</i>	Property and infrastructure investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Reportable segments total <i>HK\$'000</i> <i>(Restated)</i>	Adjustments (Note) <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> <i>(Restated)</i>
Segment revenue:						
Revenue	82,159	211,826	1,345	295,330	(211,826)	83,504
Other income and gains	122,581	155,638	41,499	319,718	(155,638)	164,080
Total revenue and gains	<u>204,740</u>	<u>367,464</u>	<u>42,844</u>	<u>615,048</u>	<u>(367,464)</u>	<u>247,584</u>
Segment profit for the year	<u>101,432</u>	<u>482,253</u>	<u>37,836</u>	<u>621,521</u>	<u>(317,612)</u>	<u>303,909</u>
Corporate and unallocated expenses, net						<u>(8,362)</u>
Profit for the year						<u>295,547</u>

	Treasury management <i>HK\$'000</i>	Property and infrastructure investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Corporate and unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
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	<u>6,492</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,492</u>

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 5 to the financial statements.

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.

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5. 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 convertible notes and 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i> <i>(Restated)</i>
Revenue		
Gains on disposal of listed equity investments at fair value through profit or loss, net (<i>note</i>)	13,301	59,591
Dividend income from listed equity investments at fair value through profit or loss	930	10,391
Dividend income from an available-for-sale investment	13,020	11,718
Interest income from convertible notes and loan receivables	6,210	459
Gross rental income	1,496	1,345
	<u>34,957</u>	<u>83,504</u>
Other income and gains		
Interest income on bank deposits	24	44
Fair value gains on listed equity investments at fair value through profit or loss, net	26,067	42,305
Fair value gains on investment properties (<i>note 14</i>)	1,000	6,900
Gain on disposal of an available-for-sale investment	—	80,232
Gain on disposal of a subsidiary (<i>note 27</i>)	—	34,595
Others	2	4
	<u>27,093</u>	<u>164,080</u>

Note: The gross proceeds from the sale of listed equity investments at fair value through profit or loss for the year were approximately HK\$83,241,000 (2014: HK\$162,998,000).

6. PROFIT BEFORE TAX

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Depreciation (<i>note 13</i>)	2,066	2,659
Minimum lease payments under operating leases	7,992	8,282
Auditors' remuneration	1,400	1,365
Staff costs (including directors' remuneration (<i>note 8</i>)):		
Wages and salaries	50,966	47,370
Pension scheme contributions	636	597
	<u>51,602</u>	<u>47,967</u>
Foreign exchange differences, net	(2)	2,905
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	18	18
	<u>18</u>	<u>18</u>

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7. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank borrowings	1,544	4,797
Interest on other borrowing	—	1,695
	<u>1,544</u>	<u>6,492</u>

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Fees	1,920	1,800
Other emoluments:		
Salaries, allowances and benefits in kind	15,938	15,026
Discretionary bonuses	8,500	7,200
Pension scheme contributions	72	68
	<u>24,510</u>	<u>22,294</u>
	<u>26,430</u>	<u>24,094</u>

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Mr. Luk Yu King, James	430	400
Mr. Ng Kwok Fu	220	200
Mr. Leung Yu Ming, Steven	220	200
	<u>870</u>	<u>800</u>

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

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8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors and a non-executive director

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
2015					
Executive directors:					
Mr. Cheung Chung Kiu	—	6,210	4,000	18	10,228
Mr. Yuen Wing Shing	—	4,655	1,300	18	5,973
Mr. Lam Hiu Lo	—	1,904	1,200	18	3,122
Mr. Zhang Qing Xin	—	1,768	1,300	—	3,068
Mr. Liang Kang	—	1,401	700	18	2,119
	—	15,938	8,500	72	24,510
Non-executive director:					
Mr. Lee Ka Sze, Carmelo	1,050	—	—	—	1,050
	1,050	15,938	8,500	72	25,560
2014					
Executive directors:					
Mr. Cheung Chung Kiu	—	5,850	3,000	17	8,867
Mr. Yuen Wing Shing	—	4,340	1,000	17	5,357
Mr. Lam Hiu Lo	—	1,815	1,200	17	3,032
Mr. Zhang Qing Xin	—	1,685	1,300	—	2,985
Mr. Liang Kang	—	1,336	700	17	2,053
	—	15,026	7,200	68	22,294
Non-executive director:					
Mr. Lee Ka Sze, Carmelo	1,000	—	—	—	1,000
	1,000	15,026	7,200	68	23,294

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2014: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2014: one) non-director, highest paid employees are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	5,281	2,878
Discretionary bonuses	2,000	800
Pension scheme contributions	36	17
	7,317	3,695

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9. FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2015	2014
HK\$3,000,001 to HK\$3,500,000	1	—
HK\$3,500,001 to HK\$4,000,000	—	1
HK\$4,000,001 to HK\$4,500,000	1	—
	<u>2</u>	<u>1</u>

10. INCOME TAX

	2015 HK\$'000	2014 HK\$'000
Deferred tax charge for the year (note 24)	<u>32</u>	<u>20</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2015 HK\$'000	2014 HK\$'000
Profit before tax	<u>161,861</u>	<u>295,567</u>
Tax at the statutory tax rate	26,707	48,769
Profit attributable to an associate	(30,101)	(27,166)
Income not subject to tax	(2,815)	(25,343)
Additional income/(expenses) subject to tax	4,783	(5,615)
Expenses not deductible for tax	1,423	6,743
Tax losses not recognised	43	2,618
Tax losses utilised from previous years	(172)	(146)
Others	<u>164</u>	<u>160</u>
Tax charge at the Group's effective rate	<u>32</u>	<u>20</u>

The share of tax attributable to an associate amounting to HK\$9,549,000 (2014: HK\$8,778,000) is included in "Share of profit of an associate" in the consolidated statement of profit or loss.

11. DIVIDEND

	2015 HK\$'000	2014 HK\$'000
Proposed final dividend – HK\$0.004 (2014: HK\$0.003) per ordinary share	<u>37,221</u>	<u>27,916</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. No interim dividend was declared in respect of the current and the prior years.

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12. 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 amount presented for the years ended 31 December 2015 and 2014 as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

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

	2015	2014
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	161,829	295,547
	Number of shares	
	2015	2014
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

13. PROPERTY AND EQUIPMENT

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2015						
At 31 December 2014 and 1 January 2015:						
Cost	44,385	2,761	4,779	2,964	10,861	65,750
Accumulated depreciation	(13,165)	(2,761)	(4,760)	(2,851)	(7,603)	(31,140)
Net carrying amount	31,220	—	19	113	3,258	34,610
At 1 January 2015, net of accumulated depreciation	31,220	—	19	113	3,258	34,610
Additions	—	—	1	134	—	135
Write-off	—	—	—	(1)	—	(1)
Depreciation provided during the year	(715)	—	(8)	(48)	(1,295)	(2,066)
At 31 December 2015, net of accumulated depreciation	30,505	—	12	198	1,963	32,678
At 31 December 2015:						
Cost	44,385	2,761	4,780	3,059	10,861	65,846
Accumulated depreciation	(13,880)	(2,761)	(4,768)	(2,861)	(8,898)	(33,168)
Net carrying amount	30,505	—	12	198	1,963	32,678

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13. PROPERTY AND EQUIPMENT (Continued)

	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2014						
At 1 January 2014:						
Cost	72,153	6,306	5,521	2,992	10,861	97,833
Accumulated depreciation and impairment	(26,578)	(5,242)	(5,202)	(2,847)	(6,270)	(46,139)
Net carrying amount	<u>45,575</u>	<u>1,064</u>	<u>319</u>	<u>145</u>	<u>4,591</u>	<u>51,694</u>
At 1 January 2014, net of accumulated depreciation and impairment	45,575	1,064	319	145	4,591	51,694
Additions	—	—	—	9	—	9
Disposal of a subsidiary (<i>note 27</i>)	(13,390)	(838)	(201)	(5)	—	(14,434)
Depreciation provided during the year	(965)	(226)	(99)	(36)	(1,333)	(2,659)
At 31 December 2014, net of accumulated depreciation	<u>31,220</u>	<u>—</u>	<u>19</u>	<u>113</u>	<u>3,258</u>	<u>34,610</u>
At 31 December 2014:						
Cost	44,385	2,761	4,779	2,964	10,861	65,750
Accumulated depreciation	(13,165)	(2,761)	(4,760)	(2,851)	(7,603)	(31,140)
Net carrying amount	<u>31,220</u>	<u>—</u>	<u>19</u>	<u>113</u>	<u>3,258</u>	<u>34,610</u>

At 31 December 2015, certain of the Group's land and buildings with a net carrying amount of approximately HK\$24,839,000 (2014: HK\$25,423,000) were pledged to banks to secure banking facilities granted to the Group (*note 30*).

14. INVESTMENT PROPERTIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Carrying amount at 1 January	44,500	37,600
Gain from a fair value adjustment	<u>1,000</u>	<u>6,900</u>
Carrying amount at 31 December	<u>45,500</u>	<u>44,500</u>

The Group's investment properties consist of three industrial properties in Hong Kong. The Group's investment properties were revalued on 31 December 2015 based on valuations performed by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK\$45,500,000. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 28(a) to the financial statements.

At 31 December 2015, the Group's investment properties with a carrying value of HK\$45,500,000 (2014: HK\$44,500,000) were pledged to a bank to secure banking facilities granted to the Group (*note 30*).

Notes to Financial Statements

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14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Recurring fair value measurement for industrial properties				
As at 31 December 2015	—	45,500	—	45,500
As at 31 December 2014	—	44,500	—	44,500

During the year, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (2014: Nil).

Below is a summary of the valuation technique used and the key input to the valuation of investment properties:

	Valuation technique	Significant observable input
Industrial properties	Direct comparison approach	Estimated market value per square meter

15. INVESTMENT IN AN ASSOCIATE

	2015 HK\$'000	2014 HK\$'000
Share of net assets	2,258,714	2,061,573
Market value of listed shares	1,610,700	668,850

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group
Y. T. Realty Group Limited ("Y. T. Realty")	Ordinary shares of HK\$0.1 each	Bermuda/ Hong Kong	34.14

Y. T. Realty is an investment holding company, incorporated in Bermuda and listed in Hong Kong, with its subsidiaries engaged in property investment, property trading, and the provision of property management and related services. This associate has been accounted for using the equity method in these consolidated financial statements.

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15. INVESTMENT IN AN ASSOCIATE (Continued)

Extracts of the consolidated results and consolidated financial position of Y. T. Realty are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Consolidated results		
Revenue	218,691	211,826
Other income	1,608	2,827
Total expenses	(57,550)	(56,214)
Changes in fair value of investment properties	137,135	152,811
Share of profit of an associate	258,200	196,715
Share of profit of a joint venture	4,238	—
Income tax expense	(27,970)	(25,712)
Profit attributable to shareholders	<u>534,352</u>	<u>482,253</u>
Consolidated financial position		
Non-current assets		
Investment properties	4,099,900	3,959,200
Investment in an associate	2,236,514	1,954,043
Investment in a joint venture	119,665	—
Other non-current assets	3,119	2,318
	<u>6,459,198</u>	<u>5,915,561</u>
Current assets	424,741	388,250
Current liabilities	(183,530)	(104,706)
Non-current liabilities	(84,390)	(160,535)
Net assets	<u>6,616,019</u>	<u>6,038,570</u>

Details of events after the reporting period about Y. T. Realty are set out in note 35 to the financial statements.

Notes to Financial Statements

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16. LOAN RECEIVABLES

	Notes	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Secured	(ii)	80,000	—
Unsecured	(iii)	5,996	7,000
		<u>85,996</u>	<u>7,000</u>
Current portion		81,000	1,000
Non-current portion		4,996	6,000
		<u>85,996</u>	<u>7,000</u>

Notes:

- (i) Loan receivables represent receivables arising from the Group's money lending business and are stated at amortised cost.
- (ii) The loan receivables are from two new customers. One of these receivables is interest-bearing at 1% per month and repayable in June 2016. Another receivable bears interest at 2% per month and is due for repayment in February 2016 and is subsequently extended to 29 March 2016.
- (iii) The loan receivable is from an existing customer, which is repayable by equal amount of annual installment over the remaining term of six years. In view of the fact that the customer had good track record of repayment and is a creditworthy person with no history of default, the directors of the Company are of the opinion that there was no significant credit risk.

17. AVAILABLE-FOR-SALE INVESTMENT

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Listed equity investment, at fair value	<u>630,157</u>	<u>351,534</u>

Particulars of the Group's available-for-sale investment at the end of the reporting period are as follows:

Name	Place of incorporation	Nominal value of issued and paid-up share capital	2015	Percentage of ownership interest attributable to the Group
C C Land Holdings Limited	Bermuda	HK\$258,822,000	10.06	10.06

During the year, the gross gain in respect of the Group's available-for-sale investment recognised in other comprehensive income amounted to HK\$278,623,000 (2014: a gross loss of HK\$76,972,000).

As at 31 December 2014, the share price of C C Land Holdings Limited recorded a further decline after an impairment loss made in years prior to 31 December 2013. The directors considered that such decline constituted an objective evidence of impairment. Accordingly, an impairment loss of HK\$24,740,000, which represented a reclassification from other comprehensive income, was recognised in the consolidated statement of profit or loss for the year ended 31 December 2014.

During the year ended 31 December 2014, the Group had disposed of all of its investment in Qualipak International Holdings Limited. A gain on disposal amounting to HK\$80,232,000, which included a reclassification from other comprehensive income of HK\$80,555,000, had been recognised in the consolidated statement of profit or loss for the year ended 31 December 2014.

The above investment consists of investment in equity securities which was designated as available-for-sale financial asset and has no fixed maturity date or coupon rate.

The market value of the Group's listed available-for-sale equity investment at the date of approval of these financial statements was approximately HK\$656,197,000.

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18. LISTED EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Listed equity investments, at market value	<u>72,440</u>	<u>110,513</u>

The market value of the Group's listed equity investments at fair value through profit or loss at the date of approval of these financial statements was approximately HK\$67,873,000.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Prepayments	1,232	1,414
Deposits	1,356	1,356
Other receivables	<u>870</u>	<u>612</u>
	<u>3,458</u>	<u>3,382</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

21. OTHER PAYABLES AND ACCRUALS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other payables	706	855
Accruals	19,478	19,534
Customers' deposits received	<u>380</u>	<u>380</u>
	<u>20,564</u>	<u>20,769</u>

Other payables are non-interest-bearing and repayable on demand.

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22. BANK BORROWINGS

	2015			2014		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank borrowings – secured	2.09 – 2.20	January 2016 - December 2016	44,500	2.16	March 2015 - December 2015	12,000
Non-current						
Bank borrowing – secured	2.15	March 2017 - June 2018	22,500	2.16	March 2016 - June 2018	37,000
			<u>67,000</u>			<u>49,000</u>
Analysed into:						
Bank borrowings repayable:						
Within one year or on demand			44,500			12,000
In the second year			15,000			14,500
In the third to fifth years, inclusive			7,500			22,500
			<u>67,000</u>			<u>49,000</u>

The above bank borrowings are denominated in Hong Kong dollars and secured by the Group's investment properties, and certain leasehold land and buildings (*note 30*).

As at 31 December 2015, the Group had a term bank loan of HK\$37,000,000 (2014: HK\$49,000,000), of which HK\$22,500,000 (2014: HK\$37,000,000) was included in the non-current portion, was subject to a repayable on demand clause after 31 January 2017 (2014: 31 December 2015).

23. DEFERRED INCOME

Deferred income represented interest income received in advance from borrowers in connection with the loan receivables during the year.

24. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Unrealized fair value gain arising from listed equity investment at fair value through profit or loss HK\$'000	Depreciation allowance in excess of related depreciation HK\$'000	Total HK\$'000
Gross deferred tax liabilities at 1 January 2014	410	883	1,293
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year (<i>note 10</i>)	5,615	(141)	5,474
Gross deferred tax liabilities at 31 December 2014 and 1 January 2015	6,025	742	6,767
Deferred tax credited to the consolidated statement of profit or loss during the year (<i>note 10</i>)	(4,783)	(144)	(4,927)
Gross deferred tax liabilities at 31 December 2015	<u>1,242</u>	<u>598</u>	<u>1,840</u>

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24. DEFERRED TAX (Continued)

Deferred tax assets

	Losses available for offsetting against future taxable profits <i>HK\$'000</i>
Gross deferred tax assets at 1 January 2014	1,053
Deferred tax credited to the consolidated statement of profit or loss during the year (note 10)	<u>5,454</u>
Gross deferred tax assets at 31 December 2014 and 1 January 2015	6,507
Deferred tax charged to the consolidated statement of profit or loss during the year (note 10)	<u>(4,959)</u>
Gross deferred tax assets at 31 December 2015	<u><u>1,548</u></u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u><u>292</u></u>	<u><u>260</u></u>

The Group has tax losses arising in Hong Kong of HK\$1,011,342,000 (2014: HK\$1,012,745,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that sufficient taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

25. SHARE CAPITAL

Shares

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Authorised: 50,000,000,000 (2014: 50,000,000,000) ordinary shares of HK\$0.01 each	<u><u>500,000</u></u>	<u><u>500,000</u></u>
Issued and fully paid: 9,305,276,756 (2014: 9,305,276,756) ordinary shares of HK\$0.01 each	<u><u>93,053</u></u>	<u><u>93,053</u></u>

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25. SHARE CAPITAL *(Continued)*

Share options

The Company's share option scheme which was adopted on 29 April 2005 (the "Old Scheme") has expired on 28 April 2015. The Company did not have any outstanding options granted or remained valid under the Old Scheme. On 21 May 2015, the Company adopted a new share option scheme (the "New Scheme"). The purpose of the New Scheme is to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the employees and to serve such other purposes as the directors may approve from time to time.

Employees (including directors) of the Group are included in the eligible participants under the New Scheme. A total of 930,527,675 shares will be available for issue under the New Scheme, which represented 10% of the Company's issued share capital at the end of the reporting period. Each participant cannot be entitled more than 1% of the total number of shares in issue in any 12-month period. The option shall end, in any event, not later than 10 years from the date of grant of the option subject to the provision for early termination set out in the New Scheme. The New Scheme remains in force until 20 May 2025. No option has been granted under the New Scheme since the adoption of the New Scheme.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 39 of the financial statements.

27. DISPOSAL OF A SUBSIDIARY

There was no disposal of subsidiary during the year. The Group had disposed of a subsidiary during the year ended 31 December 2014. An analysis was set out below:

	2014 <i>HK\$'000</i>
Net liabilities disposed of:	
Property and equipment	14,434
Prepayments and other receivables	7
Other payable	(1,695)
Other borrowing	(40,000)
	<hr/>
	(27,254)
Gain on disposal of a subsidiary	34,595
	<hr/>
	7,341
	<hr/>
Satisfied by:	
Cash	7,341
	<hr/>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2014 <i>HK\$'000</i>
Cash consideration and net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	7,341
	<hr/>

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28. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (*note 14*) under operating lease arrangements, with leases negotiated for terms of two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	886	1,518
In the second to fifth years, inclusive	—	886
	<u>886</u>	<u>2,404</u>

(b) As lessee

The Group leases certain of its office properties and car parks under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one year to three years.

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	1,009	1,700
In the second to fifth years, inclusive	—	965
	<u>1,009</u>	<u>2,665</u>

29. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments (2014: Nil).

30. BANKING FACILITIES

At the end of the reporting period, the Group's banking facilities were secured by:

- (a) pledges of the Group's investment properties and certain of its land and buildings with carrying values of HK\$45,500,000 and HK\$24,839,000, respectively (2014: HK\$44,500,000 and HK\$25,423,000, respectively); and
- (b) corporate guarantees issued by the Company.

As at 31 December 2014, one of the Group's banking facilities was secured by a pledge of the Group's time deposits of HK\$9,487,000 which was released in September 2015.

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31. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Short term employee benefits	24,438	22,226
Post-employment benefits	72	68
Total compensation paid to key management personnel	<u>24,510</u>	<u>22,294</u>

Further details of directors' emoluments are included in note 8 to the financial statements.

32. FINANCIAL INSTRUMENTS BY CATEGORY

Except for an available-for-sale investment and listed equity investments at fair value through profit or loss which are measured at fair value, other financial assets and liabilities of the Group as at 31 December 2015 and 2014 were loans and receivables, and financial liabilities at amortised cost, respectively.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, time deposits, financial assets included in prepayments, deposits and other receivables, the current portion of loan receivables, financial liabilities included in other payables and accruals, and the current portion of bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of loan receivables and a bank borrowing have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturity. The Group's own non-performance risk for the bank borrowing as at 31 December 2015 and 2014 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices.

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33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 31 December 2015				
Available-for-sale investment	630,157	—	—	630,157
Listed equity investments at fair value through profit or loss	72,440	—	—	72,440
	<u>702,597</u>	<u>—</u>	<u>—</u>	<u>702,597</u>
As at 31 December 2014				
Available-for-sale investment	351,534	—	—	351,534
Listed equity investments at fair value through profit or loss	110,513	—	—	110,513
	<u>462,047</u>	<u>—</u>	<u>—</u>	<u>462,047</u>

The Group did not have any financial liabilities measured at fair value as at 31 December 2015 (2014: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include equity investments, loan receivables, bank borrowings, time deposits and cash and bank balances. Details of the major financial instruments and the Group's accounting policies in relation to them are disclosed in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk. The policies for managing each of these risks are summarised below.

Interest rate risk

The Group does not have any significant exposure to the risk of changes in market interest rates, and therefore it does not use derivative financial instruments to hedge its debt obligations and receivables.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

The Group received interest income principally from its portfolio of loan receivables and short term bank deposits. The aggregate carrying amount of these financial assets with floating interest rates was approximately HK\$45 million (2014: HK\$103 million) as at 31 December 2015. Assuming that the balances have been held at a constant level and there has been an average increase in the interest rate of 25 (2014: 25) basis points for the year ended 31 December 2015, the interest income of the Group would have been increased by HK\$0.1 million (2014: HK\$0.3 million).

The Group incurs interest expense principally from its bank borrowings with floating interest rates. Assuming that bank borrowings outstanding as at the end of the reporting period has been outstanding for the whole year, with all other variables held constant, a 25 (2014: 25) basis point increase in interest rates at 31 December 2015 would have increased the interest expense of the Group by HK\$0.2 million (2014: HK\$0.1 million).

Foreign currency risk

The Group has transactional currency exposure as approximately 7% (2014: 7%) of the operating expenses for the year were denominated in United States dollars. The Group has translational currency exposure because 21% (2014: 12%) of the cash and bank balances as at 31 December 2015 were denominated in United States dollars. The Group considers that the above currency exposures are insignificant as the Hong Kong dollar is pegged to the United States dollar. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivables are monitored on an ongoing basis to ensure follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group reviews the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has established a credit committee (the "Committee") to manage the credit risk with respect to the loan receivables of the Group. The Committee reviews the credit standing and assesses credit risk exposures of each borrower. In order to mitigate this risk, the Group has formulated a credit policy governing the control of credit risk, including the requirement for collateral, if necessary. Loan receivables of HK\$80,000,000 are secured by art investments. Taking into account of the prevailing market conditions, the directors of the Company considered that the credit risk of the loan receivables is insignificant. In this regard, the directors consider that the overall credit risk is significantly reduced and controlled.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the values of individual securities. The Group is exposed to equity price risk arising from equity investments at fair value through profit or loss and available-for-sale investment as at the end of the reporting period. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices as at the end of the reporting period.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Equity price risk (Continued)

The market equity index for the Stock Exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and its highest and lowest points during the year were as follows:

	31 December 2015	High/low 2015	31 December 2014	High/low 2014
Hong Kong - Hang Seng Index	21,914	28,588/ 20,368	23,605	25,363/ 21,138

The following table demonstrates the sensitivity to change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale investment, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact on the consolidated statement of profit or loss.

The sensitivity analysis is made based on a 15% decrease in Hang Seng Index of Hong Kong (2014: increase of 5%) anticipated as at the end of the reporting period and an estimated value of beta of the investment portfolios of the Group.

	Carrying amount of listed equity investments HK\$'000	Decrease in profit before tax HK\$'000	Increase/ (decrease) in other components of equity HK\$'000
2015			
Listed equity investments at fair value through profit or loss	72,440	(27,550)	—
Available-for-sale investment	630,157	—	(114,625)
Total		(27,550)	(114,625)
2014			
Listed equity investments at fair value through profit or loss	110,513	(4,795)	—
Available-for-sale investment	351,534	—	32,755
Total		(4,795)	32,755

The Group's management manages the above exposure by maintaining a well-diversified portfolio with different risk profiles.

Notes to Financial Statements

31 December 2015

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments and ignoring the effect of any repayment on demand clause, was as follows:

	On demand <i>HK\$'000</i>	Less than 3 months <i>HK\$'000</i>	3 to less than 12 months <i>HK\$'000</i>	1 to 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2015					
Other payables and accruals	20,184	—	380	—	20,564
Bank borrowings	—	33,547	11,180	23,410	68,137
	<u>20,184</u>	<u>33,547</u>	<u>11,560</u>	<u>23,410</u>	<u>88,701</u>
As at 31 December 2014					
Other payables and accruals	20,389	—	—	380	20,769
Bank borrowing	—	2,513	9,659	38,906	51,078
	<u>20,389</u>	<u>2,513</u>	<u>9,659</u>	<u>39,286</u>	<u>71,847</u>

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to equity holders of the Company. Net debt includes bank borrowings, other payables and accruals, less time deposits and cash and bank balances. The gearing ratios as at the end of the reporting periods were as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank borrowings	67,000	49,000
Other payables and accruals	20,564	20,769
Less: Time deposits and cash and bank balances	(38,811)	(86,842)
Net debt/(net cash)	<u>48,753</u>	<u>(17,073)</u>
Equity attributable to equity holders of the Company	<u>3,076,576</u>	<u>2,639,772</u>
Gearing ratio	<u>1.58%</u>	<u>N/A</u>

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31 December 2015

35. EVENTS AFTER THE REPORTING PERIOD

On 17 December 2015, Y. T. Investment Holdings Limited (“**YT Investment**”, a direct wholly-owned subsidiary of Y. T. Realty) and a wholly-owned company of Mr. Cheung Chung Kiu, a director of the Company (the “**Purchaser**”), entered into a disposal agreement (the “**Disposal Agreement**”). Under the Disposal Agreement, YT Investment conditionally agreed to sell to the Purchaser a company holding two properties in Hong Kong and a company providing property management services thereto at a consideration of approximately HK\$4,020.9 million (the “**Disposal**”).

On the same date, Sunrise Metro Limited (“**Sunrise Metro**”, an indirect wholly-owned subsidiary of Y. T. Realty) and a joint venturer of Y. T. Realty (the “**Vendor**”) entered into an acquisition agreement (the “**Acquisition Agreement**”). Under the Acquisition Agreement, Sunrise Metro conditionally agreed to acquire from the Vendor the 50% equity interest in a company holding a property in London at a consideration of approximately HK\$7.3 million (the “**Acquisition**”).

Further, as disclosed in the announcement of Y. T. Realty dated 28 January 2016, the board of directors of Y. T. Realty has on 28 January 2016 declared a special cash dividend of HK\$3.80 per share which is conditional upon the completion of the Disposal and the Acquisition having taken place. The Disposal and the Acquisition were completed on 29 February 2016. The Group has therefore received the special cash dividend amounting to HK\$1,037.4 million on 4 March 2016.

36. COMPARATIVE AMOUNTS

In prior years, the Group had included the dividend income from its available-for-sale investments in other income and gains. During the year, the dividend income was recorded as revenue. In the opinion of the directors, this change in the classification of dividend income from available-for-sale investments results in a more appropriate presentation of the financial statements and provides more relevant information about the performance of the Group. Accordingly, comparative amounts have been restated to conform with the current year’s presentation and disclosures.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
NON-CURRENT ASSETS			
Investments in subsidiaries	(a)	<u>1,915,784</u>	<u>1,869,812</u>
CURRENT ASSETS			
Prepayments		789	991
Cash and bank balances		<u>1,414</u>	<u>1,408</u>
Total current assets		<u>2,203</u>	<u>2,399</u>
CURRENT LIABILITIES			
Other payables and accruals		<u>167</u>	<u>739</u>
NET CURRENT ASSETS			
Net assets		<u>1,917,820</u>	<u>1,871,472</u>
EQUITY			
Issued capital		93,053	93,053
Reserves	(b)	<u>1,824,767</u>	<u>1,778,419</u>
Total equity		<u>1,917,820</u>	<u>1,871,472</u>

Notes to Financial Statements

31 December 2015

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) Investments in subsidiaries

Information about the investments in subsidiaries of the Company at the end of the reporting period is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Unlisted shares, at cost	105,759	105,759
Amounts due from subsidiaries	1,810,025	1,764,053
	<u>1,915,784</u>	<u>1,869,812</u>

The amounts due from subsidiaries included in the investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

(b) Reserves

Information about the reserves of the Company at the end of the reporting period is as follows:

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2014	907,280	839,108	22,571	1,768,959
Total comprehensive income for the year	—	—	28,071	28,071
2013 final dividend proposed and paid	—	—	(18,611)	(18,611)
At 31 December 2014 and 1 January 2015	907,280	839,108	32,031	1,778,419
Total comprehensive income for the year	—	—	74,264	74,264
2014 final dividend proposed and paid	—	—	(27,916)	(27,916)
At 31 December 2015	<u>907,280</u>	<u>839,108</u>	<u>78,379</u>	<u>1,824,767</u>

The contributed surplus of the Company originally represented the excess of the net asset values of the subsidiaries acquired over the nominal value of the Company's shares issued for their acquisition at the time of the reorganisation in preparation for the listing of the Company's shares in 1993. Under the Bermuda Companies Act 1981 (as amended from time to time), the contributed surplus may be distributed to shareholders under certain circumstances.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2016.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

RESULTS

	2015 <i>HK\$'000</i>	Year ended 31 December			
		2014 <i>HK\$'000</i> <i>(Restated)</i>	2013 <i>HK\$'000</i> <i>(Restated)</i>	2012 <i>HK\$'000</i> <i>(Restated)</i>	2011 <i>HK\$'000</i> <i>(Restated)</i>
REVENUE	34,957	83,504	22,026	29,550	(14,479)
PROFIT/(LOSS) BEFORE TAX	161,861	295,567	160,302	125,809	(670,415)
Tax credit/(expense)	(32)	(20)	29,431	(41)	(24)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	161,829	295,547	189,733	125,768	(670,439)

ASSETS AND LIABILITIES

	2015 <i>HK\$'000</i>	At 31 December			
		2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
TOTAL ASSETS	3,168,114	2,709,801	2,725,235	2,725,077	2,194,423
TOTAL LIABILITIES	(91,538)	(70,029)	(232,740)	(222,124)	(165,955)
	3,076,576	2,639,772	2,492,495	2,502,953	2,028,468