YUGANG

YUGANG INTERNATIONAL LIMITED

(渝港國際有限公司)*

(incorporated in Bermuda with limited liability)

(Stock code: 613)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

The Board of Directors (the "Board") of Yugang International Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006 together with the comparative figures (as restated) for the corresponding year in 2005 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	2	**122,847**	(11,098)
Cost of sales		**(51,348)**	(579)
Gross profit/(loss)		**71,499**	(11,677)
Other income and gains		**205,537**	28,477
Administrative expenses		**(85,389)**	(62,091)
Other expenses		**(3,490)**	(86,548)
Finance costs	3	**(8,740)**	(4,045)
Share of profits and losses of:			
A jointly-controlled entity		**(359)**	(910)
Associates		**110,918**	90,145
PROFIT/(LOSS) BEFORE TAX	4	**289,976**	(46,649)
Tax	5	**(20,172)**	(741)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**269,804**	(47,390)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	6	**539,340**	37,247
PROFIT/(LOSS) FOR THE YEAR		**809,144**	(10,143)
ATTRIBUTABLE TO:			
Equity holders of the Company		**780,923**	(26,579)
Minority interests		**28,221**	16,436
		809,144	(10,143)
Dividend		**27,043**	26,173

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic			
— For profit/(loss) for the year		**8.83 HK cents**	(0.31) HK cents
— For profit/(loss) from continuing operations		**3.05 HK cents**	(0.55) HK cents
Diluted			
— For profit/(loss) for the year		**8.41 HK cents**	N/A
— For profit/(loss) from continuing operations		**2.92 HK cents**	N/A

CONSOLIDATED BALANCE SHEET

31 December 2006

	Notes	As at 31 December 2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**16,389**	134,054
Investment properties		**11,700**	55,169
Prepaid land lease payments		**72,934**	143,564
Goodwill		**—**	35,297
Investment in a jointly-controlled entity		**—**	3,669
Interests in associates		**899,310**	839,451
Convertible debentures and notes		**47,416**	52,811
Loans receivable		**1,000**	2,000
Available-for-sale investment		**1,271,198**	20,000
Other assets		**12,360**	19,101
Total non-current assets		**2,332,307**	1,305,116
CURRENT ASSETS			
Investments at fair value through profit or loss		**731,366**	396,696
Loans receivable		**159,991**	173,237
Inventories		**—**	86,014
Tax recoverable		**—**	294
Trade debtors	8	**7,574**	87,813
Other debtors, deposits and prepayments		**15,662**	18,236
Bills receivable		**—**	6,901
Prepaid land lease payments		**1,347**	2,906
Pledged time deposits		**8,754**	10,345
Time deposits		**119,217**	436,078
Cash and bank balances		**10,786**	73,861
Total current assets		**1,054,697**	1,292,381

	Notes	As at 31 December 2006 HK$'000	2005 HK$'000
CURRENT LIABILITIES			
Bills payable and trust receipt loans, secured		**—**	663
Trade creditors	*9*	**977**	100,404
Tax payable		**22,712**	72,799
Other payables		**3,076**	3,439
Accrued expenses		**21,588**	33,980
Customers' deposits received		**127**	11,269
Interest-bearing bank borrowings		**95,000**	15,448
Loans from minority shareholders		**—**	8,000
Convertible note		**25,299**	—
Total current liabilities		**168,779**	246,002
NET CURRENT ASSETS		**885,918**	1,046,379
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,218,225**	2,351,495
NON-CURRENT LIABILITIES			
Convertible note		**—**	46,680
Deferred tax liabilities		**977**	3,491
Consideration payable on acquisition of associates		**—**	3,000
Consideration payable on acquisition of subsidiaries		**—**	5,000
Total non-current liabilities		**977**	58,171
Net assets		**3,217,248**	2,293,324
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**90,143**	87,243
Reserves		**3,100,062**	1,970,602
Proposed final dividend		**27,043**	26,173
		3,217,248	2,084,018
Minority interests		**—**	209,306
Total equity		**3,217,248**	2,293,324

Notes:

1. Basis of preparation and accounting policies

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include 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, derivative financial instruments 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.

The accounting policies and basis of preparation used in the preparation of these financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 December 2005, except in relation to the new and revised HKFRSs. The new and revised HKFRSs that are effective for the accounting periods commencing on or after 1 January 2006 has had no significant impact on these financial statements.

The Group has not early adopted the amendments, new standards and interpretations issued by HKICPA that are not yet effective for the year ended 31 December 2006, and is in the process of assessing their impact on future accounting period.

2. Segment information

An analysis by principal activity and geographical area of operations of the Group's turnover and segment results are summarised as follows:

(a) Business segments

Group
2006

	Continuing operations					Discontinued operations			
	Trading of automobile parts and other materials *HK$'000*	Treasury investment *HK$'000*	Property and other investments *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*	Manufacture and sale of packaging products *HK$'000*	Manufacture and sale of luggage products *HK$'000*	Total *HK$'000*	Consolidated *HK$'000*
Segment revenue:									
Revenue from external customers	52,395	70,452	–	–	122,847	265,154	383,754	648,908	771,755
Other revenue	–	–	1,842	–	1,842	–	–	–	1,842
Total revenue	52,395	70,452	1,842	–	124,689	265,154	383,754	648,908	773,597
Segment results	(3,714)	170,305	39,884	–	206,475	31,125	6,994	38,119	244,594
Unallocated expenses, net					(25,537)			(10,725)	(36,262)
Gain on deemed disposal of subsidiaries					–			508,885	508,885
Interest income on bank deposits					7,219			7,278	14,497
Finance costs					(8,740)			(1,944)	(10,684)
Share of profits and losses of:									
A jointly-controlled entity	–	–	(359)	–	(359)	–	–	–	(359)
Associates	–	–	110,918	–	110,918	–	–	–	110,918
Profit before tax					289,976			541,613	831,589
Tax					(20,172)			(2,273)	(22,445)
Profit for the year					269,804			539,340	809,144
Assets and liabilities:									
Segment assets	15,774	1,019,592	1,295,312	–	2,330,678	–	–	–	2,330,678
Interests in associates	–	–	899,310	–	899,310	–	–	–	899,310
Unallocated assets	–	–	–	157,016	157,016	–	–	–	157,016
Total assets									3,387,004
Segment liabilities	4,056	39	–	–	4,095	–	–	–	4,095
Unallocated liabilities	–	–	–	165,661	165,661	–	–	–	165,661
Total liabilities									169,756

	Continuing operations					Discontinued operations			
	Trading of automobile parts and other materials	**Treasury investment**	**Property and other investments**	**Unallocated**	**Total**	**Manufacture and sale of packaging products**	**Manufacture and sale of luggage products**	**Total**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information:									
Capital expenditure	–	–	–	(4,285)	(4,285)	(38,013)	(3,005)	(41,018)	(45,303)
Depreciation	–	(297)	–	(2,394)	(2,691)	(5,699)	(1,804)	(7,503)	(10,194)
Amortisation on prepaid land lease payments	–	–	–	(1,443)	(1,443)	(1,390)	(53)	(1,443)	(2,886)
Allowance for doubtful debts, net	–	(150)	–	–	(150)	(1,204)	(1,627)	(2,831)	(2,981)
Provision against obsolete inventories	–	–	–	–	–	–	(1,039)	(1,039)	(1,039)
Fair value gains on investments at fair value through profit or loss	–	136,601	–	–	136,601	–	–	–	136,601
Gain on disposal of listed equity investments at fair value through profit or loss	–	34,485	–	–	34,485	–	–	–	34,485
Gain on derecognition of investments at fair value through profit or loss	–	17,229	–	–	17,229	–	–	–	17,229

Group
2005 (Restated)

	Continuing operations					Discontinued operations				
	Trading of automobile parts and other materials	Treasury investment	Property and other investments	Unallocated	Total	Manufacture and sale of packaging products	Manufacture and sale of luggage products	Unallocated	Total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:										
Revenue from external customers	590	(11,688)	–	–	(11,098)	277,442	169,990	–	447,432	436,334
Other revenue	–	–	696	–	696	–	–	–	–	696
Total revenue	590	(11,688)	696	–	(10,402)	277,442	169,990	–	447,432	437,030
Segment results	(4,077)	(69,342)	(38,369)	–	(111,788)	39,499	5,530	–	45,029	(66,759)
Unallocated expenses, net					(28,226)				(8,731)	(36,957)
Interest income on bank deposits					8,175				5,727	13,902
Finance costs					(4,045)				(404)	(4,449)
Share of profits and losses of:										
A jointly-controlled entity	–	–	(910)	–	(910)	–	–	–	–	(910)
Associates	–	–	90,145	–	90,145	–	–	–	–	90,145
Profit/(loss) before tax					(46,649)				41,621	(5,028)
Tax					(741)				(4,374)	(5,115)
Profit/(loss) for the year					(47,390)				37,247	(10,143)

	Continuing operations					Discontinued operations				
	Trading of automobile parts and other materials *HK$'000*	Treasury investment *HK$'000*	Property and other investments *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*	Manufacture and sale of packaging products *HK$'000*	Manufacture and sale of luggage products *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*	Consolidated *HK$'000*
Assets and liabilities:										
Segment assets	8,200	836,374	48,870	–	893,444	380,293	134,862	–	515,155	1,408,599
Investment in a jointly-controlled entity	–	–	3,669	–	3,669	–	–	–	–	3,669
Interests in associates	–	–	839,451	–	839,451	–	–	–	–	839,451
Unallocated assets	–	–	–	345,778	345,778	–	–	–	–	345,778
Total assets										2,597,497
Segment liabilities	4,428	2,165	–	–	6,593	48,651	110,262	–	158,913	165,506
Unallocated liabilities	–	–	–	109,159	109,159	–	–	29,508	29,508	138,667
Total liabilities										304,173
Other segment information:										
Capital expenditure	–	–	–	(1,775)	(1,775)	(84,291)	(2,407)	–	(86,698)	(88,473)
Depreciation	–	(320)	–	(1,879)	(2,199)	(6,855)	(948)	–	(7,803)	(10,002)
Amortisation on prepaid land lease payments	–	–	–	(1,442)	(1,442)	(1,289)	(64)	–	(1,353)	(2,795)
Write-back of allowance/ (allowance) for doubtful debts, net	–	(411)	–	–	(411)	4,463	–	–	4,463	4,052
Fair value losses on investments at fair value through profit or loss	–	(27,329)	–	–	(27,329)	–	–	–	–	(27,329)
Loss on disposal of listed equity investments at fair value through profit or loss	–	(35,767)	–	–	(35,767)	–	–	–	–	(35,767)
Impairment losses on items of property, plant and equipment	–	–	–	(751)	(751)	–	–	–	–	(751)
Impairment losses on prepaid land lease payments	–	–	–	(6,319)	(6,319)	–	–	–	–	(6,319)

(b) Geographical segments

Group	Hong Kong	Elsewhere in the PRC	North and South Americas	European Union	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006						
Segment revenue:						
Revenue from external customers	149,273	50,135	359,330	172,235	40,782	771,755
Other revenue	1,842	—	—	—	—	1,842
	151,115	50,135	359,330	172,235	40,782	773,597
Attributable to discontinued operations	(80,784)	—	(359,330)	(172,235)	(36,559)	(648,908)
Revenue from continuing operations	70,331	50,135	—	—	4,223	124,689
Other segment information:						
Segment assets	3,174,492	7,575	—	—	204,937	3,387,004
Capital expenditure	40,536	4,767	—	—	—	45,303
2005 (Restated)						
Segment revenue:						
Revenue from external customers	65,906	590	207,539	127,678	34,621	436,334
Other revenue	696	—	—	—	—	696
	66,602	590	207,539	127,678	34,621	437,030
Attributable to discontinued operations	(75,254)	—	(207,139)	(127,678)	(37,361)	(447,432)
Revenue from continuing operations	(8,652)	590	400	—	(2,740)	(10,402)
Other segment information:						
Segment assets	2,363,328	233,701	468	—	—	2,597,497
Capital expenditure	88,473	—	—	—	—	88,473

3. Finance costs

	Group	
	2006	2005
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other loans wholly repayable within one year	**8,019**	476
Interest on a convertible note *(note 7)*	**2,665**	3,973
	10,684	4,449
Attributable to discontinued operations *(note 6)*	**1,944**	404
Attributable to continuing operations reported in the consolidated income statement	**8,740**	4,045
	10,684	4,449

4. Profit/(loss) before tax

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

	Group	
	2006	2005
	HK$'000	*HK$'000*
Depreciation	**10,194**	10,002
Amortisation on prepaid land lease payments	**2,886**	2,795
Provision against obsolete inventories	**1,039**	—
Fair value losses/(gains), net investment at fair value through profit or loss	**(136,601)**	27,329
Allowance/(write-back of allowance) for doubtful debts, net	**2,981**	(4,052)
Impairment loss on an available-for-sale investment	**—**	50,000
Impairment losses on items of property, plant and equipment	**—**	751
Impairment losses on prepaid land lease payments	**—**	6,319
Loss/(gain) on disposal of listed equity investments at fair value through profit or loss	**(34,485)**	35,767
Loss/(gain) on disposal of items of property, plant and equipment	**(82)**	116

\# The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operations.

5. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2006	2005
	HK$'000	*HK$'000*
Group:		
Current-Hong Kong		
Charge for the year	**31,694**	3,564
Underprovision/(overprovision) in prior years	**(7,488)**	1,553
	24,206	5,117
Deferred	**(1,761)**	(2)
Total tax charge for the year	**22,445**	5,115
Tax charge attributable to discontinued operations *(note 6)*	**2,273**	4,374
Tax charge attributable to continuing operations reported in the consolidated income statement	**20,172**	741
	22,445	5,115

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

The share of tax attributable to associates amounting to HK$13,692,000 (2005: HK$13,505,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

6. DISCONTINUED OPERATIONS

During the year, C C Land Holdings Limited ("C C Land", previously known as Qualipak International Holdings Limited), a subsidiary of the Group, acquired the entire issued share capital of Starthigh International Ltd, which owns 11 parcels of land in Chongqing, the PRC, with a total site area of 865,668.57 sq.m. The consideration for the transaction was HK$3,317,553,000 which was mainly satisfied by the issue of 1,600,000,000 shares ("Consideration Shares") in C C Land and the issue of convertible note for an amount of HK$2,552,000,000 by C C Land. The transaction was completed on 6 November 2006. As a result of the issue of the Consideration Shares by C C Land upon the completion of the transaction and the subsequent full conversion of the convertible note issued by C C Land and placing of 3,400,000,000 shares in C C Land, the Group's interest in C C Land was diluted from 64.54% to below 20%, details of which are set out in the business review section. This constituted a deemed disposal of subsidiaries and discontinued operations of certain business segments of C C Land.

The results of the discontinued operations for the year are presented below:

	Notes	**2006** **_HK$'000_**	2005 _HK$'000_
Revenue		**648,908**	447,432
Cost of sales		**(565,217)**	(373,550)
Gross profit		**83,691**	73,882
Other income and gains		**9,970**	12,957
Expenses		**(58,989)**	(44,814)
Finance costs	_3_	**(1,944)**	(404)
Profit before tax from the discontinued operations		**32,728**	41,621
Tax	_5_	**(2,273)**	(4,374)
Profit for the year from the discontinued operations		**30,455**	37,247
Gain on deemed disposal of subsidiaries		**508,885**	—
		539,340	37,247
Attributable to:			
Equity holders of the Company		**511,119**	20,811
Minority interests		**28,221**	16,436
		539,340	37,247

	2006 **_HK$'000_**	2005 _HK$'000_
The net cash flows incurred by the discontinued operations are as follows:		
Operating activities	**20,323**	9,024
Investing activities	**18,005**	(147,626)
Financing activities	**1,710**	(12,906)
Net cash inflow/(outflow)	**40,038**	(151,508)
Earnings per share:		
Basic, from the discontinued operations	**5.78 HK cents**	0.24HK cents
Diluted, from the discontinued operations	**5.49 HK cents**	0.22HK cents

The calculations of basic and diluted earnings per share from the discontinued operations are based on:

	2006	2005
Profit attributable to ordinary equity holders of the Company from the discontinued operations	**HK$511,119,000**	HK$20,811,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**8,845,883,344**	8,569,146,358
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**9,319,702,994**	9,364,284,458

7. Earnings/(loss) per share attributable to ordinary equity holders of the Company

The calculation of basic earnings/(loss) per share amounts is based on the net profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings/(loss) per share amounts is based on the net profit/(loss) for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible note, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2006 ***HK$'000***	2005 *HK$'000* (Restated)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation		
From continuing operations	**269,804**	(47,390)
From discontinued operations	**511,119**	20,811
	780,923	(26,579)
Interest on a convertible note *(note 3)*	**2,665**	3,973
Profit/(loss) attributable to ordinary equity holders of the Company before interest on a convertible note	**783,588**	(22,606)
Attributable to :		
Continuing operations	**272,469**	(43,417)
Discontinued operations	**511,119**	20,811
	783,588	(22,606)

	Number of shares 2006	2005
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**8,845,883,344**	8,569,146,358
Effect of dilution — weighted average number of ordinary shares:		
Convertible note	**473,819,650**	795,138,100
Weighted average number of ordinary shares in issue during the year used in the diluted earnings/(loss) per share calculation	**9,319,702,994**	9,364,284,458

The diluted loss per share amount for the year ended 31 December 2005 has not been disclosed as the convertible note outstanding during that year had an anti-dilutive effect on the basic loss per share for that year.

8. Trade debtors

An aged analysis of trade debtors at the balance sheet date is as follows:

	Group 2006 *HK$'000*	2005 *HK$'000*
0 — 30 days	**6,606**	77,019
31 — 60 days	**968**	3,822
More than 60 days	**—**	6,972
	7,574	87,813

9. Trade creditors

An aged analysis of trade creditors at the balance sheet date is as follows:

	Group 2006 *HK$'000*	2005 *HK$'000*
0 — 30 days	**—**	69,044
31 — 60 days	**—**	16,393
More than 60 days	**977**	14,967
	977	100,404

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.003 per share for the year ended 31 December 2006, subject to the approval of shareholders at the forthcoming annual general meeting to be held on 11 May 2007. The final dividend will be paid on 22 May 2007 to shareholders registered on 11 May 2007. No interim dividend was paid during the year. In respect of the preceding year, a final dividend of HK$0.003 per share was paid and no interim dividend was declared.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 9 May 2007 to Friday, 11 May 2007, both days inclusive, during such period no transfer of shares will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch registrar, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 pm on Tuesday, 8 May 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Packaging and Luggage Business

The Group carried out the packaging and luggage business through C C Land, a company listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). On 6 November 2006, C C Land passed a resolution in a special general meeting to approve the purchase of the sale share of Starthigh International Ltd ("Sale Share") for a consideration of HK$3,317,553,298 satisfied by (i) HK$448,000,000 settled by the issue of 1,600,000,000 shares of C C Land; (ii) HK$2,552,000,000 satisfied by the issue of convertible note ("Convertible Note"); (iii) a sum representing such amount of the receivables up to the equivalent of HK$250,000,000 as may be recovered by C C Land group; (iv) HK$67,553,298 satisfied by the assumption of the obligations by C C Land. The Sale Share represents the entire issued share capital of Starthigh International Ltd, which owns 11 parcels of land in Chongqing, the PRC, with total site area of 865,668.57 sq.m. Upon completion of the acquisition, the Group's interest in C C Land was diluted from 64.54% to 45.9%.

After the completion, the Group's interest in C C Land was further diluted to subsequently below 20% upon placing of 3,400,000,000 new shares in C C Land and full conversion of the Convertible Note, which were disclosed in the announcements made by C C Land during the period from 16 November 2006 to 30 November 2006. The transaction constituted a further deemed disposal of C C Land by the Group and resulted in substantial reduction on the deemed disposal gain to HK$508.9 million from that of the acquisition date. After that, C C Land is no longer a subsidiary or associate of the Group. The Group ceased to consolidate its operating result and discontinued the operation of packaging and luggage business.

During the year, the discontinued packaging business recorded a turnover of HK$265.2 million as compared to approximately HK$231.2 million in the corresponding period of last year, representing an increase of 14.7%. The operating result of discontinued packaging business for the year was HK$31.1 million. The sale of luggage products and the operating result of discontinued luggage business for the year were HK$383.7 million and HK$7.0 million respectively.

Property Investment Business

Y.T. Realty Group Limited ("Y.T. Realty"), whose shares are traded on the main board of the Stock Exchange, is a flagship of the Group's property investment business in Hong Kong. Investment properties currently held by Y.T. Realty include the whole block of Century Square and Prestige Tower situate in the core of Central District and Tsimshatsui respectively. During the year under review, the gross rental income of Y.T. Realty recorded an increase of HK$7.0 million or 8.4% to approximately HK$89.9 million. The increase in rental income was mainly due to the continuing upward adjustment in rental rates of the investment properties and successful application of business strategy by transforming the properties from office buildings to commercial, retail and lifestyle hub. During the year, all the tenancy renewal and fresh letting cases recorded much favorable rise in rent.

Y.T. Realty recorded a net profit after tax of HK$288.1 million for the year, representing an increase of HK$37.4 million or 14.9% from the last corresponding year.

Infrastructure Business

The Group invested in infrastructure business through The Cross-Harbour (Holdings) Ltd ("Cross Harbour"), being a company listed on the main board of Stock Exchange. During the year, Cross Harbour recorded a net profit after tax and minority interests of HK$172.8 million, representing an increase of 6.7% from the last corresponding year. Cross Harbour recorded a moderate growth in toll revenue as the traffic throughput continued to increase during the year.

Treasury Investment

Local economy continued to grow satisfactorily given appreciation of Renminbi, influx of hot money, liquidity flooding and optimistic economic outlook of China. The local stock market surged to a six-year high as the Hang Seng Index hiked through the 20,000 points barrier during the year. Capturing the bullish of stock market, the treasury investment of the Group recorded a net profit of HK$170.3 million for the year, representing a significant increase of HK$239.6 million from last corresponding year.

PRC Trading Business

During the year, the Group has expanded its trading business in the PRC to metal commodities. As China has an increasing demand for metal commodities during the year, the sale orders for trading of metal commodities recorded a gradual increase over the year. The turnover of PRC trading was HK$52.4 million for the year under review.

PROSPECT

Driven by growing export performance of Mainland China, it gave rise to more trading opportunities in PRC. The prospect of trading of metal commodities will be positive provided China continues to have strong demand for metals. It is expected that the Group will be benefited from the emergence of such trading opportunities in the foreseeable future.

Fueled by local lending rate cuts and favorable economic growth, the rental of both retail and commercial properties are expected to continue its upward trend. The present portfolio of tenants, which mainly comprised of retail and commercial sectors, enables Y.T. Realty with more favorable rental income than other similar office buildings of similar grade.

Given a positive outlook of local economy, the Group will adhere to its long-sustained strategies in financial management and focus its investment strategy toward a long-term strategic growth with sound financial and management capabilities.

FINANCIAL REVIEW

The Group's turnover of the continuing operations for the year was HK$122.8 million, comprising PRC trading of HK$52.4 million and treasury investment of HK$70.4 million, all of which have recorded a satisfactory growth for the year.

As at 31 December 2006, the consolidated net asset value of the Group was HK$3,217.2 million and the consolidated net asset value per share was HK$0.36. The Group's total assets and liabilities were HK$3,387.0 million and HK$169.8 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the cash and cash equivalents of the Group was HK$130 million, representing a decrease of HK$380 million from last year. This was mainly due to the deconsolidation of C C Land. The Group had a short-term bank loan of HK$95 million as at 31 December 2006. The Group did not have any contingent liabilities as at 31 December 2006.

The Group has strong liquidity and financial resources as indicated by high level of net current assets of HK$885.9 million and adequate working capital ratio of 6.2. The Group has strong financial strength as gearing ratio, defined as long-term liabilities to shareholders' fund, was as low as 0.03%. All of these indicated that the Group has sufficient working capital to support its operation.

EXCHANGE RISK

Whilst sales of the Group are mainly denominated in Hong Kong dollars and US dollars, purchases of raw materials are also in Hong Kong dollars. Most bank deposits are maintained in Hong Kong dollars and US dollars as well. Hence, the Group's exposure to foreign exchange risk is minimal.

CAPITAL STRUCTURE

On 31 July 2004, the Company issued a convertible note of HK$70,000,000, bearing an interest rate of 3% per annum payable in arrears. The convertible note has a maturity date on 31 July 2007 and can be converted into ordinary shares of the Company at the conversion price of HK$0.075 per share for the first year, HK$0.082 per share for the second year and HK$0.089 per share for the third year. On 29 July 2005, the noteholder exercised the conversion rights attaching to the convertible note in an aggregate amount of HK$20,325,000 and a total number of 271,000,000 shares were issued. On 31 July 2006, the noteholder exercised the conversion rights attaching to the convertible note in an aggregate amount of HK$23,780,000 and a total number of 290,000,000 shares were issued. The outstanding principal amount of convertible note as at 31 December 2006 was HK$25,895,000.

PLEDGE OF ASSETS

As at 31 December 2006, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK$58.4 million, and the time deposits of approximately HK$8.8 million to secure the general banking facilities of the Group.

HUMAN RESOURCES PRACTICES

The total number of employees as at 31 December 2006 was 37.

The human resources practices of the Company are oriented to attract, retain and motivate high caliber employees to perform at the highest level to attain the Company's objective of enhancing and maximizing the interests of shareholders, investors and employees as a whole. The Company aims to provide competitive remuneration package to ensure external competitiveness by reference to prevailing market level and links to individual contributions to the Group.

The Company provides other fringe benefits including MPF, medical insurance and discretionary training subsides. The Company also operates a discretionary share option scheme to motivate the performance of employees.

MATERIAL ACQUISITION AND DISPOSAL

During the year, the Group acquired the entire issued share capital of Starthigh International Ltd, which owns 11 parcels of land in Chongqing, the PRC, with total site area of 865,668.57 sq.m. The transaction constituted a very substantial acquisition under the Rules Governing the Listing of Securities on Stock Exchange (the "Listing Rules"). After the completion of the acquisition, the Group's interest in C C Land subsequently diluted from 64.54% to below 20%, details of which are set out in the aforesaid business review section.

SIGNIFICANT INVESTMENTS

The Group's equity investment in C C Land was reclassified as available-for-sale investment at fair value of HK$1,271.2 million as at 31 December 2006. The Group maintains its strategic investment in equity interest of Y.T. Realty with a carrying value of HK$899.3 million as at 31 December 2006. The net profit after tax of Y.T. Realty for the year was HK$288.1 million.

CORPORATE GOVERNANCE

The Board is committed to an ongoing enhancement of effective and efficient corporate governance practices. The Board recognizes that good corporate governance practices are essential in upbringing the success of the Company and balance the interests of shareholders, investors and employees.

Throughout the accounting period under review, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

COMPLIANCE OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

Following specific enquiry by the Company, all directors confirmed that throughout the year of the accounting period under review, they complied with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

AUDIT COMMITTEE

The Company's audit committee has reviewed the accounting policies adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2006.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

PUBLICATION ON STOCK EXCHANGE'S WEBSITE

The results announcement is published on the Stock Exchange's website (http://www.hkex.com.hk). The 2006 annual report will be dispatched to the shareholders and available on websites of the Company (http://www.yugang.com.hk) and Stock Exchange in due course.

APPRECIATION

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

By order of the Board
Yuen Wing Shing
Managing Director

As at the date of this announcement, the executive directors of the Company are Mr. Cheung Chung Kiu, Mr. Yuen Wing Shing, Mr. Zhang Qing Xin, Mr. Lam Hiu Lo and Mr. Liang Kang; the non-executive director of the Company is Mr. Carmelo Lee Ka Sze; the independent non-executive directors of the Company are Mr. David Wong Wai Kwong, Mr. Wong Yat Fai and Mr. Ng Kwok Fu.

Hong Kong, 23 March 2007

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.