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# YUGANG

## YUGANG INTERNATIONAL LIMITED

### (渝港國際有限公司)\*

(Incorporated in Bermuda with limited liability)  
(Stock code: 613)

### 2011 INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Yugang International Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011 together with the unaudited comparative figures (as restated) for the corresponding period in 2010 as follows:

#### Consolidated Income Statement

For the six months ended 30 June 2011

	Notes	<b>Six months ended 30 June</b>	
		<b>2011</b>	2010
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
			(Restated)
<b>REVENUE</b>	3	<b>2,464</b>	6,731
Other income and gains	3	<b>14,879</b>	16,174
Administrative expenses		( <b>36,744</b> )	( 38,323)
Other expenses	4	( <b>77,410</b> )	( 34,418)
Finance costs	5	( <b>573</b> )	( 277)
Share of profits and losses of associates		<u><b>123,931</b></u>	<u>98,445</u>
<b>PROFIT BEFORE TAX</b>	6	<b>26,547</b>	48,332
Income tax	7	( <u>13</u> )	( <u>4</u> )
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<u><b>26,534</b></u>	<u>48,328</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted	9	<u><b>HK0.29 cents</b></u>	<u>HK0.52 cents</u>

Details of dividend are disclosed in note 8.

**Consolidated Statement of Comprehensive Income**  
For the six months ended 30 June 2011

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
		(Restated)
PROFIT FOR THE PERIOD	<u>26,534</u>	<u>48,328</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Changes in fair value of available-for-sale investments	76,272	( 251,672)
Share of other comprehensive loss of associates	( <u>1,293</u> )	( <u>1,490</u> )
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>74,979</u>	( <u>253,162</u> )
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u><u>101,513</u></u>	( <u><u>204,834</u></u> )

**Consolidated Statement of Financial Position**  
30 June 2011

	<b>30 June 2011 (Unaudited) HK\$'000</b>	31 December 2010 (Restated) HK\$'000	1 January 2010 (Restated) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property and equipment	52,158	53,500	77,284
Investment properties	26,000	23,000	18,000
Investments in associates	1,535,219	1,420,772	1,212,348
Convertible notes receivable – loan portion	-	-	6,013
Loans receivable	4,000	3,000	-
Available-for-sale investments	744,773	668,500	926,603
Other assets	360	360	360
Total non-current assets	<u>2,362,510</u>	<u>2,169,132</u>	<u>2,240,608</u>
<b>CURRENT ASSETS</b>			
Listed equity investments at fair value through profit or loss	280,877	326,786	309,051
Convertible notes receivable – loan portion	8,982	21,234	-
Conversion option derivatives	944	3,858	6,720
Loans receivable	1,000	-	1,000
Prepayments, deposits and other receivables	2,008	3,626	3,086
Pledged time deposits	9,407	9,384	9,341
Time deposits	1,796	34,924	1,784
Cash and bank balances	20,811	8,131	130,000
Total current assets	<u>325,825</u>	<u>407,943</u>	<u>460,982</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	5,966	22,621	21,942
Interest-bearing bank loans	85,000	40,000	60,000
Tax payable	29,463	29,463	29,463
Total current liabilities	<u>120,429</u>	<u>92,084</u>	<u>111,405</u>
<b>NET CURRENT ASSETS</b>	<u>205,396</u>	<u>315,859</u>	<u>349,577</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>2,567,906</u>	<u>2,484,991</u>	<u>2,590,185</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	156	143	142
Net assets	<u>2,567,750</u>	<u>2,484,848</u>	<u>2,590,043</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	93,053	93,053	93,053
Reserves	2,474,697	2,391,795	2,496,990
Total equity	<u>2,567,750</u>	<u>2,484,848</u>	<u>2,590,043</u>

*Notes:*

**1. Basis of preparation and changes in accounting policies**

Basis of Preparation

The unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Changes in Accounting Policies

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2010 and in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except that the Group has in the current period applied, for the first time, the following new and revised HKFRSs:

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards - Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Tax - Deferred Tax: Recovery of Underlying Assets</i> (early adoption)
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Right Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the Group has also adopted *Improvements to HKFRSs 2010\** issued by the HKICPA which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wordings.

\* *Improvements to HKFRSs 2010* contain amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13.

Other than as further explained below regarding the impact of HKAS 12 Amendments and an amendment to HKAS 34 included in *Improvements to HKFRSs 2010*, the adoption of these new and revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

- (a) Early Adoption of Amendments to HKAS 12 *Income Tax – Deferred Tax: Recovery of Underlying Assets*

Amendments to HKAS 12 introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in HKAS 40 *Investment Property* should be determined on the basis that its carrying amount will be recovered through sale. Although the amendments are effective for annual periods beginning on or after 1 January 2012, the Group and its associates have decided to early adopt the amendments in the unaudited interim condensed consolidated financial statements.

As a result of the change in accounting policy arising from amendments to HKAS 12, the Group and its associates now measure any deferred tax liability arising from the fair value changes of their investment properties using tax rate that would apply on recovery of the assets through sale, rather than through use as applied prior to adoption of these amendments. This change in accounting policy has been applied retrospectively and the effects of the early adoption of the above amendments to the Group are summarised as follows:

	<b>2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2010 (Unaudited) HK\$'000
<i>Consolidated income statement for the six months ended 30 June</i>		
Increase in share of profits and losses of associates	<b>17,058</b>	9,639
Decrease in income tax	<u>495</u>	<u>330</u>
Increase in profit for the period attributable to equity holders of the Company	<u><b>17,553</b></u>	<u>9,969</u>
Increase in basic and diluted earnings per share attributable to ordinary equity holders of the Company	<u><b>HK 0.19 cents</b></u>	<u>HK 0.11 cents</u>

	<b>30 June</b> <b>2011</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2010 (Unaudited) HK\$'000	1 January 2010 (Unaudited) HK\$'000
<i>Consolidated statement of financial position at the end of the reporting period</i>			
Increase in investments in associates	<b>87,372</b>	70,314	49,642
Decrease in deferred tax liabilities	<u>3,201</u>	<u>2,706</u>	<u>1,881</u>
Increase in retained profits	<u><b>90,573</b></u>	<u>73,020</u>	<u>51,523</u>

Due to the retrospective application of the amendments which has resulted in the restatement of items in the consolidated statement of financial position, a consolidated statement of financial position as at 1 January 2010, and the related notes affected by the amendments are presented in these unaudited interim condensed consolidated financial statements

(b) Amendment to HKAS 34 *Interim Financial Reporting*

Amendment to HKAS 34 requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in the unaudited interim condensed consolidated financial statements. The respective disclosures requirements have been set out in the unaudited interim condensed consolidated financial statements.

Except for the amendments to HKAS 12 *Income Tax - Deferred Tax: Recovery of Underlying Assets* as explained above, the Group has not early applied any new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements. However, the Group is in the process of making an assessment of the impact of other new and revised HKFRSs, that have been issued but not yet effective, upon initial application. So far, the Group considers that the adoptions of these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 2. Operating segment information

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

- (a) The treasury investment segment which trades and holds debt and equity securities, receives interest and dividend income from the relevant securities investments, and generates interest income from the provision of financing services;
- (b) The property and infrastructure investment segment which invests in properties for rental income and/or for capital appreciation potential, and invests in an associate which holds two tunnels in Hong Kong generating toll revenue. The property investment activities of this segment are carried out by Y. T. Realty Group Limited ("Y. T. Realty"), an associate of the Group, whilst the infrastructure investment activities are carried out through an associate of Y. T. Realty;
- (c) The "Others" segment which consists of trading of scrap metals and other materials, and other investments.

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

Information regarding the Group's reportable segments, together with their related revised comparative information, is presented below:

### For the six months ended 30 June 2011

	Treasury investment (Unaudited) HK\$'000	Property and infrastructure investment (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Reportable segments total (Unaudited) HK\$'000	Adjustments (Note) (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
<b>Segment revenue:</b>						
Revenue	2,464	77,299	-	79,763	( 77,299)	2,464
Other income and gains	10,416	304,153	4,463	319,032	( 304,153)	14,879
Total revenue and gains	12,880	381,452	4,463	398,795	( 381,452)	17,343
<b>Segment profit/(loss) for the period</b>	( 91,968)	363,008	1,944	272,984	( 239,077)	33,907
Corporate and unallocated expenses, net						( 7,373)
Profit for the period						26,534

Note: The activities of the property and infrastructure investment segment are carried out through the Group's associates and therefore, the entire revenue and gains of this reportable segment and its profit for the period not attributable to the Group are adjusted to arrive at the Group's consolidated revenue and gains and consolidated profit for the period.

For the six months ended 30 June 2010

	Treasury investment (Unaudited) HK\$'000	Property and infrastructure investment (Unaudited) HK\$'000 (Restated)	Others (Unaudited) HK\$'000 (Restated)	Reportable segments total (Unaudited) HK\$'000 (Restated)	Adjustments (Note) (Unaudited) HK\$'000 (Restated)	Consolidated (Unaudited) HK\$'000 (Restated)
<b>Segment revenue:</b>						
Revenue	6,731	70,077	-	76,808	( 70,077)	6,731
Other income and gains	<u>13,504</u>	<u>171,310</u>	<u>2,670</u>	<u>187,484</u>	( <u>171,310</u> )	<u>16,174</u>
Total revenue and gains	<u>20,235</u>	<u>241,387</u>	<u>2,670</u>	<u>264,292</u>	( <u>241,387</u> )	<u>22,905</u>
<b>Segment profit/(loss) for the period</b>	<u>( 41,357)</u>	<u>288,360</u>	<u>133</u>	<u>247,136</u>	( 189,915)	57,221
Corporate and unallocated expenses, net						( 8,893)
Profit for the period						<u>48,328</u>

Note: The activities of the property and infrastructure investment segment are carried out through the Group's associates and therefore, the entire revenue and gains of this reportable segment and its profit for the period not attributable to the Group are adjusted to arrive at the Group's consolidated revenue and gains and consolidated profit for the period.

The Group's revenue from each product or service is set out in note 3 below.

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

### 3. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents the aggregate of the net gains/(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 interest income from convertible notes and loans receivable during the period.

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

	<b>Six months ended 30 June</b>	
	<b>2011</b>	<b>2010</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<u>Revenue</u>		
Gains/(losses) on disposal of listed equity investments		
at fair value through profit or loss, net	<b>563</b>	( 842)
Dividend income from listed equity investments		
at fair value through profit or loss	<b>279</b>	6,716
Interest income from convertible notes and loans receivable	<u><b>1,622</b></u>	<u>857</u>
	<u><b>2,464</b></u>	<u>6,731</u>

**Six months ended 30 June**  
**2011**                      **2010**  
**(Unaudited)**              **(Unaudited)**  
**HK\$'000**                      **HK\$'000**

Other income and gains

Gross rental income	451	340
Interest income on bank deposits	22	5
Fair value gains on conversion option derivatives	-	303
Dividend income from available-for-sale investments	10,377	8,390
Fair value gains on investment properties	3,000	2,000
Gain on early redemption of an available-for-sale investment	-	4,763
Gain on disposal of an item of property and equipment	25	-
Others	<u>1,004</u>	<u>373</u>
	<u><u>14,879</u></u>	<u><u>16,174</u></u>

**4. Other expenses**

**Six months ended 30 June**  
**2011**                      **2010**  
**(Unaudited)**              **(Unaudited)**  
**HK\$'000**                      **HK\$'000**

Fair value losses, net:

Listed equity investments at fair value through profit or loss	74,943	34,418
Conversion option derivatives	<u>2,467</u>	<u>-</u>
	<u><u>77,410</u></u>	<u><u>34,418</u></u>

**5. Finance costs**

**Six months ended 30 June**  
**2011**                      **2010**  
**(Unaudited)**              **(Unaudited)**  
**HK\$'000**                      **HK\$'000**

Interest on bank loans	<u>573</u>	<u>277</u>
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**6. Profit before tax**

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

**Six months ended 30 June**  
**2011**                      **2010**  
**(Unaudited)**              **(Unaudited)**  
**HK\$'000**                      **HK\$'000**

Depreciation	<u>1,363</u>	<u>1,914</u>
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# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The economy of Hong Kong continued a robust growth with low unemployment rate and strong domestic consumption during the first half of 2011. Export growth was still strong and the buoyant consumer demand continued to underpin growth. The retail sales market recorded a tremendous growth due to ever-rising visitor arrivals from Mainland China during the period. Inflationary pressure, however, continued to rise in Hong Kong with the latest CPI leaping to above 5%. It had therefore escalated property price as well as rental price for the period. The property investment business of the Group was, therefore, benefited to earn a satisfactory growth in rental income as well as capital value of its properties.

The financial market of Hong Kong was, however, much volatile during the first half of 2011. The stock market was adversely impacted by a chain of negative factors. The Central Government took further measures to curb inflation by raising interest rate and reserve requirement ratio. As a result of tightening monetary policies, the PMI ceased to rise and the worries of China's economic hard-landing spread over the market. On the other hand, the sovereign credit rating of some European countries such as Greece had further been reduced by some international credit rating agencies. Even worse, the fear of Europe's sovereign debt crisis spread to Italy and Spain, causing panic in the global financial markets. In addition, the second round of quantitative easing of the U.S. finished at the end of June without subsidizing a new round. The U.S. economic growth slowed down and the unemployment rate for June climbed up to 9.2 percent which deepened the market worries about the fading of the momentum of the U.S. economic recovery. As the Group's treasury investment highly correlated with the performance of financial market, the performance of its treasury investment for the period was therefore adversely impacted.

### **Property Investment and Infrastructure Business**

#### *Property Investment Business*

The property investment business of the Group was carried out through an associate, Y. T. Realty, the shares of which are traded on the main board of the Stock Exchange. Major investment properties include the whole block of Century Square and Prestige Tower, both situate in the core of Central District and Tsimshatsui respectively.

The investment properties were renovated in prior years with beauty facades to meet the trend of lifestyle hub in Central and Tsimshatsui. It had successfully captured the tremendous growth in retail property market and thereby attracted quality tenants at favorable rent. The increasing number of Mainland tourists visiting Hong Kong contributed significantly to the growth of retail property market. In order to capture the lavish spending from Mainland tourists, many international brands set up or expanded their flagship stores in Hong Kong which pushed rents up quickly. Therefore, the demand for office or retail space was strong particularly in prime location. It enabled the Group's property leasing to flourish with competitive rent. During the period, overall rental rate increased by over 10% and the occupancy rate was at an average of 95%.

During the six months ended 30 June 2011, rental income from investment properties of Y. T. Realty amounted to HK\$73.1 million, representing an increase of 12.2% from the last corresponding period. Revaluation surplus of investment properties of HK\$303.1 million was recorded, representing an increase of HK\$132.2 million from the last corresponding period. The net profit after tax and non-controlling interests of Y. T. Realty was HK\$363.0 million, representing an increase of HK\$74.6 million from the last corresponding period.

### *Infrastructure Business*

The infrastructure business of the Group comprised investments in tunnels, transports and logistic operations. It was carried out 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% equity interests in Western Harbour Tunnel Company Limited and 39.5% equity interests in Tate’s Cairn Tunnel Company Limited, both of which generated a stable stream of toll income. Given a strong domestic consumption during the first half of 2011, the average daily throughput of both Western Harbour Tunnel and Tate’s Cairn Tunnel continued to grow moderately. It resulted in an increased contribution from tunnels operation for the period.

### **Treasury Investment**

The local stock market was volatile during the six months ended 30 June 2011. It was attributable to the uncertainties of external economies, particularly the sovereign debt crisis in Europe which had significantly hit the investors’ confidence. The Group’s treasury investment segment was inevitably affected and recorded an unrealized fair value loss on listed equity investments of HK\$74.9 million for the period.

### **PROSPECT**

Looking ahead, the uncertainties of the global economy will remain in the second half of the year and the lingering of European debt crisis will continue to hit the market confidence. In addition, the economic recovery of the U.S. will be hindered by weak consumer confidence and high unemployment rate. The downgrade of the US’s AAA rating by an international credit agency in early August has shocked the global financial markets with significant adjustment. Therefore, it is expected that the financial market will be more volatile in the second half of the year and the performance of the Group’s treasury investment will inevitably be affected. The Group will work diligently and cautiously to manage the securities portfolio including maintaining a well-diversified portfolio.

On the other hand, Y. T. Realty has successfully attracted quality tenants after the refurbishment of its investment properties during the last year and has achieved a satisfactory growth in rental income. The Group considers that the stable growth of rental income from property investment business together with the steady stream of toll revenue from infrastructure business will continue to strengthen the Group’s operating profit.

The Group is cautious about the economy of Hong Kong which is susceptible to the external economies. The Group will adopt a prudent approach in the treasury management and strive to maintaining sound financial and management capabilities to deal with any upcoming opportunities and challenges.

## **FINANCIAL REVIEW**

### **Comprehensive Income**

The Group recorded a total comprehensive income of HK\$101.5 million for the six months ended 30 June 2011, whereas a total comprehensive loss of HK\$204.8 million was recorded for the last corresponding period. It was mainly attributable to a fair value gain of HK\$76.3 million on available-for-sale investment whereas a fair value loss on available-for-sale investment was HK\$251.7 million for the last corresponding period.

### **Net Asset Value**

As at 30 June 2011, the unaudited consolidated net asset value of the Group was HK\$2,567.8 million and the unaudited consolidated net asset value per share was HK\$0.276.

### **Capital Structure**

The Group's capital expenditure and investments were funded from cash on hand, internal cash generation and bank borrowings.

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

### **Liquidity and Financial Resources**

As at 30 June 2011, the Group's cash, bank balances, short term bank deposits (excluding pledged time deposits) and listed securities investment totaled HK\$303.5 million. The Group maintained the current ratio at 2.7 and net current assets of HK\$205.4 million. The Group had short term bank borrowings of HK\$85.0 million which were denominated in Hong Kong dollars and undrawn short-term banking facilities of approximately HK\$177.0 million.

Taking into account the financial resources available to the Group, including internal resources and committed banking facilities, the Group has sufficient working capital to meet the present requirements.

### **Gearing Ratio**

Gearing ratio of the Group, as measured by dividing the net debt to shareholders' equity, was 2.7%. Net debt includes interest-bearing 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 30 June 2011.

## **Exposure to Fluctuations in Exchange Rates and Related Hedges**

The Group's major sources of income, expenses, major assets and bank deposits were denominated in Hong Kong dollars and U.S. dollars. The Group had certain securities investment denominated in foreign currencies which represented only 3.9% of the Group's net asset value. Hence the Group's exposure to fluctuations in foreign exchange rate is minimal and the Group did not have any related hedging instruments.

## **Charge on Group Assets**

As at 30 June 2011, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK\$68.1 million and time deposits of approximately HK\$9.4 million as securities for general banking facilities granted to the Group.

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

The Group has two significant investments held for long term.

The Group held a substantial equity interest in Y. T. Realty with a carrying value of HK\$1,535.2 million as at 30 June 2011. The profit for the period attributable to equity holders of Y. T. Realty was HK\$363.0 million whereas the Group's share of profits was HK\$123.9 million.

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). As at 30 June 2011, the carrying value of C C Land was stated at fair value of HK\$742.4 million, representing an increase of HK\$76.3 million for the period. This amount of fair value gain was reported as other comprehensive income in the Consolidated Statement of Comprehensive Income and taken to an investment revaluation reserve account of the Group. The Group received a dividend income of HK\$10.2 million from C C Land for the period.

Save as disclosed above, there were no significant investments held, nor material acquisitions and disposals of subsidiaries during the period under review. There is no plan for other material investments or capital assets as at the date of this announcement.

## **Changes since 31 December 2010**

There were no other significant changes in the Group's financial position and from the information disclosed under Management Discussion and Analysis in the 2010 annual report.

## **OPERATIONAL REVIEW**

### **Human Resources**

As at 30 June 2011, the Group employed 44 employees and the related remuneration costs amounted to HK\$14.3 million (2010: HK\$15.2 million).

The Group's remuneration policy is built on the principle of providing performance-oriented and market competitive packages to employees aligned with the Group's goals and objectives. A wide range of benefits including share option scheme, medical coverage, MPF and training subsidies are provided to employees. In addition, some social and recreational activities were arranged by the Staff Club during the period.

There was no material change in respect of the Group's employment and remuneration policies as set out in the 2010 annual report.

## **ADDITIONAL INFORMATION**

### **Corporate Governance**

The Company is committed to achieving and maintaining high standards of corporate governance. Throughout the six months ended 30 June 2011, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

### **Securities Transactions by Directors**

The Company has established the Code for Securities Transactions by Directors of the Company ("Directors Securities Dealings Code") on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules.

Following specific enquiry by the Company, all Directors confirmed that they had, throughout the six months ended 30 June 2011, complied with the Model Code and the Directors Securities Dealings Code.

### **Review of Accounts**

The audit committee of the Company has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2011.

## **INTERIM DIVIDEND**

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2011 (2010: Nil).

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the financial period under review.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The 2011 Interim Results is published on the website of Hong Kong Exchange and Clearing Limited at <http://www.hkexnews.hk> and the Company's website at <http://www.yugang.com.hk>. The 2011 Interim Report will be dispatched to the shareholders and available on the above websites in due course.

## **BOARD OF DIRECTORS**

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

## **APPRECIATION**

On behalf of the Board, I would like to express our gratitude and appreciation to the shareholders for their support and the employees for their contribution to the Group throughout the period.

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

Dated the 26<sup>th</sup> day of August 2011, Hong Kong SAR

*\* For identification only*