YUGANG

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

(incorporated in Bermuda with limited liability)

(Stock code: 613)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board ("Board") of directors ("Directors") of Yugang International Limited ("Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries ("Group") for the six months ended 30 June 2007 together with the unaudited comparative figures (as restated) for the corresponding period in 2006 as follows:

Consolidated Income Statement
For the six months ended 30 June 2007

	Notes	For the six months ended 30 June 2007 (Unaudited) HK$'000	2006 (Unaudited) HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	3	**178,840**	54,889
Cost of sales		**(50,289)**	(19,916)
Gross profit		**128,551**	34,973
Other income and gains	3	**125,450**	93,908
Administrative expenses		**(35,124)**	(33,026)
Other expenses		**-**	(11,644)
Finance costs	4	**(2,558)**	(6,032)
Share of results of:			
A jointly-controlled entity		**-**	(359)
Associates		**66,243**	53,777
PROFIT BEFORE TAX	5	**282,562**	131,597
Tax	6	**(22,247)**	(7,183)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**260,315**	124,414
DISCONTINUED OPERATIONS			
Profit after tax for the period from discontinued operations	7	**-**	13,791
Profit for the period		**260,315**	138,205
ATTRIBUTABLE TO:			
Equity holders of the Company		**260,315**	125,435
Minority interests		**-**	12,770
		260,315	138,205

	Notes	For the six months ended 30 June **2007** **(Unaudited)** **HK$'000**	2006 (Unaudited) HK$'000 (Restated)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic			
- For profit for the period		**2.89HK cents**	1.44HK cents
- For profit from continuing operations		**2.89HK cents**	1.34HK cents
Diluted			
- For profit for the period		**2.81HK cents**	1.36HK cents
- For profit from continuing operations		**2.81HK cents**	1.27HK cents

Consolidated Balance Sheet
30 June 2007

	Notes	**30 June 2007 (Unaudited) HK$'000**	31 December 2006 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**18,231**	16,389
Investment properties		**13,300**	11,700
Prepaid land lease payments		**97,523**	72,934
Interests in associates		**957,728**	899,310
Convertible note		**-**	47,416
Loans receivable		**-**	1,000
Available-for-sale investment		**1,700,864**	1,271,198
Other assets		**12,360**	12,360
Total non-current assets		**2,800,006**	2,332,307
CURRENT ASSETS			
Investments at fair value through profit or loss		**731,340**	731,366
Loans receivable		**126,166**	159,991
Trade debtors	9	**6,453**	7,574
Other debtors, deposits and prepayments		**7,568**	15,662
Prepaid land lease payments		**1,552**	1,347
Pledged time deposits		**9,020**	8,754
Time deposits		**267,348**	119,217
Cash and bank balances		**12,763**	10,786
Total current assets		**1,162,210**	1,054,697
CURRENT LIABILITIES			
Trade creditors	10	**942**	977
Tax payable		**44,642**	22,712
Other payables		**3,080**	3,076
Accrued expenses		**5,774**	21,588
Customers' deposits received		**127**	127
Interest-bearing bank borrowings		**-**	95,000
Convertible note		**25,808**	25,299
Total current liabilities		**80,373**	168,779
NET CURRENT ASSETS		**1,081,837**	885,918
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,881,843**	3,218,225
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,294**	977
Total non-current liabilities		**1,294**	977
Net assets		**3,880,549**	3,217,248
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**90,143**	90,143
Reserves		**2,432,003**	2,029,017
Retained profits		**1,358,403**	1,098,088
Total equity		**3,880,549**	3,217,248

Notes:

1. Basis of preparation and accounting policies

The unaudited consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The accounting policies and methods of computation adopted in the preparation of these unaudited consolidated interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except that the Group has in the current period applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA. The adoption of these new HKFRSs has had no significant impact on the Group's consolidated interim financial statements.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The HKICPA has also issued a number of new and revised HKFRSs which are not yet effective for the current reporting period. The Group has not early adopted these new HKFRSs in these consolidated interim financial statements. The Group expects that the adoption of these new HKFRSs will not have significant impact on the Group's financial statements in the period of initial application.

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
The following tables present revenue and profit information regarding the Group's business segments for the six months ended 30 June 2007 and 2006, respectively.

For the six months ended 30 June 2007

	Continuing operations				Discontinued operations			
	Trading of scrap metals and other materials (Unaudited) HK$'000	**Treasury investment (Unaudited) HK$'000**	**Property and other investments (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**	**Manufacture and sale of packaging products (Unaudited) HK$'000**	**Manufacture and sale of luggage products (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**	**Consolidated (Unaudited) HK$'000**
Segment revenue:								
Revenue from external customers	**52,562**	**126,278**	**-**	**178,840**	**-**	**-**	**-**	**178,840**
Other revenue	**-**	**-**	**13,094**	**13,094**	**-**	**-**	**-**	**13,094**
Total revenue	**52,562**	**126,278**	**13,094**	**191,934**	**-**	**-**	**-**	**191,934**
Segment results	**2**	**211,058**	**14,405**	**225,465**	**-**	**-**	**-**	**225,465**
Unallocated expenses, net				**(10,486)**			**-**	**(10,486)**
Interest income on bank deposits				**3,898**			**-**	**3,898**
Finance costs				**(2,558)**			**-**	**(2,558)**
Share of results of associates	**-**	**-**	**66,243**	**66,243**	**-**	**-**	**-**	**66,243**
Profit before tax				**282,562**			**-**	**282,562**
Tax				**(22,247)**			**-**	**(22,247)**
Profit for the period				**260,315**			**-**	**260,315**

(a) Business segments (continued)

For the six months ended 30 June 2006 (Restated)

	Continuing operations				Discontinued operations			
	Trading of scrap metals and other materials (Unaudited) HK$'000	Treasury investment (Unaudited) HK$'000	Property and other investments (Unaudited) HK$'000	Total (Unaudited) HK$'000	Manufacture and sale of packaging products (Unaudited) HK$'000	Manufacture and sale of luggage products (Unaudited) HK$'000	Total (Unaudited) HK$'000	Consolidated (Unaudited) HK$'000
Segment revenue:								
Revenue from external customers	20,315	34,574	-	54,889	151,900	221,677	373,577	428,466
Other revenue	-	-	1,460	1,460	-	-	-	1,460
Total revenue	20,315	34,574	1,460	56,349	151,900	221,677	373,577	429,926
Segment results	(1,676)	56,309	39,292	93,925	17,838	1,017	18,855	112,780
Unallocated expenses, net				(13,481)			(5,757)	(19,238)
Interest income on bank deposits				3,767			4,281	8,048
Finance costs				(6,032)			(929)	(6,961)
Share of results of:								
A jointly-controlled entity	-	-	(359)	(359)	-	-	-	(359)
Associates	-	-	53,777	53,777	-	-	-	53,777
Profit before tax				131,597			16,450	148,047
Tax				(7,183)			(2,659)	(9,842)
Profit for the period				124,414			13,791	138,205

(b) Geographical segments

The following tables present revenue information regarding the Group's geographical segments for the six months ended 30 June 2007 and 2006, respectively.

	The PRC		North			
		Elsewhere	and South	European		
	Hong Kong	**in the PRC**	**Americas**	**Union**	**Others**	**Consolidated**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
For the six months ended 30 June 2007						
Segment revenue:						
Revenue from external customers	**126,278**	**52,562**	**-**	**-**	**-**	**178,840**
Other revenue	**13,094**	**-**	**-**	**-**	**-**	**13,094**
Revenue from continuing operations	**139,372**	**52,562**	**-**	**-**	**-**	**191,934**
For the six months ended 30 June 2006 (Restated)						
Segment revenue:						
Revenue from external customers	81,261	20,315	192,663	109,378	24,849	428,466
Other revenue	1,460	-	-	-	-	1,460
	82,721	20,315	192,663	109,378	24,849	429,926
Attributable to discontinued operations	(46,687)	-	(192,663)	(109,378)	(24,849)	(373,577)
Revenue from continuing operations	36,034	20,315	-	-	-	56,349

3. Revenue, other income and gains

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after the allowances for returns and trade discounts, gain/(loss) on disposal of trading securities, dividend income from listed investments 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:

	For the six months ended 30 June					
	2007			2006		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Revenue						
Sale of goods	**52,562**	**-**	**52,562**	20,315	373,577	393,892
Gain on disposal of listed equity investments at fair value through profit or loss	**113,788**	**-**	**113,788**	17,996	-	17,996
Dividend income from listed investments	**4,839**	**-**	**4,839**	8,716	-	8,716
Interest income from convertible notes and loans receivable	**7,351**	**-**	**7,351**	7,862	-	7,862
Others	**300**	**-**	**300**	-	-	-
	178,840	**-**	**178,840**	54,889	373,577	428,466

	For the six months ended 30 June					
	2007			2006		
	Continuing operations (Unaudited) HK$'000	**Discontinued operations (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**	Continuing operations (Unaudited) HK$'000	Discontinued operations (Unaudited) HK$'000	Total (Unaudited) HK$'000
Other income and gains						
Exchange gains	**672**	**-**	**672**	199	-	199
Gross rental income	**382**	**-**	**382**	1,460	-	1,460
Interest income on bank deposits	**3,898**	**-**	**3,898**	3,767	4,281	8,048
Gains on disposal of items in property, plant and equipment	**110**	**-**	**110**	68	14	82
Fair value gains, net:						
Investments at fair value through profit or loss	**82,841**	**-**	**82,841**	29,111	-	29,111
Convertible notes	**22,789**	**-**	**22,789**	2,303	-	2,303
Gain on disposal of subsidiaries	**-**	**-**	**-**	36,144	-	36,144
Gain on derecognition of investments at fair value through profit or loss	**-**	**-**	**-**	17,229	-	17,229
Gain arising from redemption of convertible notes	**-**	**-**	**-**	1,333	-	1,333
Dividend income from an available-for-sale investment	**12,712**	**-**	**12,712**	-	-	-
Fair value gains on investment properties	**1,600**	**-**	**1,600**	1,930	-	1,930
Others	**446**	**-**	**446**	364	958	1,322
	125,450	**-**	**125,450**	93,908	5,253	99,161

4. Finance costs

	Group For the six months ended 30 June	
	2007 (Unaudited) HK$'000	2006 (Unaudited) HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within one year	**1,664**	5,312
Interest on a convertible note *(note 8)*	**894**	1,649
	2,558	6,961
Attributable to discontinued operations *(note 7)*	**-**	929
Attributable to continuing operations reported in the consolidated income statement	**2,558**	6,032
	2,558	6,961

5. Profit before tax

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

	Group For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation	**1,272**	6,370
Amortisation on prepaid land lease payments	**739**	1,509
Impairment of goodwill arising from acquisition of associates	**-**	1,900

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Group For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Group:		
Hong Kong		
Charge for the period	**21,930**	9,842
Deferred tax charge	**317**	-
Total tax charge for the period	**22,247**	9,842
Tax charge attributable to discontinued operations *(note 7)*	-	2,659
Tax charge attributable to continuing operations reported in the consolidated income statement	**22,247**	7,183
	22,247	9,842

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

Share of tax attributable to associates amounting to HK$8,227,000 (2006: HK$6,567,000) is included in "Share of results of associates" on the face of the consolidated income statement.

7. Discontinued operations

On 22 September 2006, Marvel Leader Investments Limited ("Marvel") and Thrivetrade Limited ("Thrivetrade") entered into an agreement, pursuant to which Marvel agreed to purchase and Thrivetrade agreed to sell the entire issued share capital of Starthigh International Limited ("Starthigh"). Marvel is a wholly-owned subsidiary of C C Land Holdings Limited ("C C Land") and Starthigh was a wholly-owned subsidiary of Thrivetrade, which was 100% owned by Mr. Cheung Chung Kiu, a Director of the Company. The aggregate value of the consideration for the transaction was approximately HK$3,317,553,000 which was principally satisfied by the issue of C C Land's shares ("Consideration Shares") and the issue of convertible note by C C Land. As a result of the issue of the Consideration Shares upon the completion of the transaction and the subsequent full conversion of the convertible note issued by C C Land, the Company's interest in C C Land was passively diluted from 64.54% to 14.08%, resulting in a deemed disposal of the Group's interest in C C Land. Consequently, C C Land ceased to be a subsidiary of the Group.

Upon completion of the above deemed disposal, the manufacturing and sale of packaging and luggage businesses of C C Land were discontinued and the results of the discontinued operations of C C Land for the period are set out as follows:

		For the six months ended 30 June	
		2007	2006
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
Revenue	3	-	373,577
Cost of sales		-	(326,353)
Gross profit		-	47,224
Other income and gains	3	-	5,253
Administrative and other expenses		-	(35,098)
Finance costs	4	-	(929)
Profit before tax from the discontinued operations		-	16,450
Tax	6	-	(2,659)
Profit after tax for the period from the discontinued operations		-	13,791
Attributable to:			
Equity holders of the Company		-	8,901
Minority interests		-	4,890
		-	13,791

The net cash flows incurred by the discontinued operations of C C Land are as follows:

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Operating activities	-	(10,246)
Investing activities	-	(105)
Financing activities	-	(3,186)
Net cash outflow	-	(13,537)
Earnings per share from the discontinued operations:		
Basic	**N/A**	0.102 HK cents
Diluted	**N/A**	0.095 HK cents

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

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the Company from the discontinued operations	**-**	HK$8,901,000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation *(note 8)*	**N/A**	8,724,321,700
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation *(note 8)*	**N/A**	9,330,114,382

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

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

The calculation of diluted earnings per share amounts is based on the net profit for the period 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 period, 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 per share are based on:

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation		
From continuing operations	**260,315**	116,534
From discontinued operations	**-**	8,901
	260,315	125,435
Interest on a convertible note *(note 4)*	**894**	1,649
Profit attributable to ordinary equity holders of the Company before interest on a convertible note	**261,209**	127,084
Attributable to :		
Continuing operations	**261,209**	118,183
Discontinued operations	**-**	8,901
	261,209	127,084

	Number of shares For the six months ended 30 June	
	2007	2006
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**9,014,321,700**	8,724,321,700
Effect of dilution – weighted average number of ordinary shares:		
Convertible note	**290,955,056**	605,792,682
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**9,305,276,756**	9,330,114,382

9. Trade debtors

The aged analysis of trade debtors at the balance sheet date was as follows:

	Group	
	30 June 2007 (Unaudited) HK$'000	31 December 2006 (Audited) HK$'000
0 - 60 days	**-**	7,574
61 - 120 days	**6,453**	-
	6,453	7,574

10. Trade creditors

The aged analysis of trade creditors at the balance sheet date was as follows:

	Group	
	30 June 2007 (Unaudited) HK$'000	31 December 2006 (Audited) HK$'000
More than 60 days	**942**	977
	942	977

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2007 (2006: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property Investment Business

The Group has substantial property investment in Hong Kong and the PRC. The flagship of Hong Kong market is held through a major associate, Y.T. Realty Group Limited ("Y.T. Realty"), a company the shares of which are listed on the Stock Exchange. Y.T. Realty currently holds Century Square and Prestige Tower, all are commercial buildings located in the core of Central District and Tsimshatsui respectively. Having a favorable rise in rent from tenancy renewal and fresh letting cases, Y.T. Realty recorded a satisfactory growth in rental income for the period under review. The gross rental income of Y.T. Realty for the period was HK$51.1 million, representing an increase of 20.8% from the last corresponding period.

The Group's investments in the PRC property market are held indirectly through its 14.08% investment in C C Land, a company the shares of which are listed on the Stock Exchange. C C Land is principally engaged in property development business in the Western China and focuses on mid to high-end properties development in Chengdu and Chongqing, the PRC. The projects under planning include luxury hotels, investment grade shopping malls and offices, and residential properties etc.

Infrastructure Business

The Group has substantial interest in The Cross-Harbour (Holdings) Ltd ("Cross Harbour") which is held through Y.T. Realty. Cross Harbour is a company the shares of which are listed on the Stock Exchange. Cross Harbour currently owns significant interests in the Western Harbour Tunnel Limited. During the period under review, the toll revenue of tunnel operation increased satisfactorily due to the rising of daily traffic throughput of the Western Harbour Tunnel by 10% to about 46,900 vehicles journeys. The net profit after tax and minority interests of Cross Harbour was HK$108.0 million for the period, representing an increase of 26.5% from the last corresponding period.

Treasury Investment

The treasury investment of the Group recorded a favorable return, being benefited by satisfactory performance of financial market for the first half of 2007. The Group's segmental result of the treasury investment was up 275% to HK$211.1 million from the last corresponding period.

PRC Trading Business

The turnover of PRC trading was HK$52.6 million for the period, representing an increase of HK$32.3 million or 159% from the last corresponding period. The Group has slightly increased its resources in the PRC trading business when an increasing demand for metal commodities was noted during the period.

PROSPECT

The Group remains cautiously optimistic about the economic development of Hong Kong SAR. With the extension measures of Qualified Domestic Institutional Investors (QDII) and an increasing infrastructural links between Hong Kong SAR and Mainland China, it will bring further economic growth to Hong Kong SAR. Local consumer confidence will be strengthened and a wider spectrum of business segments such as finance and properties, trading, retails, infrastructure and logistic, where the Group has participation will overall be benefited.

The Group is well prepared to capture any emerging opportunity for any strategic acquisitions that will broaden the Group's asset base with steady income stream. It has been the Group's established policy for corporate development and its key focus on maintaining growth with sound financial and management capabilities.

FINANCIAL REVIEW

Financial performance

During the six months ended 30 June 2007, the Group's revenue increased significantly by 226% to HK$178.8 million. Profit attributable to equity shareholders of the Company recorded an increase of 107.5% to HK$260.3 million. Earnings per share increased by 100.7% to HK2.89 cents.

As the Group's percentage of interest in C C Land has been reduced to below 20% since November last year, details of which was set out in the Chairman's Statement of 2006 annual report, the Group ceased to consolidate the operating results of C C Land and discontinued the operations of packaging and luggage businesses thereafter. The Group has re-presented the consolidated income statement for the six months ended 30 June 2006 to reflect the results of continuing operations and discontinued operations.

Financial Position, Liquidity and Financial Resources

As at 30 June 2007, the Group had a high level of liquid assets including cash and cash equivalents of HK$280.1 million and investment securities of HK$731.3 million totaling HK$1,011.4 million, representing HK$0.112 per ordinary share and 26.1% of the consolidated net asset value. The Group maintained a very strong liquidity position as indicated by a high current ratio of 14.5 and a low gearing ratio of 0.03%, which is defined as long-term liabilities to shareholders' equity. In addition, the Group obtained sufficient banking facilities to meet the foreseeable funding needs for working capital and capital expenditure.

As at 30 June 2007, the Group did not have any bank borrowings or material contingent liabilities.

As at 30 June 2007, total assets of the Group increased to HK$3,962.2 million whereas total liabilities of the Group decreased to HK$81.7 million. The equity attributable to the Company's shareholders was HK$3,880.5 million, representing an increase of 77.7% from the last corresponding balance sheet date of 30 June 2006. The Group's tangible net asset value per share was HK$0.43 as at 30 June 2007 (HK$0.25 as at 30 June 2006), up 72%.

Capital Structure

The Company has a convertible note with an outstanding principal amount of HK$25,895,000 as at 30 June 2007. The holder of the convertible note is entitled to exercise the conversion rights attaching to the convertible note at the conversion price of HK$0.089 per share during the period from 1 August 2006 to 31 July 2007. On 31 July 2007, the rights attaching to the convertible note was fully exercised, resulting in a new issue of 290,955,056 ordinary shares of the Company.

Exchange Risk

Except that the Group's securities investment was denominated in foreign currencies which representing approximately 4.4% of the Group's net asset, the Group's major sources of income, expenses, sales and purchases of goods, major assets and bank deposits were denominated in Hong Kong dollars and US dollars. Hence the Group's foreign exchange risk is insignificant.

Pledge of Assets

As at 30 June 2007, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK$57,848,000 and time deposits of approximately HK$9,020,000 as securities for general banking facilities granted to the Group.

Human Resources Practices

The Group's total number of employees was 37 as at 30 June 2007.

The human resources practices of the Company are oriented to attract, retain and motivate high caliber employees to perform at the highest level to attaining 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 of remuneration and links to individual contribution 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.

Significant Investments

As at 30 June 2007, the Group owned significant investment in C C Land which was regarded as an available-for-sale investment with a fair value of HK$1,700.9 million whereas Y. T. Realty was regarded as a long-term strategic investment with a carrying value of HK$957.7 million.

CORPORATE GOVERNANCE

The Board is committed to maintaining good corporate governance. Throughout the accounting period for the six months ended 30 June 2007, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules.

On 26 July 2007, Mr. Wong Wai Kwong David ("Mr. Wong") resigned as an independent non-executive Director and a member of the audit committee of the Company ("Audit Committee"). After Mr. Wong's resignation, the number and qualification of independent non-executive Director and the composition of the Audit Committee failed to meet the requirements under the Listing Rules.

On 10 September 2007, the Board appointed Mr. Luk Yu King, James ("Mr. Luk") as an independent non-executive Director and a member of the Audit Committee. Upon the appointment of Mr. Luk, the number and qualification of independent non-executive Directors and the composition of the Audit Committee met the requirements under Rules 3.10 and 3.21 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Following specific enquiry by the Company, all Directors have confirmed that they have, throughout the six months ended 30 June 2007, complied with the required standard set out in the Model Code and the Directors Securities Dealings Code.

AUDIT COMMITTEE

Pursuant to 3.21 of the Listing Rules, the Company has established an Audit Committee comprising all non-executive Directors. The Audit Committee has discussed with the management and the external auditors on the accounting principles and policies adopted by the Company, and has reviewed the Company's interim financial statements for the six months ended 30 June 2007.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the six months ended 30 June 2007.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is available for viewing on the website of the Hong Kong Exchange Clearing Limited (http://www.hkex.com.hk) and the website of the Company (http://www.yugang.com.hk). The 2007 Interim Report will be dispatched to the shareholders and available on the above websites 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 diligent and dedication throughout the period.

By order of the Board
Yugang International Limited
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 is Mr. Carmelo Lee Ka Sze; the independent non-executive Directors are Mr. Wong Yat Fai, Mr. Ng Kwok Fu and Mr. Luk Yu King James.

Hong Kong, 14 September 2007

* *For identification purpose only*