YUGANG

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

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

ANNOUNCEMENT OF 2008 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 (collectively the "Group") for the six months ended 30 June 2008 together with the unaudited comparative figures for the corresponding period in 2007 as follows:

Consolidated Income Statement
For the six months ended 30 June 2008

	Notes	For the six months ended 30 June 2008 (Unaudited) HK$'000	2007 (Unaudited) HK$'000
REVENUE	3	**6,663**	178,840
Cost of sales		**(2,304)**	(50,289)
Gross profit		**4,359**	128,551
Other income and gains	3	**20,073**	125,450
Administrative expenses		**(41,771)**	(35,124)
Other expenses	4	**(332,080)**	-
Finance costs	5	**(465)**	(2,558)
Share of results of associates		**37,926**	66,243
PROFIT / (LOSS) BEFORE TAX	6	**(311,958)**	282,562
Tax	7	**(881)**	(22,247)
PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(312,839)**	260,315
EARNINGS / (LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic		**(3.36) HK cents**	2.89 HK cents
Diluted		**N/A**	2.81 HK cents

Consolidated Balance Sheet
30 June 2008

	Notes	**30 June 2008 (Unaudited) HK$'000**	31 December 2007 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**17,535**	18,651
Investment properties		**21,000**	15,300
Prepaid land lease payments		**96,117**	96,943
Interests in associates		**1,049,730**	1,019,915
Loans receivable		**1,000**	1,000
Available-for-sale investments		**1,267,663**	2,916,046
Other assets		**12,360**	12,360
Total non-current assets		**2,465,405**	4,080,215
CURRENT ASSETS			
Equity investments at fair value through profit or loss		**546,008**	756,882
Loans receivable		**1,000**	102,729
Trade debtors	9	**4,418**	5,127
Other debtors, deposits and prepayments		**4,371**	18,419
Prepaid land lease payments		**1,554**	1,554
Pledged time deposits		**9,314**	9,206
Time deposits		**45,424**	50,243
Cash and bank balances		**63,834**	132,595
Total current assets		**675,923**	1,076,755
CURRENT LIABILITIES			
Trade creditors	10	**1,121**	1,046
Tax payable		**31,708**	31,708
Other payables		**3,341**	3,995
Accrued expenses		**5,271**	20,139
Customers' deposits received		**148**	348
Total current liabilities		**41,589**	57,236
NET CURRENT ASSETS		**634,334**	1,019,519
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,099,739**	5,099,734
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,509**	1,628
Net assets		**3,097,230**	5,098,106
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**93,053**	93,053
Reserves		**1,981,562**	3,669,599
Retained profits		**1,022,615**	1,335,454
Total equity		**3,097,230**	5,098,106

Notes:

1. Basis of preparation and accounting policies

The unaudited interim consolidated 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 interim consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2007 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, except that the Group has in the current period applied, for the first time, the following new HKFRS. The adoption of this new HKFRS has no significant impact on the Group’s unaudited interim consolidated financial statements.

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The HKICPA also issued a number of new and revised HKFRSs which has not yet been effective for the current reporting period. The Group has not early adopted those new HKFRSs in these unaudited interim consolidated financial statements. The Group expects that the adoption of those new HKFRSs will not have any 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/(loss) information regarding the Group's business segments for the six months ended 30 June 2008 and 2007 respectively.

For the six months ended 30 June 2008

	Trading of scrap metals and other materials (Unaudited) HK$'000	Treasury investment (Unaudited) HK$'000	Property and other investments (Unaudited) HK$'000	Consolidated (Unaudited) HK$'000
Segment revenue:				
Revenue from external customers	**2,350**	**4,313**	**-**	**6,663**
Other revenue	**-**	**-**	**13,270**	**13,270**
Total revenue	**2,350**	**4,313**	**13,270**	**19,933**
Segment results	**(2,016)**	**(357,405)**	**18,609**	**(340,812)**
Unallocated expenses, net				**(9,511)**
Interest income on bank deposits				**904**
Finance costs				**(465)**
Share of results of associates	**-**	**-**	**37,926**	**37,926**
Loss before tax				**(311,958)**
Tax				**(881)**
Loss for the period				**(312,839)**

For the six months ended 30 June 2007

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

(b) Geographical segments

The following tables present revenue information regarding the Group's geographical segments for the six months ended 30 June 2008 and 2007 respectively.

	The PRC			
	Hong Kong (Unaudited) HK$'000	Elsewhere in the PRC (Unaudited) HK$'000	Others (Unaudited) HK$'000	Consolidated (Unaudited) HK$'000
For the six months ended 30 June 2008				
Segment revenue:				
Revenue from external customers	**4,313**	**2,350**	**-**	**6,663**
Other revenue	**13,156**	**-**	**114**	**13,270**
Total revenue	**17,469**	**2,350**	**114**	**19,933**
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
Total revenue	139,372	52,562	-	191,934

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 listed equity investments, 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	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue		
Sales of goods	**2,350**	52,562
Gain/(loss) on disposal of listed equity investments at fair value through profit or loss	**(4,576)**	113,788
Dividend income from listed investments	**6,372**	4,839
Interest income from convertible notes and loans receivable	**2,517**	7,351
Others	**-**	300
	6,663	178,840
Other income and gains		
Exchange gains, net	**-**	672
Gross rental income	**444**	382
Interest income on bank deposits	**904**	3,898
Gain on disposal of items of property, plant and equipment	**-**	110
Fair value gains, net:		
Equity investments at fair value through profit or loss	**-**	82,841
Convertible notes	**-**	22,789
Dividend income from available-for-sale investments	**12,826**	12,712
Fair value gains on investment properties	**5,700**	1,600
Others	**199**	446
	20,073	125,450

4. Other expenses

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Fair value losses on equity investments at fair value through profit or loss, net	**331,979**	-
Exchange losses, net	**101**	-
	332,080	-

5. Finance costs

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans and overdrafts	**465**	1,664
Interest on a convertible note (*note 8*)	**-**	894
	465	2,558

6. Profit/(loss) before tax

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

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**2,304**	50,289
Depreciation	**1,230**	1,272
Amortisation on prepaid land lease payments	**826**	739

7. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

	For the six months ended 30 June	
	2008	**2007**
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Group:		
Hong Kong		
Charge for the period	**-**	21,930
Deferred tax charge	**881**	317
Total tax charge for the period	**881**	22,247

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

Share of tax attributable to associates amounting to HK$5,477,000 (2007: HK$8,227,000) is included in "Share of results of associates" on the face of the consolidated income statement.

8. 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 profit/(loss) for the period attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

A dilutive loss per share amount for the period ended 30 June 2008 has not been disclosed as there is no diluting events existed during the period.

The calculation of diluted earnings per share amount for the period ended 30 June 2007 is based on the profit for that 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 that 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/(loss) per share are based on:

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	**(312,839)**	260,315
Interest on a convertible note (*note 5*)	**-**	894
Profit/(loss) attributable to ordinary equity holders of the Company before interest on a convertible note	**(312,839)**	261,209

	Number of shares For the six months ended 30 June	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**9,305,276,756**	9,014,321,700
Effect of dilution – weighted average number of ordinary shares:		
Convertible note	**-**	290,955,056
Weighted average number of ordinary shares in issue during the period used in the diluted earnings/(loss) per share calculation	**9,305,276,756**	9,305,276,756

9. Trade debtors

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

	Group	
	30 June 2008	31 December 2007
	(Unaudited)	(Audited)
	HK$'000	HK$'000
0 - 30 days	**-**	343
More than 30 days	**4,418**	4,784
	4,418	5,127

10. Trade creditors

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

	Group	
	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
More than 60 days	**1,121**	1,046

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2008 (2007: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2008, the economy of Hong Kong was surrendered by various uncertainties including the U.S. sub-prime mortgage crisis and the subsequent liquidity issue in the finance sector, the exorbitant oil prices and macro economic controls in Mainland China. Local stock market sentiment and investor confidence were substantially eroded as Hang Seng Index fell by approximately 11,500 points from its historical high of around 32,000 in October 2007 to the lowest of approximately 20,500 in March 2008. The Group's treasury investment was adversely affected to record a substantial unrealized loss on listed securities investment for the six months ended 30 June 2008. However, benefited by strong consumer spending of local market, the Group's other business segments including property investment and infrastructure investment continued to perform satisfactorily during the period.

Property Investment Business

Major investment properties of the Group are held by an associate of the Group, Y.T. Realty Group Limited ("Y.T. Realty"), the shares of which are listed on the main board of the Stock Exchange. The core properties include Century Square and Prestige Tower which situate in the core of Central District and Tsimshatsui, collectively received rental income of HK$55.1 million for the six months ended 30 June 2008, representing an increase of 8.0% from the last corresponding period. These properties were repackaged in prior years to predominantly commercial and retail to meet the trend of lifestyle hub in Central and Tsimshatsui. The property repositioning strategy successfully enhanced the property value, increased the rental income and decreased the vacancy rate. The capital appreciation of the properties for the period was HK$121.3 million, indicating our strength in property value enhancement.

The net profit after tax and minority interests of Y.T. Realty for the period was HK$213.8 million, representing an increase of HK$44.1 million or 26% from the last corresponding period.

Infrastructure Business
The Group's infrastructure business was carried on indirectly through The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), the shares of which are listed on the main board of the Stock Exchange. Cross-Harbour currently holds a substantial equity interest in Western Harbour Tunnel Company Limited, which continuously generates a steady stream of toll revenue. The net profit after tax and minority interests of Cross-Harbour for the period was HK$170.2 million, representing an increase of HK$62.2 million or 57.6% from the last corresponding period.

Treasury Investment
The Group's securities investment under the treasury investment segment was primarily held for medium to long term and the volatility of stock market might inevitably affect the unrealized gain or loss of the Group. Since 2006, the treasury investment business of the Group had performed very well due to the booming of local stock market and thereby recorded substantial unrealized gain on the listed securities investment for both the financial year of 2006 and 2007. However, due to the volatility of local stock market during the first half of 2008, the Group's treasury investment segment was adversely impacted to record a loss of HK$357.4 million for the period including an unrealized loss of HK$332.0 million on the listed securities investment.

PROSPECT

It is anticipated that global credit market will remain tight and US economy might fall into recession, the effect of which may eventually be spread to Asia including Hong Kong and Mainland China. Given the economic uncertainty and volatility of the stock market, the Group will adopt a cautious and conservative approach in managing its treasury investment.

On the other hand, the constant generation of rental incomes from property investment business and toll revenue derived from the infrastructure business will continuously provide a steady contribution to the Group's operating profit.

Looking ahead, global economic uncertainties will persistently erode the investor confidence and market sentiment. The Group will constantly adhere to maintaining sound financial management in dealing with the upcoming challenges. Benefited by the Group's strong liquidity and financial resources, the future economic uncertainty may offer good opportunity of expansion through project investment or strategic equity acquisition.

FINANCIAL REVIEW

The Group's revenue for the period was HK$6.7 million, representing a significant decrease of HK$172.1 million or 96.3% from the last corresponding period. It was mainly attributable to a loss on disposal of securities investment of HK$4.6 million as compared with a gain of HK$113.8 million in the last corresponding period.

The Group recorded a loss attributable to equity shareholders of the Company of HK$312.8 million for the six months ended 30 June 2008, as compared with the net profit of HK$260.3 million in the last corresponding period. Basic loss per share was 3.36 HK cents, whereas basic earnings per share of 2.89 HK cents were recorded for the last corresponding period.

As at 30 June 2008, the consolidated net asset value of the Group was HK$3,097.2 million and the consolidated net asset value per share was HK$0.333. The Group's total assets and total liabilities were HK$3,141.3 million and HK$44.1 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group had a high level of liquid assets including cash and cash equivalents of HK$109.3 million and securities investment of HK$546 million totaling HK$655.3 million, representing HK$0.07 per ordinary share and 21.2% of the consolidated net asset value. The Group maintained a very strong liquidity position as indicated by a high current ratio of 16.3. In addition, the Group had obtained sufficient banking facilities to meet the future funding needs including working capital and capital expenditure.

As at 30 June 2008, the Group did not have any bank borrowings and therefore, the gearing level is negligible. The Group did not have any material contingent liabilities.

EXCHANGE RISK

Except certain securities investment was denominated in foreign currencies which represented approximately 5.1% 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 exposure to foreign exchange risk is insignificant.

PLEDGE OF ASSETS

As at 30 June 2008, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK$66.1 million and time deposits of approximately HK$9.3 million as securities for general banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICY

The Group employed a total of 40 staffs as at 30 June 2008. Employees' remuneration and remuneration policies were substantially the same as disclosed in the 2007 Annual Report without significant changes.

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

SIGNIFICANT INVESTMENTS

The Group's equity investment in C C Land Holdings Limited ("C C Land", the shares of which are listed in the Stock Exchange) was classified as an available-for-sale investment and stated at fair value of HK$1,233.1 million as at 30 June 2008 and recorded a fair value loss of HK$1,655.1 million for the period. Such loss was recorded in an equity reserve account and hence, significantly decreased the shareholders' equity of the Group by 32.5 per cent. The Group received a dividend income of HK$12.7 million from C C Land for the period.

The Group maintained its strategic investment in equity interests of Y.T. Realty with a carrying value of HK$1,049.7 million as at 30 June 2008. The net profit after tax and minority interests of Y.T. Realty for the period was HK$213.8 million.

CORPORATE GOVERNANCE

The Board is committed to high standards of corporate governance. Throughout the accounting period for the six months ended 30 June 2008, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules..

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Code for Securities Transactions by Directors of the Company (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 of the Listing Rules.

Following specific enquiry by the Company, all Directors confirmed that they had, throughout the six months ended 30 June 2008, complied with the required standard set out in the Model Code and the Securities Dealings Code.

AUDIT COMMITTEE

The Company established the audit committee in compliance with Rule 3.21 of the Listing Rules. The audit committee had discussed with the management and the external auditors on the accounting standards, principles and policies adopted by the Group, considered and reviewed the Company's unaudited interim financial statements for the six months ended 30 June 2008**.**

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's shares during the six months ended 30 June, 2008.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is available for viewing on the website of Hong Kong Exchange and Clearing Limited (http://www.hkex.com.hk) and the website of the Company (http://www.yugang.com.hk). The 2008 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 express our gratitude and appreciation to the 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 are Mr. Cheung Chung Kiu, Mr. Yuen Wing Shing, Mr. Zhang Qing Xin, Mr. Lam Hiu Lo and Mr. Liang Kang; the non-executive Directors are Mr. Carmelo Lee Ka Sze and Mr. Wong Yat Fai; the independent non-executive Directors are Mr. Luk Yu King, James, Mr. Ng Kwok Fu and Mr. Leung Yu Ming, Steven.

Dated the 12th day of September 2008, Hong Kong SAR

* *For identification only*