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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)

2010 INTERIM RESULTS

The board of directors (the "Board") 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 2010 together with the unaudited comparative figures for the corresponding period in 2009 as follows:

Consolidated Income Statement
For the six months ended 30 June 2010

	Notes	**Six months ended 30 June** **2010** **(Unaudited)** **HK$'000**	2009 (Unaudited) HK$'000
REVENUE	3	**6,731**	111,870
Other income and gains	3	**16,174**	64,182
Administrative expenses		**(38,323)**	(45,797)
Other expenses	4	**(34,418)**	-
Finance costs	5	**(277)**	(369)
Share of profits and losses of associates		**88,806**	82,517
PROFIT BEFORE TAX	6	**38,693**	212,403
Income tax	7	**(334)**	(37)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**38,359**	212,366
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	**HK0.41 cents**	HK2.28 cents

Details of dividend are disclosed in note 8.

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**38,359**	212,366
OTHER COMPREHENSIVE INCOME/(LOSS)		
Changes in fair value of available-for-sale investments	**(251,672)**	785,600
Share of other comprehensive income/(loss) of associates	**(1,490)**	3,344
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(253,162)**	788,944
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**(214,803)**	1,001,310

Consolidated Statement of Financial Position
30 June 2010

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000 (Restated)
NON-CURRENT ASSETS		
Property and equipment	**78,355**	77,284
Investment properties	**20,000**	18,000
Interests in associates	**1,243,196**	1,162,706
Convertible notes receivable – loan portion	**6,851**	6,013
Available-for-sale investments	**672,887**	926,603
Other assets	**360**	360
Total non-current assets	**2,021,649**	2,190,966
CURRENT ASSETS		
Listed equity investments at fair value through profit or loss	**298,751**	309,051
Conversion option derivative	**7,023**	6,720
Loan receivable	**-**	1,000
Prepayments, deposits and other receivables	**7,097**	3,086
Pledged time deposits	**9,379**	9,341
Time deposits	**1,791**	1,784
Cash and bank balances	**35,240**	130,000
Total current assets	**359,281**	460,982
CURRENT LIABILITIES		
Tax payable	**29,463**	29,463
Other payables and accruals	**9,004**	21,942
Interest-bearing bank loans	**35,000**	60,000
Total current liabilities	**73,467**	111,405
NET CURRENT ASSETS	**285,814**	349,577
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,307,463**	2,540,543
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**2,357**	2,023
Net assets	**2,305,106**	2,538,520
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**93,053**	93,053
Reserves	**2,212,053**	2,445,467
Total equity	**2,305,106**	2,538,520

Notes:

1. Basis of preparation and changes in accounting policies

The unaudited condensed consolidated interim 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").

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed 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 2009 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 and revised HKFRSs:

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary*
HK Interpretation 4 (Revised in December 2009)	*Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases*

Apart from the above, the Group has also adopted *Improvements to HKFRSs** 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* contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The adoption of these new interpretations and amendments has had no significant financial effect on these unaudited condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated interim financial statements, except for the followings:

(a) HKAS 17 Amendments *Leases – Classification of Leases of Land and Building*

HKAS 17 Amendments delete specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Prepaid land lease payment" and amortised over the lease term.

HKAS 17 Amendments have been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating leases to finance leases.

The accounting for land interest classified as finance lease is as below:

- If the property interest is held for own use, that land interest is accounted for as property and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of asset and the lease term.

- If the property interest is held to earn rentals and/or for capital appreciation, that land is accounted for as investment property and carried at fair value.

Accordingly, the comparative amounts for the six months ended 30 June 2009 and as at 31 December 2009 have been restated and the effects of the adoption of this amendment are as below:

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000 (Restated)
Decrease in prepaid land lease payments	(63,182)	(63,827)
Increase in property and equipment	63,182	63,827

	Six months ended 30 June	
	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000 (Restated)
Decrease in amortisation of prepaid land lease payments	(645)	(647)
Increase in depreciation	645	647

(b) HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by HKAS 27 (Revised) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The changes in accounting policy resulted from the adoption of HKAS 27 (Revised) was applied prospectively.

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative* HKFRS 7 *Disclosures for First-time Adopters* [2]
HKFRS 9	*Financial Instruments* [4]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

1 Effective for annual periods beginning on or after 1 February 2010

2 Effective for annual periods beginning on or after 1 July 2010

3 Effective for annual periods beginning on or after 1 January 2011

4 Effective for annual periods beginning on or after 1 January 2013

In addition, improvements to HKFRSs were issued in May 2010 by the HKICPA which contains amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13. Except for the amendments to HKFRS 3 and HKAS 27 which are effective for annual periods beginning on or after 1 July 2010, other amendments are effective for annual periods beginning on or after 1 January 2011 although there is separate transitional provision for each standard or interpretation.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 9 may result in a change in accounting policy, 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 trades and holds debt and equity securities, receives interest and dividend income from the relevant securities investments and interest income from the provision of financing services.

(b) The property and infrastructure investment segment 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 consists of the trading of scrap metals and other materials, and other investments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

For the six months ended 30 June 2010

	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
Segment revenue:						
Revenue	**6,731**	**70,077**	**-**	**76,808**	**(70,077)**	**6,731**
Other income and gains	**13,504**	**171,310**	**2,670**	**187,484**	**(171,310)**	**16,174**
Total revenue and gains	**20,235**	**241,387**	**2,670**	**264,292**	**(241,387)**	**22,905**
Segment profit/(loss) for the period	**(41,357)**	**260,125**	**(197)**	**218,571**	**(171,319)**	**47,252**
Corporate and unallocated expenses						**(8,893)**
Profit for the period						**38,359**

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 2009

	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
Segment revenue:						
Revenue	111,870	66,331	-	178,201	(66,331)	111,870
Other income and gains	62,865	147,723	1,317	211,905	(147,723)	64,182
Total revenue and gains	174,735	214,054	1,317	390,106	(214,054)	176,052
Segment profit/(loss) for the period	140,983	241,701	(1,232)	381,452	(159,184)	222,268
Corporate and unallocated expenses						(9,902)
Profit for the period						212,366

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:

	Six months ended 30 June	
	2010 (Unaudited) HK$'000	2009 (Unaudited) HK$'000
Revenue		
Gains/(losses) on disposal of listed equity investments at fair value through profit or loss, net	**(842)**	72,522
Dividend income from listed equity investments at fair value through profit or loss	**6,716**	37,384
Interest income from convertible notes and loans receivable	**857**	1,964
	6,731	111,870

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Other income and gains		
Gross rental income	**340**	466
Interest income on bank deposits	**5**	10
Fair value gains, net:		
Listed equity investments at fair value through profit or loss	**-**	55,126
Conversion option derivative	**303**	2,529
Dividend income from available-for-sale investments	**8,390**	5,200
Fair value gains on investment properties	**2,000**	-
Gain on redemption of an available-for-sale investment	**4,763**	-
Others	**373**	851
	16,174	64,182

4. Other expenses

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Fair value losses on listed equity investments at fair value through profit or loss, net	**34,418**	-

5. Finance costs

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans	**277**	369

6. Profit before tax

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

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
		(Restated)
Depreciation	**1,914**	1,735

7. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Hong Kong		
Deferred tax charge	**334**	37

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

Share of tax attributable to associates amounting to HK$12,101,000 (2009: HK$10,513,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

8. Dividend

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2010 (2009: Nil).

During the six months ended 30 June 2010, a final dividend of HK$0.002 per share for the year ended 31 December 2009, amounting to approximately HK$18,611,000 (2009: Nil) was declared and paid to the shareholders.

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

The calculation of basic earnings per share amounts is based on the 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.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2010 and 30 June 2009 as the Group had no potentially dilutive ordinary shares in issue during these periods.

The calculation of basic and diluted earnings per share is based on:

	Six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation	**38,359**	212,366

	Number of shares	
	Six months ended 30 June	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**9,305,276,756**	9,305,276,756

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2010, the economy of Hong Kong continued to improve and both consumer confidence and retail sales activities revealed encouraging signs of improvement. The property market in Hong Kong went through a strong rally in both transaction volume and selling price notwithstanding Hong Kong Government has introduced measures to regulate and promote the transparency of property transactions.

However, in order to prevent the overheating of the economy of Mainland China, the Central Government implemented certain measures to rein in economic growth or potential asset bubbles, such as increasing the deposit reserve ratio for banks and transforming the loose monetary policy to a moderately loose one. The Central Government also implemented austerity programs to curb speculation in the property sector. With the emergence of turbulence in the Euro-zone economies together with the rising fiscal deficits of several European Union member states such as Greece, Spain and Portugal which jeopardized their sovereign credit ratings and casted doubts into the prospect of European and global economic recovery, the stock market in Hong Kong had undergone an adjustment and consolidation during the period under review. The Group's overall performance was therefore affected by the negative performance of treasury investment segment for the period.

Property Investment and Infrastructure Business

Property Investment Business

Major investment properties of the Group are held through Y. T. Realty, an associate of the Group and the shares of which are listed on the main board of the Stock Exchange. The major property investments of the Group include the whole block of Century Square and Prestige Tower, both situate in the core of Central District and Tsimshatsui respectively. These properties had been renovated to focus mainly on the tenant base of commercial and retail to meet the trend of lifestyle hub in Central and Tsimshatsui and thereby successfully attracted numbers of quality tenants. The average rental rates were increased for the period and the occupancy rate was around 95% as at the end of June 2010. Rental income for the six months ended 30 June 2010 amounted to HK$65.2 million, representing an increase of 8.3% from the last corresponding period.

The profit for the period attributable to equity holders of Y. T. Realty was HK$260.1 million, representing an increase of HK$18.4 million from the last corresponding period. It was mainly attributable to an increase of revaluation surplus of investment properties over the last corresponding period.

Infrastructure Business

Major assets of infrastructure business are held through The Cross-Harbour Holdings Limited ("Cross-Harbour", an associate of Y.T. Realty and the shares of which are listed on the main board of the Stock Exchange). Principal assets of Cross-Harbour include substantial interests in Western Harbour Tunnel and Tate's Cairn Tunnel, both of which generate a stable stream of toll income.

During the first half of 2010, the average daily throughput of Western Harbour Tunnel recorded 14% growth over the last corresponding period whereas the growth of the average daily throughput of Tate's Cairn Tunnel was 4%. The profit for the period attributable to equity holders of Cross-Harbour was HK$165.4 million, representing a decrease of HK$10.9 million from the last corresponding period. It was mainly attributable to a decrease of profit contribution from treasury investment when compared with the last corresponding period.

Treasury Investment

Local stock market had taken an adjustment and consolidation during the first half of 2010 due to the implementation of fiscal policies to tighten excess liquidity and discourage property speculation by the Central Government and the occurrence of debt crisis of several countries in Europe. The volatility of stock market therefore affected the performance of the treasury investment segment which recorded a net loss of HK$41.4 million for the period, as compared with a net gain of HK$141.0 million for the last corresponding period.

PROSPECT

The recent release of weak economic indicators by the United States and Mainland China revealed a sign of decreased momentum in the economic recovery for both countries. The global economy still faces uncertainties and many challenges still lie ahead for a full economic recovery. The stock market may remain volatile in the second half of 2010. The Group will work diligently towards maintaining a well-diversified portfolio to minimize the fluctuation in the performance of treasury investment segment.

On the other hand, Y.T. Realty has successfully attracted and retained quality tenants by upgrading its investment properties and recorded a satisfactory result in the leasing performance. The stable growth of rental incomes from property investment business together with the steady stream of toll revenue from infrastructure business will continuously strengthen the contribution to the Group's operating profit.

Although the Group is optimistic about the economic outlook of Hong Kong in the near term, we will adhere to keep a cautious mind and strive to maintaining sound financial and management capabilities to deal with any upcoming opportunities and challenges.

FINANCIAL REVIEW

Net Asset Value

As at 30 June 2010, the unaudited consolidated net asset value of the Group was HK$2,305.1 million and the unaudited consolidated net asset value per share was HK$0.248.

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 2010, the Group's cash, bank balances, short term bank deposits (excluding pledged time deposits) and listed securities investment totalled HK$335.8 million. The Group maintained the current ratio at 4.9 and net current assets of HK$285.8 million. The Group had short term bank borrowings of HK$35.0 million which were denominated in Hong Kong dollars and undrawn short-term banking facilities of approximately HK$227.0 million.

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

Gearing Ratio

Gearing ratio of the Group, as measured by dividing the net debt to shareholders' equity, was 0.3%. 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 2010.

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 US dollars. The Group had certain securities investment denominated in foreign currencies which represented only 3.5% 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 2010, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK$63.1 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$1,243.2 million as at 30 June 2010. The profit for the period attributable to equity holders of Y.T. Realty was HK$260.1 million whereas the Group's share of profits was HK$88.8 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 2010, the carrying value of C C Land was stated at a fair value of HK$666.1 million, representing a decline in fair value of HK$251.7 million for the period. This amount of fair value loss was reported as other comprehensive loss 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$7.6 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 2009

There were no other significant changes in the Group's financial position and from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2009.

OPERATIONAL REVIEW

Human Resources

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. The Group employed 45 employees. The Group's total remuneration costs, including directors' emoluments, amounted to HK$15.2 million for the six months ended 30 June 2010 (2009: HK$13.3 million). There was no material change in respect of the Group's employment and remuneration policies as set out in the 2009 annual report.

CORPORATE GOVERNANCE

Compliance of the Code on Corporate Governance Practices

The Company is committed to achieving and maintaining high standards of corporate governance. Throughout the six months ended 30 June 2010, 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 2010, 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 interim financial statements for the six months ended 30 June 2010.

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2010 (2009: 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 2010 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 2010 Interim Report will be despatched 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 31st day of August 2010, Hong Kong SAR

** For identification only*