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

(Incorporated in Bermuda with limited liability)

(Stock Code: 613)

2010 FINAL RESULTS

The board (the "Board") of directors (the "Director") of Yugang International Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 together with the comparative figures for the corresponding year in 2009 as follows:

Consolidated Income Statement
For the year ended 31 December 2010

	Notes	**2010 HK$'000**	2009 HK$'000
REVENUE	3	**5,567**	105,006
Other income and gains	3	**68,553**	18,710
Administrative expenses		**(88,049)**	(99,540)
Other expenses	4	**(35,456)**	-
Finance costs	5	**(756)**	(376)
Share of profits and losses of associates		**186,497**	145,011
PROFIT BEFORE TAX	6	**136,356**	168,811
Income tax	7	**(826)**	(158)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**135,530**	168,653
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		**HK 1.46 cents**	HK 1.81 cents

Details of the dividends for the year are disclosed in note 8.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR	**135,530**	168,653
OTHER COMPREHENSIVE INCOME / (LOSS)		
Changes in fair value of available-for-sale investments	**(251,691)**	422,038
Share of other comprehensive income of associates	**8,080**	3,749
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	**(243,611)**	425,787
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**(108,081)**	594,440

Consolidated Statement of Financial Position
31 December 2010

	31 December 2010 HK$'000	31 December 2009 HK$'000 (Restated)	1 January 2009 HK'000 (Restated)
NON-CURRENT ASSETS			
Property and equipment	**53,500**	77,284	77,195
Investment properties	**23,000**	18,000	17,200
Investments in associates	**1,350,458**	1,162,706	1,019,405
Convertible notes receivable – loan portion	**-**	6,013	4,631
Loans receivable	**3,000**	-	1,000
Available-for-sale investments	**668,500**	926,603	511,224
Other assets	**360**	360	360
Total non-current assets	**2,098,818**	2,190,966	1,631,015
CURRENT ASSETS			
Listed equity investments at fair value through profit or loss	**326,786**	309,051	377,530
Convertible notes receivable – loan portion	**21,234**	-	-
Conversion option derivatives	**3,858**	6,720	4,858
Loans receivable	-	1,000	1,000
Prepayments, deposits and other receivables	**3,626**	3,086	2,806
Pledged time deposits	**9,384**	9,341	9,330
Time deposits	**34,924**	1,784	40,144
Cash and bank balances	**8,131**	130,000	49,587
Total current assets	**407,943**	460,982	485,255
CURRENT LIABILITIES			
Other payables and accruals	**22,621**	21,942	21,866
Interest-bearing bank loans	**40,000**	60,000	120,000
Tax payable	**29,463**	29,463	28,459
Total current liabilities	**92,084**	111,405	170,325
NET CURRENT ASSETS	**315,859**	349,577	314,930
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,414,677**	2,540,543	1,945,945
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**2,849**	2,023	1,865
Net assets	**2,411,828**	2,538,520	1,944,080
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	**93,053**	93,053	93,053
Reserves	**2,318,775**	2,445,467	1,851,027
Total equity	**2,411,828**	2,538,520	1,944,080

Notes:

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

Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also include the applicable disclosure requirements 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 and Disclosures

The accounting policies and basis of preparation used in the preparation of these financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except that the Group has in the current year adopted, for the first time, the following new and revised HKFRSs issued by the HKICPA.

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*
HKFRS 5 Amendments 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*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

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 a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures.*

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to HKFRSs 2009*

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

  Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009.* Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this Interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

  The Group has reassessed its leases in Hong Kong, previously classified as operating leases, upon the adoption of the amendments. As substantially all the risks and rewards associated with the leases in Hong Kong have been transferred to the Group, the leases in Hong Kong have been reclassified from operating leases under "prepaid land lease payments" to finance leases under "property and equipment". The corresponding amortisation has also been reclassified to depreciation. The effects of the above changes are summarised below:

Effect on consolidated income statement for the year ended 31 December

	2010	2009
	HK$'000	HK$'000
Decrease in amortisation of prepaid land lease payments	**(1,266)**	(1,292)
Increase in depreciation of property and equipment	**1,266**	1,292
	-	-

Effect on consolidated statement of financial position

	Property and equipment, net HK$'000	Prepaid land lease payments, net HK$'000
As at 1 January 2009 (originally stated)	12,076	65,119
Effect of change in accounting policy	65,119	(65,119)
As at 1 January 2009 (restated)	77,195	-
As at 31 December 2009 (originally stated)	13,457	63,827
Effect of change in accounting policy	63,827	(63,827)
As at 31 December 2009 (restated)	77,284	-

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 2009, and the related notes affected by the amendments have been presented in these financial statements.

The Group has not applied the new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application.

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 the trading of scrap metals and other materials, and other investments.

The management of the Company monitors the operating results of the 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.

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

Year ended 31 December 2010

	Treasury investment HK$'000	Property and infrastructure investment HK$'000	Others HK$'000	Reportable segments total HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
Segment revenue:						
Revenue	**5,567**	**145,249**	**-**	**150,816**	**(145,249)**	**5,567**
Other income and gains	**14,090**	**368,093**	**54,463**	**436,646**	**(368,093)**	**68,553**
Total revenue and gains	**19,657**	**513,342**	**54,463**	**587,462**	**(513,342)**	**74,120**
Segment profit/(loss) for the year	**(84,905)**	**546,271**	**48,273**	**509,639**	**(359,774)**	**149,865**
Corporate and unallocated income and expenses, net						**(14,335)**
Profit for the year						**135,530**

	Treasury investment HK$'000	Property and infrastructure investment HK$'000	Others HK$'000	Corporate and unallocated HK$'000	Consolidated HK$'000
Other segment information:					
Share of profits and losses of associates	**-**	**186,497**	**-**	**-**	**186,497**
Investments in associates	**-**	**1,350,458**	**-**	**-**	**1,350,458**
Capital expenditure	**-**	**-**	**-**	**3,029**	**3,029**
Depreciation	**-**	**-**	**427**	**3,465**	**3,892**
Interest revenue	**2,004**	**-**	**-**	**-**	**2,004**
Interest expense	**756**	**-**	**-**	**-**	**756**

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 year not attributable to the Group are adjusted to arrive at the Group's consolidated revenue and gains and consolidated profit for the year.

Year ended 31 December 2009

	Treasury investment HK$'000	Property and infrastructure investment HK$'000	Others HK$'000	Reportable segments total HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
Segment revenue:						
Revenue	105,006	136,800	-	241,806	(136,800)	105,006
Other income and gains	15,758	272,894	2,952	291,604	(272,894)	18,710
Total revenue and gains	120,764	409,694	2,952	533,410	(409,694)	123,716
Segment profit/(loss) for the year	41,502	424,751	(2,361)	463,892	(279,740)	184,152
Corporate and unallocated income and expenses, net						(15,499)
Profit for the year						168,653

	Treasury investment HK$'000	Property and infrastructure investment HK$'000	Others HK$'000	Corporate and unallocated HK$'000	Consolidated HK$'000
Other segment information:					
Share of profits and losses of associates	-	145,011	-	-	145,011
Investments in associates	-	1,162,706	-	-	1,162,706
Capital expenditure	-	-	1,844	1,816	3,660
Depreciation	-	-	413	3,158	3,571
Interest revenue	2,907	-	-	-	2,907
Interest expense	376	-	-	-	376

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 year not attributable to the Group are adjusted to arrive at the Group’s consolidated revenue and gains and consolidated profit for the year.

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 year.

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

	2010	2009
	HK$'000	HK$'000
Revenue		
Gains/(losses) on disposal of listed equity investments at fair value through profit or loss, net	**(3,662)**	64,378
Dividend income from listed equity investments at fair value through profit or loss	**7,225**	37,721
Interest income from convertible notes and loans receivable	**2,004**	2,907
	5,567	105,006

	2010	2009
	HK$'000	HK$'000
Other income and gains		
Gross rental income	**791**	939
Interest income on bank deposits	**25**	14
Fair value gains, net:		
Listed equity investments at fair value through profit or loss	**-**	6,651
Conversion option derivatives	**-**	1,861
Dividend income from available-for-sale investments	**10,019**	7,233
Fair value gains on investment properties	**5,000**	800
Gain on disposal of items of property and equipment	**48,070**	-
Gain on early redemption of an available-for-sale investment	**3,742**	-
Others	**906**	1,212
	68,553	18,710

4. Other expenses

	2010 **HK$'000**	2009 HK$'000
Fair value losses, net:		
Listed equity investments at fair value through profit or loss	**30,681**	-
Conversion option derivatives	**4,775**	-
	35,456	-

5. Finance costs

	2010 **HK$'000**	2009 HK$'000
Interest on bank loans	**756**	376

6 Profit before tax

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

	2010 **HK$'000**	2009 HK$'000
Depreciation	**3,892**	3,571

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 year.

	2010 **HK$'000**	2009 HK$'000
Hong Kong		
Deferred tax charge	**826**	158

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

The share of tax attributable to associates amounting to HK$26,246,000 (2009: HK$19,781,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

8. Proposed final dividend

	2010 **HK$'000**	2009 HK$'000
Proposed final dividend – HK$0.002 per ordinary share (2009: HK$0.002)	**18,611**	18,611

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. No interim dividend was declared in respect of the current and the prior years.

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 year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 as the Group had no potentially dilutive ordinary shares in issue during those years.

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

	2010 **HK$'000**	2009 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation	**135,530**	168,653

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Hong Kong's economy has steadily recovered in 2010 as the global economy continued its pace on the road to recovery. The strong growth in the Asian economy had greatly boosted Hong Kong's external trade during the year. The annual GDP growth of Hong Kong for 2010 is expected to reach 6.8%, almost recovering all lost ground during the financial tsunami.

The global economic recovery was, however, moderate with some uncertainties. It was mainly hindered by the volatility of economic performance in the developed countries, in particular, the continual high unemployment rate in the U.S.A. and lingering of European debt crisis. The Federal Reserve launched the second round of quantitative easing ("QE2") in the fourth quarter of 2010 in order to stimulate the economy of U.S.A. The QE2 created a flooding of the global liquidity and increased the uncertainties of the global economy as a whole. As a result, the asset prices and inflation in the Mainland China soared remarkably for the year. The emergence of asset bubbles and increasing inflationary pressure had eventually urged the Central Government to tighten its monetary policies by raising interest rate and reserve ratio for financial institutions. The negative sentiment of stock market augmented and consequently increased the market volatility. The performance of stock market of Hong Kong and China were unfortunately ranked the worst among the Asian countries and therefore the performance of treasury investment segment of the Group was inevitably affected for the year.

The performance of property investment and infrastructure segment of the Group was, however, satisfactory for the year. It was mainly attributable to the increase in rental rates of the investment properties as well as better performance of the tunnel operations among the infrastructure businesses.

Property Investment and Infrastructure Business

Property Investment Business

The property investment business of the Group was held by Y. T. Realty, an associate of the Company and the shares of which are traded on the main board of the Stock Exchange. The major investment properties of the Group include Century Square and Prestige Tower, both situate in the core of Central District and Tsimshatsui respectively.

Gross rental income of Y. T. Realty continued to grow steadily for the year. It was attributable to the increase in rental rates of the investment properties and high occupancy rate of over 97%. Moreover, the new round of quantitative easing measures has increased hot money to Hong Kong and further pushed up the property price and rental rate for the year. As the investment properties of the Group are predominantly in commercial and retail nature, it can be mostly benefited by the booming of local property market. In particular, Prestige Tower, which is located in the heart of the tourist hub of Tsimshatsui, was greatly benefited by the robust consumer and vibrant tourist spending.

Consequently, Y.T. Realty recorded a fair value gain of HK$367.7 million on the revaluation of investment properties as at the year-end date. The gross rental income was increased by 9.7% to HK$136.4 million for the year and the net profit after tax and minority interests was HK$546.3 million for the year, representing an increase of HK$121.5 million or 28.6% from the last corresponding year.

Infrastructure Business

The infrastructure business of the Group, comprising investments in tunnels, transports and logistic operations, is carried out by The Cross-Harbour Holdings Ltd ("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 ("WHTCL") and 39.5% equity interests in Tate's Cairn Tunnel Company Limited ("TCTCL").

As Hong Kong's economy continued to recover steadily with strong domestic consumption, the average daily throughput of the tunnels recorded a satisfactory growth from the last corresponding year. This contributed to a steady growth of toll revenue as well as the operating profit of the tunnel operations.

The net profit after tax and minority interests of Cross-Harbour for the year was HK$358.8 million, representing an increase of 23.2% from the last corresponding year. It was mainly attributable to an increased profit contribution from the WHTCL and TCTCL for the year.

Treasury Investment

Although the economy of Mainland China experienced a steady and relatively fast recovery during the year, the commodity price rose faster than expected. It was mainly attributable to the fresh round of quantitative easing, hot money inflows and imported inflation expectations. Therefore, the Central Government launched several anti-inflation measures such as tightening monetary policies and administrative intervention measures to stabilize the price level of consumer goods and controlling inflation expectations. Both the stock market of Hong Kong and China were inevitably depressed throughout the year. Besides, the shadow of European debt crisis and tensions on the Korean Peninsula had further increased the volatility of the local stock market in the fourth quarter of 2010. Consequently, the local and the PRC stock market had undergone an adjustment and consolidation during the year under review.

Notwithstanding the cautious diversification of securities portfolio, the Group's treasury investment was not immune to the market adjustment and recorded an unrealized fair value loss of HK$30.7 million for the year and a realized loss of HK$3.7 million on disposal of securities investment.

PROSPECT

The economy of China is expected to maintain steady growth in the forthcoming year. However, the soaring inflation may become a major problem in China. It is expected that the Central Government will inevitably launch some tightening measures to curb inflation, policy dilemma against promoting growth may arise in the coming year. It might hamper investors' confidence and bring about short-term adjustment of the local stock market.

Hong Kong will be increasingly facing inflationary pressures. The escalating value of Renminbi, and the weak Hong Kong dollar that follows the U.S. dollar, will also increase the imported inflation pressure. Asset price, particularly properties and commodities, will continue to rise at faster pace. This will increase property bubble risk. Therefore, we believe that government tightening campaigns may follow to curb property market speculation. This may pose greater challenges for Hong Kong in the coming year.

The financial market is expected to move in a much volatile manner with a great variety of uncertainties in 2011. The hidden energy crisis evolved by Libya's revolution has fuelled up the crude oil price. The fear of European debt crisis was deepened by the further downgrade of credit rating of European countries such as Portugal and Spain. The devastating 9.0 magnitude earthquake, the subsequent tsunami and radiation leak at Fukushima nuclear plants in Japan had greatly shocked the financial markets globally. The volatility of Hang Seng Index therefore increased significantly with a variance of around 2,300 points between the highest and the lowest point during the first quarter of 2011. Given that the Group's past performance borne high positive correlation with the performance of financial market as the Group's net profit would often be materially affected by the realized gain/loss on disposal and unrealized fair value changes of the investment portfolio, the performance of the Group during the first half of 2011 is expected to be in line with the performance of the financial market both in term of direction as well as the magnitude it moves.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of HK$5.6 million for the year, representing a significant decrease of HK$99.4 million from the last financial year. It was mainly attributable to a net loss on disposal of listed equity investments of HK$3.7 million for the year whereas a net gain on disposal of listed equity investments of HK$64.4 million was recorded for the last corresponding year. Meanwhile, the dividend income from the securities investment was also decreased by HK$30.5 million for the year.

Comprehensive Income and Loss

The Group recorded a total comprehensive loss of HK$108.1 million for the year whilst a total comprehensive income of HK$594.4 million was recorded for the last corresponding year. It was mainly attributable to the fair value loss of HK$251.7 million on an available-for-sale investment for the year (2009: fair value gain of HK$422.0 million).

Net Asset Value

The consolidated net asset value of the Group as at 31 December 2010 was HK$2,411.8 million, representing a decrease of HK$126.7 million or 5.0%. It was mainly attributable to a decrease in fair value of HK$251.7 million in an available-for-sale investment for the year.

As at 31 December 2010, the consolidated net asset value per share of the Group was HK$0.259. The Group's total assets and total liability were HK$2,506.7 million and HK$94.9 million respectively.

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 31 December 2010, the cash and cash equivalents of the Group were HK$43.1 million and the cash and listed securities investment of the Group in aggregate were HK$369.8 million. The Group maintained high level of liquidity as indicated by the current ratio of 4.4 and net current assets of HK$315.9 million.

As at 31 December 2010, the Group had short term bank borrowings of HK$40 million denominated in Hong Kong dollars and unutilized short-term banking facilities of approximately HK$222.0 million.

Gearing Ratio

As at 31 December 2010, the gearing ratio of the Group, measured by dividing the net debt to shareholders' equity, was 0.8%. Net debt was 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 31 December 2010.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's major source 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 4.2% of the Group's net asset value. The Group's exposure to fluctuations in exchange rates is therefore minimal and the Group did not have any related hedging instruments.

Charges on Group Assets

As at 31 December 2010, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK$65.6 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 persistently holds two significant investments for long term, namely the investment in an associate, Y.T. Realty and an available-for-sale investment 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 31 December 2010, the fair value of C C Land was HK$666.1 million (2009: HK$917.8 million), representing a decrease of HK$251.7 million for the year. This amount of fair value loss had been taken to an investment revaluation reserve account of the Group and was reported as other comprehensive loss in the consolidated statement of comprehensive income. The Group received a dividend income of HK$7.6 million from C C Land for the year (2009: HK$5.1 million).

The carrying value of Y. T. Realty was HK$1,350.5 million as at 31 December 2010. The net profit after tax and minority interests of Y.T. Realty was HK$546.3 million and the Group's share of profit was HK$186.5 million respectively for the year (2009: HK$145.0 million).

During the year, the Group disposed of two subsidiaries, each of which held a leasehold land and building in Hong Kong, with aggregate cash consideration of HK$71.0 million and realized a gain of totaling HK$48.0 million.

Save as disclosed above, there was no significant investment held, nor material acquisitions or disposals of subsidiaries during the year. There was no present plan for material investments or acquisition of material capital assets.

OTHER INFORMATION

Corporate Governance

The Board is committed to an ongoing enhancement of effective and efficient corporate governance practices. The Board recognizes that good corporate governance practices are essential in bringing up the success of the Company and balancing the interests of shareholders, investors and employees as a whole.

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

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by Directors.

Following specific enquiry by the Company, each Director confirmed that throughout the year of the accounting period under review, they had complied with the required standards set out in the Model Code.

Human Resources Practices

The Group employed a total of 44 staffs as at 31 December 2010.

The Group's remuneration policy is to ensure fair and competitive packages based on business needs and industry practice. The Company aims to provide incentives to directors, senior management and employees to perform at their highest levels as well as to attract, retain and motivate the very best people. Remuneration will be determined by taking into consideration factors such as market and economic situation, GDP growth and inflation rate. In addition, performance-based assessment such as individual's potential and contribution to the Group, time commitment and responsibilities undertaken will also be considered.

The Group also 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.

AUDIT COMMITTEE

The audit committee of the Company had reviewed the accounting principles and standards adopted by the Group, and had discussed and reviewed the internal control and financial reporting matters of the Group. The annual results of the Group for the year ended 31 December 2010 had been reviewed by the audit committee.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$0.002 per share for the year ended 31 December 2010 (2009: HK$0.002) to holders of ordinary shares whose names appear on the register of holders of ordinary shares of the Company as at the close of business on 17 May 2011. No interim dividend was paid for the year ended 31 December 2010 (2009: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company ("AGM") will be held at 11:00 a.m. on Tuesday, 17 May 2011 at Salon I & II, Mezzanine Floor, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong. The notice of AGM will be published on the website of the Company (www.yugang.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk), and dispatched to shareholders of the Company around 11 April 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 13 May 2011 to 17 May 2011, both days inclusive, during which period no transfer of shares will be registered. To qualify for the final dividend and attending the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 12 May 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2010.

BOARD OF DIRECTORS

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 Directors are Mr. Lee Ka Sze, Carmelo 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.

APPRECIATION

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

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

Dated the 29th day of March 2011, Hong Kong SAR

** For identification purposes only*