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YUGANG

YUGANG INTERNATIONAL LIMITED

(渝港國際有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 613)

2011 ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) 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 2011 together with the comparative figures (as restated) for the corresponding year in 2010 as follows:

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 HK\$'000	2010 HK\$'000 (Restated)
REVENUE	3	(26,515)	5,567
Other income and gains	3	17,687	68,553
Administrative expenses		(85,076)	(88,049)
Other expenses	4	(173,149)	(35,456)
Impairment of an available-for-sale investment	5	(548,835)	-
Finance costs	6	(1,610)	(756)
Share of profits and losses of associates		147,083	207,169
PROFIT/(LOSS) BEFORE TAX	7	(670,415)	157,028
Income tax	8	(24)	(1)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>(670,439)</u>	<u>157,027</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic and diluted		<u>HK(7.20) cents</u>	<u>HK1.69 cents</u>

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 HK\$'000	2010 HK\$'000 (Restated)
PROFIT/(LOSS) FOR THE YEAR		(670,439)	<u>157,027</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Available-for-sale investments:			
Changes in fair value		(300,010)	(251,691)
Reclassification adjustment for an impairment loss included in the consolidated income statement	5	<u>548,835</u>	<u>-</u>
		248,825	(251,691)
Share of other comprehensive income/(loss) of associates		(16,155)	<u>8,080</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>232,670</u>	(243,611)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(437,769)	<u>(86,584)</u>

Consolidated Statement of Financial Position
31 December 2011

	31 December 2011 HK\$'000	31 December 2010 HK\$'000 (Restated)	1 January 2010 HK'000 (Restated)
NON-CURRENT ASSETS			
Property and equipment	52,402	53,500	77,284
Investment properties	27,600	23,000	18,000
Investments in associates	1,543,509	1,420,772	1,212,348
Convertible notes receivable – loan portion	6,515	-	6,013
Loans receivable	4,000	3,000	-
Available-for-sale investments	366,105	668,500	926,603
Other assets	360	360	360
Total non-current assets	<u>2,000,491</u>	<u>2,169,132</u>	<u>2,240,608</u>
CURRENT ASSETS			
Listed equity investments at fair value through profit or loss	161,885	326,786	309,051
Convertible notes receivable – loan portion	-	21,234	-
Embedded option derivatives	3,793	3,858	6,720
Loans receivable	1,000	-	1,000
Prepayments, deposits and other receivables	5,855	3,626	3,086
Pledged time deposits	9,411	9,384	9,341
Time deposits	1,797	34,924	1,784
Cash and bank balances	10,191	8,131	130,000
Total current assets	<u>193,932</u>	<u>407,943</u>	<u>460,982</u>
CURRENT LIABILITIES			
Other payables and accruals	21,325	22,621	21,942
Interest-bearing bank loans	115,000	40,000	60,000
Tax payable	29,463	29,463	29,463
Total current liabilities	<u>165,788</u>	<u>92,084</u>	<u>111,405</u>
NET CURRENT ASSETS	<u>28,144</u>	<u>315,859</u>	<u>349,577</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,028,635</u>	<u>2,484,991</u>	<u>2,590,185</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	167	143	142
Net assets	<u>2,028,468</u>	<u>2,484,848</u>	<u>2,590,043</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	93,053	93,053	93,053
Reserves	1,935,415	2,391,795	2,496,990
Total equity	<u>2,028,468</u>	<u>2,484,848</u>	<u>2,590,043</u>

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 2010, 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 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Tax – Deferred Tax: Recovery of Underlying Assets</i> (early adoption)
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to HKFRSs 2010</i>	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 12 Amendments, HKAS 24 (Revised), and amendments to HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the 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) Early Adoption of Amendments to HKAS 12 *Income Tax - Deferred Tax: Recovery of Underlying Assets*

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

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

(i) Consolidated income statement for the year ended 31 December

	2011 HK\$'000	2010 HK\$'000
Increases in share of profits and losses of associates	16,914	20,672
Decrease in income tax	<u>759</u>	<u>825</u>
Decrease in loss (2010: Increase in profit) for the year attributable to equity holders of the Company	<u>17,673</u>	<u>21,497</u>
Decrease (2010: Increase) in basic and diluted loss (2010: earnings) per share attributable to ordinary equity holders of the Company	<u>HK0.19 cents</u>	<u>HK0.23 cents</u>

(ii) Consolidated statement of financial position at 31 December

	2011 HK\$'000	2010 HK\$'000
Increase in investments in associates	87,228	70,314
Decrease in deferred tax liabilities	<u>3,465</u>	<u>2,706</u>
Increase in retained profits	<u>90,693</u>	<u>73,020</u>

(iii) Consolidated statement of financial position at 1 January

	2010 HK\$'000
Increase in investments in associates	49,642
Decrease in deferred tax liabilities	<u>1,881</u>
Increase in retained profits	<u><u>51,523</u></u>

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

(b) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(c) *Improvements to HKFRSs 2010*

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- *HKAS 1 Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.
- *HKAS 27 Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 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.

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

Year ended 31 December 2011

	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	(26,515)	160,472	-	133,957	(160,472)	(26,515)
Other income and gains	11,183	303,732	6,504	321,419	(303,732)	17,687
Total revenue and gains	(15,332)	464,204	6,504	455,376	(464,204)	(8,828)
Segment profit/(loss) for the year	(808,612)	430,824	1,524	(376,264)	(283,741)	(660,005)
Corporate and unallocated expenses, net						(10,434)
Loss for the year						(670,439)

	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	-	147,083	-	-	147,083
Investments in associates	-	1,543,509	-	-	1,543,509
Capital expenditure	-	-	-	1,617	1,617
Depreciation	-	-	427	2,288	2,715
Impairment of an available-for-sale investment	548,835	-	-	-	548,835
Interest revenue	2,658	-	-	-	2,658
Interest expense	1,610	-	-	-	1,610

Year ended 31 December 2010

	Treasury investment HK\$'000	Property and infrastructure investment HK\$'000 (Restated)	Others HK\$'000 (Restated)	Reportable segments total HK\$'000 (Restated)	Adjustments (Note) HK\$'000 (Restated)	Consolidated HK\$'000 (Restated)
Segment revenue:						
Revenue	5,567	145,249	-	150,816	(145,249)	5,567
Other income and gains	<u>14,090</u>	<u>368,093</u>	<u>54,463</u>	<u>436,646</u>	<u>(368,093)</u>	<u>68,553</u>
Total revenue and gains	<u>19,657</u>	<u>513,342</u>	<u>54,463</u>	<u>587,462</u>	<u>(513,342)</u>	<u>74,120</u>
Segment profit/(loss) for the year	<u>(84,905)</u>	<u>606,822</u>	<u>49,098</u>	<u>571,015</u>	<u>(399,653)</u>	<u>171,362</u>
Corporate and unallocated expenses, net						<u>(14,335)</u>
Profit for the year						<u>157,027</u>
	Treasury investment HK\$'000	Property and infrastructure investment HK\$'000 (Restated)	Others HK\$'000	Corporate and unallocated HK\$'000		Consolidated HK\$'000 (Restated)
Other segment information:						
Share of profits and losses of associates	-	207,169	-	-		207,169
Investments in associates	-	1,420,772	-	-		1,420,772
Capital expenditure	-	-	-	3,029		3,029
Depreciation	-	-	427	3,465		3,892
Interest revenue	2,004	-	-	-		2,004
Interest expense	<u>756</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>756</u>

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

The Group's revenue 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 or 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:

	2011 HK\$'000	2010 HK\$'000
<u>Revenue</u>		
Losses on disposal of listed equity investments at fair value through profit or loss, net	(29,638)	(3,662)
Dividend income from listed equity investments at fair value through profit or loss	465	7,225
Interest income from convertible notes and loans receivable	<u>2,658</u>	<u>2,004</u>
	<u>(26,515)</u>	<u>5,567</u>
<u>Other income and gains</u>		
Gross rental income	919	791
Interest income on bank deposits	44	25
Dividend income from available-for-sale investments	11,117	10,019
Fair value gains on investment properties	4,600	5,000
Gain on disposal of items of property and equipment	25	48,070
Gain on early redemption of an available-for-sale investment	-	3,742
Others	<u>982</u>	<u>906</u>
	<u>17,687</u>	<u>68,553</u>

4. Other expenses

	2011 HK\$'000	2010 HK\$'000
Fair value losses, net:		
Listed equity investments at fair value through profit or loss	169,649	30,681
Embedded option derivatives	<u>3,500</u>	<u>4,775</u>
	<u>173,149</u>	<u>35,456</u>

5. Impairment of an available-for-sale investment

As at 31 December 2011, there was a significant decline in the market value of an available-for-sale investment of the Group which is a listed equity investment in Hong Kong. The Directors considered that such a decline was a significant and prolonged decline in fair value below the original cost of that investment and constituted an objective evidence of impairment. Accordingly, an impairment loss of HK\$548,835,000 (2010: Nil), which represented a reclassification from other comprehensive income, has been recognised in the consolidated income statement for the year.

6. Finance costs

	2011 HK\$'000	2010 HK\$'000
Interest on bank loans	<u>1,610</u>	<u>756</u>

7. Profit/(loss) before tax

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

	2011 HK\$'000	2010 HK\$'000
Depreciation	<u>2,715</u>	<u>3,892</u>

8. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2011 HK\$'000	2010 HK\$'000 (Restated)
Hong Kong Deferred tax charge	<u>24</u>	<u>1</u>

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\$6,147,000 (2010: HK\$5,574,000, as restated) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

9. Dividends

	2011 HK\$'000	2010 HK\$'000
Proposed final dividend – Nil (2010: HK\$0.002) per ordinary share	<u>-</u>	<u>18,611</u>

The Board did not recommend any payment of final dividend for the year ended 31 December 2011. No interim dividend was declared in respect of the current and the prior years.

10. 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 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/(loss) per share amounts presented for the years ended 31 December 2011 and 2010 as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic and diluted earnings/(loss) per share is based on:

	2011 HK\$'000	2010 HK\$'000 (Restated)
<u>Earnings/(loss)</u>		
Profit/(loss) attributable to ordinary equity holders of the Company used in the basic and diluted earnings/(loss) per share calculation	<u>(670,439)</u>	<u>157,027</u>
	Number of shares	
	2011	2010
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	<u>9,305,276,756</u>	<u>9,305,276,756</u>

11. Comparative amounts

As further explained in note 1 above, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third consolidated statement of financial position as at 1 January 2010 has been presented.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Major global economies in 2011 were particularly weak, as various uncertainties including the European sovereign debt crisis and tight monetary policy in China had undermined the growth of the global economy. As the European sovereign debt crisis deepened, demand weakened in the European and American markets. Exports from emerging markets including China and Hong Kong were also slow in the fourth quarter of 2011. In addition, the worsening European sovereign debt crisis in the third quarter of 2011 had caused dramatic fluctuations in international financial markets. Investor confidence was adversely hit and there were signs that funds were flowing out of Hong Kong. The local stock market was therefore shocked significantly and the Hang Seng Index dropped to around 16,100 points under a panic atmosphere during the second half of the year. The financial market of Hong Kong in 2011 was extremely choppy and the huge volatility of stock market had a significant negative impact on the Group's performance. The Group therefore, recorded an unrealized substantial loss on the fair value of short-term and long-term financial assets for the year.

Property Investment and Infrastructure Business

Property Investment Business

The majority of property investment business of the Group was carried out through a substantial interest in an associate, Y. T. Realty, a public listed company whose shares are traded on the main board of the Stock Exchange. The principal investment properties held by Y. T. Realty include Century Square and Prestige Tower, both situate in the core of Central District and Tsimshatsui respectively.

Notwithstanding the uncertainties in the global economy weighed on market sentiment, the commercial leasing of Hong Kong remained to grow tremendously and the demand for office or retail space in prime location was particularly strong for the year. It was mainly attributable to the increasing number of Mainland tourists visiting Hong Kong with their habitual lavish spending and thereby attracted many international luxury brands to set up or expand their flagship stores or offices in Hong Kong which pushed up the market rent. As Y. T. Realty had renovated its investment properties in prior years with beauty facades to meet the trend of lifestyle hub, it successfully attracted more quality tenants at favorable rent for the year.

The investment properties of Y. T. Realty recorded a gross rental income of HK\$149.9 million for the year, representing a growth of 9.9% over the last corresponding year. It was attributable to the increase in rental rates of the investment properties upon tenancy renewal or new tenancies. The investment properties of Y. T. Realty were revalued by an independent professional valuer and recorded a fair value gain of HK\$301.1 million at 31 December 2011 (2010: HK\$367.7 million). The net profit after tax and non-controlling interests of Y. T. Realty was HK\$430.8 million for the year, representing a decrease of 29.0% from the last corresponding year.

Infrastructure Business

The infrastructure business of the Group, comprising investments in tunnels, transports and logistic operations, is carried out through The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), whose shares are traded on the main board of the Stock Exchange. Cross-Harbour currently holds 50% equity interests in Western Harbour Tunnel Company Limited and 39.5% equity interests in Tate's Cairn Tunnel Company Limited, both of which persistently generated stable stream of toll income.

Although Hong Kong's economic growth was affected by the European sovereign debt crisis since the second half of the year, the overall domestic consumption remained strong. As the labor market improved and income rose, consumption has been the main engine of economic growth in Hong Kong during the year. Therefore, the average daily throughput of the tunnels continued to grow for the year and the steady growth of toll revenue of tunnel operations has provided strong support to the operating profits as well as the cash flow of Cross-Harbour.

The net profit after tax and non-controlling interests of Cross-Harbour for the year was HK\$238.5 million, representing a decrease of 33.5% from the last corresponding year. It was mainly attributable to an unrealized fair value loss on treasury investment which offset the satisfactory performance of the tunnel operations for the year.

Treasury Investment

During the second half of the year, the European sovereign debt crisis further spread to the core of Euro-zone. The local stock market was significantly shocked to fluctuate with huge volatility and the investor confidence was heavily undermined.

Notwithstanding the Group took measures to diversify its securities portfolio cautiously, the Group's treasury investment for the year was inevitably impacted to record a substantial unrealized loss which included an unrealized fair value loss of HK\$169.6 million on the revaluation of short-term securities investment as well as an unrealized impairment of HK\$548.8 million on the long-term available-for-sale investment pursuant to the current applicable accounting and reporting standard in Hong Kong.

OUTLOOK

The global economy in 2012 will be facing great uncertainties as the European sovereign debt crisis and China's economic slowdown has clouded the market prospects. With the implementation of austerity measures in many European countries, it is certain that the Euro-zone economy will enter into a recession. The breadth and depth of Euro-zone recession will be ultimately determined by the progress on EU's crisis resolutions. The OECD has therefore revised its global economy growth estimation downward. In addition, U.S. economic recovery is also fragile. Even if the Federal Reserve launched quantitative easing to provide ample liquidity and extended the period of exceptionally low interest rate, U.S. economic recovery still have a long way to go, which is detrimental to the export sectors and economic growth of Mainland China and Hong Kong.

The economy of China will be facing a risk of economic slowdown or even worse, a hard-landing in 2012. Although consumption remains stable, slowing exports and investments have already signaled heightened risks of economic slowdown. However, there are signs that inflation will further slide in 2012 and China is expected to have ample rooms for policy adjustment, such as lowering reserve requirement ratios to stimulate the growth of economy. The stabilization of economic growth will be one of the major focus of the Central Government in 2012 and therefore, the Mainland China may implement more proactive fiscal policies and stable monetary policies.

Amidst the weak global economic environment, the external-oriented Hong Kong economy in 2012 will face more challenges and uncertainties such as the lingering of European sovereign debt crisis, the potential default risk of Greece's debt leading to the breakup of Euro-zone, and the geopolitical crisis in the Middle East etc. The external demand of Hong Kong will fall further as the global economies will remain weak and the stock market may be more volatile in response to increasing uncertainties in the global financial market. The Group is cautious with its operating performance in 2012 as it is likely fluctuated 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 negative revenue of HK\$26.5 million for the year. It was mainly attributable to a loss of HK\$29.6 million on disposal of listed equity investments for the year.

Net Asset Value

The consolidated net asset value of the Group as at 31 December 2011 was HK\$2,028.5 million, representing a decrease of HK\$456.4 million or 18.4%. The consolidated net asset value per share of the Group as at 31 December 2011 was HK\$0.218. The Group's total assets and total liability were HK\$2,194.4 million and HK\$165.9 million respectively.

Capital Structure

The Group's capital expenditure and investments were mainly 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 2011, the cash and cash equivalents of the Group were HK\$12.0 million and the cash and listed equity investment of the Group in aggregate were HK\$173.9 million. The current ratio of the Group decreased to 1.2 as the market value of the listed equity investments diminished significantly.

As at 31 December 2011, the Group had short term revolving bank borrowings of HK\$115.0 million that were wholly denominated in Hong Kong dollars and unutilized short-term banking facilities of approximately HK\$147.0 million.

Gearing Ratio

As at 31 December 2011, the gearing ratio of the Group, measured by dividing the net debt to shareholders' equity, was 6.1%. 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 2011.

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 2.9% 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 2011, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK\$69.2 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 an 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 2011, the fair value of C C Land was HK\$366.1 million (2010: HK\$666.1 million), representing a fair value loss of HK\$300.0 million for the year. This amount of fair value loss, together with the prior year cumulative loss of HK\$248.8 million, were reclassified to the consolidated income statement as an impairment loss due to the significant and prolonged decline in the share price of C C Land. The impairment loss was considered to be an exceptional item and did not have any effect on the Group’s cash flow. The Group received a dividend income of HK\$10.2 million from C C Land for the year (2010: HK\$7.6 million).

The carrying value of Y. T. Realty was HK\$1,543.5 million as at 31 December 2011. The net profit after tax and non-controlling interests of Y. T. Realty for the year was HK\$430.8 million (2010 as restated: HK\$606.8 million) and the Group’s share of profit was HK\$147.1 million (2010 as restated: HK\$207.2 million).

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

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 complied with all code provisions of Code on Corporate Governance Practices as set out in Appendix 14 of 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 2011.

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 inflation, economic situation and salaries paid by comparable companies. 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 such as MPF, medical insurance and discretionary training subsidy. 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 2011 had been reviewed by the audit committee.

FINAL DIVIDEND

The Board has resolved not to recommend any payment of final dividend for the year ended 31 December 2011. No interim dividend was paid during the year (2010: Nil). In respect of the preceding year, a final dividend of HK\$0.002 per share was paid.

ANNUAL GENERAL MEETING

The annual general meeting of the Company ("AGM") will be held at 11:15 a.m. on Friday, 18 May 2012 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 17 April 2012.

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 2011.

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.

For and on behalf of
Yugang International Limited
Yuen Wing Shing
Managing Director

Dated the 28th day of March 2012, Hong Kong SAR

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

** For identification purposes only*