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

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

2012 INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Yugang International Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2012, together with the unaudited comparative figures for the corresponding period in 2011 as follows:

Consolidated Income Statement
For the six months ended 30 June 2012

	Notes	**Six months ended 30 June** **2012** **(Unaudited)** **HK$'000**	2011 (Unaudited) HK$'000
REVENUE	3	**(3,299)**	2,464
Other income and gains	3	**35,443**	14,879
Administrative expenses		**(36,401)**	(36,744)
Other expenses	4	**(3,510)**	(77,410)
Finance costs	5	**(1,473)**	(573)
Share of profits and losses of associates		**86,269**	123,931
PROFIT BEFORE TAX	6	**77,029**	26,547
Income tax	7	**(13)**	(13)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**77,016**	26,534
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	9	**HK0.83 cents**	HK0.29 cents

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**77,016**	26,534
OTHER COMPREHENSIVE INCOME/(LOSS)		
Changes in fair value of available-for-sale investments	**105,457**	76,272
Share of other comprehensive income/(loss) of associates	**6,233**	(1,293)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	**111,690**	74,979
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**188,706**	101,513

Consolidated Statement of Financial Position
30 June 2012

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
NON-CURRENT ASSETS		
Property and equipment	**52,162**	52,402
Investment properties	**31,400**	27,600
Investments in associates	**1,627,821**	1,543,509
Convertible notes receivable – loan portion	**7,259**	6,515
Loans receivable	**3,000**	4,000
Available-for-sale investments	**481,732**	366,105
Other assets	**360**	360
Total non-current assets	**2,203,734**	2,000,491
CURRENT ASSETS		
Listed equity investments at fair value through profit or loss	**162,349**	161,885
Embedded option derivatives	**283**	3,793
Loans receivable	**1,000**	1,000
Prepayments, deposits and other receivables	**5,869**	5,855
Pledged time deposits	**9,419**	9,411
Time deposits	**1,798**	1,797
Cash and bank balances	**9,078**	10,191
Total current assets	**189,796**	193,932
CURRENT LIABILITIES		
Other payables and accruals	**6,713**	21,325
Interest-bearing bank loans	**140,000**	115,000
Tax payable	**29,463**	29,463
Total current liabilities	**176,176**	165,788
NET CURRENT ASSETS	**13,620**	28,144
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,217,354**	2,028,635
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**180**	167
Net assets	**2,217,174**	2,028,468
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**93,053**	93,053
Reserves	**2,124,121**	1,935,415
Total equity	**2,217,174**	2,028,468

Notes:

1. Basis of preparation and changes in accounting policies

Basis of Preparation

The unaudited interim condensed consolidated 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").

Changes in Accounting Policies

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except that the Group has in the current period applied, for the first time, the following revised HKFRSs:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures-Transfer of Financial Assets*

The adoption of these revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited interim condensed consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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, earns 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 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 unaudited interim condensed consolidated financial statements.

Information regarding the Group's reportable segments is presented below:

For the six months ended 30 June 2012

	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	**(3,299)**	**87,705**	**-**	**84,406**	**(87,705)**	**(3,299)**
Other income and gains	**31,131**	**112,567**	**4,312**	**148,010**	**(112,567)**	**35,443**
Total revenue and gains	**27,832**	**200,272**	**4,312**	**232,416**	**(200,272)**	**32,144**
Segment profit/(loss) for the period	**(3,835)**	**252,696**	**1,653**	**250,514**	**(166,427)**	**84,087**
Corporate and unallocated expenses, net						**(7,071)**
Profit for the period						**77,016**

For the six months ended 30 June 2011

	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	2,464	77,299	-	79,763	(77,299)	2,464
Other income and gains	10,416	304,153	4,463	319,032	(304,153)	14,879
Total revenue and gains	12,880	381,452	4,463	398,795	(381,452)	17,343
Segment profit/(loss) for the period	(91,968)	363,008	1,944	272,984	(239,077)	33,907
Corporate and unallocated expenses, net						(7,373)
Profit for the period						26,534

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 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 period.

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

	Six months ended 30 June	
	2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000
Revenue		
Gains/(losses) on disposal of listed equity investments at fair value through profit or loss, net	**(4,367)**	563
Dividend income from listed equity investments at fair value through profit or loss	**222**	279
Interest income from convertible notes and loans receivable	**846**	1,622
	(3,299)	2,464

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Other income and gains		
Gross rental income	**512**	451
Interest income on bank deposits	**25**	22
Fair value gains on listed equity investments at fair value through profit or loss, net	**20,936**	-
Dividend income from available-for-sale investments	**10,170**	10,377
Fair value gains on investment properties	**3,800**	3,000
Gain on disposal of an item of property and equipment	**-**	25
Others	**-**	1,004
	35,443	14,879

4. Other expenses

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Fair value losses, net:		
Listed equity investments at fair value through profit or loss	**-**	74,943
Embedded option derivatives	**3,510**	2,467
	3,510	77,410

5. Finance costs

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans	**1,473**	573

6. Profit before tax

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation	**1,457**	1,363

7. Income tax

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2012 as the Group did not generate any assessable profits arising in Hong Kong during the period (2011: Nil).

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Deferred tax charge for the period - Hong Kong	**13**	13

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$3,573,000 (2011: HK$3,031,000) 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 an interim dividend for the six months ended 30 June 2012 (2011: Nil).

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

The calculation of basic earnings per share amount 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 amount presented for the periods ended 30 June 2012 and 30 June 2011 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	
	2012	2011
	(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	**77,016**	26,534

	Number of shares	
	Six months ended 30 June	
	2012	2011
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 period under review, Hong Kong's economy grew moderately as the export declined with weak external demand. China's economic growth also slowed down to GDP below 8%. However, the central government of Mainland China placed higher priority on "maintaining growth" and took proactive measures to stimulate economic growth. The People's Bank of China announced an interest rate cut in June which signaled an easing of monetary policy adopted by Mainland China. It therefore provided support to investors' confidence and stabilized the stock market with an overall improvement for the period as compared with the last corresponding period. As we mentioned in the last published annual report, the Group's performance was likely to be fluctuated in line with the performance of the financial market. Therefore, it could be expected that the Group was able to record a mild fair value gain on the securities investment for the period as compared with significant fair value loss in the last corresponding period.

Although local economy faced with uncertainties including European sovereign debt crisis, the domestic consumer spending remained strong as low unemployment and strong income growth of Hong Kong were being maintained throughout the period. It enabled the Group's property investment and infrastructure business segment to maintain a stable growth in rental and toll income for the period.

Property Investment and Infrastructure Business

Property Investment Business

The property investment business of the Group was carried out through the Group's associate, Y. T. Realty, the shares of which are traded on the main board of the Stock Exchange. Major investment properties of Y. T. Realty include the whole block of Century Square and Prestige Tower, both situate in the core of Central District and Tsimshatsui respectively.

Despite a slowdown in leasing activities of Hong Kong during the first half of 2012 as a result of the global economic uncertainties, the demand for office or retail space in prime location continued strong and remained its uptrend driven by low vacancy rate and strong demand from international brand retailers expanding in Hong Kong. The growth of Mainland tourists' arrival remained a key contributor to the rental growth for the period. With a beauty facade of the investment properties in prime location, Y. T. Realty successfully attracted quality tenants with favorable rent and thereby enhanced the overall rental rate of the properties during the period. The overall occupancy rate of the properties was maintained at over 97% for the period.

Rental income of Y. T. Realty for the six months ended 30 June 2012 amounted to HK$82.7 million, representing an increase of 13.1% from the last corresponding period. A fair value gain on revaluation of investment properties for the period was HK$111.5 million whereas a fair value gain of HK$303.1 million was recorded for the last corresponding period. It indicated that the growth of capital value of investment properties for the period was decelerated as compared to the last corresponding period. The net profit after tax and non-controlling interests of Y. T. Realty for the period was HK$252.7 million, representing a decrease of HK$110.3 million from the last corresponding period.

Infrastructure Business

The infrastructure business of the Group comprised investments in tunnels, transports and logistic operations. It was 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 generated a stable stream of toll income.

Given a strong domestic consumption during the first half of 2012, the average daily throughput of both Western Harbour Tunnel and Tate's Cairn Tunnel continued to grow satisfactorily over the last corresponding period. The net profit after tax and non-controlling interests of Cross-Harbour for the period was HK$194.8 million, representing an increase of HK$29.0 million or 17.5% from the last corresponding period. It was mainly attributable to a robust growth of contribution from tunnel operations for the period.

Treasury Investment Business

During the period under review, the performance of the Group's treasury investment has improved significantly as the stock market rebounded from the end of last financial year. Against a significant fair value loss of HK$74.9 million on securities investment made for the last corresponding period, the Group recorded a fair value gain of HK$20.9 million on securities investment for the period which was consistent with the statements made in the last published annual report that the Group's treasury investment was correlated with the fluctuation of the stock market. The net changes in fair value gain or loss on securities investment were therefore significant when there was a stock market reversal.

OUTLOOK

Looking forward, the Group is cautiously optimistic about the current year's performance.

As low level of vacancy and sustained demand for retail and office space will continue to support rental growth, it is expected that Y. T. Realty will maintain a satisfactory growth in rental income for the year. Apart from a material drop of property revaluation gain from previous year, the Group believes that stable growth of rental income from property investment business together with the steady stream of toll revenue from infrastructure business will continue to strengthen the Group's operating profit.

The substantial loss of HK$670.4 million in 2011 was mainly attributable to an unrealized fair value loss of HK$169.6 million on securities investment and an impairment of HK$548.8 million for an available-for-sale investment, with the latter being a cumulative impairment of an available-for-sale investment since the inception date of reclassification in 2006. As the investment portfolio of the Group has been kept at a relatively low level, such material unrealized loss on securities investment and substantial impairment on available-for-sale investment are not expected to happen in current year. As a result, the Group expects the overall performance for current year to be improved substantially from that of previous financial year.

FINANCIAL REVIEW

Comprehensive Income

The Group recorded other comprehensive income of HK$111.7 million for the six months ended 30 June 2012, representing an increase of 49% from the last corresponding period. It was mainly attributable to a fair value gain of HK$105.5 million on available-for-sale investment of the Group for the period whereas a fair value gain of HK$76.3 million on available-for-sale investment was recorded for the last corresponding period.

Net Asset Value

As at 30 June 2012, the unaudited consolidated net asset value of the Group was HK$2,217.2 million and the unaudited consolidated net asset value per share was HK$0.238.

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 2012, the Group's cash, bank balances, short term bank deposits (excluding pledged time deposits) and listed securities investment totaled HK$173.2 million. The Group maintained the current ratio at 1.1. The Group had short term bank borrowings of HK$140.0 million which were denominated in Hong Kong dollars and undrawn short-term banking facilities of approximately HK$122.0 million.

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

Gearing Ratio

As at 30 June 2012, the gearing ratio of the Group, as measured by dividing the net debt to shareholders' equity, was 6.1%. 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 2012.

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 3.9% 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 2012, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK$72.5 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$1,627.8 million as at 30 June 2012. The profit for the period attributable to equity holders of Y. T. Realty was HK$252.7 million whereas the Group's share of profits was HK$86.3 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 2012, the carrying value of C C Land was stated at fair value of HK$481.7 million, representing an increase of HK$115.6 million for the period. It included a fair value gain of HK$105.5 million which was reported as other comprehensive income in the Consolidated Statement of Comprehensive Income and taken to an investment revaluation reserve account of the Group. The Group earned a dividend income of HK$10.2 million from C C Land for the period.

Save as disclosed above, there were no other significant investments held, material acquisitions, or disposals of subsidiaries during the period under review. There were no plan authorized by the Board for other material investments or additions of capital assets as at the date of this announcement.

Changes since 31 December 2011

There was significant improvement in the Group's performance of treasury investment since 31 December 2011 as the substantial impairment of available-for-sale investment reported in the last financial year was not incurred during the six months ended 30 June 2012. Further details are set out in the section headed "Business Review" and "Outlook".

Apart from the above, there were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the last published annual report.

OPERATIONAL REVIEW

Human Resources

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 employed 43 permanent employees. The Group's total remuneration costs amounted to HK$14.7 million for the six months ended 30 June 2012 (2011: HK$14.3 million).

The Company adopted a share option scheme on 29 April 2005 aiming to motivate the performance of employees at the highest level. No share option was granted during the financial period under review.

Additionally, a wide range of benefits including MPF, medical insurance and discretionary training subsidies are provided to employees.

Corporate Governance

The Company is committed to achieving and maintaining high standards of corporate governance. The Company has fully complied with all code provisions set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Listing Rules) during the period of 1st January 2012 to 31st March 2012. Except for deviation of code provision D.1.4. with reasons explained hereunder, the Company has complied with code provisions set out in the new edition of the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the period of 1st April 2012 to 30th June 2012.

In respect of code provision D.1.4, the Company does not have formal letters of appointment for Directors setting out key terms and conditions of their appointment. The Company is of the view that the current arrangement is more appropriate and flexible, particularly in light of the current business activities and operational structure of the Company. All Directors have been serving the Company for sufficiently long period of time and a clear understanding of terms and conditions of their appointment already exists between the Company and Directors. Additionally, each Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years pursuant to Bye-laws of the Company.

Compliance of the Model Code

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

Following specific enquiry by the Company, all Directors confirmed that they had, throughout the six months ended 30 June 2012, complied with the required standard set out in Model Code and Directors Securities Dealings Code.

REVIEW OF ACCOUNTS

Disclosure of financial information in this announcement complies with Appendix 16 to the Listing Rules. The audit committee of the Company has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2012.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2012.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Company at http://www.yugang.com.hk and the designated issuer website of the Stock Exchange at http://www.hkexnews.hk. The 2012 Interim Report will be despatched to shareholders and made available on the above websites on or about 6 September 2012.

BOARD OF DIRECTORS

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. Leung Yu Ming, Steven and Mr. Ng Kwok Fu.

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 to the Group throughout the period.

On behalf of the Board
Yugang International Limited
Yuen Wing Shing
Managing Director

Dated the 27th day of August 2012, Hong Kong SAR

* *For identification purposes only*