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

(Incorporated in Bermuda with limited liability)

(Stock Code: 613)

2012 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 2012 together with the comparative figures for the corresponding year in 2011 as follows:

Consolidated Income Statement
For the year ended 31 December 2012

	Notes	**2012 HK$'000**	2011 HK$'000
REVENUE	3	**(2,416)**	(26,515)
Other income and gains	3	**69,996**	17,687
Administrative expenses		**(86,217)**	(85,076)
Other expenses	4	**(3,780)**	(173,149)
Impairment of an available-for-sale investment	5	**(10,776)**	(548,835)
Finance costs	6	**(3,227)**	(1,610)
Share of profits and losses of associates		**162,229**	147,083
PROFIT/(LOSS) BEFORE TAX	7	**125,809**	(670,415)
Income tax	8	**(41)**	(24)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**125,768**	(670,439)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic and diluted		**HK1.35 cents**	HK(7.20) cents

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	Note	**2012** **HK$'000**	2011 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**125,768**	(670,439)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Available-for-sale investments:			
Changes in fair value		**321,225**	(300,010)
Reclassification adjustment for an impairment loss included in the consolidated income statement	5	**10,776**	548,835
		332,001	248,825
Share of other comprehensive income/(loss) of associates		**16,716**	(16,155)
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**348,717**	232,670
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**474,485**	(437,769)

Consolidated Statement of Financial Position
31 December 2012

	2012 HK$'000	2011 HK'000
NON-CURRENT ASSETS		
Property and equipment	**52,693**	52,402
Investment properties	**35,000**	27,600
Investments in associates	**1,714,264**	1,543,509
Convertible notes receivable – loan portion	**8,061**	6,515
Loans receivable	**3,000**	4,000
Available-for-sale investments	**720,322**	366,105
Other assets	**360**	360
Total non-current assets	**2,533,700**	2,000,491
CURRENT ASSETS		
Listed equity investments at fair value through profit or loss	**171,813**	161,885
Embedded option derivatives	**13**	3,793
Loans receivable	**1,000**	1,000
Prepayments, deposits and other receivables	**3,671**	5,855
Pledged time deposits	**9,426**	9,411
Time deposits	**-**	1,797
Cash and bank balances	**5,454**	10,191
Total current assets	**191,377**	193,932
CURRENT LIABILITIES		
Other payables and accruals	**22,453**	21,325
Interest-bearing bank loans	**170,000**	115,000
Tax payable	**29,463**	29,463
Total current liabilities	**221,916**	165,788
NET CURRENT ASSETS/(LIABILITIES)	**(30,539)**	28,144
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,503,161**	2,028,635
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**208**	167
Net assets	**2,502,953**	2,028,468
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**93,053**	93,053
Reserves	**2,409,900**	1,935,415
Total equity	**2,502,953**	2,028,468

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").

As at 31 December 2012, the Group's current liabilities exceeded its current assets by HK$30,539,000. However, the Group's available-for-sale investments at fair value through profit or loss with an aggregate market value of HK$720,322,000 as at 31 December 2012 are all listed securities in Hong Kong and are readily convertible into cash and cash equivalents to meet its liabilities as and when they fall due. In addition, the Group has available banking facilities of HK$92,000,000 remain unutilised as at 31 December 2012. Accordingly, the directors of the Company believe that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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 2011, except that the Group has in the current year adopted, for the first time, the following revised HKFRSs issued by the HKICPA.

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 – Transfers of Financial Assets*

The adoption of these revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these 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 the trading of scrap metals and other materials, and other investments.

The management of the Company monitors the operating results of the Group's 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 is presented below:

Year ended 31 December 2012

	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	**(2,416)**	**183,272**	**-**	**180,856**	**(183,272)**	**(2,416)**
Other income and gains	**61,416**	**197,657**	**8,580**	**267,653**	**(197,657)**	**69,996**
Total revenue and gains	**59,000**	**380,929**	**8,580**	**448,509**	**(380,929)**	**67,580**
Segment profit/(loss) for the year	**(29,338)**	**475,189**	**3,723**	**449,574**	**(312,960)**	**136,614**
Corporate and unallocated expenses, net						**(10,846)**
Profit for the year						**125,768**

	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	**-**	**162,229**	**-**	**-**	**162,229**
Investments in associates	**-**	**1,714,264**	**-**	**-**	**1,714,264**
Capital expenditure	**-**	**-**	**38**	**3,302**	**3,340**
Depreciation	**-**	**-**	**432**	**2,617**	**3,049**
Impairment of an available-for-sale investment	**10,776**	**-**	**-**	**-**	**10,776**
Interest revenue	**1,749**	**-**	**-**	**-**	**1,749**
Interest expense	**3,227**	**-**	**-**	**-**	**3,227**

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

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:

	2012 **HK$'000**	2011 HK$'000
Revenue		
Losses on disposal of listed equity investments at fair value through profit or loss, net	**(4,442)**	(29,638)
Dividend income from listed equity investments at fair value through profit or loss	**277**	465
Interest income from convertible notes and loans receivable	**1,749**	2,658
	(2,416)	(26,515)
Other income and gains		
Gross rental income	**1,095**	919
Interest income on bank deposits	**43**	44
Fair value gains on listed equity investments at fair value through profit or loss, net	**30,502**	-
Dividend income from available-for-sale investments	**30,871**	11,117
Fair value gains on investment properties	**7,400**	4,600
Gain on disposal of items of property and equipment	**25**	25
Others	**60**	982
	69,996	17,687

4. Other expenses

	2012 **HK$'000**	2011 HK$'000
Fair value losses, net:		
Listed equity investments at fair value through profit or loss	**-**	169,649
Embedded option derivatives	**3,780**	3,500
	3,780	173,149

5. Impairment of an available-for-sale investment

As at the end of the reporting period, 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 consider that such a decline is a significant and/or prolonged decline in fair value below the original cost of that investment and constitutes an objective evidence of impairment. Accordingly, an impairment loss of HK$10,776,000 (2011: HK$548,835,000), which represented a reclassification from other comprehensive income, has been recognised in the consolidated income statement for the year.

6. Finance costs

	2012	2011
	HK$'000	HK$'000
Interest on bank loans	**3,227**	1,610

7. Profit/(loss) before tax

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

	2012	2011
	HK$'000	HK$'000
Depreciation	**3,049**	2,715

8. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2012	2011
	HK$'000	HK$'000
Deferred tax charge for the year in Hong Kong	**41**	24

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$7,882,000 (2011: HK$6,147,000) is included in "Share of profits and losses of associates" in the consolidated income statement.

9. Dividends

The Board did not recommend any payment of final dividend for the year ended 31 December 2012 (2011: Nil). 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 2012 and 2011 as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2012	2011
	HK$'000	HK$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company used in the basic and diluted earnings/(loss) per share calculations	**125,768**	(670,439)

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculations	**9,305,276,756**	9,305,276,756

MANAGEMENT DISCUSSION AND ANALYSIS

The Group reported a consolidated net profit of HK$125.8 million attributable to shareholders for the year ended 31 December 2012 as compared with a net loss of HK$670.4 million in the last corresponding year. It was mainly attributable to a very substantial impairment of an available-for-sale investment of HK$548.8 million and significant fair value losses of HK$169.6 million on listed equity investments at fair value through profit or loss were recorded in the last corresponding year whereas the Group, in the current year, only recorded an impairment of an available-for-sale investment of HK$10.8 million and fair value gains of HK$30.5 million on listed equity investments at fair value through profit or loss following the rebound of financial markets.

The basic earnings per share for the year was HK1.35 cents whereas a basic loss per share of HK7.2 cents was recorded for the last corresponding year.

BUSINESS REVIEW

2012 was a challenging year for the economy of Hong Kong as it had to cope with various macro headwinds. The local economy had undergone a slow growth as the deteriorating European debt crisis weakened the global economy and severely slowed down global trade as well as Hong Kong's external demand.

Although local stock market plunged in May last year due to investors' fear of Greece's exit from Euro zone, the financial market conditions stabilized eventually following European Central Bank's announcement of implementing monetary measures to support Euro dollars. Together with the U.S. Federal Reserve's implementation of an open-ended quantitative easing monetary policy, the local stock market rallied in the second half year with Hang Seng Index climbing around 22% over last year. The Group's treasury investment was therefore benefited to record unrealized fair value gains on securities investment as compared with substantial unrealized fair value losses in the last corresponding year.

On the other hand, due to excessive liquidity and the ultra-low interest rates, Hong Kong's property market underwent a surging irrationally. It resulted in a rising inflation which had in turn driven up the rental prices. The Group's property investment business therefore benefited with a soaring of rental prices and higher occupancy rate, together with an appreciation of property valuation.

Property Investment and Infrastructure Business

Property Investment Business

The property investment business of the Group was carried out through an investment in a substantial interest in an associate, Y. T. Realty, 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 are situated in the core districts of Central and Tsimshatsui respectively.

Despite a slow growth of Hong Kong's economy for the year, the consumption remained strong and grew rapidly. With the growing number of Mainland tourists visiting Hong Kong, the demand for office and retail space remained strong in prime location, notwithstanding the Mainland tourists had reduced their lavish spending during the year. In addition, the transformation of the investment properties of Y. T. Realty into an up-market fashion hub had successfully attracted several famous brands at favorable rent. Therefore, Y. T. Realty recorded a healthy increase in rental income and rental rates, whilst maintaining high overall occupancy rate of over 98% for the year. The gross rental income of Y. T. Realty for the year was HK$173.4 million, representing a growth of 15.6% over the last corresponding year.

In addition, the investment properties of Y. T. Realty were revalued by an independent professional valuer and recorded a fair value gain of HK$196.1 million at 31 December 2012 (2011: HK$301.1 million). The net profit after tax of Y. T. Realty was HK$475.2 million for the year, representing an increase of 10.3% 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"), being an associate of Y. T. Realty, the shares of which 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 a stable growth of toll income.

The performance of tunnel operations for the year was satisfactory as the domestic consumption remained robust. The low unemployment, higher income and positive wealth effect of soaring property price had stimulated a robust growth of local consumption during the year. The tunnel operations were therefore benefited with a growth of the average daily throughput as well as toll income for the year.

The net profit after tax and non-controlling interests of Cross-Harbour for the year was HK$403.8 million, representing an increase of 69.3% from the last corresponding year. It was mainly attributable to a satisfactory growth of tunnels, transports and logistic operations and a rebound of the treasury investment giving rise to a corresponding fair value gain for the year.

Treasury Investment

The local stock market was quite volatile during the first half of 2012 and rallied in the second half of the year. The European sovereign debt crisis remained a key risk factor causing a volatile fluctuation of the stock market for the year. With the implementation of successive quantitative easing programs by European Central Bank and the Federal Reserve of U.S. in the second half year, Hang Seng Index soared to above 23,000 points and climbed 22% over the last year.

As mentioned in the last published annual report, the performance of the Group's treasury investment was positively correlated with the performance of the stock market. The Group's treasury investment benefited from the stock market rally with a fair value gain of HK$30.5 million on the securities investment recorded for the year.

OUTLOOK AND STRATEGY

Looking into 2013, the Group is cautious even though the economy of Hong Kong is on a solid track of recovery. Mainland's economic recovery is expected to be sustainable as the central government of PRC will continue to implement proactive policy to support economic growth. However, the outlook for the external sector remains lackluster as global headwinds are still strong. With uncertainty surrounding fiscal policy in the U.S. and the lingering of European sovereign debt crisis, the recovery path of Hong Kong economy may be bumpy and the stock market may remain choppy. Therefore, the Group is cautious about its operating profit in 2013 as it is likely to be fluctuated in line with the performance of the financial market both in terms of direction and the magnitude it moves.

The Group has sustained its focus on strategic expansion and diversification of business in prior years which has given the Group increased confidence in our long-term business prospects. The Group will continue to strengthen its core competencies in the main business segments as well as to explore related business opportunities. However, the Group will adopt a prudent approach in pursuing a long-term strategic growth that give the Group sound financial and management capabilities.

FINANCIAL REVIEW

Revenue

The Group recorded an overall negative revenue of HK$2.4 million for the year. It was mainly attributable to a loss of HK$4.4 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 2012 was HK$2,503.0 million, representing an increase of HK$474.5 million or 23.4%. The consolidated net asset value per share of the Group as at 31 December 2012 was HK$0.269. The Group's total assets and total liabilities were HK$2,725.1 million and HK$222.1 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

The liquidity of the Group decreased after a substantial amount of fair value loss on the Group's securities investment was recorded in the last financial year. Together with an increase of short-term bank loans, the current ratio of the Group dropped to 0.9 for the year.

The bank borrowings increased to HK$170.0 million as at 31 December 2012. All bank loans were denominated in Hong Kong dollars and were drawn in short-term and revolving in nature. The Group had unutilized short-term banking facilities of approximately HK$92.0 million as at 31 December 2012.

As at 31 December 2012, the cash and cash equivalents of the Group were HK$5.5 million and the cash and listed equity investment in aggregate was HK$177.3 million which could cover the bank borrowings.

Gearing Ratio

As at 31 December 2012, the gearing ratio of the Group, measured by dividing the net debt to shareholders' equity, increased to 7.5% (2011: 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 2012.

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 3.6% 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 2012, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK$75.5 million and time deposits of approximately HK$9.4 million as securities for granting general banking facilities 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, which are an investment in an associate and an available-for-sale investment.

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) which was classified as an available-for-sale investment of the Group. The carrying value of C C Land was stated in fair value which was HK$708.3 million as at 31 December 2012 (2011: HK$366.1 million). A fair value gain of HK$332.0 million on C C Land was therefore recorded for the year. This amount of fair value gain was accounted for in a reserve account and recognized as other comprehensive income in the Consolidated Statement of Comprehensive Income. The Group received a scrip dividend income of HK$10.2 million from C C Land (2011: cash dividend of HK$10.2 million) and a special interim dividend in form of specie distribution of the shares of Qualipak International Holdings Limited ("Qualipak", the shares of which are listed on the main board of the Stock Exchange) at a fair value of HK$20.7 million that was resulted from a spin-off of Qualipak from C C Land during the year.

The Group held a substantial equity interest in Y. T. Realty which was classified as an investment in an associate. The carrying value of Y. T. Realty was HK$1,714.3 million as at 31 December 2012. The net profit after tax of Y. T. Realty for the year was HK$475.2 million and the Group's share of profit of an associate was HK$162.2 million (2011: HK$147.1 million).

Save as disclosed above, there was no significant investment held, material acquisitions or disposals of subsidiaries during the year. There was no present plan for material investments or acquisition of material capital assets as at the date of this announcement.

OTHER INFORMATION

Corporate Governance

The Company 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, upholding accountability and transparency and balancing the interests of shareholders, investors and employees as a whole.

The Company had fully complied with all code provisions of the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")) during the period of 1 January 2012 to 31 March 2012. Save and except that the Company does not have formal letters of appointment for Directors setting out key terms and conditions of their appointment as required under code provision D.1.4, the Company had complied with code provisions set out in the new edition of the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules during the period of 1 April 2012 to 31 December 2012. 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. Detailed information on the Company's corporate governance practices contained in the annual report to be dispatched to the shareholders as soon as practicable.

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 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 43 staffs as at 31 December 2012.

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 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 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 reviewed the internal control and financial reporting matters of the Group. The annual results of the Group for the year ended 31 December 2012 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 2012 (2011: Nil). No interim dividend was paid during the year (2011: Nil).

ANNUAL GENERAL MEETING

The annual general meeting of the Company ("AGM") will be held at 11:15 a.m. on Tuesday, 21 May 2013 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 16 April 2013.

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 2012.

AMENDMENTS TO THE BYE-LAWS

The Board proposed to put forward a special resolution to the Shareholders at the AGM for the amendments to various provisions in the existing Bye-laws of the Company to reflect, principally, the current laws of Bermuda, where (a) the register of members of the Company must be made available to the public for inspection without charge; and (b) the solvency test for paying a dividend or making a distribution out of contributed surplus has been simplified. The full text of the special resolution specifying the proposed amendments is set out in the circular containing the notice of AGM to be dispatched to the shareholders as soon as practicable.

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 26th day of March 2013, Hong Kong SAR

As at the date of this announcement, the Board comprises nine 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 as executive Directors; Mr. Lee Ka Sze, Carmelo as non-executive Director; and Mr. Luk Yu King, James, Mr. Leung Yu Ming, Steven and Mr. Ng Kwok Fu as independent non-executive Directors.

* *For identification purposes only*