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

(Incorporated in Bermuda with limited liability)
(Stock code: 00613)

2018 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 2018, together with the unaudited comparative figures for the corresponding period in 2017 as follows:

Consolidated Statement of Profit or Loss
For the six months ended 30 June 2018

	Notes	**Six months ended 30 June** **2018** **(Unaudited)** ***HK$'000***	2017 (Unaudited) *HK$'000*
REVENUE	3	**40,105**	19,698
Other income and gains	3	**22,446**	37,498
Administrative expenses		**(11,012)**	(27,188)
Finance costs	4	**(325)**	(464)
Share of profit of an associate		**11,545**	10,782
PROFIT BEFORE TAX	5	**62,759**	40,326
Income tax expense	6	**(1,800)**	(4,369)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**60,959**	35,957
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	8		
Basic and diluted		**HK0.66 cents**	HK0.39 cents

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**60,959**	35,957
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that will be reclassified subsequently to profit or loss when specific conditions are met:		
Changes in fair value of an available-for-sale investment	**-**	(131,986)
Share of other comprehensive income/(loss) of an associate	**(8,669)**	23,993
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(8,669)**	(107,993)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**52,290**	(72,036)

Consolidated Statement of Financial Position
30 June 2018

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
NON-CURRENT ASSETS		
Equipment	**488**	635
Investment properties	**452,800**	437,300
Investment in an associate	**554,424**	554,278
Loan receivable	**1,996**	2,996
Available-for-sale investment	**-**	505,498
Prepayment and deposit	**3,787**	4,028
Other assets	**360**	360
Total non-current assets	**1,013,855**	1,505,095
CURRENT ASSETS		
Listed equity investments at fair value through profit or loss	**1,594,351**	1,080,205
Loan receivables	**151,000**	173,000
Prepayments, deposits and other receivables	**11,604**	9,702
Time deposits	**3,992**	46,957
Cash and bank balances	**78,880**	16,238
Total current assets	**1,839,827**	1,326,102
CURRENT LIABILITIES		
Other payables and accruals	**5,910**	9,654
Bank borrowing	**-**	7,500
Tax payable	**-**	145
Total current liabilities	**5,910**	17,299
NET CURRENT ASSETS	**1,833,917**	1,308,803
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,847,772**	2,813,898
NON-CURRENT LIABILITIES		
Other payables and accruals	**591**	2,196
Deferred tax liabilities	**21,498**	19,698
Total non-current liabilities	**22,089**	21,894
Net assets	**2,825,683**	2,792,004
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	**93,053**	93,053
Reserves	**2,732,630**	2,698,951
Total equity	**2,825,683**	2,792,004

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 the unaudited interim condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, 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 and accounting principles generally accepted in Hong Kong, except for the adoption of the following new HKFRSs and amendments to HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The adoption of these HKFRSs has had no significant financial effect on the unaudited interim condensed consolidated financial statements, except for HKFRS 9 *Financial Instruments*.

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied HKFRS 9 prospectively to items that existed at 1 January 2018 in accordance with the transition requirements. In accordance with the transition requirement, the Group has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

(a) Classification and measurement

Under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are, as follows:

- *Debt instruments at amortised cost* for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's *loan receivables and other receivables*.

- *Debt instruments at FVOCI*, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's unlisted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell.

Other financial assets are classified and subsequently measured, as follows:

- *Equity instruments at FVOCI*, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its listed equity instruments as financial assets at FVOCI. Financial assets at FVOCI are not subject to an impairment assessment under HKFRS 9.

- *Listed equity investments at FVPL* comprise quoted equity investments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, one of the Group's quoted equity instruments was classified as *available-for-sale investment*. Upon transition, the available-for-sale investment revaluation reserve relating to the quoted equity instrument, which had been previously recognised under accumulated other comprehensive income ("OCI"), was reclassified to *retained profits*.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied prospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed the business models for which they applied to the financial assets held by the Group and has classified its financial assets into the appropriate HKFRS 9 categories. The main effects resulting from the application of HKFRS 9 are as follows:

	Available-for-sale investment *HK$'000*	Listed equity investments at FVPL *HK$'000*
At 31 December 2017	505,498	1,080,205
Reclassified a quoted equity investment from available-for-sale investment to listed equity investments at FVPL	(505,498)	505,498
At 1 January 2018	-	1,585,703

The impact of the changes on the Group's equity is as follows:

	Available-for-sale investment revaluation reserve *HK$'000*	Retained profits *HK$'000*
At 31 December 2017	90,364	1,101,201
Reclassified accumulated fair value gain in available-for-sale investment from available-for-sale investment revaluation reserve to retained profits	(90,364)	90,364
At 1 January 2018	-	1,191,565

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group’s accounting for impairment losses for financial assets by replacing HKAS 39’s incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate.

For loan receivables and other receivables, the Group has applied the standard’s simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e., loans and debt securities at FVOCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Based on past experience, the directors of the Company are of the opinion that the adoption of the ECL requirements of HKFRS 9 had no significant impact on the Group's financial statements as there has not been a significant change in credit quality and therefore the balances are still considered to be fully recoverable.

(c) Hedge accounting

The requirements related to hedge accounting would better align the accounting treatments with risk management activities and enable entities to better reflect these activities in their financial statements. It relaxes the requirements for assessing hedge effectiveness which more risk management strategies may be eligible for hedge accounting. It also relaxes the rules on using non-derivative financial instruments as hedging instruments and allows greater flexibility on hedged items. Users of the financial statements will be provided with more relevant information about risk management and the effect of hedge accounting on the financial statements. The Group does not have any financial instruments related to hedge accounting throughout the period ended 30 June 2018 and year ended 31 December 2017.

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

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 management segment which trades and holds debt and equity securities, earns interest and dividend income from the relevant listed equity investments and generates interest income from the money lending activities.

(b) The property investment segment consists of investment through Y. T. Realty Group Limited ("**Y. T. Realty**"), an associate of the Group, in properties for rental income and/or capital appreciation potential.

(c) The property leasing segment which consists of leasing of properties directly owned by the Group for rental income and/or capital appreciation potential.

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 unaudited interim condensed consolidated financial statements.

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

For the six months ended 30 June 2018

	Treasury management (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Property leasing (Unaudited) *HK$'000*	Reportable segments total (Unaudited) *HK$'000*	Adjustments (Note) (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Segment revenue:						
Revenue	**34,504**	**24,245**	**5,601**	**64,350**	**(24,245)**	**40,105**
Other income and gains	**8,713**	**16,280**	**13,733**	**38,726**	**(16,280)**	**22,446**
Total revenue and gains	**43,217**	**40,525**	**19,334**	**103,076**	**(40,525)**	**62,551**
Segment profit for the period	**36,356**	**33,819**	**15,774**	**85,949**	**(22,274)**	**63,675**
Corporate and unallocated expenses, net						**(2,716)**
Profit for the period						**60,959**

For the six months ended 30 June 2017

	Treasury management (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Property leasing (Unaudited) *HK$'000*	Reportable segments total (Unaudited) *HK$'000*	Adjustments (Note) (Unaudited) *HK$'000*	Consolidated (Unaudited) *HK$'000*
Segment revenue:						
Revenue	17,233	21,426	2,465	41,124	(21,426)	19,698
Other income and gains	27,073	13,357	10,425	50,855	(13,357)	37,498
Total revenue and gains	44,306	34,783	12,890	91,979	(34,783)	57,196
Segment profit for the period	19,462	31,584	10,506	61,552	(20,802)	40,750
Corporate and unallocated expenses, net						(4,793)
Profit for the period						35,957

Note: The activities of the property investment segment are carried on through an associate of the Group and therefore, the entire revenue and gains of this reportable segment and its profit for the period not attributable to the Group are excluded 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 located in Hong Kong.

3. Revenue, other income and gains

Revenue 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, interest income from loan receivables, and gross rental income received and receivable from investment properties during the period.

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
<u>Revenue</u>		
Dividend income from listed equity investments at fair value through profit or loss	**24,843**	17,114
Interest income from loan receivables	**9,661**	119
Gross rental income	**5,601**	2,465
	40,105	19,698

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income and gains		
Interest income on bank deposits	**65**	742
Fair value gains on listed equity investments at fair value through profit or loss, net	**8,648**	23,897
Gain on disposal of rights to subscribe shares of an available-for-sale investment	**-**	2,432
Gain on disposal of items of equipment	**-**	10
Fair value gains on investment properties	**13,718**	10,394
Others	**15**	23
	22,446	37,498

4. Finance costs

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank borrowings	**325**	464

5. Profit before tax

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**147**	454

6. Income tax

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2018 as the Group has available tax losses brought forward from prior years to offset the assessable profits arising in Hong Kong during the period (2017: Nil).

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Deferred tax charge for the period - Hong Kong	**1,800**	4,369

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

The share of tax charge attributable to an associate amounting to HK$511,000 (2017: tax credit of HK$385,000) is included in "Share of profit of an associate" in the consolidated statement of profit or loss.

7. Dividend

On 24 August 2018, the board of directors declared the payment of an interim dividend by way of a distribution in specie of 51,179,018 shares of The Cross-Harbour (Holdings) Limited (**"CHH"**), a listed equity investment at fair value through profit or loss held by the Group to the qualifying shareholders in proportion to their respective shareholdings in the Company on the basis of 11 CHH shares for every 2,000 Company shares held by shareholders whose names appear on the register of members of the Company on 11 September 2018.

8. 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 amounts presented for the periods ended 30 June 2018 and 30 June 2017 as the Group had no potentially dilutive ordinary shares in issue during these periods.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2018	2017
	(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 calculations	**60,959**	35,957

	Number of shares	
	Six months ended 30 June	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	**9,305,276,756**	9,305,276,756

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

The Group reported an unaudited consolidated profit of approximately HK$61.0 million attributable to equity holders of the Company (the "**Shareholders**") for the six months ended 30 June 2018, representing an increase of HK$25.0 million from the corresponding period last year. During the period under review, the revenue of the Group increased by HK$20.4 million or 104% to HK$40.1 million as compared to the corresponding period last year. Both the rental income from Property Leasing Business and interest income from Money Lending Business increased significantly by an amount of HK$3.1 million and HK$9.6 million respectively. In addition, the overall dividend income from listed equity investments under Treasury Management Business also increased by an amount of HK$7.7 million from the last corresponding period.

INTERIM DIVIDEND

On 24 August 2018, the Board has resolved to declare and pay an interim dividend by way of a distribution in specie (the "**Distribution in Specie**") of 51,179,018 shares of The Cross-Harbour (Holdings) Limited ("**CHH**", stock code 00032) held by the Group to the qualifying Shareholders in proportion to their then respective shareholdings in the Company on the basis of 11 CHH shares for every 2,000 shares of the Company held by Shareholders whose names appear on the register of members of the Company on the Record Date (as hereinafter defined). It is expected that share certificates for the relevant CHH shares will be despatched to qualifying Shareholders on or about Wednesday, 26 September 2018. For further details in relation to the Distribution in Specie, please refer to the announcement of the Company dated 24 August 2018 in relation to the Distribution in Specie.

Apart from the aforesaid, the Board has resolved not to declare any interim dividend to the Shareholders for the six months ended 30 June 2018 (2017: Nil).

RECORD DATE AND CLOSURE OF REGISTER OF MEMBERS

The Record Date for the purpose of determining a Shareholder's entitlement to the Distribution in Specie is Tuesday, 11 September 2018.

For determining Shareholder's entitlement to the Distribution in Specie, the register of members of the Company will be closed from Monday, 10 September 2018 to Tuesday, 11 September 2018, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the Distribution in Specie, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Friday, 7 September 2018.

BUSINESS REVIEW

During the period under review, U. S. economy maintained a moderate growth trend with major economic indicators such as unemployment rate, non-farm payrolls, industrial production, retail sales, and purchasing manager indices, etc. pointed to moderate expansion. The implementation of U.S. tax reform last year had strengthened the economy with an increasing consumer confidence which supported the Federal Reserve of U.S. to implement a proactive interest rate hike for 2018. However, the U.S. government has announced a series of protectionist measures against China, Eurozone, Canada and Mexico since March 2018 by proposing trade tariffs. In response, retaliatory tariffs against import from the U.S. were recommended by the corresponding trading partners. As a result, the escalation of global trade tensions have dampened investor confidence and triggered a threat of considerable downside risk of global economy.

The economy of Mainland China also maintained a stable growth with GDP at 6.7% during the first half of 2018. The economic structure of China continued to improve with increasing contribution from services and consumption sectors. However, owing to recent threats of U.S. protectionist measures and drastic depreciation of Renminbi, the market was increasingly concerned of the rising economic risks of China, in particular China was undergoing a relatively tighter monetary policy and a continuing deleveraging.

Hong Kong economy continued to grow solidly in the first half of 2018. It was attributable to strong performance across major economic sectors such as a strong rebound of tourism and retail sector and robust property market performance. Low unemployment, low interest rate environment and positive wealth effect generated from buoyant property market further stimulated consumer confidence and spending.

The Group recorded an improving result for the period which was mainly attributable to the expansion of Property Leasing Business and Money Lending Business. In addition, the Group has strived to continue streamlining its operating and human resources capacity and reducing administrative expenses for the period accordingly.

Property Investment Business

The Group's Property Investment Business is carried on through Y. T. Realty Group Limited ("**Y. T. Realty**"), an associate of the Group and the shares of which are traded on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Y. T. Realty principally focuses on prime property investments in established overseas markets and currently holds two prime properties in London, namely a prime commercial property in 1 Chapel Place (the "**London Property**") and a prime hotel property in 1 Harrow Place (the "**London Hotel**").

As both the London Property and London Hotel are situated in prime Central London business district where the leasing demand for prime commercial property are always stable and strong, the rental income of Y. T. Realty grew steadily to HK$24.1 million for the period, representing an increase of 13.1% from the corresponding period last year. It was mainly attributable to a moderate increase of rental rate with almost full occupancy throughout the period as well as rebound of British Pound. The rental income of London Property and London Hotel was approximately HK$11.7 million and HK$12.4 million for the period, representing an increase of 9.3% and 18.1% from the last corresponding period respectively.

As at the end of the reporting period, the investment properties of Y. T. Realty were revalued by independent professional valuers to an aggregate amount of approximately HK$1,209.3 million. Given a continuing stable leasing demand for London Property and London Hotel, Y. T. Realty recorded an overall fair value gain of approximately HK$16.3 million on the revaluation of investment properties for the period (2017: fair value gain of HK$12.3 million). The profit after tax of Y. T. Realty was HK$33.8 million for the period, representing an increase of HK$2.2 million from the last corresponding period.

Property Leasing Business

The Group carries on Property Leasing Business by directly holding various classes of properties in Hong Kong including commercial, industrial and residential for generation of rental income. Benefited from a buoyant property market in Hong Kong, the Group could benefit a favorable rise in rental rate for lease renewals. The rental income from Property Leasing Business was HK$5.6 million for the period, representing a significant increase of 124% from the corresponding period last year. It was mainly attributable to the acquisition of commercial properties which generated a monthly rental income of HK$660,000 (exclusive of government rent, rates, management fees and other charges) at the end of May last year.

As at the end of the reporting period, the carrying amount of investment properties under the Property Leasing Business segment were revalued to HK$452.8 million by an independent professional valuer with a total fair value gain of HK$13.7 million for the period (2017: HK$10.4 million).

Treasury Management Business

During the period under review, the performance of Hong Kong stock market was vigorously hit by the protectionist measures of the United States with a substantial drop of Hang Seng Index from the record high. The tariff and sanctions announced by the U.S. had further increased the market volatility by weakening investor confidence and triggering the fear of global economy slowdown.

The Group has persistently maintained a well-diversified portfolio of listed equity investments in different industries and sectors. Together with certain dividend paying stocks, the impact of stock market volatility on the Group's Treasury Management Business during the period had been mitigated to a certain extent. Notwithstanding the volatile market condition, the listed equity investments of the Group slightly outperformed the market and recorded an overall fair value gain of HK$8.6 million for the period, as compared to the fair value gain of HK$23.9 million recorded in the corresponding period last year. Furthermore, the Group received dividend income of HK$24.8 million on the listed equity investments at fair value through profit or loss for the period (2017: HK$17.1 million).

Following the expansion of money lending business since the second half of last financial year, the interest income earned from Money Lending Business segment increased significantly to HK$9.7 million for the period, representing an increase of HK$9.6 million from the last corresponding period. The balance of loan receivables as at 30 June 2018 was HK$153.0 million, of which HK$120.0 million had been subsequently settled.

PROSPECT

Look forward, the global economy is likely to remain challenging as the intensifying trade disputes between the U.S. and China may continue without any sign of talk in the near future. The economy of Mainland China is expected to slow down. In response, the central government of Mainland China may tolerate a further depreciation of Renminbi to support the export. It will therefore further dampen the investor confidence and increase the volatility of financial markets of both China and Hong Kong. In order to stabilize the economy and mitigate the impact of tariff, the central government of China has recently announced certain defensive measures such as moderate relaxation of monetary policy and implementation of certain proactive fiscal policies.

The economy of Hong Kong is expected to be stable with growth momentum being maintained for 2018 even under an influence of the intensifying global trade disputes. The growth momentum of Hong Kong can be solidly supported by various economic factors such as strong rebound of tourism and retail sales and robust private consumption under almost full employment and buoyant residential market performance, all of which are performing relatively well in the first half of 2018. Furthermore, Hong Kong is expected to benefit from implementation of the belt and road initiative and the development of Guangdong-Hong Kong-Macau Great Bay Area which may further stimulate the demand for financial, professional and business services.

In view of a volatile financial market in the near future, the Group is cautious about the performance of financial results for 2018 as the performance of the Group's Treasury Management Business and the financial market is positively correlated. In relative to an unrealized fair value gain of HK$103.9 million on the listed equity investments recorded in the last financial year, the Group expects it is unlikely to record any improvement in the performance of Treasury Management Business for 2018. Nevertheless, the Group will actively strive to further expand its Money Lending Business in order to strengthen its profit base in future.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the six months ended 30 June 2018 was HK$40.1 million, representing an increase of HK$20.4 million from the corresponding period last year. The Group did not dispose of any listed equity investments during the period under review (2017: Nil). Dividend income from listed equity investment increased to HK$24.8 million (2017: HK$17.1 million). Interest income from the Money Lending Business of the Group increased significantly to HK$9.7 million (2017: HK$0.1 million) due to expansion of Money Lending Business since June last year. Rental income of the Group for the period was HK$5.6 million (2017: HK$2.5 million) as the acquisition of commercial properties of the Group with monthly rental income of approximately HK$660,000 was completed at the end of May last year.

Other Comprehensive Income

The Group recorded other comprehensive loss of HK$8.7 million for the six months ended 30 June 2018 (2017: HK$108.0 million). The decrease of HK$99.3 million was mainly attributable to a reclassification of an available-for-sale investment into listed equity investments at fair value through profit or loss when the Group adopted HKFRS 9 with effect from 1 January 2018.

Net Asset Value

The unaudited consolidated net asset value of the Group as at 30 June 2018 was HK$2,825.7 million, representing an increase of HK$33.7 million from the end of last financial year. The unaudited consolidated net asset value per share as at 30 June 2018 was HK$0.304.

Capital Structure

The Group's capital expenditure and investments were mainly funded from cash on hand, internally-generated funds and bank borrowings.

The Group persistently adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in Hong Kong dollars. The Group does not use any financial instruments for hedging purpose.

Liquidity and Financial Resources

As at 30 June 2018, the Group's cash and bank balances and time deposits were HK$82.9 million whilst the cash and cash equivalents and the listed equity investments in aggregate were HK$1,677.3 million. The Group maintained a high current ratio at 311.3 (31 December 2017: 76.7) and the net current assets of the Group was HK$1,833.9 million (31 December 2017: HK$1,308.8 million) which indicated a strong and healthy financial position of the Group.

As at 30 June 2018, the Group did not have any bank borrowings and the available unutilized short-term banking facilities of the Group was approximately HK$150.0 million.

Exposure to Fluctuation in Exchange Rates and Related Hedges

As 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's exposure to fluctuation in foreign exchange rates was minimal due to the pegged exchange rate to the U.S. Dollars. The Group did not have any related hedging instruments.

Gearing Ratio

As at 30 June 2018, the gearing ratio of the Group, as measured by dividing the net debt to shareholders' equity, was inapplicable as it became negative when cash and cash equivalents could entirely cover the total debt (31 December 2017: inapplicable). Net debt includes bank borrowing, 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 2018.

Charge on Group Assets

As at 30 June 2018, the Group pledged its investment properties with an aggregate carrying value of approximately HK$126.3 million (31 December 2017: HK$121.2 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 holds significant investments including investment in an associate, and certain listed equity investments at fair value through profit or loss as at 30 June 2018.

The Group held a substantial equity interest in Y. T. Realty which was classified as an investment in an associate. The carrying value of the Group's investment in Y. T. Realty was HK$554.4 million as at 30 June 2018 (31 December 2017: HK$554.3 million). The profit after tax of Y. T. Realty for the six months ended 30 June 2018 was HK$33.8 million (2017: HK$31.6 million) and the Group's share of profit of an associate was HK$11.5 million (2017: HK$10.8 million). Detailed discussion about the performance of Y. T. Realty for the period is contained in the section of Business Review.

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 in prior years and reclassified to listed equity investments at fair value through profit or loss after the adoption of HKFRS 9 with effect from 1 January 2018. The carrying value of C C Land was stated at fair value of HK$511.3 million as at 30 June 2018 (31 December 2017: HK$505.5 million) and a fair value gain of HK$5.8 million was recognized in the consolidated statement of profit or loss. The Group received a dividend income of HK$5.8 million from C C Land during the period (2017: Nil).

As at 30 June 2018, the Group maintained a diversified portfolio of listed equity investments at fair value through profit or loss with a carrying value of HK$1,594.4 million, representing an increase of HK$514.2 million from the end of last financial year. The increase was mainly attributable to a reclassification of the Group's investment in C C Land as previously explained. As disclosed in the latest published annual report, the Group's portfolios in listed equity investments comprised of 20 listed companies including CHH and China Resources Pharmaceutical Group Limited (stock code: 03320) ("**China Resources Pharmaceutical**") with a carrying value of HK$693.4 million and HK$271.5 million respectively as at 30 June 2018 and accounted for approximately 43.5% and 17.0% of the aggregate carrying value of the portfolios respectively. Although Hong Kong stock market was volatile during the period, the Group's investments in CHH and China Resources Pharmaceutical outperformed the market satisfactorily and recorded a fair value gain of HK$9.5 million and HK$18.5 million respectively for the period. Besides, the Group also received dividend income of HK$13.8 million and HK$2.8 million from CHH and China Resources Pharmaceutical respectively. However, the Group is of the view that future performance of the Group's listed equity investments at fair value through profit or loss depend, to a large extent, on the corresponding performance of the relevant financial markets which can be volatile.

On 24 August 2018, the Board has passed a resolution to declare an interim dividend by way of a Distribution in Specie of the CHH shares held by the Group. Upon the completion of the Distribution in Specie, CHH will cease to be a listed equity investment at fair value through profit or loss of the Group and the Group will cease to receive any dividend income from CHH.

Save as disclosed above, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries, associates or joint ventures during the period under review. There was no present plan authorized by the Board for material investments or acquisition of material capital assets as at the date of this announcement.

Review of Accounts

The audit committee of the Company has reviewed the 2018 Interim Report and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018. In addition, the audit committee has also reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters.

Significant Events since the End of the Reporting Period

Save as disclosed above, there were no other significant events affecting the Group since the end of the reporting period.

OPERATION REVIEW

Human Resources Practices

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 level 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, inflation, employment conditions elsewhere in the Group 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 all be considered.

There are effectively 16 work forces working for the Group as at 30 June 2018. 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.

ADDITIONAL INFORMATION

Compliance with Corporate Governance Code

The Company is committed to achieving and maintaining high standards of corporate governance practice. Throughout the six months ended 30 June 2018, the Company complied with all code provisions of Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange, except for deviation of code provision D.1.4 that the Company does not have formal letter 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 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. The Board will review this arrangement in light of the evolving development of the Group's business activities. The Board will review this arrangement in light of the evolving development of the Group's business activities.

The Company will continually review its corporate governance framework to ensure best corporate governance practices. Save as disclosed above, there were no significant changes in the Company's corporate governance practice or from the information disclosed in the Corporate Governance Report in the latest published annual report.

Compliance with Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors and relevant employees. Following specific enquiry by the Company, each Director confirmed that throughout the six months ended 30 June 2018, they have complied with the required standards set out in the Model Code.

Purchase, Sale or Redemption of Listed Securities of the Company

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 2018.

Publication of Interim Results Announcement and Interim Report

This results announcement is published on the website of the Company (www.yugang.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The 2018 Interim Report will be despatched to Shareholders and made available on the above websites around 12 September 2018.

The Board

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.

APPRECIATION

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

By order of the Board
Yuen Wing Shing
Managing Director

Dated the 24th day of August 2018, Hong Kong SAR

* *For identification purpose only*