



2010

INTERIM REPORT

YUGANG

YUGANG INTERNATIONAL LIMITED

Stock Code: 613

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cheung Chung Kiu (*Chairman*)
Mr. Yuen Wing Shing (*Managing Director*)
Mr. Zhang Qing Xin
Mr. Lam Hiu Lo
Mr. Liang Kang

Non-Executive Directors

Mr. Lee Ka Sze, Carmelo
Mr. Wong Yat Fai

Independent Non-Executive Directors

Mr. Luk Yu King, James
Mr. Ng Kwok Fu
Mr. Leung Yu Ming, Steven

COMMITTEES

Audit Committee

Mr. Luk Yu King, James (*Chairman*)
Mr. Lee Ka Sze, Carmelo
Mr. Ng Kwok Fu
Mr. Leung Yu Ming, Steven

Remuneration Committee

Mr. Cheung Chung Kiu (*Chairman*)
Mr. Ng Kwok Fu
Mr. Leung Yu Ming, Steven

AUTHORISED REPRESENTATIVES

Mr. Cheung Chung Kiu
Mr. Yuen Wing Shing

COMPANY SECRETARY

Albert T. da Rosa, Jr.

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited

LEGAL ADVISERS

Bermuda:

Conyers Dill & Pearman

Hong Kong:

Woo Kwan Lee & Lo
Cheung, Tong & Rosa

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 3301-3307
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Bank Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE ADDRESS

<http://www.yugang.com.hk>

STOCK CODE

613

Management Discussion and Analysis



On behalf of the board (the “Board”) of directors (the “Directors”) of Yugang International Limited (the “Company”), I am pleased to present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010.

RESULTS

The Group recorded a profit attributable to equity holders of the Company of HK\$38.4 million for the six months ended 30 June 2010, representing a decrease of HK\$174.0 million from the last corresponding period. Basic earnings per share for the six months ended 30 June 2010 were HK0.41 cents whereas basic earnings per share of HK2.28 cents were recorded for the last corresponding period.

BUSINESS REVIEW

During the first half of 2010, the economy of Hong Kong continued to improve and both consumer confidence and retail sales activities revealed encouraging signs of improvement. The property market in Hong Kong went through a strong rally in both transaction volume and selling price notwithstanding Hong Kong Government has introduced measures to regulate and promote the transparency of property transactions.

However, in order to prevent the overheating of the economy of Mainland China, the Central Government implemented certain measures to rein in economic growth or potential asset bubbles, such as increasing the deposit reserve ratio for banks and transforming the loose monetary policy to a moderately loose one. The Central Government also implemented austerity programs to curb speculation in the property sector. With the emergence of turbulence in the Euro-zone economies together with the rising fiscal deficits of several European Union member states such as Greece, Spain and Portugal which jeopardized their sovereign credit ratings and casted doubts into the prospect of European and global economic recovery, the stock market in Hong Kong had undergone an adjustment and consolidation during the period under review. The Group’s overall performance was therefore affected by the negative performance of treasury investment segment for the period.



Management Discussion and Analysis

Property Investment and Infrastructure Business

Property Investment Business

Major investment properties of the Group are held through Y. T. Realty Group Limited (“Y.T. Realty”, an associate of the Group and the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The major property investments of the Group include the whole block of Century Square and Prestige Tower, both situate in the core of Central District and Tsimshatsui respectively. These properties had been renovated to focus mainly on the tenant base of commercial and retail to meet the trend of lifestyle hub in Central and Tsimshatsui and thereby successfully attracted numbers of quality tenants. The average rental rates were increased for the period and the occupancy rate was around 95% as at the end of June 2010. Rental income for the six months ended 30 June 2010 amounted to HK\$65.2 million, representing an increase of 8.3% from the last corresponding period.

The profit for the period attributable to equity holders of Y. T. Realty was HK\$260.1 million, representing an increase of HK\$18.4 million from the last corresponding period. It was mainly attributable to an increase of revaluation surplus of investment properties over the last corresponding period.

Infrastructure Business

Major assets of infrastructure business are held through The Cross-Harbour (Holdings) Limited (“Cross-Harbour”, an associate of Y.T. Realty and the shares of which are listed on the main board of the Stock Exchange). Principal assets of Cross-Harbour include substantial interests in Western Harbour Tunnel and Tate’s Cairn Tunnel, both of which generate a stable stream of toll income.

During the first half of 2010, the average daily throughput of Western Harbour Tunnel and Tate’s Cairn Tunnel recorded 14% and 4% growth respectively over the last corresponding period. The profit for the period attributable to equity holders of Cross-Harbour was HK\$165.4 million, representing a decrease of HK\$10.9 million from the last corresponding period. It was mainly attributable to a decrease of profit contribution from treasury investment when compared with the last corresponding period.

Treasury Investment

Local stock market had taken an adjustment and consolidation during the first half of 2010 due to the implementation of fiscal policies to tighten excess liquidity and discourage property speculation by the Central Government and the occurrence of debt crisis of several countries in Europe. The volatility of stock market therefore affected the performance of the treasury investment segment which recorded a net loss of HK\$41.4 million for the period, as compared with a net gain of HK\$141.0 million for the last corresponding period.

Management Discussion and Analysis



PROSPECT

The recent release of weak economic indicators by the United States and Mainland China revealed a sign of decreased momentum in the economic recovery for both countries. The global economy still faces uncertainties and many challenges still lie ahead for a full economic recovery. The stock market may remain volatile in the second half of 2010. The Group will work diligently towards maintaining a well-diversified portfolio to minimize the fluctuation in the performance of treasury investment segment.

On the other hand, Y.T. Realty has successfully attracted and retained quality tenants by upgrading its investment properties and recorded a satisfactory result in the leasing performance. The stable growth of rental incomes from property investment business together with the steady stream of toll revenues from infrastructure business will continuously strengthen the contribution to the Group's operating profit.

Although the Group is optimistic about the economic outlook of Hong Kong in the near term, we will adhere to keep a cautious mind and strive to maintaining sound financial and management capabilities to deal with any upcoming opportunities and challenges.

FINANCIAL REVIEW

Net Asset Value

As at 30 June 2010, the unaudited consolidated net asset value of the Group was HK\$2,305.1 million and the unaudited consolidated net asset value per share was HK\$0.248.

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.



Management Discussion and Analysis

Liquidity and Financial Resources

As at 30 June 2010, the Group's cash, bank balances, short term bank deposits (excluding pledged time deposits) and listed securities investment totalled HK\$335.8 million. The Group maintained the current ratio at 4.9 and net current assets of HK\$285.8 million. The Group had short term bank borrowings of HK\$35.0 million which were denominated in Hong Kong dollars and undrawn short-term banking facilities of approximately HK\$227.0 million.

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

Gearing Ratio

Gearing ratio of the Group, as measured by dividing the net debt to shareholders' equity, was 0.3%. 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 2010.

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 3.5% 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 2010, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK\$63.1 million and time deposits of approximately HK\$9.4 million as securities for general banking facilities granted to the Group.

Comments on Segment Information

Discussion and comments on the Group's segments, including the changes and development, were covered in the Business Review section. The operating results of each segment were set out in note 3 of Notes to Condensed Consolidated Financial Statements in this Interim Report. Save as disclosed herein, there were no significant changes in the market conditions, new products or services introduced that had significantly affected the Group's performance.

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\$1,243.2 million as at 30 June 2010. The profit for the period attributable to equity holders of Y.T. Realty was HK\$260.1 million whereas the Group's share of profits was HK\$88.8 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 2010, the carrying value of C C Land was stated at a fair value of HK\$666.1 million, representing a decline in fair value of HK\$251.7 million for the period. This amount of fair value loss was reported as other comprehensive loss in the Consolidated Statement of Comprehensive Income and taken to an investment revaluation reserve account of the Group. The Group received a dividend income of HK\$7.6 million from C C Land for the period.

Save as disclosed above, there were no significant investment held, nor material acquisitions and disposals of subsidiaries during the period under review. There is no plan for other material investments or capital assets as at the date of this interim report.

Changes since 31 December 2009

There were no other significant changes in the Group's financial position and from the information disclosed under Management Discussion and Analysis in the 2009 annual report.

OPERATIONAL REVIEW

Human Resources

The Group's remuneration policy is built on the principle of providing performance-oriented and market competitive packages to employees aligned with the Group's goals and objectives. The Group employed 45 employees. The Group's total remuneration costs, including directors' emoluments, amounted to HK\$15.2 million for the six months ended 30 June 2010 (2009: HK\$13.3 million). There was no material change in respect of the Group's employment and remuneration policies as set out in the 2009 annual report.



Additional Information

CORPORATE GOVERNANCE

Compliance of the Code on Corporate Governance Practices

The Company is committed to achieving and maintaining high standards of corporate governance. Throughout the six months ended 30 June 2010, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Securities Transactions by Directors

The Company has established 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 the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in Appendix 10 to the Listing Rules.

Following specific enquiry by the Company, all Directors confirmed that they had, throughout the six months ended 30 June 2010, complied with the Model Code and the Directors Securities Dealings Code.

Changes in Information of Directors

Upon specific enquiry by the Company and following confirmation from Directors, there is no change in information of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company’s last published annual report.

Review by Audit Committee

The audit committee of the Company has reviewed the interim report. With management, the audit committee has reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters, including the review of the unaudited condensed consolidated interim financial statements.

INTERIM DIVIDEND

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2010 (2009: Nil).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the financial period under review.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2010, the interests and short positions of Directors and the Chief Executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

(i) Long Positions in Shares of the Company

Name of Director	Nature of Interest	Number of Ordinary Shares Held	Percentage of the Company's Issued Share Capital
Mr. Cheung Chung Kiu	Corporate (<i>note 1</i>)	4,046,389,740	43.49
	Personal	53,320,000	0.57
Mr. Zhang Qing Xin	Personal	13,600,000	0.15
Mr. Lam Hiu Lo	Personal	41,800,000	0.45
Mr. Liang Kang	Personal	20,000,000	0.21

(ii) Long Positions in Shares of Associated Corporation

Name of Director	Name of Associated Corporation	Relationship with the Company	Shares	Nature of Interest	Number of Shares Held	Percentage of Associated Corporation's Issued Share Capital
Mr. Cheung Chung Kiu	Y.T. Realty Group Limited	Associate	Ordinary shares	Corporate (<i>note 2</i>)	273,000,000	34.14
Mr. Ng Kwok Fu	Y.T. Realty Group Limited	Associate	Ordinary shares	Personal and family	90,000	0.01

Disclosure of Interests

Notes:

- (1) Out of the 4,046,389,740 shares, 3,194,434,684 shares were held by Chongqing Industrial Limited ("Chongqing") and 851,955,056 shares were held by Timmex Investment Limited ("Timmex").

Mr. Cheung Chung Kiu, Peking Palace Limited, Miraculous Services Limited and Prize Winner Limited have 35%, 30%, 5% and 30% equity interests in Chongqing respectively.

Peking Palace Limited and Miraculous Services Limited are beneficially owned by Palin Discretionary Trust, a family discretionary trust, the objects include Mr. Cheung Chung Kiu and his family.

Prize Winner Limited is beneficially owned by Mr. Cheung Chung Kiu and his associates.

Timmex is 100% beneficially owned by Mr. Cheung Chung Kiu.

- (2) The 273,000,000 shares were held by Funrise Limited which is indirectly controlled by Palin Holdings Limited as trustee for Palin Discretionary Trust, a family discretionary trust, the objects include Mr. Cheung Chung Kiu and his family.

Save as disclosed herein, as at 30 June 2010, none of the Directors or the Chief Executive had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the following persons had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions:

Name	Notes	Capacity and Nature of Interest	Number of Ordinary Shares Held	Percentage of the Company's Issued Share Capital
Timmex Investment Limited	1	Corporate	851,955,056	9.16
Chongqing Industrial Limited	2	Corporate	3,194,434,684	34.33
Palin Holdings Limited	3	Trustee of a Family Trust	3,194,434,684	34.33
Mr. Cheung Chung Kiu	4	Corporate and personal	4,099,709,740	44.06

Notes:

- (1) Timmex is 100% beneficially owned by Mr. Cheung Chung Kiu.
- (2) The voting rights of these shares are exercisable by Chongqing which is controlled by Mr. Cheung Chung Kiu.
- (3) Palin Holdings Limited is the trustee of Palin Discretionary Trust, a family discretionary trust, the objects included Mr. Cheung Chung Kiu and his family.
- (4) Out of the 4,099,709,740 shares, 3,194,434,684 shares and 851,955,056 shares are held by Chongqing and Timmex respectively and 53,320,000 shares are held by Mr. Cheung Chung Kiu personally.

Save as disclosed herein, as at 30 June 2010, no other person had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 29 April 2005 aiming to motivate the performance of employees at the highest level. No share options were granted during the financial period under review. There were no share options outstanding at the beginning and at the end of the period under review.

APPRECIATION

On behalf of the Board, I would like to express my gratitude and appreciation to the shareholders for their support and the employees for their contribution to the Group throughout the period.

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

Hong Kong, 31 August 2010

Consolidated Income Statement

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
REVENUE	4	6,731	111,870
Other income and gains	4	16,174	64,182
Administrative expenses		(38,323)	(45,797)
Other expenses	5	(34,418)	—
Finance costs	6	(277)	(369)
Share of profits and losses of associates		88,806	82,517
PROFIT BEFORE TAX	7	38,693	212,403
Income tax	8	(334)	(37)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		38,359	212,366
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	10	HK 0.41 cents	HK 2.28 cents

Details of dividend are disclosed in note 9 of the Notes to Condensed Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>38,359</u>	<u>212,366</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Changes in fair value of available-for-sale investments	(251,672)	785,600
Share of other comprehensive income/(loss) of associates	<u>(1,490)</u>	<u>3,344</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(253,162)</u>	<u>788,944</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	<u><u>(214,803)</u></u>	<u><u>1,001,310</u></u>

Consolidated Statement of Financial Position

30 June 2010

	Note	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000 (Restated)
NON-CURRENT ASSETS			
Property and equipment	11	78,355	77,284
Investment properties		20,000	18,000
Interests in associates		1,243,196	1,162,706
Convertible notes receivable - loan portion		6,851	6,013
Available-for-sale investments		672,887	926,603
Other assets		360	360
Total non-current assets		<u>2,021,649</u>	<u>2,190,966</u>
CURRENT ASSETS			
Listed equity investments at fair value through profit or loss		298,751	309,051
Conversion option derivative		7,023	6,720
Loan receivable		—	1,000
Prepayments, deposits and other receivables		7,097	3,086
Pledged time deposits		9,379	9,341
Time deposits		1,791	1,784
Cash and bank balances		35,240	130,000
Total current assets		<u>359,281</u>	<u>460,982</u>
CURRENT LIABILITIES			
Tax payable		29,463	29,463
Other payables and accruals		9,004	21,942
Interest-bearing bank loans		35,000	60,000
Total current liabilities		<u>73,467</u>	<u>111,405</u>
NET CURRENT ASSETS		<u>285,814</u>	<u>349,577</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,307,463</u>	<u>2,540,543</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		2,357	2,023
Net assets		<u>2,305,106</u>	<u>2,538,520</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		93,053	93,053
Reserves		2,212,053	2,445,467
Total equity		<u>2,305,106</u>	<u>2,538,520</u>

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	Attributable to equity holders of the Company						
	Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Available- for-sale	Other reserves (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
				investments			
				revaluation reserve (Unaudited) HK\$'000			
At 1 January 2010	93,053	907,280*	760,799*	2,866*	(5,919)*	780,441*	2,538,520
Profit for the period	—	—	—	—	—	38,359	38,359
Other comprehensive loss for the period	—	—	—	(251,672)	(1,490)	—	(253,162)
Total comprehensive income/(loss) for the period	—	—	—	(251,672)	(1,490)	38,359	(214,803)
Dividend paid (note 9)	—	—	—	—	—	(18,611)	(18,611)
At 30 June 2010	<u>93,053</u>	<u>907,280*</u>	<u>760,799*</u>	<u>(248,806)*</u>	<u>(7,409)*</u>	<u>800,189*</u>	<u>2,305,106</u>
At 1 January 2009	93,053	907,280	760,799	(419,172)	(9,668)	611,788	1,944,080
Profit for the period	—	—	—	—	—	212,366	212,366
Other comprehensive income for the period	—	—	—	785,600	3,344	—	788,944
Total comprehensive income for the period	—	—	—	785,600	3,344	212,366	1,001,310
At 30 June 2009	<u>93,053</u>	<u>907,280</u>	<u>760,799</u>	<u>366,428</u>	<u>(6,324)</u>	<u>824,154</u>	<u>2,945,390</u>

* These reserve accounts comprise the consolidated reserves of HK\$2,212,053,000 (31 December 2009: HK\$2,445,467,000) in the consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(65,122)	156,914
NET CASH FLOWS FROM INVESTING ACTIVITIES	14,240	8,781
NET CASH FLOWS USED IN FINANCING ACTIVITIES	<u>(43,871)</u>	<u>(40,468)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(94,753)	125,227
Cash and cash equivalents at beginning of period	<u>131,784</u>	<u>89,731</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>37,031</u></u>	<u><u>214,958</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	35,240	213,176
Non-pledged time deposits	<u>1,791</u>	<u>1,782</u>
	<u><u>37,031</u></u>	<u><u>214,958</u></u>

Notes to Condensed Consolidated Financial Statements

30 June 2010

1. CORPORATE INFORMATION

Yugang International Limited is a company incorporated in Bermuda with limited liability and whose shares are publicly traded on the Stock Exchange. The principal activities of the Group are described in note 3 of the Notes to Condensed Consolidated Financial Statements.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2010 were authorised to issue in accordance with a resolution of the Board of Directors on 31 August 2010.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

The unaudited condensed consolidated interim 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 Listing Rules.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2009 and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs, and Interpretations) issued by the HKICPA, except that the Group has in the current period applied, for the first time, the following new and revised HKFRSs:

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment - Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items</i>

Notes to Condensed Consolidated Financial Statements

30 June 2010

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(continued)*

HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>

Apart from the above, the Group has also adopted *Improvements to HKFRSs** issued by the HKICPA which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wordings.

* *Improvements to HKFRSs* contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The adoption of these new interpretations and amendments has had no significant financial effect on these unaudited condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated interim financial statements, except for the followings:

(a) HKAS 17 Amendments *Leases – Classification of Leases of Land and Building*

HKAS 17 Amendments delete specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Prepaid land lease payment" and amortised over the lease term.

HKAS 17 Amendments have been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating leases to finance leases.

Notes to Condensed Consolidated Financial Statements

30 June 2010



2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(continued)*

(a) HKAS 17 Amendments *Leases – Classification of Leases of Land and Building* *(continued)*

The accounting for land interest classified as finance lease is as below:

- If the property interest is held for own use, that land interest is accounted for as property and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of asset and the lease term.
- If the property interest is held to earn rentals and/or for capital appreciation, that land is accounted for as investment property and carried at fair value.

Accordingly, the comparative amounts for the six months ended 30 June 2009 and as at 31 December 2009 have been restated and the effects of the adoption of this amendment are as below:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000 (Restated)
Decrease in prepaid land lease payments	(63,182)	(63,827)
Increase in property and equipment	63,182	63,827
	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (Restated)
Decrease in amortisation of prepaid land lease payments	(645)	(647)
Increase in depreciation	645	647

Notes to Condensed Consolidated Financial Statements

30 June 2010

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(continued)*

(b) HKAS 27 (Revised) Consolidated and Separate Financial Statements

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by HKAS 27 (Revised) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The changes in accounting policy resulted from the adoption of HKAS 27 (Revised) were applied prospectively.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these unaudited condensed consolidated interim financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> ²
HKFRS 9	<i>Financial Instruments</i> ⁴
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ³
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> ¹
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ³
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ²

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

Notes to Condensed Consolidated Financial Statements

30 June 2010



2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(continued)*

In addition, improvements to HKFRSs were issued in May 2010 by the HKICPA which contains amendments to HKFRS 1, HKFRS 3, HKFRS 7, HKAS 1, HKAS 27, HKAS 34 and HK(IFRIC)-Int 13. Except for the amendments to HKFRS 3 and HKAS 27 which are effective for annual periods beginning on or after 1 July 2010, other amendments are effective for annual periods beginning on or after 1 January 2011 although there is separate transitional provision for each standard or interpretation.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that except for the adoption of HKFRS 9 may result in a change in accounting policy, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. 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 trades and holds debt and equity securities, receives interest and dividend income from the relevant securities investments and interest income from the provision of financing services.
- (b) The property and infrastructure investment segment 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, an associate of the Group, whilst the infrastructure investment activities are carried out through an associate of Y.T. Realty.
- (c) The "Others" segment consists of the trading of scrap metals and other materials, and other investments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

30 June 2010

3. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2010

	Treasury investment (Unaudited) <i>HK\$'000</i>	Property and infrastructure investment (Unaudited) <i>HK\$'000</i>	Others (Unaudited) <i>HK\$'000</i>	Reportable segments total (Unaudited) <i>HK\$'000</i>	Adjustments (Note) (Unaudited) <i>HK\$'000</i>	Consolidated (Unaudited) <i>HK\$'000</i>
Segment revenue:						
Revenue	6,731	70,077	—	76,808	(70,077)	6,731
Other income and gains	13,504	171,310	2,670	187,484	(171,310)	16,174
Total revenue and gains	<u>20,235</u>	<u>241,387</u>	<u>2,670</u>	<u>264,292</u>	<u>(241,387)</u>	<u>22,905</u>
Segment profit/(loss) for the period	<u>(41,357)</u>	<u>260,125</u>	<u>(197)</u>	<u>218,571</u>	<u>(171,319)</u>	<u>47,252</u>
Corporate and unallocated expenses						<u>(8,893)</u>
Profit for the period						<u>38,359</u>

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

Notes to Condensed Consolidated Financial Statements

30 June 2010



3. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2009

	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	111,870	66,331	—	178,201	(66,331)	111,870
Other income and gains	62,865	147,723	1,317	211,905	(147,723)	64,182
Total revenue and gains	<u>174,735</u>	<u>214,054</u>	<u>1,317</u>	<u>390,106</u>	<u>(214,054)</u>	<u>176,052</u>
Segment profit/(loss) for the period	<u>140,983</u>	<u>241,701</u>	<u>(1,232)</u>	<u>381,452</u>	<u>(159,184)</u>	<u>222,268</u>
Corporate and unallocated expenses						<u>(9,902)</u>
Profit for the period						<u>212,366</u>

Note: The activities of the property and infrastructure investment segment are carried out through the Group's associates and therefore, the entire revenue and gains of this reportable segment and its profit for the 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 from each product or service is set out in note 4 of the Notes to Condensed Consolidated Financial Statements.

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.

Notes to Condensed Consolidated Financial Statements

30 June 2010

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net gains/(losses) on disposal of listed equity investments at fair value through profit or loss, dividend income from listed equity investments at fair value through profit or loss, and interest income from convertible notes and loans receivable during the period.

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

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue		
Gains/(losses) on disposal of listed equity investments at fair value through profit or loss, net	(842)	72,522
Dividend income from listed equity investments at fair value through profit or loss	6,716	37,384
Interest income from convertible notes and loans receivable	857	1,964
	<u>6,731</u>	<u>111,870</u>
Other income and gains		
Gross rental income	340	466
Interest income on bank deposits	5	10
Fair value gains, net:		
Listed equity investments at fair value through profit or loss	—	55,126
Conversion option derivative	303	2,529
Dividend income from available-for-sale investments	8,390	5,200
Fair value gains on investment properties	2,000	—
Gain on redemption of an available-for-sale investment	4,763	—
Others	373	851
	<u>16,174</u>	<u>64,182</u>

5. OTHER EXPENSES

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Fair value losses on listed equity investments at fair value through profit or loss, net	<u>34,418</u>	<u>—</u>

Notes to Condensed Consolidated Financial Statements

30 June 2010



6. FINANCE COSTS

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Interest on bank loans	<u>277</u>	<u>369</u>

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000 (Restated)
Depreciation	<u>1,914</u>	<u>1,735</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Hong Kong		
Deferred tax charge	<u>334</u>	<u>37</u>

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

Share of tax attributable to associates amounting to HK\$12,101,000 (2009: HK\$10,513,000) is included in "Share of profits and losses of associates" on the face of the Consolidated Income Statement.

Notes to Condensed Consolidated Financial Statements

30 June 2010

11. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2010, the Group incurred approximately HK\$2,985,000 (2009: HK\$2,171,000) on the acquisition of items of property and equipment.

12. OPERATING LEASE ARRANGEMENTS

(a) As lessor

At the end of the reporting date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within one year	941	594
In the second to fifth years, inclusive	805	726
	<u>1,746</u>	<u>1,320</u>

(b) As lessee

At the end of the reporting date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within one year	<u>135</u>	<u>894</u>

Notes to Condensed Consolidated Financial Statements

30 June 2010

13. COMMITMENTS

In addition to the operating lease commitments detailed in note 12(b) above, the Group had the following commitments in respect of the purchases of property and equipment at the end of the reporting period:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Contracted, but not provided for	—	2,277

At the end of the reporting date, the Company did not have any significant commitments (31 December 2009: Nil).

14. RELATED PARTY TRANSACTION

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Short term employee benefits	6,680	6,135
Post-employment benefits	30	30
Total compensation paid to key management personnel	6,710	6,165

15. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements were approved by the Board on 31 August 2010.