

YUGANG

YUGANG INTERNATIONAL LIMITED

Stock Code: 00613

INTERIM REPORT

2015

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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 Director

Mr. Lee Ka Sze, Carmelo

Independent Non-Executive Directors

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

COMMITTEES

Executive Committee

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

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

AUTHORISED REPRESENTATIVES

Mr. Cheung Chung Kiu
Mr. Yuen Wing Shing

COMPANY SECRETARY

Mr. 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 Solicitors

REGISTERED OFFICE

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Hamilton HM11
Bermuda

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
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Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
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Hong Kong

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STOCK CODE

00613

Management Discussion and Analysis

The board (the “**Board**”) of directors (the “**Director(s)**”) of Yugang International Limited (the “**Company**”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2015.

RESULTS

The Group recorded a profit attributable to equity holders of HK\$189.0 million for the six months ended 30 June 2015, representing an increase of HK\$44.2 million or 30.5% from the last corresponding period. It was mainly attributable to a substantial unrealized fair value gain of HK\$89.5 million on the revaluation of listed equity investments and share of profit of an associate of HK\$107.3 million, which represented an increase of HK\$24.7 million and HK\$21.4 million respectively from the last corresponding period.

Basic earnings per share for the six months ended 30 June 2015 was HK2.03 cents, whereas basic earnings per share of HK1.56 cents were recorded for the last corresponding period.

BUSINESS REVIEW

The global economic recovery remained subdued during the first half of 2015 due to deceleration of U.S. economic growth in the first quarter and the weak performance of Eurozone economy. Furthermore, the economy of China still faced strong headwinds due to weakening domestic demand and rising disinflationary pressures.

The economic recovery of China was feeble with a slow growth of GDP during the first quarter of the year. The central government therefore put forward several monetary easing policies to stimulate the economic growth, including the cutting of benchmark interest rate and Reserve Requirement Ratio (RRR). Furthermore, the central government announced the relaxation of certain restrictions to allow direct participation of eligible China public funds into Hong Kong stock market with effect from April 2015. It had an immediate effect on escalating Hong Kong stock market and Hang Seng Index surge of up to 28,500 points in April.

Although the escalation of Hong Kong stock market could not be maintained and Hang Seng Index subsequently adjusted downward to 26,250 points at the end of the reporting period, the Group could still record a satisfactory performance in treasury management which in turn contributed to the satisfactory result of the Group for the period.

Property and Infrastructure Investment Business

Property Investment Business

The Group’s property investment business is principally carried on through an associate, Y. T. Realty Group Limited (“**Y. T. Realty**”), the shares of which are traded on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Y. T. Realty currently holds two commercial buildings, namely Century Square and Prestige Tower (collectively the “**Investment Properties**”), both of which are situated in the core of Central District and Tsimshatsui respectively.

The economic growth of Hong Kong remained moderate for the period due to decrease in exports of goods, subdued global trade performance and decelerate in economic momentum of mainland China. The performance of retail sector declined as the growth in the number of both overall and Mainland visitors decreased notably during the period and the retail consumption, particularly in luxury retail sector, was mostly affected by the slowdown of tourist consumption. Local private consumption was, however, sustained strong due to the wealth effect of the robust asset markets performance.

In prior years, Y. T. Realty had positioned the Investment Properties in beauty façade and up-market fashion hub. They had successfully developed quality tenant mix and strong clientele base which further strengthened their competitiveness in attracting and retaining quality tenants. Notwithstanding the recent slowdown in retail consumption, the leasing demand for office and retail space in prime location could still be maintained. Therefore, the overall occupancy rate of the Investment Properties for the period could still be maintained at around 96% with a moderate increase in overall rental income and rental rate.

Management Discussion and Analysis

The gross rental income of Y. T. Realty for the six months ended 30 June 2015 was HK\$102.8 million, representing an increase of 3.0% from the last corresponding period. A fair value gain of HK\$115.1 million on revaluation of Investment Properties was also recorded for the period, which represented an increase of HK\$36.7 million from the last corresponding period. The net profit after tax and non-controlling interests of Y. T. Realty for the period was HK\$314.3 million, representing an increase of HK\$62.7 million from the last corresponding period. The Group's share of profit of Y. T. Realty for the period was HK\$107.3 million.

Infrastructure Investment Business

The infrastructure investment business of the Group comprised investments in tunnels, transports and logistic operations. It was carried on through The Cross-Harbour (Holdings) Limited ("**Cross-Harbour**"), whose shares are traded on the main board of the Stock Exchange. Cross-Harbour currently holds 50% and 39.5% equity interests in Western Harbour Tunnel Company Limited and Tate's Cairn Tunnel Company Limited respectively, both of which generated a steady stream of toll income with a stable growth.

The local consumption remained robust as the employment market almost stayed at full employment level and the property market continued to flourish during the period. The growth of tunnel operations remained satisfactory for the period with an overall increase of daily throughput as compared to the last corresponding period. During the period under review, the average daily throughput of tunnel operations was gradually recovered to the level prior to the local political event in last October. In addition, the satisfactory performance of treasury management of Cross-Harbour also contributed to the growth of its operating profit for the period due to the bull-rallied stock market of Hong Kong. The net profit after tax and non-controlling interests of Cross-Harbour for the period was HK\$315.2 million, representing an increase of HK\$75.5 million or 31.5% from the last corresponding period.

Treasury Management

During the period under review, the local stock market turned buoyant with Hang Seng Index surging to 28,500 points in April. It was resulted from the stimulating effect of monetary easing measures and financial market reform of Mainland China such as the Shanghai-Hong Kong Stock Connect pilot program and the relaxation of restriction on eligible China public funds investing in Hong Kong stock market. A bull market sentiment was therefore fueled up. However, the escalation of Hong Kong stock market could not be maintained and Hang Seng Index subsequently adjusted with a downward trend to about 26,250 points as at the end of the reporting period.

Notwithstanding Hong Kong stock market commenced adjustment before the end of the reporting period, the Group could still record a satisfactory performance in treasury management for the period which included a substantial unrealized fair value gain of HK\$89.5 million on listed equity investments and a realized gain of HK\$13.3 million on disposal of listed equity investments.

OUTLOOK

Looking forward, the Group is cautious about the current year's performance after the stock market of Hong Kong and China had experienced turmoil in July. Hang Seng Index drastically fell after a plunge in China A-shares in early July. Investors' confidence and market sentiment had been seriously impacted. In addition, the market is expecting an interest rate hike in September by the Federal Reserve of the U.S. which may affect the stock and property market and in turn affect the segment performance of treasury management and property investment business of the Group.

However, China still has ample policy room to support economic growth by accelerating the pace of reform such as financial market and State-owned Enterprises reform to stabilize the stock market. The Group remains conservative and cautious about the 2015 financial results. The overall performance of treasury management may be affected as the unrealized fair value gain on the listed equity investments recorded in this interim result may be substantially reduced.

Management Discussion and Analysis

FINANCIAL REVIEW

Other Comprehensive Income

The Group recorded other comprehensive income of HK\$163.2 million for the six months ended 30 June 2015 (2014: other comprehensive loss of HK\$136.2 million). It was mainly attributable to a fair value gain of HK\$140.6 million on available-for-sale investment of the Group for the period (2014: fair value loss of HK\$135.0 million).

Net Asset Value

The unaudited consolidated net asset value of the Group as at 30 June 2015 was HK\$2,964.0 million, representing an increase of HK\$324.3 million from the end of last financial year. The unaudited consolidated net asset value per share as at 30 June 2015 was HK\$0.319.

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 U.S. dollars and Hong Kong dollars. The Group does not use any financial instruments for hedging purpose.

Liquidity and Financial Resources

As at 30 June 2015, the Group's cash and cash equivalents of HK\$28.6 million were denominated in Hong Kong dollars. The cash and cash equivalents and listed equity investments in aggregate were HK\$164.5 million. The liquidity of the Group further improved for the period with the current ratio of 12.6 as at 30 June 2015 (31 December 2014: 6.4).

The bank borrowing of the Group as at 30 June 2015 was HK\$44.0 million. The bank loan, being a term loan repayable within five years and subject to a normal and general term of repayment on demand clause after 31 December 2016, was interest-bearing at a variable rate based on Hong Kong Interbank Offered Rate and denominated in Hong Kong dollars.

The maturity profile of the Group's bank borrowing as at 30 June 2015 was set out as follows:

	HK\$
Due within one year	14,000,000
Due more than one year but not exceeding two years	15,000,000
Due more than two years but not exceeding five years	<u>15,000,000</u>
Total	<u><u>44,000,000</u></u>

As at 30 June 2015, the Group had unutilized short-term banking facilities of approximately HK\$180.0 million.

Management Discussion and Analysis

Gearing Ratio

As at 30 June 2015, the gearing ratio of the Group, as measured by dividing the net debt to shareholders' equity, was 0.7%. As at 31 December 2014, the gearing ratio of the Group was inapplicable as it became negative when cash and cash equivalents could entirely cover the total debt. 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 2015.

Exposure to Fluctuation in Exchange Rates and Related Hedges

As the Group's major sources 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 and the Group did not have any related hedging instruments.

Charge on Assets

As at 30 June 2015, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK\$69.6 million and time deposits of approximately HK\$9.5 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 and Outlook section of the Management Discussion and Analysis. The segment information and operating results were set out in note 3 to the 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 held significant equity interests for long term in Y. T. Realty and C C Land Holdings Limited ("C C Land", the shares of which are listed on the main board of the Stock Exchange).

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\$2,181.9 million as at 30 June 2015. The net profit after tax of Y. T. Realty for the period was HK\$314.3 million (2014: HK\$251.6 million) and the Group's share of profit of an associate was HK\$107.3 million (2014: HK\$85.9 million). Detailed discussion about its performance has already been contained in the section of Business Review.

The Group held a significant equity interest in C C Land as an available-for-sale investment with a fair value of HK\$492.1 million. A fair value gain of HK\$140.6 million was reported for the period as other comprehensive income 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\$13.0 million from C C Land for the period (2014: HK\$11.7 million).

Save as disclosed in this interim report, 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 plan authorized by the Board for other material investments or acquisitions of material capital assets as at the date of this interim report.

Management Discussion and Analysis

Changes since 31 December 2014

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

OPERATIONS 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 30 work forces working for the Group as at 30 June 2015. 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. Throughout the six months ended 30 June 2015, 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 letters of appointment for Directors setting out key terms and conditions of their appointment. The Company is of the view that the current arrangement is more appropriate and flexible, particularly in light of the current business activities and operational structure of the Company. 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.

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 and its amendments from time to time as its own code of conduct regarding Directors' securities transaction. Following specific enquiry by the Company, each Director confirmed that throughout the six months ended 30 June 2015, they had complied with the required standards set out in the Model Code.

The Company has also adopted the code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standards set out in the Model Code.

Management Discussion and Analysis

Changes in Information of Directors

Mr. Lee Ka Sze, Carmelo resigned as an independent non-executive director of Ping An Insurance (Group) Company of China, Limited, a public company listed on the Stock Exchange (Stock Code: 02318), on 30 June 2015. Mr. Lee also ceased to be the chairman of the Listing Committee of the Stock Exchange with effect from 10 July 2015. Other information of Mr. Lee is set out in 2014 annual report of the Company.

Save as disclosed herein, upon specific enquiry by the Company and following confirmations from Directors, there is no change in information of Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

Review of Accounts

The audit committee of the Company has reviewed the 2015 Interim Report and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015. In addition, the audit committee has also reviewed the accounting principles and practices adopted by the Group and discussed financial reporting matters.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

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 2015.

Disclosure of Interests

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS

As at 30 June 2015, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (the "Associated Corporations")) 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 were as follows:

(i) Long positions in shares of the Company:

Name of Director	Nature of Interest	Number of Ordinary Shares Held	Percentage of 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	30,000,000	0.32

(ii) Long positions in shares of Associated Corporations:

Name of Director	Name of Associated Corporation	Relationship with the Company	Nature of Interest	Number of Ordinary Shares Held	Percentage of Issued Share Capital
Mr. Cheung Chung Kiu	Y. T. Realty Group Limited	Associate	Corporate (<i>note 2</i>)	273,000,000	34.14
Mr. Ng Kwok Fu	Y. T. Realty Group Limited	Associate	Personal and family	90,000	0.01

Notes:

- (1) Out of 4,046,389,740 shares, 3,194,434,684 shares are held by Chongqing Industrial Limited ("Chongqing") and 851,955,056 shares are 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 are 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 above, as at 30 June 2015, none of Directors or chief executive of the Company and their respective associates had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations as recorded in the register 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.

Disclosure of Interests

SHARE OPTION SCHEME

The Company adopted a share option scheme on 29 April 2005 (the “**2005 Scheme**”) which remained in force for a period of 10 years from the date of its adoption and expired on 28 April 2015. The Company did not have any outstanding options granted or remained valid under the 2005 Scheme. In addition, the Company adopted a new share option scheme on 21 May 2015 (the “**2015 Scheme**”), which has a term of 10 years and will be expired on 20 May 2025. The purpose of the 2015 Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits, to the employees and to serve such other purposes as the Board may approve from time to time. During the period under review, no share options were granted under the 2015 Scheme and there were no share options outstanding at the beginning and at the end of the period under review.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed “Directors’ and Chief Executive’s Interests” and “Share Option Scheme” above, at no time during the period under review, the Company or any of its subsidiaries or its holding company, was a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of Directors, or any of their associates, held any interests in or was granted any rights to subscribe for shares of the Company, or had exercised any such rights.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, 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 pursuant to section 336 of the SFO; or as otherwise notified to the Company and the Stock Exchange:

Long positions in shares of the Company:

Name	Notes	Capacity and Nature of Interest	Number of Ordinary Shares Held	Percentage of 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 include Mr. Cheung Chung Kiu and his family.
- (4) Out of 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 above, as at 30 June 2015, the Company had not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company that 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.

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

Hong Kong, 27 August 2015

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

		Six months ended 30 June	
Notes	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	
REVENUE	4	14,476	15,858
Other income and gains	4	102,579	79,932
Administrative expenses		(34,554)	(33,364)
Finance costs	5	(804)	(3,530)
Share of profit of an associate		107,287	85,897
PROFIT BEFORE TAX	6	188,984	144,793
Income tax expense	7	(15)	(8)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		188,969	144,785
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted		HK2.03 cents	HK1.56 cents

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	188,969	144,785
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</i>		
Changes in fair value of available-for-sale investments	140,614	(134,975)
Share of other comprehensive income/(loss) of an associate	22,590	(1,233)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	163,204	(136,208)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	352,173	8,577

Consolidated Statement of Financial Position

30 June 2015

	Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property and equipment	10	33,672	34,610
Investment properties		44,500	44,500
Investment in an associate	11	2,181,895	2,061,573
Loans receivable		4,996	6,000
Available-for-sale investment		492,148	351,534
Other assets		360	360
Total non-current assets		2,757,571	2,498,577
CURRENT ASSETS			
Listed equity investments at fair value through profit or loss		135,916	110,513
Loans receivables		81,000	1,000
Prepayments, deposits and other receivables		2,148	3,382
Pledged time deposits		9,500	9,487
Time deposits		19,500	77,700
Cash and bank balances		9,085	9,142
Total current assets		257,149	211,224
CURRENT LIABILITIES			
Other payables and accruals		6,416	20,769
Bank borrowing	12	14,000	12,000
Total current liabilities		20,416	32,769
NET CURRENT ASSETS		236,733	178,455
TOTAL ASSETS LESS CURRENT LIABILITIES		2,994,304	2,677,032
NON-CURRENT LIABILITIES			
Deferred tax liabilities		275	260
Bank borrowing	12	30,000	37,000
Total non-current liabilities		30,275	37,260
Net assets		2,964,029	2,639,772
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		93,053	93,053
Reserves		2,870,976	2,546,719
Total equity		2,964,029	2,639,772

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	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 investments revaluation reserve (Unaudited) HK\$'000	Other reserves (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2015	93,053	907,280*	760,799*	—*	4,873*	873,767*	2,639,772
Profit for the period	—	—	—	—	—	188,969	188,969
Other comprehensive income for the period:							
Changes in fair value of an available-for-sale investment	—	—	—	140,614	—	—	140,614
Share of other comprehensive income of an associate	—	—	—	—	22,590	—	22,590
Total comprehensive income for the period	—	—	—	140,614	22,590	188,969	352,173
2014 final dividend paid (note 8)	—	—	—	—	—	(27,916)	(27,916)
At 30 June 2015	93,053	907,280*	760,799*	140,614*	27,463*	1,034,820*	2,964,029
At 1 January 2014	93,053	907,280	760,799	132,787	1,745	596,831	2,492,495
Profit for the period	—	—	—	—	—	144,785	144,785
Other comprehensive loss for the period:							
Changes in fair value of available-for-sale investments	—	—	—	(134,975)	—	—	(134,975)
Share of other comprehensive loss of an associate	—	—	—	—	(1,233)	—	(1,233)
Total comprehensive income/(loss) for the period	—	—	—	(134,975)	(1,233)	144,785	8,577
2013 final dividend paid (note 8)	—	—	—	—	—	(18,611)	(18,611)
At 30 June 2014	93,053	907,280	760,799	(2,188)	512	723,005	2,482,461

* These reserve accounts comprise the consolidated reserves of HK\$2,870,976,000 (31 December 2014: HK\$2,546,719,000) in the consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(47,077)	(24,205)
INVESTING ACTIVITIES		
Dividends received from an associate	9,555	9,555
Dividends received from an available-for-sale investment	13,020	11,718
Other cash flows arising from investing activities	(87)	(6)
NET CASH FLOWS FROM INVESTING ACTIVITIES	22,488	21,267
FINANCING ACTIVITIES		
New other borrowing	—	40,000
Repayment of bank borrowing	(5,000)	(3,000)
Dividends paid	(27,916)	(18,611)
Interest paid	(752)	(2,323)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	(33,668)	16,066
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(58,257)	13,128
Cash and cash equivalents at beginning of period	86,842	27,621
CASH AND CASH EQUIVALENTS AT END OF PERIOD	28,585	40,749
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	9,085	28,249
Non-pledged time deposits with original maturity of less than three months when acquired	19,500	12,500
	28,585	40,749

Notes to Condensed Consolidated Financial Statements

30 June 2015

1. CORPORATE AND GROUP INFORMATION

Yugang International Limited (the “**Company**”) 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 to the condensed consolidated financial statements.

The unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2015 were authorised for issue in accordance with a resolution of the board of directors on 27 August 2015.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

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 Listing Rules.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2014.

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 2014, 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 amendments to HKFRSs for the first time for the current period’s unaudited interim condensed consolidated financial statements:

Amendments to HKAS 19 <i>Annual Improvements</i> 2010-2012 Cycle	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements</i> 2011-2013 Cycle	Amendments to a number of HKFRSs
	Amendments to a number of HKFRSs

The adoption of these revised HKFRSs has had no significant financial effect on the unaudited interim condensed consolidated financial statements.

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

Notes to Condensed Consolidated Financial Statements

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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:

- The treasury management 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.
- The property and infrastructure investment segment which 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; and in an associate which holds two tunnels in Hong Kong generating toll revenue.
- The “Others” segment which consists of the trading of scrap metals and other materials, property investment for rental income and/or capital appreciation potential, 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 unaudited interim condensed consolidated financial statements.

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

For the six months ended 30 June 2015

	Treasury management (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	13,728	107,728	748	122,204	(107,728)	14,476
Other income and gains	102,579	118,102	—	220,681	(118,102)	102,579
Total revenue and gains	<u>116,307</u>	<u>225,830</u>	<u>748</u>	<u>342,885</u>	<u>(225,830)</u>	<u>117,055</u>
Segment profit/(loss) for the period	<u>89,280</u>	<u>314,256</u>	<u>(1,883)</u>	<u>401,653</u>	<u>(206,969)</u>	<u>194,684</u>
Corporate and unallocated expenses, net						(5,715)
Profit for the period						<u>188,969</u>

Notes to Condensed Consolidated Financial Statements

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3. OPERATING SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2014

	Treasury management (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	15,222	104,382	636	120,240	(104,382)	15,858
Other income and gains	76,525	79,101	3,407	159,033	(79,101)	79,932
Total revenue and gains	91,747	183,483	4,043	279,273	(183,483)	95,790
Segment profit for the period	63,298	251,601	1,503	316,402	(165,704)	150,698
Corporate and unallocated expenses, net						(5,913)
Profit for the period						144,785

Note: The activities of the property and infrastructure 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 adjusted to arrive at the Group's consolidated revenue and gains and consolidated profit for the period.

The Group's revenue is set out in note 4 to the 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.

4. 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 convertible notes and loans 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue		
Gains on disposal of listed equity investments at fair value through profit or loss, net	13,301	14,651
Dividend income from listed equity investments at fair value through profit or loss	105	288
Interest income from convertible notes and loans receivables	322	283
Gross rental income	748	636
	14,476	15,858

Notes to Condensed Consolidated Financial Statements

30 June 2015

4. REVENUE, OTHER INCOME AND GAINS *(continued)*

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income and gains		
Interest income on bank deposits	17	14
Fair value gains on listed equity investments at fair value through profit or loss, net	89,542	64,793
Dividend income from an available-for-sale investment	13,020	11,718
Fair value gains on investment properties	—	3,400
Others	—	7
	<u>102,579</u>	<u>79,932</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and other borrowings	<u>804</u>	<u>3,530</u>

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	<u>1,030</u>	<u>1,517</u>

7. INCOME TAX

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2015 as the Group has available tax losses brought forward from prior years to offset the assessable profits arising in Hong Kong during the period (2014: Nil).

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Deferred tax charge for the period – Hong Kong	<u>15</u>	<u>8</u>

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

The share of tax attributable to an associate amounting to HK\$4,710,000 (2014: HK\$4,396,000) is included in "Share of profit of an associate" in the consolidated statement of profit or loss.

Notes to Condensed Consolidated Financial Statements

30 June 2015

8. DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2015 (2014: Nil).

A final dividend of HK\$27,916,000 in respect of the year ended 31 December 2014 was paid during the six months ended 30 June 2015 (2014: HK\$18,611,000 in respect of the year ended 31 December 2013).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts 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 2015 and 2014 as the Group had no potentially dilutive ordinary shares in issue during those periods.

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

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculations	<u>188,969</u>	<u>144,785</u>
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	<u>9,305,276,756</u>	<u>9,305,276,756</u>

10. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2015, the Group incurred HK\$92,000 (2014: HK\$8,000) on the acquisition of items of property and equipment.

11. INVESTMENT IN AN ASSOCIATE

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Share of net assets	<u>2,181,895</u>	<u>2,061,573</u>

Notes to Condensed Consolidated Financial Statements

30 June 2015

11. INVESTMENT IN AN ASSOCIATE *(continued)*

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation and business	Percentage of ownership interest attributable to the Group
Y. T. Realty Group Limited ("Y.T. Realty")	Ordinary shares of HK\$0.1 each	Bermuda/ Hong Kong	34.14

Y. T. Realty is an investment holding company, incorporated in Bermuda and listed in Hong Kong, with its subsidiaries engaged in property investment, property trading, and the provision of property management and related services. This associate has been accounted for using the equity method in these unaudited interim condensed consolidated financial statements.

Extracts of the consolidated results and consolidated financial position of the associate, Y. T. Realty, are as follows:

Consolidated Results

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue	107,728	104,382
Other income	3,046	721
Total expenses	(20,115)	(18,880)
Changes in fair value of investment properties	115,056	78,380
Share of profit of an associate	131,324	99,875
Share of loss of a joint venture	(8,986)	—
Income tax expense	(13,797)	(12,877)
Profit attributable to shareholders	<u>314,256</u>	<u>251,601</u>

Consolidated Financial Position

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Non-current assets		
Investment properties	4,077,000	3,959,200
Investment in an associate	2,116,821	1,954,043
Investment in a joint venture	113,126	—
Other non-current assets	2,149	2,318
	<u>6,309,096</u>	<u>5,915,561</u>
Current assets	336,548	388,250
Current liabilities	(101,427)	(104,706)
Non-current liabilities	(153,207)	(160,535)
Net assets	<u>6,391,010</u>	<u>6,038,570</u>
Market value of the Group's investment	<u>791,700</u>	<u>668,850</u>

Notes to Condensed Consolidated Financial Statements

30 June 2015

12. BANK BORROWING

	30 June 2015 (Unaudited)			31 December 2014 (Audited)		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank borrowing – secured	2.16	September 2015 - June 2016	14,000	2.16	March 2015 - December 2015	12,000
Non-current						
Bank borrowing – secured	2.16	September 2016 - June 2018	30,000	2.16	March 2016 - June 2018	37,000
			<u>44,000</u>			<u>49,000</u>
Analysed into:						
Bank borrowing repayable:						
Within one year			14,000			12,000
In the second year			15,000			14,500
In the third to fifth years, inclusive			<u>15,000</u>			<u>22,500</u>
			<u>44,000</u>			<u>49,000</u>

As at 30 June 2015, the Group had a term bank loan of HK\$44,000,000 (31 December 2014: HK\$49,000,000), of which HK\$30,000,000 (31 December 2014: HK\$37,000,000) was included in the non-current portion, was subject to a repayable on demand clause after 31 December 2016 (31 December 2014: repayable on demand clause after 31 December 2015).

13. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within one year	1,518	1,518
In the second to fifth years, inclusive	<u>127</u>	<u>886</u>
	<u>1,645</u>	<u>2,404</u>

Notes to Condensed Consolidated Financial Statements

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13. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within one year	1,700	1,700
In the second to fifth years, inclusive	138	965
	1,838	2,665

14. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments (31 December 2014: Nil).

15. BANKING FACILITIES

At the end of the reporting period, the Group's banking facilities were secured by:

- a pledge of the Group's time deposits of HK\$9,500,000 (31 December 2014: HK\$9,487,000);
- pledges of the Group's investment properties and certain land and buildings with carrying values of HK\$44,500,000 and HK\$25,131,000, respectively (31 December 2014: HK\$44,500,000 and HK\$25,423,000, respectively); and
- corporate guarantees issued by the Company.

16. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Short term employee benefits	8,332	7,900
Post-employment benefits	45	39
Total compensation paid to key management personnel	8,377	7,939

Notes to Condensed Consolidated Financial Statements

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17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, time deposits, pledged time deposits, financial assets included in prepayments, deposits and other receivables, the current portion of loans receivables, financial liabilities included in other payables and accruals, and the current portion of bank borrowing approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of the non-current portion of loans receivable and bank borrowing have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturity. The Group's own non-performance risk for bank borrowing as at 30 June 2015 and 31 December 2014 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 30 June 2015 (Unaudited)				
Available-for-sale equity investment	492,148	—	—	492,148
Listed equity investments at fair value through profit or loss	135,916	—	—	135,916
	628,064	—	—	628,064

As at 31 December 2014 (Audited)

Available-for-sale equity investment	351,534	—	—	351,534
Listed equity investments at fair value through profit or loss	110,513	—	—	110,513
	462,047	—	—	462,047

The Group did not have any financial liabilities measured at fair value as at 30 June 2015 and 31 December 2014.

During the six months ended 30 June 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved by the board of directors on 27 August 2015.