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YUGANG

**YUGANG INTERNATIONAL
LIMITED**

渝港國際有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 613)



**QUALIPAK INTERNATIONAL
HOLDINGS LIMITED**

確利達國際控股有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 1224)

JOINT ANNOUNCEMENT DESPATCH OF CIRCULARS

Despatch of circulars

The circular of Yugang in relation to the Transaction would be despatched to the Yugang Shareholders on 20 October 2006. The circular of Qualipak in relation to the Transaction, the Placing, the proposed increase in the authorised share capital of Qualipak and the re-election of a retiring director of Qualipak would be despatched to the Qualipak Shareholders on 20 October 2006.

Unaudited pro forma financial information on the Remaining Group (as defined below)

The unaudited pro forma financial information on the Remaining Group as set out in the circular of Yugang is set out in this announcement.

Unaudited pro forma financial information on the Enlarged Group (as defined below)

The unaudited pro forma financial information on the Enlarged Group as set out in the circular of Qualipak is set out in this announcement.

INTRODUCTION

Reference is made to the joint announcement (the “Joint Announcement”) dated 28 September 2006 issued by Yugang International Limited (“Yugang”) and Qualipak International Holdings Limited (“Qualipak”). Terms used in this announcement shall have the same meanings as those defined in the Joint Announcement unless the context requires otherwise.

DESPATCH OF CIRCULARS

The circular of Qualipak containing among other things, (i) details of the Transaction, the Placing, the proposed increase in the authorised share capital of Qualipak and the re-election of a retiring director of Qualipak; (ii) the letter of recommendation from the independent board committee of Qualipak to the independent shareholders of Qualipak; (iii) the letter of advice from Goldbond Capital (Asia) Limited to the independent board committee and the independent shareholders of Qualipak; (iv) the accountants’ report on the Subject Company for the three years ended 31 December 2005 and the six months ended 30 June 2006; (v) the valuation on the property interests of the Qualipak Group; (vi) the valuation on the property interests of the Subject Company and its subsidiaries (the “Subject Group”); and (vii) the unaudited pro forma financial information on the Qualipak Group immediately after Completion (the “Enlarged Group”), would be despatched to the Qualipak Shareholders on 20 October 2006.

The circular of Yugang containing, among other things, (i) details of the Transaction; (ii) the letter of recommendation from the independent board committee of Yugang to the independent shareholders of Yugang; (iii) the letter of advice from CIMB-GK Securities (Hong Kong) Limited to the independent board committee and the independent shareholders of Yugang; (iv) the accountants’ report on the Yugang Group for the three years ended 31 December 2005 and the six months ended 30 June 2006; (v) the accountants’ report on the Subject Company for the three years ended 31 December 2005 and the six months ended 30 June 2006; (vi) the valuation on the property interests of the Yugang Group; (vii) the valuation on the property interests of the Subject Group; and (viii) the unaudited pro forma financial information on the Yugang Group immediately after Completion (the “Remaining Group”), would be despatched to the Yugang Shareholders on 20 October 2006.

* For identification purposes only

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

Set out below is the unaudited pro forma financial information on the Enlarged Group as set out in Appendix V to the circular of Qualipak:

1. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

	Unaudited consolidated balance sheet of the Group as at 30 June 2006 HK\$'000 <i>Note 1</i>	Audited combined balance sheet of the Subject Group as at 30 June 2006 RMB'000 <i>Note 2</i>	Audited combined balance sheet of the Subject Group as at 30 June 2006 HK\$'000 <i>Note 2</i>	Unaudited pro forma adjustments HK\$'000	<i>Notes</i>	Pro forma Enlarged Group HK\$'000
NON-CURRENT ASSETS						
Property, plant and equipment	160,243	45,261	44,374	27,768	3a	232,385
Investment properties	–	143,470	140,657			140,657
Prepaid land lease payments	24,895	840	824			25,719
Properties under development	–	396,322	388,551	5,920,193	3b	6,308,744
Convertible note – Loan portion	30,577	–	–			30,577
Goodwill	34,553	–	–			34,553
Interest in an associate	31,846	77,133	75,621			107,467
Available-for-sale equity investments	–	46,798	45,880			45,880
Pledged deposits	–	44,870	43,990			43,990
Total non-current assets	282,114	754,694	739,897			6,969,972
CURRENT ASSETS						
Inventories	83,888	–	–			83,888
Properties under development for sale	–	7,683	7,532	80,404	3b	87,936
Completed properties for sale	–	710	696			696
Trade receivables	132,533	404	396			132,929
Prepayments, deposits and other receivables	7,321	177,217	173,742			181,063
Prepaid land lease payments	636	–	–			636
Loan to an associate	3,000	–	–			3,000
Investments held for trading	91,035	–	–			91,035
Convertible option derivative	3,125	–	–			3,125
Tax recoverable	294	–	–			294
Due from related parties	–	183,134	179,543	(67,553)	6	111,990
Deposits with brokerage companies	728	–	–			728
Pledged deposits	3,000	114,923	112,670			115,670
Short term bank deposits	155,785	1,638	1,606			157,391
Cash and cash equivalents	42,181	19,663	19,277			61,458
Total current assets	523,526	505,372	495,462			1,031,839
CURRENT LIABILITIES:						
Trade and bills payables	109,926	21,377	20,959			130,885
Interest-bearing bank loans	35,899	652,127	639,340			675,239
Tax payable	18,079	9,480	9,294			27,373
Other payables and accruals	26,733	108,780	106,647	20,000	12	153,380
Consideration payable on acquisition of associates	2,885	–	–			2,885
Consideration payable on acquisition of subsidiaries	4,863	–	–	250,000	6	254,863
Loan from minority shareholders of a subsidiary	8,000	–	–			8,000
Due to related parties	–	59,962	58,786			58,786
Total current liabilities	206,385	851,726	835,026			1,311,411

	Unaudited consolidated balance sheet of the Group as at 30 June 2006 <i>HK\$'000</i> <i>Note 1</i>	Audited combined balance sheet of the Subject Group as at 30 June 2006 <i>RMB'000</i> <i>Note 2</i>	Audited combined balance sheet of the Subject Group as at 30 June 2006 <i>HK\$'000</i> <i>Note 2</i>	Unaudited pro forma adjustments <i>HK\$'000</i>	<i>Notes</i>	Pro forma Enlarged Group <i>HK\$'000</i>
NET CURRENT ASSETS/(LIABILITIES)	317,141	(346,354)	(339,564)			(279,572)
TOTAL ASSETS LESS CURRENT LIABILITIES	599,255	408,340	400,333			6,690,400
NON-CURRENT LIABILITIES:						
Interest-bearing bank loans	–	152,961	149,962			149,962
Convertible note	–	–	–	1,315,765	6, 8	1,315,765
Deferred tax liabilities, net	2,663	7,072	6,933	1,989,360	4	1,998,956
Total non-current liabilities	2,663	160,033	156,895			3,464,683
Net assets	596,592	248,307	243,438			3,225,717
EQUITY						
Equity attributable to equity holders of the Company:						
Issued capital	39,395	–	–	16,000	6, 7	55,395
Share premium	199,901	–	–	432,000	6, 7	631,901
Other reserves	354,314	248,307	243,438	701,452	5, 11	1,299,204
Equity component of convertible bond	–	–	–	1,236,235	6, 8	1,236,235
Equity attributable to equity holders of the parent	593,610	248,307	243,438			3,222,735
Minority Interests	2,982	–	–			2,982
Total equity	596,592	248,307	243,438			3,225,717

2. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

	Unaudited consolidated income statement of the Group for six months ended 30 June 2006 HK\$'000 <i>Note 1</i>	Audited combined income statement of the Subject Group for six months ended 30 June 2006 RMB'000 <i>Note 2</i>	Audited combined income statement of the Subject Group for six months ended 30 June 2006 HK\$'000 <i>Note 2</i>	Unaudited pro forma adjustments HK\$'000	<i>Notes</i>	Pro forma Enlarged Group HK\$'000
REVENUE	391,558	10,202	10,002			401,560
Cost of sales	(326,353)	(3,084)	(3,024)			(329,377)
Gross profit	65,205	7,118	6,978			72,183
Other income and gains	15,404	1,004	984			16,388
Selling and distribution costs	(10,926)	(521)	(511)			(11,437)
Administrative expenses	(24,216)	(8,560)	(8,391)	(695)	10	(33,302)
Other operating expenses	-	(1,269)	(1,244)			(1,244)
Fair value gains/(losses) on investment properties, net	1,330	(239)	(234)			1,096
Excess over cost of a business combination	-	-	-	944,890	5	944,890
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	46,797	(2,467)	(2,418)			988,574
Finance costs	(1,326)	(11,796)	(11,565)	(59,209)	9	(72,100)
Share of losses of an associate	(1,812)	(1,187)	(1,164)			(2,976)
PROFIT/(LOSS) BEFORE TAX	43,659	(15,450)	(15,147)			913,498
Tax	(6,811)	4,699	4,607	229	10	(1,975)
PROFIT/(LOSS) FOR THE PERIOD	36,848	(10,751)	(10,540)			911,523
ATTRIBUTABLE TO:						
Equity holders of the Company	37,518	(10,751)	(10,540)	885,215		912,193
Minority interests	(670)	-	-			(670)
	36,848	(10,751)	(10,540)			911,523

3. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP

	Unaudited consolidated cash flow statement of the Group for the six months ended 30 June 2006 <i>HK\$'000</i> <i>Note 1</i>	Audited combined cash flow statement of the Subject Group for the six months ended 30 June 2006 <i>RMB'000</i> <i>Note 2</i>	Audited combined cash flow statement of the Subject Group for the six months ended 30 June 2006 <i>HK\$'000</i> <i>Note 2</i>	Unaudited pro forma adjustments <i>HK\$'000</i>	<i>Notes</i>	Pro forma Enlarged Group <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax	43,659	(15,450)	(15,147)	(59,904)	9, 10	(31,392)
Adjustments for:						
Finance costs	–	11,796	11,565	59,209	9	70,774
Share of losses/(gains) of a jointly-controlled entity and an associate	(88)	1,187	1,164			1,076
Bank interest income	(4,280)	(769)	(754)			(5,034)
Gain on disposal of a subsidiary	(3,082)	–	–			(3,082)
Loss on disposal of a jointly-controlled entity	–	1,188	1,165			1,165
Dividend income from an unlisted investment	–	(147)	(144)			(144)
Loss on disposal of investment properties	–	202	198			198
Depreciation and amortisation	5,380	1,454	1,425	695	10	7,500
Loss on disposal of items of property, plant and equipment	14	–	–			14
Unrealised gain on investment held for trading	(5,168)	–	–			(5,168)
Imputed interest income from convertible note receivable	(79)	–	–			(79)
Amortisation of prepaid land lease payments	–	7	7			7
Fair value losses/(gains) on investment properties	(1,330)	239	234			(1,096)
Increase in imputed finance costs from consideration payables	301	–	–			301
Impairment loss on goodwill from associate	1,900	–	–			1,900
Impairment of stocks	1,399	–	–			1,399
Impairment on trade and other receivables	2,341	–	–			2,341
Interest expenses	3,711	–	–			3,711

Operating profit before working capital changes	44,678	(293)	(287)	44,391
Decrease in inventories	727	-	-	727
Increase in properties under development	-	(3,218)	(3,155)	(3,155)
Decrease in completed properties for sale	-	201	197	197
Decrease/(increase) in trade receivables	(38,836)	1,844	1,808	(37,028)
Increase in prepayments, deposits and other receivables	-	(114,168)	(111,929)	(111,929)
Increase in amounts due from related parties	-	(8,106)	(7,947)	(7,947)
Increase/(decrease) in trade and bills payables	6,330	(5,249)	(5,146)	1,184
Decrease in other payables and accruals	-	(73,605)	(72,162)	(72,162)
Increase in amounts due to related parties	-	42,454	41,621	41,621
Decrease in loan receivables	(1,333)	-	-	(1,333)
Decrease in deposits with brokerage companies	32,908	-	-	32,908
Increase in investments held for trading	(69,310)	-	-	(69,310)
Cash used in operations	(24,836)	(160,140)	(157,000)	(181,836)
Interest received	-	769	754	754
Interest paid	(3,711)	(24,372)	(23,894)	(27,605)
PRC corporate income tax paid	-	(1,478)	(1,449)	(1,449)
Hong Kong profits tax paid	(42)	-	-	(42)
Net cash outflow from operating activities	(28,589)	(185,221)	(181,589)	(210,178)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	4,797	-	-	4,797
Purchases of items of property, plant and equipment	(3,385)	(621)	(609)	(3,994)
Proceeds from disposal of investment properties	-	929	911	911
Proceeds from disposal of a subsidiary	49,000	-	-	49,000
Advance to an associate	-	(12,381)	(12,138)	(12,138)
Net decrease/(increase) in pledged deposits	(1,000)	1,314	1,288	288
Net increase in non-pledged deposits with original maturity of more than three months when acquired	(9,372)	(395)	(387)	(9,759)
Redemption of convertible note	16,000	-	-	16,000
Interest received	4,280	-	-	4,280
Net cash inflow/(outflow) from investing activities	60,320	(11,154)	(10,935)	49,385
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from capital contribution from a shareholder	-	160,326	157,182	157,182
New bank loans	33,495	404,550	396,618	430,113
Repayment of bank loans	(13,044)	(356,550)	(349,559)	(362,603)
Dividends paid	(23,637)	-	-	(23,637)

	Unaudited consolidated cash flow statement of the Group for the six months ended 30 June 2006 <i>HK\$'000</i> <i>Note 1</i>	Audited combined cash flow statement of the Subject Group for the six months ended 30 June 2006 <i>RMB'000</i> <i>Note 2</i>	Audited combined cash flow statement of the Subject Group for the six months ended 30 June 2006 <i>HK\$'000</i> <i>Note 2</i>	Unaudited pro forma adjustments <i>HK\$'000</i>	<i>Notes</i>	Pro forma Enlarged Group <i>HK\$'000</i>
Net cash inflow/(outflow) from financing activities	(3,186)	208,326	204,241			201,055
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,545	11,951	11,717			40,262
Cash and cash equivalents at beginning of period	13,636	8,151	7,991			21,627
Effect of foreign exchange rate changes, net	-	(439)	(431)			(431)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	42,181	19,663	19,277			61,458
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	42,181	19,663	19,277			61,458

Notes:

1. The balances are extracted from the unaudited financial information of the Qualipak Group as at 30 June 2006 as set out in Appendix I to the circular of Qualipak.
2. The balances are extracted from the audited financial information of the Subject Group as at 30 June 2006 as set out in Appendix III to the circular of Qualipak and was translated to Hong Kong dollar at translation rate of RMB1.02 = HK\$1.00.
- 3a. The fair value adjustment for buildings of approximately HK\$27,768,000 represents the excess of the estimated fair value of property, plant and equipment of approximately HK\$72,142,000, by reference to the valuation of the properties as at 31 August 2006 as set out in Appendix VII to the circular of Qualipak, above the aggregate carrying amount of the property, plant and equipment of approximately HK\$44,374,000 in the audited financial statements of the Subject Group as at 30 June 2006, as set out in Appendix III to the circular of Qualipak.
- 3b. The fair value adjustment for properties under development of approximately HK\$6,000,597,000 represents the excess of the estimated fair value of the properties upon Completion of approximately HK\$6,396,680,000, by reference to the valuation of the properties as at 31 August 2006 as set out in Appendix VII to the circular of Qualipak, above the aggregate carrying amount of the properties of approximately HK\$396,083,000 in the audited financial statements of the Subject Group as at 30 June 2006, as set out in Appendix III to the circular of Qualipak.
4. The deferred tax liabilities have been calculated at 33%, being the applicable tax rate of the Subject Group, of the fair value adjustment for the property, plant and equipment and properties under development as set out in Notes 3a and 3b above, respectively. The relevant portion of the deferred tax liabilities will be reversed and credited to the income statement upon depreciation of property, plant and equipment over its useful life or future sales of the properties.
5. The adjustment represents the recognition of the excess over cost of a business combination of approximately HK\$944,890,000 in income statement arising from the Acquisition. Under HKFRS 3 "Business Combinations", the Qualipak Group will apply purchase method to account for the Acquisition of the Subject Group in the consolidated financial statements of the Qualipak Group. The amount of HK\$944,890,000 represents the excess of the fair values of identifiable assets, liabilities and contingent liabilities of the Subject Group, amounting to approximately HK\$4,282,443,000 over the cost of Acquisition

of approximately HK\$3,337,553,000 (including total consideration for the Acquisition of approximately HK\$3,317,553,000 and estimated direct legal and professional costs of approximately HK\$20,000,000 incurred for the acquisition):

	<i>HK\$'000</i>
Net assets of the Subject Group acquired	243,438
Fair values adjustments on acquisition (<i>Notes 3a and 3b</i>)	6,028,365
Deferred tax liabilities recognised in respect of fair value adjustments (<i>Note 4</i>)	<u>(1,989,360)</u>
Fair value of net assets of the Subject Group acquired	4,282,443
Total cost of acquisition (<i>Note 6</i>)	<u>3,337,553</u>
Excess over cost of a business combination	<u>944,890</u>

6. The aggregate value of consideration for the sale and purchase of the Sale Share is HK\$3,317,553,298, being as to:
- (i) HK\$448,000,000 to be satisfied by the issue of the Consideration Qualipak Shares at Completion;
 - (ii) HK\$2,552,000,000 to be satisfied by the Convertible Note;
 - (iii) a sum representing such amount of Receivables up to the equivalent of HK\$250,000,000 as may be recovered by the Qualipak Group, which will only be due and payable by the Purchaser to the Vendor on a dollar-for-dollar basis (but net of all taxes, costs and expenses) within 30 days after the later of (A) the Completion date and (B) receipt by the PRC Company from time to time. The Purchaser is expected to settle the sum by cash out of the proceeds recovered (if any) from the Receivables or from the internal resources of the Qualipak Group; and
 - (iv) HK\$67,553,298 to be satisfied by the assumption by the Purchaser of the obligations to repay the Debts.

	<i>HK\$'000</i>
Consideration of the Acquisition is to be satisfied by:	
Consideration Qualipak Shares (<i>note 7</i>)	448,000
Convertible Note	2,552,000
Receivables	250,000
Assumption by the Purchaser of the obligations to repay Debts	<u>67,553</u>
	3,317,553
Estimated expenses incurred on Acquisition (<i>note 12</i>)	<u>20,000</u>
Total cost of acquisition	<u>3,337,553</u>

7. Upon the issuance of new shares by the Qualipak Group at value of HK\$448,000,000, the share capital of the Qualipak Group increases by HK\$16,000,000 and the share premium arising from the issuance is HK\$432,000,000.
8. The Convertible Note, being compound financial instrument that contains both financial liability and equity components, is split between the equity element of HK\$1,236,235,000 and a liability component of HK\$1,315,765,000. The liability component was determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date, representing the fair value of the contractual obligation to deliver cash to the Convertible Note holder.
9. This represents the imputed interest expenses on the Convertible Note of HK\$59,209,000 at 9% per annum, as if the Convertible Note was issued on 1 January 2006. The effective interest rate of the Convertible Note is determined by reference to the assessment made by Grant Sherman Appraisal Limited, an independent valuer.
10. This represents the depreciation of the buildings arising from the fair value adjustment as set out in Note 3a and the related deferred tax calculated at 33% of the fair value adjustment, on the basis that the acquisition was completed on 1 January 2006. The buildings are depreciated on the straight-line basis to write off the cost of the buildings to its residual value over their estimated useful life of 20 years.
11. The adjustment on other reserves comprises the elimination of the pre-acquisition reserves of approximately HK\$243,438,000 of the Subject Group and the recognition of the excess over the cost of a business combination of HK\$944,890,000.
12. The estimated expenses of direct legal and professional costs related to the Acquisition, among others, the preparation of the circular of Qualipak of the acquisition are approximately HK\$20,000,000.

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REMAINING GROUP

Set out below is the unaudited pro forma financial information on the Remaining Group as set out in Appendix V to the circular of Yugang:

1. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE REMAINING GROUP

As at 30 June 2006

	The Group HK\$'000	The Subject Group RMB'000 Note 1	The Subject Group HK\$'000 Note 1	Pro forma adjustments		Pro forma Remaining Group HK\$'000
				HK\$'000 Note 2	HK\$'000 Note 3	
				Notes		
NON-CURRENT ASSETS						
Property, plant and equipment	131,333	45,261	44,374	27,768	(a) (185,994)	17,481
Investment properties	11,100	143,470	140,657		(140,657)	11,100
Properties under development	-	396,322	388,551	5,920,193	(b) (6,308,744)	-
Prepaid land lease payments	142,040	840	824		(69,209)	73,655
Goodwill	35,297	-	-		(35,297)	-
Interests in associates	881,921	77,133	75,621		1,368,416	2,325,958
Convertible debentures and notes	95,427	-	-		(33,702)	61,725
Loans receivable	1,000	-	-			1,000
Available-for-sale equity investment/ long term investment	-	46,798	45,880		(45,880)	-
Pledged time deposits	-	44,870	43,990		(43,990)	-
Other assets	13,141	-	-		(781)	12,360
Total non-current assets	1,311,259	754,694	739,879			2,503,279
CURRENT ASSETS						
Investment at fair value through profit or loss/other investments	523,868	-	-		(91,035)	432,833
Properties under development for sale	-	7,683	7,532	80,404	(b) (87,936)	-
Completed properties for sale	-	710	696		(696)	-
Loans receivable	209,991	-	-			209,991
Inventories	83,888	-	-		(83,888)	-
Tax recoverable	294	-	-		(294)	-
Trade debtors and bills receivable	141,557	404	396		(132,930)	9,023
Other debtors, deposits and prepayments	21,553	177,217	173,742		(181,062)	14,233
Prepaid land lease payments	2,921	-	-		(1,574)	1,347
Due from related parties	-	183,134	179,543	(67,553)	(c) (111,990)	-
Pledged time deposits	11,540	114,923	112,670		(115,670)	8,540
Time deposits	307,189	1,638	1,606		(157,391)	151,404
Cash and bank balances	56,958	19,663	19,277		(62,186)	14,049
Total current assets	1,359,759	505,372	495,462			841,420

CURRENT LIABILITIES

Trade creditors, other payables and accrued expenses	136,393	130,157	127,606	20,000	(d)	(273,498)	10,501
Tax payable	23,356	9,480	9,294			(27,373)	5,277
Customers' deposits received	10,942	-	-			(10,767)	175
Interest-bearing bank borrowings	35,899	652,127	639,340			(675,239)	-
Due to related parties	-	59,962	58,786			(58,786)	-
Consideration payable on acquisition of associates	3,000	-	-	250,000	(c)	(253,000)	-
Consideration payable on acquisition of subsidiaries	5,000	-	-			(5,000)	-
Loans from minority shareholders	8,000	-	-			(8,000)	-
Total current liabilities	222,590	851,726	835,026				15,953
NET CURRENT ASSETS	1,137,169	(346,354)	(339,564)				825,467
TOTAL ASSETS LESS CURRENT LIABILITIES	2,448,428	408,340	400,333				3,328,746
NON-CURRENT LIABILITIES							
Interest-bearing bank borrowings	-	152,961	149,962			(149,962)	-
Convertible note	47,590	-	-	1,315,765	(c)&(e)	(1,315,765)	47,590
Deferred tax liabilities, net	3,549	7,072	6,933	1,989,360	(f)	(1,998,956)	886
Total non-current liabilities	51,139	160,033	156,895				48,476
NET ASSETS	2,397,289	248,307	243,438				3,280,270
EQUITY							
Equity attributable to equity holders of the Company:							
Issued capital	87,243	-	-				87,243
Share premium	858,931	-	-				858,931
Equity component of convertible note	5,407	-	-				5,407
Other reserves	1,232,015	248,307	243,438			853,236	2,328,689
	2,183,596	248,307	243,438				3,280,270
Minority interests	213,693	-	-			(213,693)	-
TOTAL EQUITY	2,397,289	248,307	243,438				3,280,270

Notes:

- The balances are extracted from the audited financial information of the Subject Group as at 30 June 2006 as set out in Appendix III to the circular of Yugang and was translated into Hong Kong dollars at the exchange rate of RMB1.02 = HK\$1.00.
- The unaudited pro forma adjustments reflect the estimated effect on the pro forma consolidated balance sheet of the Yugang Group arising from the Acquisition, details of which are set out as follows:
 - The fair value adjustment for buildings of approximately HK\$27,768,000 represents the excess of the estimated fair value of property, plant and equipment of approximately HK\$72,142,000, by reference to the valuation of the properties as at 31 August 2006 as set out in Appendix VII to the circular of Yugang, above the aggregate carrying amount of the property, plant and equipment of approximately HK\$44,374,000 in the audited financial statements of the Subject Group as at 30 June 2006, as set out in Appendix III to the circular of Yugang.

- (b) The fair value adjustment for properties under development of approximately HK\$6,000,597,000 represents the excess of the estimated fair value of the properties upon completion of approximately HK\$6,396,680,000, by reference to the valuation of the properties as at 31 August 2006 as set out in Appendix VII to the circular of Yugang, above the aggregate carrying amount of the properties of approximately HK\$396,083,000 in the audited financial statements of the Subject Group as at 30 June 2006, as set out in Appendix III to the circular of Yugang.
 - (c) The adjustments represent consideration of HK\$3,317,553,298 for the Acquisition, being as to:
 - (i) HK\$448,000,000 to be satisfied by the issue of the Consideration Qualipak Shares at Completion;
 - (ii) HK\$2,552,000,000 to be satisfied by the Convertible Note;
 - (iii) a sum representing such amount of Receivables up to the equivalent of HK\$250,000,000 as may be recovered by the Qualipak Group, which will only be due and payable by the Purchaser to the Vendor on a dollar-for-dollar basis (but net of all taxes, costs and expenses) within 30 days after the later of (A) the Completion Date and (B) receipt by the PRC Company from time to time. The Purchaser is expected to settle the sum by cash out of the proceeds recovered (if any) from the Receivables or from the internal resources of the Qualipak Group; and
 - (iv) HK\$67,553,000 to be satisfied by the assumption by the Purchaser of the obligations to repay the Debts.
 - (d) This adjustment represents the estimated expenses of direct legal and professional costs related to the acquisition including, among others, the preparation of the circular of Yugang and Qualipak in respect of the Acquisition, are approximately HK\$20,000,000.
 - (e) The Convertible Note, being compound financial instrument, contains both financial liability and equity components, is split between the equity component of HK\$1,236,235,000 and a liability component of HK\$1,315,765,000. The liability component was determined based on the present value of the estimated future cash outflows discounted at the prevailing market rate for an equivalent non-convertible loan at the balance sheet date, representing the fair value of the contractual obligation to deliver cash to the Convertible Note holder.
 - (f) This adjustment represents the deferred tax liabilities calculated at 33%, being the applicable tax rate of the Subject Group, of the fair value adjustment for the property, plant and equipment and properties under development as set out in Notes 2(a) and 2(b) above, respectively. The relevant portion of the deferred tax liabilities will be reversed and credited to the income statement upon depreciation of property, plant and equipment over its useful life or future sales of the properties.
3. The adjustment relates to the exclusion of all assets and liabilities of the Enlarged Group as if the Acquisition and the issue of Consideration Qualipak Shares constituting the Deemed Disposal of Qualipak by Yugang had been completed on 30 June 2006, as well as accounting for the interests in the Enlarged Group using the equity method of accounting.

2. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE REMAINING GROUP

For the six months ended 30 June 2006

	The	The	The	Pro forma adjustments				Pro forma		
	Group	Subject	Subject	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Remaining		
	HK\$'000	RMB'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Group		
		Note 1	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6		
REVENUE	428,466	10,202	10,002		(374,418)	(10,002)		54,048		
Cost of sales	(346,270)	(3,084)	(3,024)		326,353	3,024		(19,917)		
Gross profit	82,196	7,118	6,978					34,131		
Other income and gains	58,784	1,004	984		(30,157)	(984)		28,627		
Selling and distribution costs	(8,585)	(521)	(511)		8,585	511		-		
Administrative expenses	(57,197)	(8,560)	(8,392)	(695)	(b)	24,797	9,087	(32,400)		
Other expenses	(11,682)	(1,269)	(1,244)		2,341	1,244		(9,341)		
Fair value gains on investment properties, net	1,930	(239)	(234)		(1,330)	234		600		
Gain on disposal of subsidiaries	36,144	-	-		(3,082)	-		33,062		
Gain on deemed disposal of subsidiaries	-	-	-				1,096,120	1,096,120		
Finance costs	(6,961)	(11,796)	(11,565)	(59,209)	(a)	60,140	11,565	(6,030)		
Share of profits and losses of:										
A jointly-controlled entity	(359)	-	-					(359)		
Associates	53,777	(1,187)	(1,163)		1,812	1,163	(15,008)	40,581		
PROFIT/(LOSS) BEFORE TAX	148,047	(15,450)	(15,147)					1,184,991		
Tax	(9,842)	4,699	4,607	229	(b)	6,811	(4,836)	(3,031)		
PROFIT/(LOSS) FOR THE YEAR	138,205	(10,751)	(10,540)					1,181,960		
Attributable to:										
Equity holders of the Company	125,435	(7,035)	(6,897)	(38,514)		13,626	7,198	1,096,120	(15,008)	1,181,960
Minority interests	12,770	(3,716)	(3,643)	(21,161)		8,226	3,808			-
	138,205	(10,751)	(10,540)							1,181,960

Notes:

- The balances are extracted from the audited financial information of the Subject Group for the six months ended 30 June 2006 as set out in Appendix III to the circular of Yugang and was translated into Hong Kong dollars at the exchange rate of RMB1.02 = HK\$1.00.
- The unaudited pro forma adjustments reflect the estimated effect on the pro forma consolidated income statement of the Yugang Group arising from the Acquisition, details of which are set out as follows:
 - The adjustment represents the imputed interest expenses on the Convertible Note of HK\$59,209,000 at 9% per annum, as if the Convertible Note was issued on 1 January 2006. The effective interest rate of the Convertible Note is determined by reference to the assessment made by Grant Sherman Appraisal Limited, an independent valuer.
 - The adjustment represents the depreciation of the buildings arising from the fair value adjustment as set out in Note 2(a) to the unaudited consolidated pro forma balance sheet and the related deferred tax calculated at 33% of the fair value adjustment, on the basis that the Acquisition was completed on 1 January 2006. The buildings are depreciated on the straight-line basis to write off the cost of the buildings to its residual value over their estimated useful life of 20 years.

3. The adjustment represents the exclusion of income and expenses attributable to the Qualipak Group for the six months ended 30 June 2006, as if the Acquisition and the issue of Consideration Qualipak Shares had been completed on 1 January 2006.
4. The adjustment represents the exclusion of income and expenses attributable to the Subject Group for the six months ended 30 June 2006, as if the Acquisition and the issue of Consideration Qualipak Shares had been completed on 1 January 2006.
5. The adjustment represents the gain on the Deemed Disposal of approximately HK\$1,096,120,000 attributable to the Remaining Group.
6. The adjustment represents the share of result of the Enlarged Group using the equity method of accounting for the six months ended 30 June 2006, as if the Acquisition and the issue of Consideration Qualipak Shares had been completed on 1 January 2006.

3. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE REMAINING GROUP

For the six months ended 30 June 2006

	The Group HK\$'000	The Subject Group RMB'000 Note 1	The Subject Group HK\$'000 Note 1	Pro forma adjustments		Pro forma Remaining Group HK\$'000
				HK\$'000 Note 2	HK\$'000 Note 3	
				<i>Notes</i>		
CASH FLOWS FROM						
OPERATING ACTIVITIES						
Profit/(loss) before tax	148,047	(15,450)	(15,147)	1,021,208	30,883	1,184,991
Adjustments for:						
Depreciation	6,370	1,454	1,425	695	(a) (7,182)	1,308
Amortisation of prepaid land lease payments	1,509	7	7		(794)	722
Finance costs	6,961	11,796	11,565	18,526	(b) (12,891)	6,030
Share of loss of a jointly-controlled entity	359	-	-			359
Loss on disposal of jointly controlled entities	-	1,188	1,165		(1,165)	-
Share of profits and losses of associates	(53,777)	1,187	1,164	15,008	(d) (2,976)	(40,581)
Dividend income from listed investments	(8,716)	(147)	(144)		312	(8,548)
Interest income from convertible notes and loans receivable	(7,862)	-	-			(7,862)
Interest income on bank deposits	(8,048)	(769)	(754)		5,034	(3,768)
Gain on disposal of items of property, plant and equipment	(82)	-	-		14	(68)
Loss on disposal of investment properties	-	202	198		(198)	-
Gain on disposal of listed equity investments at fair value through profit or loss/other investments	(17,996)	-	-			(17,996)
Gain on disposal of subsidiaries	(36,144)	-	-		3,082	(33,062)

Gain on deemed disposal of subsidiaries	-	-	-	(1,096,120)	(c)	(1,096,120)
Gain on derecognition of investments at fair value through profit or loss	(17,229)	-	-		17,229	-
Gain on redemption of investments at fair value through profit or loss	(32)	-	-			(32)
Impairment on trade and other receivables	2,341	-	-		(2,341)	-
Losses arising from changes in fair values of convertible notes	9,341	-	-		79	9,420
Fair value gains on investments at fair value through profit or loss	(29,111)	-	-		5,168	(23,943)
Gain arising from redemption of a convertible note	(1,333)	-	-		1,333	-
Fair value loss/(gain) on investment properties	(1,930)	239	234		1,096	(600)
Operating loss before working capital changes	<u>(7,332)</u>	<u>(293)</u>	<u>(287)</u>			<u>(29,750)</u>
Increase in properties under development	-	(3,218)	(3,155)		3,155	-
Decrease in completed properties for sale	-	201	197		(197)	-
Decrease in inventories	2,126	-	-		(2,126)	-
Increase in trade debtors, other debtors, deposits and prepayments	(51,675)	(112,324)	(110,121)		148,876	(12,920)
Increase in amounts due from related parties	-	(8,116)	(7,957)		7,957	-
Decrease in bills payable and trust receipt loans	(418)	-	-			(418)
Decrease in trade creditors, other payables and accrued expenses	(2,741)	(78,854)	(77,308)		71,505	(8,544)
Increase in amounts due to related parties	-	42,464	41,631		(41,631)	-
Increase in loans receivable	(34,485)	-	-		-	(34,485)
Increase in investments at fair value through profit or loss/other investments	(64,802)	-	-		52,050	(12,752)
Dividend received from listed investments	2,289	-	-			2,289
Interest received from convertible notes and loans receivable	9,352	-	-			9,352
Cash used in operations:	<u>(147,686)</u>	<u>(160,140)</u>	<u>(157,000)</u>			<u>(87,228)</u>
Hong Kong profits tax paid	(42)	-	-		42	-
PRC income tax paid	-	(1,478)	(1,449)		1,449	-
Net cash outflow from operating activities	<u>(147,728)</u>	<u>(161,618)</u>	<u>(158,449)</u>			<u>(87,228)</u>

	The Group HK\$'000	The Subject Group RMB'000 Note 1	The Subject Group HK\$'000 Note 1	Pro forma adjustments		Pro forma Remaining Group HK\$'000
				HK\$'000 Note 2	HK\$'000 Note 3	
				Notes		
CASH FLOW FROM						
INVESTING ACTIVITIES						
Purchase of items of property, plant and equipment	(7,421)	(621)	(609)		3,994	(4,036)
Proceeds from disposal of items of property, plant and equipment	96	-	-		(28)	68
Proceeds from contribution of shareholder	-	160,326	157,182		(157,182)	-
Purchase of convertible notes and debentures	(68,000)	-	-			(68,000)
Proceeds received from disposal of subsidiaries	56,000	-	-		(49,000)	7,000
Advance to an associate	-	(12,381)	(12,138)		12,138	-
Dividends received from associates	11,622	-	-		(4,797)	6,825
Interest received from bank deposits	8,145	769	754		(5,034)	3,865
Proceeds from sale of investment properties	-	929	911		(911)	-
Proceeds from redemption of convertible notes and debentures	16,000	-	-		(16,000)	-
Proceeds from redemption of investments at fair value through profit or loss/other investments	1,280	-	-			1,280
Proceeds from exchange of investments at fair value through profit or loss	4,825	-	-			4,825
Increase in non-pledged time deposits with original maturity of more than three months when acquired	-	(395)	(387)		387	-
Increase in pledged bank deposits	(1,195)	1,314	1,288		(288)	(195)
Net cash inflow from investing activities	<u>21,352</u>	<u>149,941</u>	<u>147,001</u>			<u>(48,368)</u>
CASH FLOWS FROM						
FINANCING ACTIVITIES						
Dividends paid to minority shareholders	(8,383)	-	-			(8,383)
Dividend paid	(26,173)	-	-		23,637	(2,536)
Interest paid	(5,311)	(24,372)	(23,894)		24,919	(4,286)
Additions of bank loans	313,495	404,550	396,618		(430,113)	280,000
Repayment of bank loans	(293,044)	(356,550)	(349,559)		362,603	(280,000)
Net cash inflow/(outflow) from financing activities	<u>(19,416)</u>	<u>23,628</u>	<u>23,165</u>			<u>(15,205)</u>

NET INCREASE/(DECREASE) IN					
CASH AND CASH EQUIVALENTS	(145,792)	11,951	11,717	(16,726)	(150,801)
Cash and cash equivalents at beginning of the period	509,939	8,151	7,991	(201,676)	316,254
Effect of foreign exchange rate changes, net	-	(439)	(430)	430	-
Cash and cash equivalents at end of the period	<u>364,147</u>	<u>19,663</u>	<u>19,277</u>		<u>165,453</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	56,958	19,663	19,277	(62,186)	14,049
Non-pledged time deposits with original maturity of less than three months when acquired	<u>307,189</u>	<u>-</u>	<u>-</u>	<u>(155,785)</u>	<u>151,404</u>
	<u>364,147</u>	<u>19,663</u>	<u>19,277</u>		<u>165,453</u>

Notes:

- The balances are extracted from the audited financial information of the Subject Group for the six months ended 30 June 2006 as set out in Appendix III to the circular of Yugang and was translated into HK\$ at the exchange rate of RMB1.02 = HK\$1.00.
- The unaudited pro forma adjustments reflect the estimated effect on the pro forma consolidated cash flow statement of the Yugang Group arising from the Acquisition, details of which are set out as follows:
 - The adjustment represents the depreciation of the buildings arising from the fair value adjustment, details of which are set out in Note 2(b) to the unaudited consolidated pro forma income statement.
 - The adjustment represents the imputed interest expenses on the Convertible Note, details of which are set out in Note 2(a) to the unaudited consolidated pro forma income statement.
 - The adjustment represents the gain on the Deemed Disposal, details of which are set out in Note 5 to the unaudited consolidated pro forma income statement.
 - The adjustment represents the share of result of the Enlarged Group for the six months ended 30 June 2006, details of which are set out in Note 6 to the unaudited consolidated pro forma income statement.
- The adjustment represents the exclusion of cash flows attributable to the Enlarged Group for the six months ended 30 June 2006, as if the Acquisition and the issue of Consideration Qualipak Shares had been completed on 1 January 2006.

By order of the Board
YUGANG INTERNATIONAL LIMITED
Yuen Wing Shing
Managing Director

By order of the Board
QUALIPAK INTERNATIONAL HOLDINGS LIMITED
Lam How Mun Peter
Chairman and Managing Director

Hong Kong, 20 October 2006

As at the date of this announcement, the Board of Yugang comprises five executive directors, namely Mr. Cheung Chung Kiu, Mr. Yuen Wing Shing, Mr. Zhang Qing Xin, Mr. Lam Hiu Lo and Mr. Liang Kang, one non-executive director, namely Mr. Lee Ka Sze Carmelo and three independent non-executive directors, namely Mr. Wong Wai Kwong David, Mr. Wong Yat Fai and Mr. Ng Kwok Fu.

As at the date of this announcement, the Board of Qualipak comprises seven executive directors, namely Dr. Lam How Mun Peter, Mr. Cheung Chung Kiu, Mr. Lam Hiu Lo, Mr. Leung Chun Cheong, Mr. Leung Wai Fai, Ms. Poon Ho Yee Agnes and Mr. Wu Hong Cho, and three independent non-executive directors, namely Mr. Lam Kin Fung Jeffrey, Mr. Wong Wai Kwong David and Mr. Wong Yat Fai.