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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Cheung Chung Kiu (*Chairman*)  
Wong Chi Keung (*Managing Director*)  
Yuen Wing Shing  
Tung Wai Lan, Iris

### NON-EXECUTIVE DIRECTOR

\*Lee Ka Sze, Carmelo

### INDEPENDENT NON-EXECUTIVE DIRECTORS

\*Wong Wai Kwong, David  
\*Wong Yat Fai  
\*Ng Kwok Fu  
\*Audit committee member

### SECRETARY

Albert T. da Rosa, Jr.

### REGISTERED OFFICE

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

### PRINCIPAL OFFICE

3301-07, China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong  
Tel: (852) 2500-5555  
Fax: (852) 2507-2120  
Website: [www.ytrealtygroup.com.hk](http://www.ytrealtygroup.com.hk)

### AUDITORS

Ernst & Young  
*Certified Public Accountants*

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
The Bank of East Asia, Limited

### SOLICITORS

*Bermuda:*  
Conyers Dill & Pearman

*Hong Kong:*  
Woo, Kwan, Lee & Lo  
Cheung, Tong & Rosa

### REGISTRARS & TRANSFER OFFICES

*Bermuda:*  
The Bank of Bermuda Limited  
6 Front Street  
Hamilton HM 11  
Bermuda

*Hong Kong:*  
Abacus Share Registrars Limited  
G/F., Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong  
Tel: (852) 2980-1700  
Fax: (852) 2890-9350

### SHARE LISTING

The Stock Exchange of Hong Kong Limited  
Stock Code: 75

## MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors is pleased to present the Group's interim report and condensed accounts for the six months ended 30 June 2005. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 June 2005, and the consolidated balance sheet of the Group as at 30 June 2005, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 12 to 36 of this report.

### Business Review

The Group's consolidated profit after taxation for the first six months of 2005 was HK\$264.6 million which is 724.6% higher than the results of the corresponding period of 2004. Earnings per share for the first six-month period of 2005 amounted to HK33.1 cents (2004: HK4.0 cents).

Gross rental income from investment properties for the half-year ended 30 June 2005 amounted to HK\$41.1 million, up 6.2% from HK\$38.7 million for the corresponding period last year. The increase in rental income was due to increase in rental and occupancy rate of the Group's major investment properties.

The economy of Hong Kong continued to improve in the first half of 2005 at a more moderate pace when compared with the last two quarters of 2004. Against this backdrop, the Group benefited from improved rental revenue resulting from increased occupancy rate and upward adjustment of rental for both new lettings and renewals in buildings.

Consumer confidence and spending index maintained at encouraging high level thereby pushing retail premises rental further up in the core commercial and shopping districts such as Central and Tsimshatsui where the Group's major properties are strategically located.

In anticipation of strong recovery of the retail market and to maximise the potential of investment return of its properties, the Group had commissioned a tenant's profile transformation program some twelve months ago. This has entailed a re-mixing of tenants and gradual phase-out of office tenants in our commercial properties. Currently, some 99% of tenants in our portfolio are of retail or commercial nature. The rental rates of these categories of tenants are much more favorable when compared with other office buildings of similar grade. In commissioning the shifting of tenant's profile, cautious approach and flexible leasing strategies are always adopted to ensure higher percentage of occupancy to be constantly maintained in buildings. As at 30 June 2005, the overall occupancy rate was maintained at over 98%.

During the period under review, the Group's investment property portfolio was independently valued at the end of the period resulting in a revaluation surplus of HK\$119.7 million. The revaluation surplus and the corresponding deferred tax arising from the revaluation of the Group's investment properties was reported in the income statement according to the latest accounting standards. Increase in the fair value of an unlisted share option granted by an associated company of the Group during the period under review was HK\$94.8 million which was reported in the income statement under the latest accounting standards.

The Group's share of profit after taxation from an associated company, The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), for the period was HK\$20.4 million (2004: HK\$15.8 million), an increase of 29.6% from last period. Cross-Harbour is listed on The Stock Exchange of Hong Kong Limited and it is engaged in investment and management of tunnels, motoring schools, and highway and tunnel toll system.

## Prospects

All major economic and financial indicators such as unemployment rate, overall property vacancy rate, Gross Domestic Products, stock market index, etc. are all pointing to a positive direction for Hong Kong to enter into the second half of 2005. The opening of Hong Kong Disneyland in September 2005 is expected to boost the economy to a further high and tourism industry including related business sectors and retail market are expected to outperform other sectors which are also expected to enjoy positive growth.

Amidst the overall positive outlook, the upward trend of interest rates is causing market concern. Consolidation of property market is likely to take place in the remainder of the year, but overall, positive growth is still expected for the full year. To capture the improving market condition, the Group will continue to explore enhancement program to upgrade and strengthen the market position of its properties so as to maximise and pre-reserve the rental potential. On the other hand, the Group will continue to actively look for opportunity to broaden the asset base. Though expansion of property investment is currently our preference, we will not lose sight on other investment opportunities in different sectors of business with stable return and attractive growth potential.

## Financing and Liquidity

The Group's financial expenses for the first six months of the year amounted to HK\$9.8 million, up 51.1% from HK\$6.5 million for the same period last year. The increase in financial expenses was due primarily to continuing upward movement of the interest rate during the period under review as compared to last year.

The gearing ratio, which is calculated as the ratio of net bank borrowings to shareholders' funds, was 29% (31 December 2004: 28.1% (as restated)). As at 30 June 2005, the total bank borrowing has increased to HK\$712.4 million from HK\$595.5 million at end of 2004. Certain investment properties with aggregate carrying value of HK\$1,860 million (31 December 2004: HK\$1,740 million) were pledged, together with assignment of rental income, to secure loan facilities. Term loan instalments repayable within one year amounted to HK\$38 million. Revolving bank loan with balance of HK\$294.4 million is repayable and renewable within one year.

The following is the maturing profile of the Group's bank borrowings as of 30 June 2005:

|                            |             |
|----------------------------|-------------|
| Within one year            | 46.7%       |
| In the second year         | 5.8%        |
| In the third to fifth year | 20.6%       |
| After the fifth year       | 26.9%       |
|                            | <hr/>       |
| Total                      | 100.0%      |
|                            | <hr/> <hr/> |

As at 30 June 2005, the Group's cash and cash equivalent was HK\$36.2 million. With cash, available banking facilities, and recurring rental income, the Group has sufficient resources to meet the foreseeable funding needs for working capital and capital expenditure.

As the Group's borrowings are denominated in Hong Kong dollars and its sources of income are primarily denominated in Hong Kong dollars, there is basically no exposure to foreign exchange rate fluctuations.

As at 30 June 2005, contingent liabilities have not changed significantly since last year-end date.

## Staff

As at 30 June 2005, the Group employed a total of 31 staff members. Staff remuneration is reviewed by the Group from time to time. In addition to salaries, the Group provides staff benefits including medical insurance, life insurance, provident fund and discretionary vocational tuition/training subsidies. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

## Interim Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: Nil).

## DISCLOSURE OF INTERESTS

### Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

The register kept under section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") shows that the directors of the Company held the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2005:

#### (a) Interests in the Company

| Name             | Nature of interest | No. of shares                  | Approximate % of shareholding |
|------------------|--------------------|--------------------------------|-------------------------------|
| Cheung Chung Kiu | Corporate          | 273,000,000<br><i>(Note 1)</i> | 34.14%                        |
| Wong Chi Keung   | Personal           | 2,000,000                      | 0.25%                         |
| Ng Kwok Fu       | Personal/Family    | 90,000<br><i>(Note 2)</i>      | 0.01%                         |

#### (b) Interests in associated corporations The Cross-Harbour (Holdings) Limited

##### (i) Interests in shares

| Name             | Nature of interest | No. of shares                 | Approximate % of shareholding |
|------------------|--------------------|-------------------------------|-------------------------------|
| Cheung Chung Kiu | Corporate          | 90,022,373<br><i>(Note 3)</i> | 29.92%                        |

##### (ii) Interests in options

| Name             | No. of underlying shares   | Approximate % of shareholding |
|------------------|----------------------------|-------------------------------|
| Cheung Chung Kiu | 52,647,059 <i>(Note 4)</i> | 17.50%                        |

*Notes:*

- (1) Mr. Cheung Chung Kiu ("Mr. Cheung") was deemed to be interested in 273,000,000 shares in the Company by virtue of his indirect shareholding interest in Funrise Limited ("Funrise") which owned these shares. Funrise was a wholly-owned subsidiary of Yugang International (B.V.I.) Limited ("Yugang International (B.V.I.)"), which was, in turn, a wholly-owned subsidiary of Yugang International Limited ("Yugang"). Mr. Cheung and Chongqing Industrial Limited ("Chongqing Industrial") owned 0.63% and 37.79% of the issued share capital of Yugang respectively. Chongqing Industrial was owned as to 35% by Mr. Cheung, as to 30% by Prize Winner Limited (a company owned by Mr. Cheung and his associates), as to 30% by Peking Palace Limited ("Peking Palace") and as to 5% by Miraculous Services Limited ("Miraculous Services"). Peking Palace and Miraculous Services were companies controlled by Palin Discretionary Trust, the objects of which included Mr. Cheung and his family.
- (2) Of these 90,000 shares, 50,000 shares were held by Mr. Ng Kwok Fu in person and 40,000 shares were held by his wife.
- (3) Honway Holdings Limited ("Honway", an indirect wholly-owned subsidiary of the Company) held 90,022,373 shares in The Cross-Harbour (Holdings) Limited ("Cross-Harbour"). Of these 90,022,373 shares, 20,630,015 shares were acquired by Honway by exercising its conversion rights under a convertible note then held by it (the then outstanding principal amount being HK\$80,457,060) at a pre-determined conversion price of HK\$3.90 per share prior to the maturity of the convertible note. Mr. Cheung was deemed to be interested in these shares held by Honway by virtue of his deemed interest in the shares of the Company as described in note (1) above.
- (4) This represents the maximum number of shares issuable upon exercise of the remainder of the options granted to Honway pursuant to the option agreement dated 9 May 2003 made between Cross-Harbour and Honway. Mr. Cheung was deemed to be interested in these underlying shares held by Honway by virtue of his deemed interest in the shares of the Company as described in note (1) above.

All the interests disclosed above represent long positions in the shares and underlying shares of the Company or Cross-Harbour.

Save as disclosed herein, none of the directors of the Company held any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register kept under section 352 of the SFO as at 30 June 2005.

## Share Options

Particulars of outstanding options at the beginning of the period under the Company's share option scheme adopted on 22 December 1993 (the "Old Scheme") are as follows:

| Type of participant    | No. of outstanding options at the beginning of the period | Date of grant | Vesting period                | Exercise period               | Exercise price per share |
|------------------------|---|---------------|-------------------------------|-------------------------------|--------------------------|
| <i>Director</i>        |   |               |                               |                               |                          |
| Wong Chi Keung         | 2,000,000   | 3 Apr 2000    | 3 Apr 2000<br>to 2 Apr 2004   | 3 Apr 2000<br>to 2 Apr 2010   | HK\$0.5860               |
| <i>Other employees</i> | 100,000   | 16 Jul 1996   | 16 Jul 1996<br>to 16 Jul 1999 | 16 Jan 1997<br>to 15 Jul 2006 | HK\$0.9488               |
|                        | 300,000   | 3 Apr 2000    | 3 Apr 2000<br>to 2 Apr 2004   | 3 Apr 2000<br>to 2 Apr 2010   | HK\$0.5860               |

Notes:

- (1) The consideration paid by each participant for the grant of such number of options set opposite his/her name is HK\$10.
- (2) All of the 2,400,000 options over 2,400,000 shares in the Company were exercised on 24 February 2005, the weighted average closing price of these shares immediately before 24 February 2005 being HK\$1.19. No shares were available for issue under the Old Scheme as at the period end.

Save as disclosed herein, no options lapsed and no options were granted, exercised or cancelled under the Old Scheme during the period.

The Company adopted a new share option scheme (the "New Scheme") on 29 April 2005. A summary of the principal terms of the New Scheme is contained in the Company's circular dated 13 April 2005. No options had been granted under the New Scheme since its adoption and no options were outstanding at the period end.



## Interests and Short Positions of Shareholders

As at 30 June 2005, the interests or short positions of the persons, other than directors of the Company, in the shares and underlying shares of the Company as recorded in the register kept under section 336 of the SFO are as follows:

### (a) Interests of substantial shareholders

| Name                          | No. of shares             | Approximate % of shareholding |
|-------------------------------|---------------------------|-------------------------------|
| Palin Holdings Limited        | 273,000,000 <i>(Note)</i> | 34.14%                        |
| Chongqing Industrial          | 273,000,000 <i>(Note)</i> | 34.14%                        |
| Yugang                        | 273,000,000 <i>(Note)</i> | 34.14%                        |
| Yugang International (B.V.I.) | 273,000,000 <i>(Note)</i> | 34.14%                        |
| Funrise                       | 273,000,000 <i>(Note)</i> | 34.14%                        |
| Chan Chun Wai                 | 123,293,201               | 15.42%                        |

*Note:* Each of the 273,000,000 shares set out in this column represents the same block of shares beneficially owned by Funrise and is duplicated in Mr. Cheung's interest in the shares of the Company as disclosed on page 6 of this report.

### (b) Interests of other persons

| Name                             | No. of shares | Approximate % of shareholding |
|----------------------------------|---------------|-------------------------------|
| Deutsche Bank Aktiengesellschaft | 72,396,000    | 9.05%                         |

All the interests disclosed above represent long positions in the shares of the Company.

Save as disclosed herein, there was no person known to the directors of the Company, who, as at 30 June 2005, held an interest or a short position in the shares and underlying shares of the Company as recorded in the register kept under section 336 of the SFO, other than as disclosed on pages 6 and 7 of this report.

## CORPORATE GOVERNANCE

### Code on Corporate Governance Practices

None of the directors of the Company is aware of information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviations hereinbelow mentioned.

Under code provision A.4.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Mr. Cheung Chung Kiu, chairman of the board, and Mr. Wong Chi Keung, managing director, have not been subject to retirement by rotation since their last re-election/appointment on 24 May 2001 and 10 January 2000 respectively; nor have they been taken into account in determining the number of directors to retire in each year in accordance with the then by-law 87(1) of the Company's by-laws.

Being committed to the establishment of and maintaining good corporate governance practices, the board considers that all directors should be subject to re-election at regular intervals. Accordingly, the board will propose an amendment to by-law 87(1) for approval by shareholders at the next general meeting.

With respect to code provision B.1.1, the Company established a remuneration committee on 30 June 2005. Specific written terms of reference which deal clearly with the authority and duties of the remuneration committee were also adopted on 30 June 2005. The terms of reference of the remuneration committee are posted on the Company's website.

With respect to code provision C.3.3, the Company adopted new terms of reference of the audit committee to include such duties as are stipulated in the said code provision C.3.3 on 30 June 2005. The terms of reference of the audit committee are posted on the Company's website.

### Model Code for Securities Transactions

On 1 January 2005, the Company adopted codes of conduct regarding securities transactions by directors and by relevant employees (within the meaning of the CG Code) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

All directors have confirmed, following specific enquiries by the Company, that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the accounting period covered by the interim report.

## OTHER INFORMATION

### Purchase, Sale or Redemption of Shares

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares in the Company.

### Review by Audit Committee

The interim report has been reviewed by the Company's audit committee, which comprises three independent non-executive directors and one non-executive director. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements.

### Appreciation

On behalf of the board, I would like to express our gratitude and sincere appreciation to all management and staff members for their hard work and contributions during the period.

On behalf of the board

**Wong Chi Keung**  
*Managing Director*

Hong Kong, 16 September 2005

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended 30 June 2005

|  |       | For the six months<br>ended 30 June |   |
|--|-------|-------------------------------------|---|
|  | Notes | 2005<br>(Unaudited)<br>HK\$'000     | 2004<br>(Unaudited)<br>(Restated)<br>HK\$'000 |
| <b>TURNOVER</b>  | 3     | 47,321                              | 46,560  |
| Direct outgoings   |       | (3,451)                             | (1,615)                                       |
| Cost of properties sold  |       | —                                   | (4,463)                                       |
|  |       | <u>43,870</u>                       | <u>40,482</u>                                 |
| Other revenue and gains (net of direct outgoings)  |       | 1,857                               | 2,380   |
| Administrative expenses  |       | (8,468)                             | (6,601)                                       |
| Surplus arising from revaluation of investment properties                                  |       | 119,665                             | —   |
| Gain arising from change in fair value of an unlisted share option granted by an associate |       | 94,765                              | —   |
| Gain on acquisition of additional interest in an associate                                 |       | 13,929                              | —   |
| Gain on disposal of partial interest in an associate                                       |       | 1,977                               | —   |
| Other operating expenses   |       | (709)                               | (1,616)                                       |
| Finance costs  |       | (9,800)                             | (6,485)                                       |
| Share of results of associates   |       | 20,418                              | 15,751  |
| Amortisation of goodwill on acquisition of an associate                                    |       | —                                   | (6,599)                                       |
|  |       | <u>277,504</u>                      | <u>37,312</u>                                 |
| PROFIT BEFORE TAX  | 4     |                                     |   |
| Tax  | 5     | (12,861)                            | (5,220)                                       |
|  |       | <u>264,643</u>                      | <u>32,092</u>                                 |
| <b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>                 |       |                                     |   |
|  |       | <u>264,643</u>                      | <u>32,092</u>                                 |
| <b>BASIC EARNINGS PER SHARE</b>  | 6     | <u>HK33.1 cents</u>                 | <u>HK4.0 cents</u>                            |

The notes on pages 18 to 36 form an integral part of these financial statements.

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30 June 2005

|  | Notes | 30 June<br>2005<br>(Unaudited)<br>HK\$'000 | 31 December<br>2004<br>(Restated)<br>HK\$'000 |
|--|-------|--|---|
| <b>NON-CURRENT ASSETS</b>                    |       |  |   |
| Property, plant and equipment                | 8     | 744  | 983   |
| Investment properties                        | 9     | 1,867,770                                  | 1,747,770                                     |
| Interests in associates                      |       | 815,680                                    | 812,554                                       |
| Non-trading unlisted investments             |       | 1,195                                      | 1,468   |
|  |       | <u>2,685,389</u>                           | <u>2,562,775</u>                              |
| <b>CURRENT ASSETS</b>                        |       |  |   |
| Properties held for sale                     |       | 1,960                                      | 1,960   |
| Trade debtors                                | 10    | 2,533                                      | 1,111   |
| Other debtors, deposits and prepayments      |       | 211,333                                    | 14,185  |
| Derivative financial asset                   | 11    | 217,426                                    | —   |
| Cash and bank balances                       |       | 36,249                                     | 51,956  |
|  |       | <u>469,501</u>                             | <u>69,212</u>                                 |
| <b>CURRENT LIABILITIES</b>                   |       |  |   |
| Trade creditors                              | 12    | 2,851                                      | 919   |
| Other payables and accrued expenses          |       | 48,277                                     | 53,620  |
| Bank loans, secured                          | 13    | 332,363                                    | 196,500                                       |
| Tax payable                                  |       | 3,050                                      | 1,798   |
|  |       | <u>386,541</u>                             | <u>252,837</u>                                |
| <b>NET CURRENT ASSETS/(LIABILITIES)</b>      |       | <u>82,960</u>                              | <u>(183,625)</u>                              |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> |       | <u>2,768,349</u>                           | <u>2,379,150</u>                              |

The notes on pages 18 to 36 form an integral part of these financial statements.

**CONDENSED CONSOLIDATED BALANCE SHEET** *(continued)*

As at 30 June 2005

|   | <i>Notes</i> | 30 June<br>2005<br>(Unaudited)<br>HK\$'000 | 31 December<br>2004<br>(Restated)<br>HK\$'000 |
|---|--------------|--|---|
| <b>NON-CURRENT LIABILITIES</b>                          |              |  |   |
| Bank loans, secured                                     | 13           | 380,000                                    | 399,000                                       |
| Deferred tax  |              | 55,129                                     | 45,129  |
|   |              | <u>435,129</u>                             | <u>444,129</u>                                |
|   |              | <u>2,333,220</u>                           | <u>1,935,021</u>                              |
| <b>CAPITAL AND RESERVES</b>                             |              |  |   |
| Equity attributable to equity holders<br>of the Company |              |  |   |
| Issued share capital                                    | 14           | 79,956                                     | 79,716  |
| Reserves  |              | 2,253,264                                  | 1,855,305                                     |
|   |              | <u>2,333,220</u>                           | <u>1,935,021</u>                              |

The notes on pages 18 to 36 form an integral part of these financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

|  | Unaudited six months ended 30 June 2005 |                           |  |                             |   |                                 |  |                            |                              |                                     |                   |
|--|---|---------------------------|--|-----------------------------|---|---------------------------------|--|----------------------------|------------------------------|-------------------------------------|-------------------|
|  | Share capital<br>HK\$'000               | Share premium<br>HK\$'000 | Capital redemption reserve<br>HK\$'000 | Capital reserve<br>HK\$'000 | Investment property revaluation reserve<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Non-trading investment revaluation reserve of associates<br>HK\$'000 | Other reserves<br>HK\$'000 | Retained profits<br>HK\$'000 | Proposed final dividend<br>HK\$'000 | Total<br>HK\$'000 |
| Total equity at 1 January 2005:  |   |                           |  |                             |   |                                 |  |                            |                              |                                     |                   |
| As previously reported   | 79,716                                  | 94,535                    | 1,350                                  | 1,800                       | 4,175   | 1,321,935                       | 40,149   | —                          | 402,191                      | 15,991                              | 1,961,842         |
| Prior period adjustment:<br>(Notes 1 & 2)  | —                                       | —                         | —                                      | —                           | —   | —                               | —  | —                          | (26,821)                     | —                                   | (26,821)          |
| As restated, before opening adjustments  | 79,716                                  | 94,535                    | 1,350                                  | 1,800                       | 4,175   | 1,321,935                       | 40,149   | —                          | 375,370                      | 15,991                              | 1,935,021         |
| Opening adjustments:<br>(Notes 1 & 2)  | —                                       | —                         | —                                      | —                           | (4,175)   | —                               | —  | (4,962)                    | 155,667                      | —                                   | 146,530           |
| As restated, after opening adjustments   | 79,716                                  | 94,535                    | 1,350                                  | 1,800                       | —   | 1,321,935                       | 40,149   | (4,962)                    | 531,037                      | 15,991                              | 2,081,551         |
| 2004 final dividend declared and paid  | —                                       | —                         | —                                      | —                           | —   | —                               | —  | —                          | —                            | (15,991)                            | (15,991)          |
| Employee share options exercised   | 240                                     | 1,203                     | —                                      | —                           | —   | —                               | —  | —                          | —                            | —                                   | 1,443             |
| Share of changes in fair value of nontrading securities of associates                        | —                                       | —                         | —                                      | —                           | —   | —                               | (276)  | —                          | —                            | —                                   | (276)             |
| Share of nontrading securities impairment loss charged to the income statement of associates | —                                       | —                         | —                                      | —                           | —   | —                               | 1,854  | —                          | —                            | —                                   | 1,854             |
| Realisation upon disposal of nontrading securities of associates                             | —                                       | —                         | —                                      | —                           | —   | —                               | (6,828)  | —                          | —                            | —                                   | (6,828)           |
| Share of changes in fair value of financial instruments of associates                        | —                                       | —                         | —                                      | —                           | —   | —                               | —  | 6,824                      | —                            | —                                   | 6,824             |
| Profit for the period  | —                                       | —                         | —                                      | —                           | —   | —                               | —  | —                          | 264,643                      | —                                   | 264,643           |
| At 30 June 2005  | <u>79,956</u>                           | <u>95,738*</u>            | <u>1,350*</u>                          | <u>1,800*</u>               | <u>—*</u>   | <u>1,321,935*</u>               | <u>34,899*</u>   | <u>1,862*</u>              | <u>795,680*</u>              | <u>—*</u>                           | <u>2,333,220</u>  |

The notes on pages 18 to 36 form an integral part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** (continued)

For the six months ended 30 June 2005

|   | Year ended 31 December 2004 (Restated) |                           |  |                             |   |                                 |  |                            |                              |                                     |                   |
|---|--|---------------------------|--|-----------------------------|---|---------------------------------|--|----------------------------|------------------------------|-------------------------------------|-------------------|
|   | Share capital<br>HK\$'000              | Share premium<br>HK\$'000 | Capital redemption reserve<br>HK\$'000 | Capital reserve<br>HK\$'000 | Investment property revaluation reserve<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Non-trading investment revaluation reserve of associates<br>HK\$'000 | Other reserves<br>HK\$'000 | Retained profits<br>HK\$'000 | Proposed final dividend<br>HK\$'000 | Total<br>HK\$'000 |
| Total equity at 1 January 2004:   |  |                           |  |                             |   |                                 |  |                            |                              |                                     |                   |
| As previously reported  | 79,716                                 | 94,535                    | 1,350                                  | 1,800                       | —   | 1,321,935                       | 8,620  | —                          | 315,296                      | 11,957                              | 1,835,209         |
| Prior period adjustments:<br>(Notes 1 and 2)  | —                                      | —                         | —                                      | —                           | —   | —                               | —  | —                          | [24,643]                     | —                                   | [24,643]          |
| As restated   | 79,716                                 | 94,535                    | 1,350                                  | 1,800                       | —   | 1,321,935                       | 8,620  | —                          | 290,653                      | 11,957                              | 1,810,566         |
| 2003 final dividend declared and paid   | —                                      | —                         | —                                      | —                           | —   | —                               | —  | —                          | —                            | (11,957)                            | (11,957)          |
| Share of non-trading investment revaluation reserve of associates                             | —                                      | —                         | —                                      | —                           | —   | —                               | [778]  | —                          | —                            | —                                   | [778]             |
| Profit for the period (as restated)   | —                                      | —                         | —                                      | —                           | —   | —                               | —  | —                          | 32,092                       | —                                   | 32,092            |
| At 30 June 2004<br>and 1 July 2004 (as restated)  | 79,716                                 | 94,535                    | 1,350                                  | 1,800                       | —   | 1,321,935                       | 7,842  | —                          | 322,745                      | —                                   | 1,829,923         |
| Surplus on revaluation of investment properties   | —                                      | —                         | —                                      | —                           | 4,175   | —                               | —  | —                          | —                            | —                                   | 4,175             |
| Share of non-trading investment revaluation reserves of associates                            | —                                      | —                         | —                                      | —                           | —   | —                               | 31,944   | —                          | —                            | —                                   | 31,944            |
| Share of non-trading securities impairment loss charged to the income statement of associates | —                                      | —                         | —                                      | —                           | —   | —                               | 363  | —                          | —                            | —                                   | 363               |
| Profit for the period (as restated)   | —                                      | —                         | —                                      | —                           | —   | —                               | —  | —                          | 68,616                       | —                                   | 68,616            |
| Proposed 2004 final dividend  | —                                      | —                         | —                                      | —                           | —   | —                               | —  | —                          | [15,991]                     | 15,991                              | —                 |
| At 31 December 2004 (as restated)   | 79,716                                 | 94,535*                   | 1,350*                                 | 1,800*                      | 4,175*  | 1,321,935*                      | 40,149*  | —*                         | 375,370*                     | 15,991*                             | 1,935,021         |

\* These reserve accounts comprise the consolidated reserves of HK\$2,253,264,000 (31 December 2004: HK\$1,855,305,000 (as restated)) in the condensed consolidated balance sheet.

The notes on pages 18 to 36 form an integral part of these financial statements.



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 30 June 2005

|   | For the six months<br>ended 30 June |                                 |
|---|-------------------------------------|---------------------------------|
|   | 2005<br>(Unaudited)<br>HK\$'000     | 2004<br>(Unaudited)<br>HK\$'000 |
| Net cash inflow from operating activities           | 15,495                              | 50,829                          |
| Net cash (outflow)/inflow from investing activities | (133,517)                           | 168,536                         |
| Net cash inflow/(outflow) from financing activities | 102,315                             | (209,457)                       |
| (Decrease)/increase in cash and cash equivalents    | (15,707)                            | 9,908                           |
| Cash and cash equivalents at beginning of period    | 51,956                              | 40,146                          |
| Cash and cash equivalents at end of period          | <u>36,249</u>                       | <u>50,054</u>                   |
| Analysis of balances of cash and cash equivalents   |                                     |                                 |
| Cash and bank balances                              | <u>36,249</u>                       | <u>50,054</u>                   |

The notes on pages 18 to 36 form an integral part of these financial statements.

## NOTES TO INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants. The preparation of an unaudited condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The accounting policies and basis of preparation used in the preparation of the interim financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 December 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements which are set out as below.

|         |   |
|---------|---|
| HKAS 1  | Presentation of Financial Statements                            |
| HKAS 2  | Inventories   |
| HKAS 7  | Cash Flow Statements  |
| HKAS 8  | Accounting Policies, Changes in Accounting Estimates and Errors |
| HKAS 10 | Events after the Balance Sheet Date                             |
| HKAS 12 | Income Taxes  |
| HKAS 16 | Property, Plant and Equipment                                   |
| HKAS 17 | Leases  |
| HKAS 18 | Revenue   |
| HKAS 19 | Employee Benefits   |
| HKAS 21 | The Effects of Changes in Foreign Exchange Rates                |
| HKAS 23 | Borrowing Costs   |
| HKAS 24 | Related Party Disclosures                                       |
| HKAS 27 | Consolidated and Separate Financial Statements                  |
| HKAS 28 | Investments in Associates                                       |
| HKAS 32 | Financial Instruments: Disclosures and Presentation             |
| HKAS 33 | Earnings per Share  |
| HKAS 36 | Impairment of Assets  |
| HKAS 37 | Provisions, Contingent Liabilities and Contingent Assets        |
| HKAS 38 | Intangible Assets   |

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

|                |  |
|----------------|--|
| HKAS 39        | Financial Instruments: Recognition and Measurement                                     |
| HKAS 40        | Investment Property  |
| HKFRS 2        | Share-based Payments   |
| HKFRS 3        | Business Combinations  |
| HK(SIC)-Int 21 | Income Taxes – Recovery of Revalued Non-Depreciated Assets                             |
| HK-Int 4       | Leases – Determination of the length of Lease Term in respect of Hong Kong Land Leases |

The adoption of HKASs 1, 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 24, 27, 28, 33, 37, 38 and HK-Int 4 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's financial statements. The impact of adopting other HKFRSs is summarised as follows:

- (a) HKAS 32 and HKAS 39 — Financial Instruments
- (i) Share options and convertible notes

In prior periods, the Group classified its unlisted share option and convertible note issued by an associate as interests in associates which were held for non-trading purposes and were stated at cost less any impairment losses.

Upon the adoption of HKASs 32 and 39, such share option and convertible note are classified as derivative financial assets. Derivative financial assets are categorised as held for trading and are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value unless they are designated as hedges. Changes in fair value are recognised immediately in the income statement. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the balance sheet date.

The fair value of the unlisted share option and convertible note is determined using valuation techniques. Such techniques include using recent arm's length market transactions with reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

(ii) Interest rate swap

The Group's associate uses interest rate swap to hedge its risks associated with interest rate fluctuations. In prior periods, interest rate swap was not designated as hedges and was recognised on a cash basis.

Upon the adoption of HKAS 39, interest rate swap is initially recognised as derivative financial instruments at fair value on the date on which a derivative contract is entered into and is subsequently remeasured at fair value. Changes in the fair value of derivatives held as hedging instruments in a cashflow hedge of committed future transactions are recognised in equity to the extent that the hedge is effective. Any ineffective portion of the changes in fair value of the derivatives is recognised in the income statement.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(b) HKAS 40 — Investment Property

In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the period of retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained profits rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements. The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements.

**1. BASIS OF PREPARATION AND ACCOUNTING POLICIES** *(continued)***(c) HKFRS 2 — Share-based Payments**

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is expensed off at the date of grant of the share option over the vesting period.

There is no effect on adopting HKFRS 2 as all the employees' share options were granted before 7 November 2002 and had been fully vested by 1 January 2005. No new share options were further granted to the employees during the period.

**(d) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets**

In prior periods, goodwill arising on acquisitions on or after 1 January 2001 was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in such case, it was recognised as income in the consolidated income statement when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

(d) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets  
*(continued)*

Any excess of the Group's interest in the net fair values of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the costs of goodwill and to derecognise the carrying amounts of negative goodwill against retained profits.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(e) HK(SIC)-Int 21 — Income Taxes — Recovery of Revalued Non-depreciable Assets

In prior periods, deferred tax arising from the revaluation of investment properties was recognised based from the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising from the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustment and opening adjustments are summarised as follows:

(a) Effect on opening balance of total equity at 1 January 2005

| Effect of new policies<br>(Increase/(decrease))   | Notes | Capital                        |                         | Investment<br>property<br>revaluation<br>reserve | Contributed<br>surplus  | Nontrading<br>investment<br>revaluation<br>reserve of<br>associates | Other<br>reserves       | Retained<br>profits     | Proposed<br>final<br>dividend | Total                   |
|---|-------|--------------------------------|-------------------------|--|-------------------------|---|-------------------------|-------------------------|-------------------------------|-------------------------|
|   |       | Share<br>redemption<br>reserve | Capital<br>reserve      |  |                         |   |                         |                         |                               |                         |
|   |       | (Unaudited)<br>HK\$'000        | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000                          | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000   | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000       | (Unaudited)<br>HK\$'000 |
| <b>Prior period adjustment:</b>   |       |                                |                         |  |                         |   |                         |                         |                               |                         |
| HK(SIC)Int 21   |       |                                |                         |  |                         |   |                         |                         |                               |                         |
| Deferred tax arising from revaluation<br>of investment properties                         | 1(e)  | -                              | -                       | -  | -                       | -   | -                       | (26,821)                | -                             | (26,821)                |
| Net decrease in total equity before<br>opening adjustments                                |       | -                              | -                       | -  | -                       | -   | -                       | (26,821)                | -                             | (26,821)                |
| <b>Opening adjustments:</b>   |       |                                |                         |  |                         |   |                         |                         |                               |                         |
| HKASs 32 and 39   |       |                                |                         |  |                         |   |                         |                         |                               |                         |
| In respect of changes in fair value<br>of financial instruments                           | 1(a)  | -                              | -                       | -  | -                       | -   | -                       | 128,314                 | -                             | 128,314                 |
| In respect of share of changes in fair<br>value of financial instruments of<br>associates | 1(a)  | -                              | -                       | -  | -                       | -   | (4,962)                 | (1,914)                 | -                             | (6,876)                 |
| HKAS 40   |       |                                |                         |  |                         |   |                         |                         |                               |                         |
| Surplus on revaluation of investment<br>properties  | 1(b)  | -                              | -                       | (4,175)  | -                       | -   | -                       | 4,175                   | -                             | -                       |
| HKFRS 3   |       |                                |                         |  |                         |   |                         |                         |                               |                         |
| Derecognition of negative goodwill  | 1(a)  | -                              | -                       | -  | -                       | -   | -                       | 25,092                  | -                             | 25,092                  |
| Total effect at 1 January 2005  |       | -                              | -                       | (4,175)  | -                       | -   | (4,962)                 | 128,846                 | -                             | 119,709                 |

(b) Effect on opening balance of total equity at 1 January 2004

| Effect of new policies<br>(Increase/(decrease))                   | Note | Capital                        |                         | Investment<br>property<br>revaluation<br>reserve | Contributed<br>surplus  | Nontrading<br>investment<br>revaluation<br>reserve of<br>associates | Other<br>reserves       | Retained<br>profits     | Proposed<br>final<br>dividend | Total                   |
|---|------|--------------------------------|-------------------------|--|-------------------------|---|-------------------------|-------------------------|-------------------------------|-------------------------|
|   |      | Share<br>redemption<br>reserve | Capital<br>reserve      |  |                         |   |                         |                         |                               |                         |
|   |      | (Unaudited)<br>HK\$'000        | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000                          | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000   | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000       | (Unaudited)<br>HK\$'000 |
| <b>Prior period adjustment:</b>                                   |      |                                |                         |  |                         |   |                         |                         |                               |                         |
| HK(SIC)Int 21   |      |                                |                         |  |                         |   |                         |                         |                               |                         |
| Deferred tax arising from revaluation<br>of investment properties | 1(e) | -                              | -                       | -  | -                       | -   | -                       | (24,643)                | -                             | (24,643)                |
| Total effect at 1 January 2004                                    |      | -                              | -                       | -  | -                       | -   | -                       | (24,643)                | -                             | (24,643)                |

## 2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(continued)*

The following tables summarise the impact on profit after tax, income or expenses recognised directly in equity and capital transactions for the six months ended 30 June 2005 and 2004 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of HKASs 32, 39, 40 and HKFRS 3, the amounts shown for the six months ended 30 June 2004 may not be comparable to the amounts shown for the current interim period.

(c) Effect on profit after tax for the six months ended 30 June 2005 and 2004

| Effect of new policies<br>(Increase)/(decrease)  | Notes | For the six months<br>ended 30 June |                                 |
|--|-------|-------------------------------------|---------------------------------|
|  |       | 2005<br>(Unaudited)<br>HK\$'000     | 2004<br>(Unaudited)<br>HK\$'000 |
| <b>Effect on profit after tax:</b>   |       |                                     |                                 |
| HKASs 32 and 39  |       |                                     |                                 |
| In respect of change in fair value of an unlisted share option granted by an associate | 1(a)  | 94,765                              | —                               |
| HKAS 40  |       |                                     |                                 |
| Surplus on revaluation of investment properties  | 1(b)  | 119,665                             | —                               |
| HKFRS 3  |       |                                     |                                 |
| Discontinuation of amortisation of goodwill and derecognition of negative goodwill     | 1(d)  | 20,528                              | —                               |
| HK(SIC)-Int 21   |       |                                     |                                 |
| Deferred tax arising from revaluation of investment properties                         | 1(e)  | (8,096)                             | (37)                            |
| Total effect for the period  |       | <u>226,862</u>                      | <u>(37)</u>                     |
| Effect on basic earnings per share   |       | <u>HK28.4 cents</u>                 | <u>HK0.005 cent</u>             |



## 2. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(continued)*

(d) Effect on income or expenses recognised directly in equity and capital transactions for the six months ended 30 June 2005 and 2004

| Effect of new policies<br>(Increase/((decrease))   | Notes | For the six months<br>ended 30 June |                                 |
|--|-------|-------------------------------------|---------------------------------|
|  |       | 2005<br>(Unaudited)<br>HK\$'000     | 2004<br>(Unaudited)<br>HK\$'000 |
| HKASs 32 and 39<br>In respect of share of changes in<br>fair value of financial instruments<br>of associates | 1(a)  | 6,824                               | —                               |
| HKAS 40<br>Surplus on revaluation of<br>investment properties  | 1(b)  | (119,665)                           | —                               |
| Total effect for the period  |       | <u>(112,841)</u>                    | <u>—</u>                        |

## 3. SEGMENTAL INFORMATION

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

- (a) Property investment;
- (b) Property trading; and
- (c) Property management and related services.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers.

3. SEGMENTAL INFORMATION *(continued)*

An analysis by principal activity and geographical area of operations of the Group's turnover and results are summarised as follows:

## Group

|  | Turnover                         |               | Segment results                  |                        |
|--|----------------------------------|---------------|----------------------------------|------------------------|
|  | For the six months ended 30 June |               | For the six months ended 30 June |                        |
|  | 2005                             | 2004          | 2005                             | 2004                   |
|  | (Unaudited)                      | (Unaudited)   | (Unaudited)                      | (Unaudited)            |
|  | HK\$'000                         | HK\$'000      | HK\$'000                         | (Restated)<br>HK\$'000 |
| By principal activity:   |                                  |               |                                  |                        |
| Property investment  | 41,121                           | 38,706        | 154,058                          | 33,418                 |
| Property management and related services   | 6,200                            | 3,774         | 2,593                            | 2,830                  |
| Property trading   | —                                | 4,080         | —                                | (954)                  |
|  | <u>47,321</u>                    | <u>46,560</u> | <u>156,651</u>                   | <u>35,294</u>          |
| Unallocated income   |                                  |               | —                                | 299                    |
| Gain arising from change in fair value of an unlisted share option granted by an associate |                                  |               | 94,765                           | —                      |
| Gain on acquisition of additional interest in an associate                                 |                                  |               | 13,929                           | —                      |
| Gain on disposal of partial interest in an associate                                       |                                  |               | 1,977                            | —                      |

3. SEGMENTAL INFORMATION *(continued)*

## Group

|   | Turnover<br>For the six months<br>ended 30 June |                                 | Segment results<br>For the six months<br>ended 30 June |   |
|---|---|---------------------------------|--|---|
|   | 2005<br>(Unaudited)<br>HK\$'000                 | 2004<br>(Unaudited)<br>HK\$'000 | 2005<br>(Unaudited)<br>HK\$'000                        | 2004<br>(Unaudited)<br>(Restated)<br>HK\$'000 |
| Loss on deemed disposal<br>of partial interest in an<br>associate |   |                                 | (436)  | (948)   |
| Finance costs   |   |                                 | (9,800)  | (6,485)                                       |
| Share of results of<br>associates                                 |   |                                 | 20,418   | 15,751  |
| Amortisation of goodwill<br>on acquisition of an<br>associate     |   |                                 | —  | (6,599)                                       |
| Tax   |   |                                 | (12,861)   | (5,220)                                       |
| Profit for the period   |   |                                 | <u>264,643</u>   | <u>32,092</u>                                 |
| By geographical area:   |   |                                 |  |   |
| Hong Kong   | 47,321  | 46,560                          | 264,958  | 32,809  |
| Mainland China  | —   | —                               | (315)  | (717)   |
|   | <u>47,321</u>                                   | <u>46,560</u>                   | <u>264,643</u>   | <u>32,092</u>                                 |

## 4. PROFIT BEFORE TAX

Profit before tax was determined after charging/(crediting) the following:

|  | Group                               |                          |
|--|-------------------------------------|--------------------------|
|  | For the six months<br>ended 30 June |                          |
|  | 2005                                | 2004                     |
|  | (Unaudited)                         | (Unaudited)              |
|  | HK\$'000                            | HK\$'000                 |
| Depreciation   | 239                                 | 246                      |
| Outgoings in respect of other properties                       | 23                                  | 50                       |
| Loss on deemed disposal of<br>partial interest in an associate | 436                                 | 948                      |
| Staff costs:   |                                     |                          |
| Wages and salaries   | 3,809                               | 3,511                    |
| Pension scheme contributions<br>(defined contribution scheme)  | 132                                 | 133                      |
|  | <u>3,941</u>                        | <u>3,644</u>             |
| Interest expenses  | 9,368                               | 6,185                    |
| Interest income  | (1,421)                             | (1,711)                  |
| Loss on disposal of properties held for sale                   | —                                   | 383                      |
|  | <u><u>          </u></u>            | <u><u>          </u></u> |

## 5. TAX

|                                 | Group<br>For the six months<br>ended 30 June |  |
|---------------------------------|--|--|
|                                 | 2005<br>(Unaudited)<br><i>HK\$'000</i>       | 2004<br>(Unaudited)<br>(Restated)<br><i>HK\$'000</i> |
| Current — Hong Kong profits tax | 2,861  | 3,209  |
| Deferred                        | 10,000                                       | 2,011  |
| Total tax charge for the period | <u>12,861</u>                                | <u>5,220</u>   |

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

Share of tax attributable to associates amounting to HK\$4,920,000 (2004: HK\$4,338,000) is included in "Share of results of associates" on the face of the condensed consolidated income statement.

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

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share for the period ended 30 June 2005 is based on the profit for the period attributable to equity holders of the Company of HK\$264,643,000 (2004: HK\$32,092,000 (as restated)) and the weighted average of 798,841,393 (2004: 797,157,415) ordinary shares in issue during the period.

The diluted earnings per share amount for the period ended 30 June 2005 has not been disclosed as no diluting events existed during the period.

The diluted earnings per share amount for the period ended 30 June 2004 has not been shown as the share options outstanding during that period had an anti-dilutive effect on the basic earnings per share for the period.

## 7. DIVIDEND

The board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2005 (2004: Nil).

## 8. PROPERTY, PLANT AND EQUIPMENT

|                                  | Group                                      |  |
|----------------------------------|--|--|
|                                  | 30 June<br>2005<br>(Unaudited)<br>HK\$'000 | 31 December<br>2004<br>(Audited)<br>HK\$'000 |
| Net book value:                  |  |  |
| At 1 January                     | 983  | 1,424  |
| Additions                        | —  | 43   |
| Depreciation                     | (239)                                      | (484)  |
|                                  | <u>744</u>                                 | <u>983</u>                                   |
| At 30 June 2005/31 December 2004 | <u>744</u>                                 | <u>983</u>                                   |

## 9. INVESTMENT PROPERTIES

|                                  | Group                                      |  |
|----------------------------------|--|--|
|                                  | 30 June<br>2005<br>(Unaudited)<br>HK\$'000 | 31 December<br>2004<br>(Audited)<br>HK\$'000 |
| At 1 January                     | 1,747,770                                  | 1,767,370                                    |
| Additions                        | 335  | 1,895  |
| Surplus on revaluation           | 119,665                                    | 74,436                                       |
| Disposals                        | —  | (95,931)                                     |
|                                  | <u>1,867,770</u>                           | <u>1,747,770</u>                             |
| At 30 June 2005/31 December 2004 | <u>1,867,770</u>                           | <u>1,747,770</u>                             |

**10. TRADE DEBTORS**

An aged analysis of trade debtors at the balance sheet date is as follows:

|              | Group                                      |  |
|--------------|--|--|
|              | 30 June<br>2005<br>(Unaudited)<br>HK\$'000 | 31 December<br>2004<br>(Audited)<br>HK\$'000 |
| 0 - 30 days  | 2,022                                      | 486  |
| 31 - 60 days | 446  | 559  |
| Over 90 days | 65   | 66   |
|              | <u>2,533</u>                               | <u>1,111</u>                                 |

Trade debtors balance is primarily rental receivables from tenants which is normally due on the first day of the month.

**11. DERIVATIVE FINANCIAL ASSET**

|  | Group                                      |  |
|--|--|--|
|  | 30 June<br>2005<br>(Unaudited)<br>HK\$'000 | 31 December<br>2004<br>(Audited)<br>HK\$'000 |
| Share option issued by an associate, at fair value | 217,426                                    | —  |
|  | <u>217,426</u>                             | <u>—</u>                                     |

**12. TRADE CREDITORS**

An aged analysis of trade creditors at the balance sheet date is as follows:

|              | Group                                      |  |
|--------------|--|--|
|              | 30 June<br>2005<br>(Unaudited)<br>HK\$'000 | 31 December<br>2004<br>(Audited)<br>HK\$'000 |
| 0 - 30 days  | 2,809                                      | 919  |
| 31 - 60 days | 30   | —  |
| 61 - 90 days | 12   | —  |
|              | <u>2,851</u>                               | <u>919</u>                                   |

## 13. BANK LOANS, SECURED

(a) Bank loans are repayable as follows:

|  | Group                                      |  |
|--|--|--|
|  | 30 June<br>2005<br>(Unaudited)<br>HK\$'000 | 31 December<br>2004<br>(Audited)<br>HK\$'000 |
| Within one year                                  | 332,363                                    | 196,500                                      |
| In the second year                               | 41,500                                     | 38,000                                       |
| In the third to fifth year, inclusive            | 146,900                                    | 157,800                                      |
| After the fifth year                             | 191,600                                    | 203,200                                      |
|  | <u>712,363</u>                             | <u>595,500</u>                               |
| Amounts classified under current liabilities     | <u>(332,363)</u>                           | <u>(196,500)</u>                             |
| Amounts classified under non-current liabilities | <u><u>380,000</u></u>                      | <u><u>399,000</u></u>                        |

## (b) Pledge of assets

The bank loans are secured by mortgages on certain investment properties with an aggregate carrying value of HK\$1,860,000,000 (31 December 2004: HK\$1,740,000,000) and the assignment of rental income from certain of the properties.

In addition, the Company has pledged all the issued shares of certain subsidiaries and subordinated its loans to certain subsidiaries in favour of the lenders of the above bank loans.



## 14. SHARE CAPITAL

|   | 30 June<br>2005<br>(Unaudited)<br>HK\$'000 | 31 December<br>2004<br>(Audited)<br>HK\$'000 |
|---|--|--|
| Authorised:   |  |  |
| 1,500,000,000 ordinary shares of HK\$0.10 each                                  | <u>150,000</u>                             | <u>150,000</u>                               |
| Issued and fully paid:  |  |  |
| 799,557,415 (31 December 2004: 797,157,415)<br>ordinary shares of HK\$0.10 each | <u>79,956</u>                              | <u>79,716</u>                                |

Movement in the Company's issued ordinary share capital is as follows:

|   | Number of<br>share<br>in issue | Issued<br>share<br>capital<br>HK\$'000 | Share<br>premium<br>HK\$'000 | Total<br>HK\$'000 |
|---|--------------------------------|--|------------------------------|-------------------|
| At 1 January 2005                                   | 797,157,415                    | 79,716                                 | 94,535                       | 174,251           |
| Employee share options<br>exercised ( <i>Note</i> ) | <u>2,400,000</u>               | <u>240</u>                             | <u>1,203</u>                 | <u>1,443</u>      |
| At 30 June 2005                                     | <u>799,557,415</u>             | <u>79,956</u>                          | <u>95,738</u>                | <u>175,694</u>    |

*Note:* During the period, the subscription right attaching to 2,300,000 and 100,000 share options were exercised at the subscription price of HK\$0.5860 and HK\$0.9488 respectively, resulting in the issue of a total of 2,400,000 shares at HK\$0.10 each for a total cash consideration of HK\$1,443,000.

## 15. COMMITMENTS

At the balance sheet date, the Group had capital commitments in respect of investment properties as follows:

|                                    | Group                                      |  |
|------------------------------------|--|--|
|                                    | 30 June<br>2005<br>(Unaudited)<br>HK\$'000 | 31 December<br>2004<br>(Audited)<br>HK\$'000 |
| Contracted, but not provided for   | 9  | 29   |
| Authorised, but not contracted for | 2,044                                      | 1,667  |
|                                    | <u>2,053</u>                               | <u>1,696</u>                                 |

## 16. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

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

|  | Group                                      |  |
|--|--|--|
|  | 30 June<br>2005<br>(Unaudited)<br>HK\$'000 | 31 December<br>2004<br>(Audited)<br>HK\$'000 |
| Within one year                        | 78,104                                     | 71,076                                       |
| In the second to fifth year, inclusive | 121,040                                    | 131,013                                      |
| After the fifth year                   | —  | 6,000  |
|  | <u>199,144</u>                             | <u>208,089</u>                               |

16. OPERATING LEASE ARRANGEMENTS *(continued)*

## (b) As lessee

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

|                 | Group                                      |  |
|-----------------|--|--|
|                 | 30 June<br>2005<br>(Unaudited)<br>HK\$'000 | 31 December<br>2004<br>(Audited)<br>HK\$'000 |
| Within one year | 66   | 465  |

## 17. CONTINGENT LIABILITIES

- (a) A subsidiary of the Company, which has been under voluntary liquidation since September 2004, has claimed against the contractor of a property development project, and deducted from payments to the contractors, approximately HK\$11 million for the delay in completion and defects of the construction works. In addition, there is a dispute of approximately HK\$1.7 million regarding the final contract amount. The contractor has denied the claim and has counter-claimed the subsidiary for HK\$22.3 million, including liquidated damages, the above-mentioned disputed contract sum and loss and expense. The case is pending arbitration. The liquidation of the subsidiary and its pending affairs has been handled by the appointed professional liquidators.
- (b) The Company has executed guarantees totaling HK\$1,068,400,000 (31 December 2004: HK\$935,900,000), with respect to banking facilities made available to its subsidiaries, of which HK\$712,363,000 were utilised as at 30 June 2005 (31 December 2004: HK\$595,500,000).
- (c) A subsidiary of the Company executed guarantees to secure banking facility made available to an investee company and certain property buyers of the investee company in respect of mortgage loans. In 2002, the entire investment in the investee company was disposed of by the subsidiary. The purchaser of the disposed share of the investee company would indemnify the Group in respect of the guarantees after 31 December 1999. The Group's share of the outstanding guarantees arising prior to 2000 was estimated to be approximately HK\$0.7 million as at 30 June 2005 (31 December 2004: HK\$5.6 million).

## 18. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related parties during the period:

|  | Notes | Group                            |                                 |
|--|-------|----------------------------------|---------------------------------|
|  |       | For the six months ended 30 June |                                 |
|  |       | 2005<br>(Unaudited)<br>HK\$'000  | 2004<br>(Unaudited)<br>HK\$'000 |
| Rental charges paid to a related company                   | (a)   | 483                              | 467                             |
| Administrative staff costs paid to a shareholder           | (b)   | 282                              | 282                             |
| Interest income on convertible note issued by an associate | (c)   | 1,138                            | 1,396                           |
|  |       | <u>1,138</u>                     | <u>1,396</u>                    |

Notes:

- (a) A subsidiary of the Company, Y. T. Group Management Limited ("YTGML"), entered into a sub-lease agreement with Chongqing Industrial Limited, a controlling shareholder of Yugang International Limited ("Yugang"), a substantial shareholder of the Company, to lease office space for a period of nine months commencing on 18 October 2004 at HK\$66,392 per month plus applicable rates and expenses.
- (b) YTGML entered into an agreement with Yugang to share the cost of common administrative staff at a monthly charge which is determined based on actual cost of the staff from time to time.
- (c) On 11 June 2002, a subsidiary of the Company, Honway Holdings Limited, invested HK\$117 million to purchase a convertible note (the "Note") issued by an associate, The Cross-Harbour (Holdings) Limited which bears interest at 3.5% per annum with a maturity date of 11 June 2005. The Note carries a right of conversion into new ordinary shares of the associate at exercise prices of HK\$3.5, HK\$3.7 and HK\$3.9 per share during the years ended 11 June 2003, 11 June 2004 and 11 June 2005, respectively. The Note was fully converted by the Company during the period.

## 19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited condensed consolidated interim financial statements were approved by the board of directors on 16 September 2005.