



渝太地產集團有限公司  
Y. T. REALTY GROUP LIMITED  
Stock Code : 0075



2006  
Interim Report

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## Corporate Information

### EXECUTIVE DIRECTOR

- # 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 DIRECTOR

- \* Wong Wai Kwong, David
- \*\*Wong Yat Fai
- \*\*Ng Kwok Fu

# *Remuneration committee member*

\* *Audit committee member*

### SECRETARY

Albert T. da Rosa, Jr.

### REGISTERED OFFICE

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

### PRINCIPAL OFFICE

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### AUDITORS

Ernst & Young

### PRINCIPAL BANKER

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

### LEGAL ADVISERS

*Bermuda:*

Conyers Dill & Pearman

*Hong Kong:*

Woo, Kwan, Lee & Lo  
Cheung, Tong & Rosa

### REGISTRAR & TRANSFER OFFICE

*Bermuda:*

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

*Hong Kong:*

Abacus Share Registrars Limited  
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Hong Kong  
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### SHARE LISTING

The Stock Exchange of Hong Kong Limited  
Stock Code: 75

## Management Discussion and Analysis

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The board of directors is pleased to present the Group's interim report and condensed accounts for the six months ended 30 June 2006. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 June 2006, and the consolidated balance sheet of the Group as at 30 June 2006, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 12 to 30 of this report.

### Business Review

The Group's consolidated profit after taxation for the first six months of 2006 was HK\$155.7 million which is 43.5% lower than the results of the corresponding period of 2005. Excluding the effect of property revaluation and the related deferred taxation, and the fair value gain of an unlisted share option and convertible note granted by an associated company, the profit after taxation was on par with the last corresponding period. Earnings per share for the first six-month period of 2006 amounted to HK19.5 cents (2005: HK34.5 cents (as restated)).

Gross rental income from investment properties for the half-year ended 30 June 2006 amounted to HK\$42.3 million, up 2.8% from HK\$41.1 million for the corresponding period of last year. The economy and market sentiment in Hong Kong continued to improve at steady pace. During the period under review, the Group's properties which are predominantly of retail nature recorded satisfactory increase in rental rates.

The fundamental economic indicators of Hong Kong continued to point to a positive direction in the first half of 2006. Gross Domestic Products continued to grow and is expected to reach 4-5% on full year basis, despite an upward trend in interest rates. Unemployment was improved to a five-year low of 4.9% whilst inflation recorded a modest rise of about 2%. Tourist arrival though slowed down in growth still remained as a strong impetus for our consumer market. The Group benefited largely from the rental growth of retail premises which form the core portfolio of the Group. Business expansion in financial and related professional services sectors at the same time also drove the rental to new high since the financial crises in 1997. Against this backdrop, the rental growth of the Group's portfolio has more than offset the shortfall of income from higher short-term tenancy turnover.

To meet with market demand and aspiration of tenants, the Group revamped and expanded its marketing department at the start of the year. A new quarterly promotional magazine "Rhythm" alongside with other new marketing efforts were introduced during the course of the period. The response and results were well received. The Group's effort in transforming the properties from offices to retail and commercial usage is nearing its completion. Further improvements which will include upgrading of building facilities and re-configuration of space in the buildings with a view to enhancing the tenancy mix are being planned to be implemented in the second half of the year.

## Business Review *(continued)*

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\$86.2 million. The revaluation surplus and the corresponding deferred tax arising from the revaluation of the Group's investment properties were reported in the income statement.

On 18 May 2006, the Group exercised the remaining balance of the share option granted by its associated company, The Cross-Harbour (Holdings) Limited ("Cross-Harbour"). On 22 May 2006, 52,647,059 shares of Cross-Harbour were issued and allotted to the Group. As a result, the Group's interest in Cross-Harbour was increased from 29.92% to 40.36%. As compared to the value at the end of 2005, increase in the fair value of such share option granted by Cross-Harbour prior to the exercise of the option was HK\$39.5 million and was reported in the income statement.

The Group's share of profit after taxation from Cross-Harbour for the period was HK\$27.7 million (2005: HK\$20.4 million), an increase of 35.5% 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

The Group is optimistic about the economic development of the Hong Kong SAR. As reported earlier, all major economic and financial indicators are showing positive signs for Hong Kong to continue prosper. More importantly, other major financial markets worldwide in particular the economic development in the Mainland are growing solidly. With infrastructure and transportation linkage between Hong Kong and the Mainland to be further improved in the coming months, cross-border interactions in the area of social, commercial and business will inevitably be further stimulated and strengthened. Tourist facilities in Hong Kong and our neighbouring city Macau will further be improved and a number of new attractions will be completed before the end of the year to attract more visitors from Mainland and overseas.

With regards to the property market where the Group is actively operating, despite some positive factors reported earlier, soaring price and interest rate movement had inevitably dampened the market sentiment, at least to certain investment sectors such as mass housing market since the last quarter of 2005. Nonetheless, it is widely anticipated that consolidation of market is likely to come to an end soon and there are signs that investors who believe that rising interest rates will come to a halt soon are becoming more active in the market recently. Other positive factors which may help rekindle the investment sentiment is the recent release of attractive bank mortgage incentives to lure investors. All in all, the market may seem volatile at times, but the Group's properties which are held for long term rental purposes are hence more stable and less prone to fluctuation triggered by these market factors. As such, we will continue to explore ways in wider spectrum to maximise the return of our assets. The re-configuration of space in our buildings will be regarded as an attractive project in the second half of the year to augment revenue as well as property profile. The Group will continue to pursue the established investment policy to actively look for opportunities to broaden the asset base and source 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\$16.2 million, up 65.4% from HK\$9.8 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 27.7% (31 December 2005: 21.0%). As at 30 June 2006, the total bank borrowing has increased to HK\$714.5 million from HK\$540.5 million at end of 2005. Certain investment properties with aggregate carrying value of HK\$2,010 million (31 December 2005: HK\$1,920 million) were pledged, together with assignment of rental income, to secure loan facilities. Term loan instalments repayable within one year amounted to HK\$35.5 million. Revolving bank loan with balance of HK\$330 million is repayable and renewable within one year.

The following is the maturing profile of the Group's bank borrowings as of 30 June 2006:

Within one year	51.1%
In the second year	5.5%
In the third to fifth years	43.4%
	<hr/>
Total	100.0%
	<hr/> <hr/>

As at 30 June 2006, the Group's cash and cash equivalent was HK\$27.5million. 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.

## Contingent Liabilities

As at 30 June 2006, the Company has executed guarantees totaling HK\$1,284.9 million (31 December 2005: HK\$1,300.9 million), with respect to banking facilities made available to its subsidiaries, of which HK\$714.5 million were utilised (31 December 2005: HK\$540.5 million).

## Staff

As at 30 June 2006, the Group employed a total of 32 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 2006 (2005: 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, as at 30 June 2006, the following interests of the directors in the shares of the Company or an associated corporation (within the meaning of Part XV of the SFO):

#### (a) Interests in the Company

Name	Nature of interest	No. of shares	Approximate % of shareholding
Cheung Chung Kiu	Interest of controlled corporation	273,000,000 <i>(Note 1)</i>	34.14%
Wong Chi Keung	Beneficial owner	2,000,000	0.25%
Ng Kwok Fu	Beneficial owner & interest of spouse	90,000 <i>(Note 2)</i>	0.01%

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

Name	Nature of interest	No. of shares	Approximate % of shareholding
Cheung Chung Kiu	Interest of controlled corporation	142,669,432 <i>(Note 3)</i>	40.36%



## Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures *(continued)*

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 BVI") which was, in turn, a wholly owned subsidiary of Yugang International Limited ("Yugang"). Mr. Cheung, Timmex Investment Limited (a company wholly owned by Mr. Cheung) and Chongqing Industrial Limited ("Chongqing Industrial") owned approximately 0.61%, 3.11% and 36.62% 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 in the Company, 50,000 shares were held by Mr. Ng Kwok Fu in person and 40,000 shares were held by his spouse.
- (3) Honway Holdings Limited ("Honway", an indirect wholly owned subsidiary of the Company) held 142,669,432 shares in The Cross-Harbour (Holdings) Limited ("Cross-Harbour"). Of these 142,669,432 shares, 52,647,059 shares were acquired by Honway on 22 May 2006 by way of exercise of the remainder of the option granted by Cross-Harbour to it pursuant to the share option agreement dated 9 May 2003 at the then prevailing exercise price of HK\$4.00 per share. 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.

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

Save as disclosed herein, as at 30 June 2006, there was no interest recorded in the register kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Code for Securities Transactions by Directors adopted by the Company on 1 January 2005.

### Share Options

On 29 April 2005, the Company adopted a share option scheme (the "Scheme") whose terms are in line with the provisions of Chapter 17 of the Main Board Listing Rules. Details of the adoption of the Scheme are given in the Company's circular dated 13 April 2005.

During the period under review, no option lapsed and no option was granted, exercised or cancelled; nor was there any option outstanding under the Scheme at the beginning and at the end of the period.

## Interests and Short Positions of Shareholders

As at 30 June 2006, so far as is known to the directors of the Company, the following persons, other than the directors, had, or were deemed to have, interests in the shares of the Company as recorded in the register kept under section 336 of the SFO:

Name	Nature of interest	No. of shares	Approximate % of shareholding
Palin Holdings Limited	Interest of controlled corporation	273,000,000 (Note 1)	34.14%
Chongqing Industrial	Interest of controlled corporation	273,000,000 (Note 1)	34.14%
Yugang	Interest of controlled corporation	273,000,000 (Note 1)	34.14%
Yugang BVI	Interest of controlled corporation	273,000,000 (Note 1)	34.14%
Funrise	Beneficial owner	273,000,000 (Note 1)	34.14%
Deutsche Bank Aktiengesellschaft	Beneficial owner & security interest	119,996,000	15.01%
PMA Capital Management Limited (Note 2)	Investment manager	95,950,000	12.00%
PMA Prospect Fund (Note 2)	Beneficial owner	40,469,000	5.06%

Notes:

- (1) Each of the 273,000,000 shares represents the same shareholding interest of Funrise, which is duplicated in Mr. Cheung's interest in the Company's shares on pages 7 and 8 of this report.
- (2) PMA Capital Management Limited controlled 100% of PMA Prospect Fund.

All the interests disclosed above represented 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 2006, had, or was deemed to have, any interest or 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 7 and 8 of this report.

## Corporate Governance

The Company is committed to good corporate governance. During the period under review, it has taken appropriate steps to ensure compliance with the code provisions of the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### Code on Corporate Governance Practices

Throughout the six months to 30 June 2006, the Company has met the requirements under the CG Code except for the deviation from code provision A.4.2.

At the beginning of the period, as referred to in the report on corporate governance practices contained in the 2005 Annual Report, under the then bye-laws of the Company: (a) any director appointed to fill a causal vacancy or as an addition to the board shall hold office only until the next following annual general meeting (bye-law 86(2)); and (b) all directors except the chairman shall be subject to retirement by rotation at least once every three years (bye-law 87(1)). In the latter connection, Mr. Cheung Chung Kiu, chairman of the directors, had not been subject to retirement by rotation since his last appointment on 24 May 2001; nor had he been taken into account in determining the number of directors to retire in each year.

Subsequent to the issue of the 2005 Annual Report, a special resolution was passed at the annual general meeting held on 29 May 2006 to amend bye-laws 86 and 87 to the effect that, as stipulated in code provision A.4.2, all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

### Model Code for Securities Transactions

The Company has 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") 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 period.

## Other Information

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### 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. 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 the management and staff for their hard work and contribution.

On behalf of the board

**Wong Chi Keung**  
*Managing Director*

Hong Kong, 12 September 2006

## Condensed Consolidated Income Statement

For the six months ended 30 June 2006

		Unaudited	
	Notes	Six months ended 30 June	
		2006	2005
		<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Restated)</i>
<b>REVENUE</b>	3	46,837	47,321
Direct outgoings		(1,613)	(3,451)
		45,224	43,870
Other income and gains (net of direct outgoings)		2,916	1,857
Administrative expenses		(10,175)	(8,468)
Other operating expenses		—	(436)
Finance costs		(16,208)	(9,800)
Changes in fair value of investment properties		86,247	119,665
Fair value gain of an unlisted share option granted by an associate	11	39,485	94,765
Fair value gain of an unlisted convertible note granted by an associate		—	36,050
Gain on disposal of partial interest in an associate		—	1,977
Impairment loss on other investments		(350)	(273)
Share of results of associates		27,659	20,418
<b>PROFIT BEFORE TAX</b>	4	174,798	299,625
Tax	5	(19,058)	(23,800)
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		155,740	275,825
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	6		
Basic		HK19.5 cents	HK34.5 cents
Diluted		N/A	HK34.5 cents

The notes on pages 17 to 30 form an integral part of these financial statements.

## Condensed Consolidated Balance Sheet

As at 30 June 2006

	<i>Notes</i>	30 June 2006 (Unaudited) <i>HK\$'000</i>	31 December 2005 (Audited) <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	1,675	1,870
Investment properties	9	2,017,690	1,927,840
Interests in associates		1,223,989	860,382
Other investments		885	1,235
Deferred tax assets		—	415
Total non-current assets		<u>3,244,239</u>	<u>2,791,742</u>
<b>CURRENT ASSETS</b>			
Properties held for sale		1,988	1,988
Trade receivables	10	375	1,416
Other receivables, deposits and prepayments		59,854	52,508
Unlisted share option granted by an associate	11	—	92,132
Non-interest-bearing loan to an associate	11	—	20,000
Tax recoverable		—	859
Cash and bank balances		27,532	49,344
Total current assets		<u>89,749</u>	<u>218,247</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	12	1,281	1,276
Other payables and accrued expenses		44,183	55,732
Bank loans, secured	13	365,500	172,000
Tax payable		982	—
Total current liabilities		<u>411,946</u>	<u>229,008</u>
<b>NET CURRENT LIABILITIES</b>		<u>(322,197)</u>	<u>(10,761)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,922,042</u>	<u>2,780,981</u>

The notes on pages 17 to 30 form an integral part of these financial statements.

## Condensed Consolidated Balance Sheet *(continued)*

	<i>Notes</i>	30 June 2006 (Unaudited) <i>HK\$'000</i>	31 December 2005 (Audited) <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Bank loans, secured	13	349,000	368,500
Deferred tax liabilities		92,924	76,122
Total non-current liabilities		<u>441,924</u>	<u>444,622</u>
Net assets		<u>2,480,118</u>	<u>2,336,359</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued share capital	14	79,956	79,956
Reserves		2,400,162	2,236,414
Proposed final dividend		—	19,989
Total equity		<u>2,480,118</u>	<u>2,336,359</u>

The notes on pages 17 to 30 form an integral part of these financial statements.

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2006

	Unaudited Attributable to equity holders of the Company									
	Issued share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Investment revaluation reserve of associates HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
At 1 January 2006	79,956	95,738	1,350	1,800	1,321,935	38,246	4,567	772,778	19,989	2,336,359
2005 final dividend declared and paid	—	—	—	—	—	—	—	—	(19,989)	(19,989)
Share of changes in fair value of available-for-sale securities of associates	—	—	—	—	—	7,085	—	—	—	7,085
Share of changes in fair value of financial instruments of associates	—	—	—	—	—	—	923	—	—	923
Profit for the period	—	—	—	—	—	—	—	155,740	—	155,740
At 30 June 2006	<u>79,956</u>	<u>95,738</u>	<u>1,350</u>	<u>1,800</u>	<u>1,321,935</u>	<u>45,331</u>	<u>5,490</u>	<u>928,518</u>	<u>—</u>	<u>2,480,118</u>
At 1 January 2005	79,716	94,535	1,350	1,800	1,321,935	40,149	(4,962)	542,079	15,991	2,092,593
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 available-for-sale securities of associates	—	—	—	—	—	(276)	—	—	—	(276)
Share of available-for-sale securities impairment loss charged to the income statement of associates	—	—	—	—	—	1,854	—	—	—	1,854
Share of loss on disposal of available-for-sale 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 (as restated)	—	—	—	—	—	—	—	275,825	—	275,825
At 30 June 2005 (as restated)	<u>79,956</u>	<u>95,738</u>	<u>1,350</u>	<u>1,800</u>	<u>1,321,935</u>	<u>34,899</u>	<u>1,862</u>	<u>817,904</u>	<u>—</u>	<u>2,355,444</u>

The notes on pages 17 to 30 form an integral part of these financial statements.



## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2006

	Unaudited	
	Six months ended 30 June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow from operating activities	1,445	15,495
Net cash outflow from investing activities	(177,268)	(133,517)
Net cash inflow from financing activities	154,011	102,315
Decrease in cash and cash equivalents	(21,812)	(15,707)
Cash and cash equivalents at beginning of period	49,344	51,956
Cash and cash equivalents at end of period	27,532	36,249
Analysis of balances of cash and cash equivalents		
Cash and bank balances	27,532	36,249

The notes on pages 17 to 30 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 condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

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 2005, 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 21 Amendment	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The Group considers that the adoption of the above-mentioned accounting standards does not have significant impact on the Group as at the date of the interim financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

The Company is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Company’s financial statements.

## 2 Comparative Figures

The presentation of the condensed consolidated income statement was revised for the prior interim period to bring it in line with the policies adopted in the annual financial statements. Accordingly, certain comparative amounts have been restated.

The effect of the restatements on the income statement during the six months ended 30 June 2005 is set out below:

	<i>HK\$'000</i>
Increase in fair value gain of an unlisted convertible note granted by an associate	22,121
Increase in tax	<u>(10,939)</u>
Total increase in profit for the period	<u><u>11,182</u></u>

### 3 Segmental Information

Revenue, which is also the Group's turnover, represents the aggregate of gross rental income received and receivable from investment properties and income from property management and related services.

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

#### (a) Business segments

##### Group

	Unaudited Six months ended 30 June			Consolidated HK\$'000
	Property investment HK\$'000	Property management and related services HK\$'000	Operation of driver training centres and tunnel operation and management HK\$'000	
2006				
Segment revenue	42,264	4,573	—	46,837
Segment results	122,046	4,220	—	126,266
Unallocated expense				(2,404)
Finance costs				(16,208)
Fair value gain of an unlisted share option granted by an associate			39,485	39,485
Share of results of associates			27,659	27,659
Profit before tax				174,798
Tax				(19,058)
Profit for the period				155,740

### 3 Segmental Information *(continued)*

#### (a) Business segments *(continued)*

	Unaudited Six months ended 30 June			
	Property investment <i>HK\$'000</i>	Property management and related services <i>HK\$'000</i>	Operation of driver training centres and tunnel operation and management <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
2005				
Segment revenue	41,121	6,200	—	47,321
Segment results	154,058	2,593	—	156,651
Finance costs				(9,800)
Loss on deemed disposal of partial interest in an associate			(436)	(436)
Fair value gain of an unlisted share option granted by an associate			94,765	94,765
Fair value gain of an unlisted convertible note granted by an associate <i>(as restated)</i>			36,050	36,050
Gain on disposal of partial interest in an associate			1,977	1,977
Share of results of associates			20,418	20,418
Profit before tax <i>(as restated)</i>				299,625
Tax <i>(as restated)</i>				(23,800)
Profit for the period <i>(as restated)</i>				275,825

### 3 Segmental Information *(continued)*

#### (b) Geographical segments

##### Group

	Unaudited			
	Six months ended 30 June			
	Segment revenue		Segment results	
	2006	2005	2006	2005
			(Restated)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	46,837	47,321	126,651	156,966
Mainland China	—	—	(385)	(315)
	<u>46,837</u>	<u>47,321</u>	<u>126,266</u>	<u>156,651</u>

### 4 Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting) the following:

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Depreciation	257	239
Outgoings in respect of other properties	23	23
Loss on deemed disposal of partial interest in an associate	—	436
Staff costs (including executive directors' remuneration):		
Wages and salaries	3,862	3,809
Pension scheme contributions	154	132
	<u>4,016</u>	<u>3,941</u>
Interest expenses	14,778	9,368
Interest income	(2,710)	(1,421)
	<u><u>14,084</u></u>	<u><u>11,920</u></u>

## 5 Tax

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
		(Restated)
Group:		
Current – Hong Kong	1,841	2,861
Deferred	17,217	20,939
	<u>19,058</u>	<u>23,800</u>
Total tax charge for the period	<u>19,058</u>	<u>23,800</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

The share of tax attributable to associates amounting to HK\$5,015,000 (2005: HK\$4,920,000) 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 Attributable to Ordinary Equity Holders of the Company

The calculation of basic earnings per share for the period ended 30 June 2006 is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$155,740,000 (2005: HK\$275,825,000 (as restated)) and the number of 799,557,415 (2005: weighted average of 798,841,393) ordinary shares in issue during the period.

The diluted earnings per share amount for the period ended 30 June 2006 has not been disclosed as no diluting events existed during the period.

The calculation of diluted earnings per share for the period ended 30 June 2005 is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$275,825,000 (as restated). The weighted average number of ordinary shares used in the calculation is the 798,841,393 ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of 300,357 ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

## 7 Dividend

The board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2006 (2005: Nil).

## 8 Property, Plant and Equipment

	Group	
	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Net book value:		
At 1 January	1,870	983
Additions	62	1,457
Disposal/write-off	(13)	(1,127)
Depreciation provided during the period/year	(257)	(493)
Write-back of depreciation	13	1,050
	<u>1,675</u>	<u>1,870</u>
At 30 June/31 December	<u>1,675</u>	<u>1,870</u>

## 9 Investment Properties

	Group	
	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
At 1 January	1,927,840	1,747,770
Additions	3,603	821
Fair value gains	86,247	179,249
	<u>2,017,690</u>	<u>1,927,840</u>
At 30 June/31 December	<u>2,017,690</u>	<u>1,927,840</u>



## 10 Trade Receivables

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

	Group	
	30 June 2006 (Unaudited) <i>HK\$'000</i>	31 December 2005 (Audited) <i>HK\$'000</i>
0 - 30 days	290	412
31 - 60 days	84	934
Over 60 days	<u>1</u>	<u>70</u>
	<u><u>375</u></u>	<u><u>1,416</u></u>

The balance of the trade receivables is primarily rental receivables from tenants which are normally due on the first day of the month. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

## 11 Unlisted Share Option Granted by an Associate and Non-Interest-Bearing Loan to an Associate

	Group	
	Share option <i>HK\$'000</i>	3 year non-interest- bearing loan <i>HK\$'000</i>
Fair value at 1 January 2006	92,132	20,000
Fair value gain of an unlisted share option granted by an associate during the period	39,485	—
Exercise of share option	(131,617)	(20,000)
Fair value at 30 June 2006 (unaudited)	<u>—</u>	<u>—</u>
Fair value at 1 January 2005	102,661	20,000
Fair value loss of an unlisted share option granted by an associate during the year	(10,529)	—
Fair value at 31 December 2005 (audited)	<u>92,132</u>	<u>20,000</u>

## 12 Trade Payables

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

	Group	
	30 June 2006 (Unaudited) <i>HK\$'000</i>	31 December 2005 (Audited) <i>HK\$'000</i>
0 - 30 days	1,281	978
31 - 60 days	—	298
	<u>1,281</u>	<u>1,276</u>

The trade payables are normally non-interest-bearing within the 30-day periods.

### 13 Bank Loans, Secured

Bank loans are repayable as follows:

	Group	
	30 June 2006 (Unaudited) <i>HK\$'000</i>	31 December 2005 (Audited) <i>HK\$'000</i>
Within one year	365,500	172,000
In the second year	39,000	39,000
In the third to fifth years, inclusive	310,000	149,500
After the fifth year	—	180,000
	<hr/>	<hr/>
	714,500	540,500
Amounts classified under current liabilities	<b>(365,500)</b>	<b>(172,000)</b>
	<hr/>	<hr/>
Amounts classified under non-current liabilities	<b>349,000</b>	<b>368,500</b>
	<hr/>	<hr/>

The bank loans are variable interest rate loans with interest rates based on the HIBOR plus predetermined spread %. The effective interest rates for the period ended 30 June 2006 and the year ended 31 December 2005 were 5.32% and 4.09% respectively.

The bank loans are denominated in Hong Kong dollar and secured by:

- (a) Mortgages on certain investment properties with an aggregate carrying value of HK\$2,010,000,000 (31 December 2005: HK\$1,920,000,000) 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; and
- (b) corporate guarantees issued by the Company.

The carrying amounts of the Group's borrowings approximate to their fair values.

## 14 Share Capital

	30 June 2006 (Unaudited) <i>HK\$'000</i>	31 December 2005 (Audited) <i>HK\$'000</i>
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 ordinary shares of HK\$0.10 each	<u>79,956</u>	<u>79,956</u>

## 15 Commitments

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

	Group	
	30 June 2006 (Unaudited) <i>HK\$'000</i>	31 December 2005 (Audited) <i>HK\$'000</i>
Contracted, but not provided for	1,855	167
Authorised, but not contracted for	<u>13,288</u>	<u>16,606</u>
	<u>15,143</u>	<u>16,773</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 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Within one year	86,945	70,031
In the second to fifth years, inclusive	137,250	111,030
	<u>224,195</u>	<u>181,061</u>

### (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 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Within one year	996	996
In the second to fifth years, inclusive	1,079	1,577
	<u>2,075</u>	<u>2,573</u>

## 17 Contingent Liabilities

The Company has executed guarantees totaling HK\$1,284,900,000 (31 December 2005: HK\$1,300,900,000), with respect to banking facilities made available to its subsidiaries, of which HK\$714,500,000 were utilised as at 30 June 2006 (31 December 2005: HK\$540,500,000).

## 18 Related Party Transactions

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

	Notes	Group Unaudited	
		Six months ended 30 June	
		2006	2005
		HK\$'000	HK\$'000
Rental charges paid to a related company	(i)	498	483
Administrative staff costs paid to a shareholder	(ii)	408	282
Interest income on convertible note granted by an associate	(iii)	—	1,138
		<u>          </u>	<u>          </u>

Notes:

- (i) 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. The rental charges were based on the floor area occupied by the Group and the market rental rate. The current sub-lease agreement commenced on 1 August 2005 and will expire on 31 July 2008.
- (ii) 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.
- (iii) 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 ending 11 June 2003, 11 June 2004 and 11 June 2005, respectively. The Note was fully converted prior to 11 June 2005.

## 18 Related Party Transactions *(continued)*

(b) Compensation of key management personnel of the Group:

	Group Unaudited	
	Six months ended 30 June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short term employee benefits	1,428	1,660
Post-employment benefits	71	83
	<hr/>	<hr/>
Total compensation paid to key management personnel	<u>1,499</u>	<u>1,743</u>

## 19 Approval of the Interim Financial Statements

These unaudited condensed consolidated interim financial statements were approved by the board of directors on 12 September 2006.