渝太地產集團有限公司*

# Y. T. REALTY GROUP LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 75)**

## 2008 Interim Results Announcement

The board of directors of Y. T. Realty Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008. The interim results have been reviewed by the audit committee of the Company.

**CONDENSED CONSOLIDATED INCOME STATEMENT**
For the six months ended 30 June 2008

| | | Unaudited Six months ended 30 June | |
|---|---|---|---|
| | *Notes* | **2008** *HK$'000* | 2007 *HK$'000* |
| **REVENUE** | 2 | **60,609** | 56,487 |
| Direct outgoings | | **(4,581)** | (3,457) |
| | | **56,028** | 53,030 |
| Other income | | **442** | 1,128 |
| Administrative expenses | | **(9,525)** | (8,517) |
| Finance costs | | **(9,822)** | (17,495) |
| Changes in fair value of investment properties | | **121,303** | 120,368 |
| Share of results of an associate | | **71,397** | 45,311 |
| **PROFIT BEFORE TAX** | 3 | **229,823** | 193,825 |
| Tax | 4 | **(16,043)** | (24,097) |
| **PROFIT FOR THE PERIOD** | | **213,780** | 169,728 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **213,827** | 169,728 |
| Minority interests | | **(47)** | - |
| | | **213,780** | 169,728 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY** | | | |
| Basic | 5 | **HK26.7 cents** | HK21.2 cents |

## CONDENSED CONSOLIDATED BALANCE SHEET
30 June 2008

| | Notes | **30 June 2008 (Unaudited) *HK$'000*** | 31 December 2007 (Audited) *HK$'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **864** | 1,043 |
| Investment properties | | **2,439,900** | 2,315,900 |
| Interest in an associate | | **1,355,404** | 1,413,205 |
| Other investments | | **800** | 800 |
| Total non-current assets | | **3,796,968** | 3,730,948 |
| **CURRENT ASSETS** | | | |
| Properties held for sale | | **1,136** | 1,136 |
| Trade receivables | *6* | **855** | 18,529 |
| Other receivables, deposits and prepayments | | **8,720** | 7,204 |
| Cash and bank balances | | **52,985** | 61,247 |
| Total current assets | | **63,696** | 88,116 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *7* | **1,680** | 1,398 |
| Other payables and accrued expenses | | **56,417** | 63,825 |
| Bank loans, secured | | **227,200** | 253,100 |
| Tax payable | | **2,286** | 563 |
| Total current liabilities | | **287,583** | 318,886 |
| **NET CURRENT LIABILITIES** | | **(223,887)** | (230,770) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **3,573,081** | 3,500,178 |
| **NON-CURRENT LIABILITIES** | | | |
| Bank loans, secured | | **335,300** | 363,900 |
| Deferred tax liabilities | | **163,073** | 148,856 |
| Total non-current liabilities | | **498,373** | 512,756 |
| Net assets | | **3,074,708** | 2,987,422 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Issued share capital | | **79,956** | 79,956 |
| Reserves | | **2,994,793** | 2,883,479 |
| Proposed final dividend | | **-** | 23,987 |
| | | **3,074,749** | 2,987,422 |
| Minority interests | | **(41)** | - |
| Total equity | | **3,074,708** | 2,987,422 |

*Notes:*

## 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. These condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

The basis of preparation and accounting policies used in the preparation of these interim financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 December 2007, except in relation to the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) including HK(IFRIC)-Int 11 "HKFRS 2 - Group and Treasury Share Transactions", HK(IFRIC)-Int 12 "Service Concession Arrangements" and HK(IFRIC)-Int 14 "HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". The Group considers that the adoption of these new and revised HKFRSs will not have significant impact on the Group as at the date of the interim financial statements.

2 **Revenue and segment information**

The Group is principally engaged in property investment, property trading, provision of property management and related services and investment holding.

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

| | Unaudited Six months ended 30 June | | | | |
|---|---|---|---|---|---|
| | **Property investment** *HK$'000* | **Property trading** *HK$'000* | **Property management and related services** *HK$'000* | **Operation of driver training centres and tunnel operation and management** *HK$'000* | **Consolidated** *HK$'000* |
| **2008** | | | | | |
| **Segment revenue** | **55,136** | **-** | **5,473** | **-** | **60,609** |
| **Segment results** | **164,299** | **(20)** | **3,969** | **-** | **168,248** |
| Finance costs | | | | | **(9,822)** |
| Share of results of an associate | **-** | **-** | **-** | **71,397** | **71,397** |
| Profit before tax | | | | | **229,823** |
| Tax | | | | | **(16,043)** |
| Profit for the period | | | | | **213,780** |
| 2007 | | | | | |
| Segment revenue | 51,066 | - | 5,421 | - | 56,487 |
| Segment results | 161,945 | (5) | 4,069 | - | 166,009 |
| Finance costs | | | | | (17,495) |
| Share of results of an associate | - | - | - | 45,311 | 45,311 |
| Profit before tax | | | | | 193,825 |
| Tax | | | | | (24,097) |
| Profit for the period | | | | | 169,728 |

There are no sales or other transactions between the business segments.

**2 Revenue and segment information** *(continued)*

**(b) Geographical segments**

| | **Unaudited Six months ended 30 June** | | | |
|---|---|---|---|---|
| | **Segment revenue** | | **Segment results** | |
| | **2008** | 2007 | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **60,609** | 56,487 | **168,298** | 166,057 |
| Mainland China | **-** | - | **(50)** | (48) |
| | **60,609** | 56,487 | **168,248** | 166,009 |

There are no sales between the geographical segments.

**3 Profit before tax**

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

| | **Unaudited Six months ended 30 June** | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| Depreciation | **197** | 269 |
| Outgoings in respect of other properties | **33** | 30 |
| Staff costs (including executive directors' remuneration): | | |
| Wages and salaries | **4,970** | 4,318 |
| Pension scheme contributions | **202** | 146 |
| | **5,172** | 4,464 |
| Interest expenses | **9,293** | 16,981 |
| Interest income | **(281)** | (620) |

**4 Tax**

| | **Unaudited Six months ended 30 June** | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| Current - Hong Kong | **1,826** | 1,326 |
| Deferred | **14,217** | 22,771 |
| Total tax charge for the period | **16,043** | 24,097 |

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

## 5 Earnings per share attributable to ordinary equity holders of the Company

The calculation of basic earnings per share for the period ended 30 June 2008 is based on the profit for the period attributable to ordinary equity holders of the Company of HK$213,827,000 (2007: HK$169,728,000) and the number of 799,557,415 (2007: 799,557,415) ordinary shares in issue during the period.

The diluted earnings per share amount for the periods ended 30 June 2008 and 2007 have not been disclosed as no diluting events existed during the periods.

## 6 Trade receivables

An aged analysis of the trade receivables at the balance sheet date, based on the invoice date and net of provisions, is as follows:

| | **30 June 2008 (Unaudited)** *HK$'000* | 31 December 2007 (Audited) *HK$'000* |
|---|---|---|
| 0 - 30 days | **348** | 2,721 |
| 31 - 60 days | **51** | 544 |
| Over 60 days | **456** | 15,264 |
| | **855** | 18,529 |

The trade receivables include proceeds receivable from sale of properties which settlement is based on payment schedule of the corresponding sale and purchase agreement, and rental receivables and property management and related services receivables which are normally due on the first day of each month and due within a 30-day period, respectively. 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.

## 7 Trade payables

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

| | **30 June 2008 (Unaudited)** *HK$'000* | 31 December 2007 (Audited) *HK$'000* |
|---|---|---|
| 0 - 30 days | **1,189** | 1,367 |
| 31 - 60 days | **-** | 31 |
| Over 60 days | **491** | - |
| | **1,680** | 1,398 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group's net profit attributable to shareholders for the first six months of 2008 was HK$213.8 million which is 26.0% higher than the results of the corresponding period of 2007. Earnings per share for the first six-month period of 2008 amounted to HK26.7 cents (2007: HK21.2 cents). Excluding the effect of property revaluation and the related deferred taxation for the six months period ended 2008 and 2007, the profit after taxation for the first half of 2008 was 60.2% better than the corresponding period of last year.

Rental income from investment properties for the half-year ended 30 June 2008 amounted to HK$55.1 million, up 8.0% from HK$51.1 million for the corresponding period of last year. During the period under review, the Group's core properties recorded steady increase in rental yields and occupancy rates.

The first half of 2008 was considered by many as a challenging period for the economy of Hong Kong as a whole and the Group shared the same view.

The sub-prime crisis originated in the United States of America rather than being subdued, widened to affect not only home loan financiers there but many financial institutions worldwide having exposure to financial products related to the U.S. sub-prime mortgages. The credit crunch in the U.S. and Europe, stock market collapse in Vietnam, coupled with the austere financial measures adopted by the Mainland authority posed a stern market environment for virtually all businesses worldwide. Inflation pressure reached a very alarming level as oil price hit record highs consecutively during the first half of 2008.

Against all these difficulties, Hong Kong was fortunate to be able to weather the market storms. The SAR Government's prudent public administration, particularly in the management of its public finance to ensure a strong stable public reserve and to afford a business environment with low tax and low cost of funding were the major attributes in successfully tackling the global financial crisis. Like some of the fortunate few, the Group's business was not affected by the market volatility in the first half of 2008 in any great magnitude as the core of our long term investment consists mainly of prime rental properties which consistently enjoy high percentage of occupancy. The Group ascribed such satisfactory result to favourable locations of our properties and provision of quality in-house professional management and marketing service to our tenants.

At time of market adjustment, many see it as a good opportunity to invest and to commit in the prime area and in good quality properties where it would otherwise have been difficult to enter during boom time. Currently, the Group's property portfolio is over 97% leased and such high percentage of occupancy is predicted to continue in the remainder of the year.

The Group's investment property portfolio was independently valued at the end of the period resulting in a revaluation surplus of HK$121.3 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.

The Group's share of profit after taxation from the associated company, The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), for the period was HK$71.4 million (2007: HK$45.3 million), an increase of 57.6% from last period. Cross-Harbour is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and it is engaged in investment and management of tunnels, motoring schools and highway and tunnel toll system.

**Prospects**

The Group is cautiously optimistic about the economic performance of the Hong Kong SAR in the coming years. Most of our key economic fundamentals remain sound and the market sentiment will continually be supported by strong domestic consumption, large influx of tourists and low unemployment condition.

It is however anticipated that global credit market will remain tight hence affecting the performance of the financial and banking sectors. Similar situation will likely happen to property market although high-end residential sector will least be affected owing to scarcity in supply. Rising cost in doing business in Hong Kong caused by inflation will be inevitable, but performance of companies in general may not be severely affected as escalating costs of operation may likely be offset by relatively low interest and low tax business environment.

Looking ahead, it is expected that Hong Kong will benefit further by implementing its closer co-operation with its neighbouring cities in the Pearl River Delta to form a new financial hub for the whole of China. This new partnership relationship with our once competing cities will have far-reaching positive effect on Hong Kong and will surely strengthen our infrastructure and business linkage with the cities in the Pearl River Delta thereby bringing about more promising economic growth to the entire area.

The Group considers that global market adjustment which we are experiencing now offers a good opportunity for business expansion at a more cost effective manner. The Group will step up its effort in the coming future to seek good investment projects with a view to enhancing corporate earning and profits for shareholders. Although the Mainland will continually be regarded as an attractive market owing to its sheer size and population, locally in Hong Kong and certain other emerging economies in the Asian Pacific region are beginning to offer unprecedented investment opportunities at time of market adjustment. When pursuing business expansion and diversification, the Group will still maintain its core property investment in Hong Kong which has been providing stable yield and cash flow in return for many years.

**Financing and Liquidity**

The Group's financial expenses for the period amounted to HK$9.8 million, decreased by 43.9% from HK$17.5 million as compared to the same period last year as average interest rate was significantly lower in the first half of 2008.

The gearing ratio, which is calculated as the ratio of net bank borrowings to shareholders' funds, was 16.6% (31 December 2007: 18.6%). As at 30 June 2008, the total bank borrowing has decreased to HK$562.5 million from HK$617.0 million at end of 2007. Certain investment properties with aggregate carrying value of HK$2,428.0 million (31 December 2007: HK$2,305.0 million) were pledged, together with assignment of rental income, to secure loan facilities. Term loan instalments repayable within one year amounted to HK$57.2 million. Revolving bank loan with balance of HK$170.0 million is repayable and renewable within one year.

The following is the maturing profile of the Group's bank borrowings as of 30 June 2008:

| | |
|---|---|
| Within one year | 40.4% |
| In the second year | 10.2% |
| In the third to fifth years | 49.4% |
| Total | 100.0% |

**Financing and Liquidity** *(continued)*

As at 30 June 2008, the Group's cash and cash equivalents was HK$53.0 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.

On 3 July 2007, the Company entered into a placing agreement (the "Agreement") with a placing agent, pursuant to which the placing agent conditionally agreed to place a maximum aggregate amount of HK$300.0 million of zero coupon convertible notes (the "Notes") with maturity date of 31 July 2010 at the conversion price of HK$1.9 per conversion share, on a best effort basis, to not less than six independent placees; each partial completion of the placing should not be less than HK$50.0 million. If the conditions of the Agreement had not been fulfilled by the long stop date which was nine months from the date of signing of the Agreement (or such later date as agreed between the Company and the placing agent), the Agreement would terminate and neither the Company nor the placing agent would have any claims against each other. Due to market condition, no Notes had been placed and the Agreement lapsed at the end of 3 April 2008.

**Contingent Liabilities**

As at 30 June 2008, the Company has executed guarantees totaling HK$1,193.1 million (31 December 2007: HK$1,217.5 million), with respect to banking facilities made available to its subsidiaries, of which HK$562.5 million were utilised (31 December 2007: HK$617.0 million).

## STAFF

As at 30 June 2008, the Group had 37 members of staff. Staff remuneration is reviewed by the Group from time to time to ensure the terms of employment offered to our staff are competitive in the market. In addition to salaries, the Group provides staff benefits including medical insurance, life insurance, pension scheme 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 2008 (2007: Nil).

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company endorses good corporate governance practices. Throughout the accounting period covered by the interim report, the Company has met 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 (the "Listing Rules").

## 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.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

On behalf of the board
**Wong Chi Keung**
*Managing Director*

Hong Kong, 12 September 2008

*As at the date of this announcement, the board of directors of the Company comprises Cheung Chung Kiu, Wong Chi Keung, Yuen Wing Shing and Tung Wai Lan, Iris who are executive directors; Lee Ka Sze, Carmelo and Wong Yat Fai who are non-executive directors; and Ng Kwok Fu, Luk Yu King, James and Leung Yu Ming, Steven who are independent non-executive directors.*

* *For identification purpose only*