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莊 勝 百 貨 集 團 有 限 公 司  
JUNEFIELD DEPARTMENT STORE GROUP LIMITED

(STOCK CODE: 758)

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## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

Zhou Chu Jian He (*Chairman*)

Yiu Yu Keung, George  
(*Deputy Chairman*)

Li Jong Tong, Timothy

Zhang Xiao Bing, Adam

Liu Zhongsheng

Ng Man Chung, Siman

#### Independent Non-Executive Directors

Leung Man Kit

Chan Kwok Wai

Lam Man Sum, Albert

#### Audit Committee

Chan Kwok Wai (*Chairman*)

Leung Man Kit

Lam Man Sum, Albert

#### Remuneration Committee

Leung Man Kit (*Chairman*)

Chan Kwok Wai

Lam Man Sum, Albert

#### Company Secretary

Lau Jeanie

#### Qualified Accountant

Choy Kwai Fan

#### Auditors

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

31/F., Gloucester Tower

The Landmark

11 Pedder Street

Central

Hong Kong

#### Solicitors

David Lo & Partners

Suite 2502

Nine Queen's Road Central

Hong Kong

#### Principal Bankers

DBS Bank (Hong Kong) Limited

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking  
Corporation Limited

#### Share Registrars and Transfer Office

##### Principal Registrar

Butterfield Fund Services (Bermuda)  
Limited

65 Front Street

Hamilton

Bermuda

##### Hong Kong Branch Registrar

Tricor Tengis Limited

26/F., Tesbury Centre

28 Queen's Road East

Hong Kong

##### Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

##### Head Office and Principal Place of Business in Hong Kong

13th Floor, Bank of East Asia

Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

##### Principal Place of Business in China

16/F Beijing Junefield Plaza

Office Tower I

No. 6 Xuan Wu Men Wai Street, Beijing

The People's Republic of China

##### Stock Code

758

##### Website

<http://junefield.etnet.com.hk>



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six months ended 30 June 2007, the Group reported a turnover of HK\$6,467,000 representing a decrease of 47% from that of last corresponding period of HK\$12,110,000. The decrease of turnover for the period was mainly due to income accrued from construction and related business.

The Group recorded positive results with profit attributable to equity holders for the period amounted to HK\$13,073,000 as compared to HK\$20,454,000 for the last corresponding period. The positive results were attributed to apparent persistent performance from retail business.

### Operations Review and Future Prospects

#### Construction and related business

The 51% subsidiary in Beijing, the People's Republic of China ("PRC"), suffered a loss due to low activities encountered for the period. The management will continue to selectively secure contracts with a view to improve the performance of this subsidiary.

#### Property management and agency services business

The 51% subsidiary in Wuhan, PRC, has managed to suffer a marginal loss for the period despite the occupancy rate on office tower continued to reach a higher level during the period. The management has focused to look for opportunity for expanding its services as our core business to independent third parties to make better performance of this subsidiary.

#### Properties held for investment/for sale

The management has leased 6 units out of 9 office units in Beijing, PRC, which the Group has acquired in 2003 to generate recurrent rental income. Management would endeavour to dispose these units in the light of flourish property market in Beijing, PRC.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **Operations Review and Future Prospects** *(continued)*

#### **Retail business in Wuhan**

The share of profit from the jointly-controlled entity, Wuhan Plaza Management Co., Ltd. ("WPM") amounted to HK\$26,528,000 after tax which represented a decrease of 15% as compared to last corresponding period due to increase in rental. During the period under review, the economy of PRC continued to experience growth, the retail and department store business remained promising.

The litigation on the increase in rental remains standoff and the outcome could pose a negative factor for the future profitability of this jointly-controlled entity.

#### **Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Jointly-controlled Entities**

There was no material acquisition and disposal of subsidiaries, associated companies and jointly-controlled entities during the period under review.

#### **Liquidity and Financial Resources**

As at 30 June 2007, the Group had a deficiency in assets of HK\$29,240,000 with total assets of HK\$121,313,000 and total liabilities of HK\$150,553,000. The current ratio, which equals current assets divided by current liabilities, was 0.32 as at 30 June 2007, compared to 0.42 as at 31 December 2006. The Group's bank balances and short term deposits which are mainly denominated in Hong Kong dollars and Renminbi ("RMB"), amounted to HK\$2,499,000 as at 30 June 2007. The Group currently enjoys the continuous financial support from the Company's ultimate holding company and the sale proceeds from the disposal of properties in prior years in Beijing, PRC, have been applied to repay partially the Group's interest-bearing borrowings. The Group will actively improve its working capital at appropriate time, consider raising funds by suitable means, for investment and trade opportunities.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **Capital Structure and Borrowings**

As at 30 June 2007, the Group had interest-bearing borrowings of HK\$29.6 million (31 December 2006: HK\$34.6 million) in which a secured other loan of HK\$25 million (31 December 2006: HK\$30 million) bearing interest at 2% per month was due on 23 August 2007 and would be extended to 23 February 2008. Another loan of HK\$4.6 million is unsecured and bears interest at 9.5% per annum with no fixed terms of repayment.

The Group's loan from a jointly-controlled entity of HK\$63.8 million (31 December 2006: HK\$61.9 million) which was repayable through dividends distributions by the jointly-controlled entity up to December 2007.

### **Segmental Information**

Detailed segment information in respect of the Group's turnover and contribution to profit before income tax are shown in note 2 to the interim financial statements.

### **Material Investment or Capital Assets**

There was no material acquisition during the period under review.

### **Gearing**

The gearing ratio, calculated on the basis of interest-bearing borrowings and the loan from a jointly-controlled entity to total assets as at 30 June 2007 was 0.77 (31 December 2006: 0.96).

### **Charge of Assets**

As at 30 June 2007, the Group's borrowings were secured by debentures incorporating floating charges on all assets of the Company and the entire interests/rights in certain subsidiaries. For details, please refer to note 11 to the interim financial statements.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **Litigations**

Detailed litigations are shown in note 15 to the interim financial statements.

### **Contingent Liabilities**

Detailed contingent liabilities are shown in note 16 to the interim financial statements.

### **Exchange Rate Exposure**

The RMB has appreciated in the first half of the year. The Group's turnover and costs are partially denominated in RMB, which will largely offset each other. However, as the Group's loan from a jointly-controlled entity is denominated in RMB and reported in Hong Kong Dollars, there was a translation loss being charged to administrative expenditure as a result of the RMB appreciation. The ongoing appreciation of the RMB has resulted in an increase in shareholders' equity of approximately HK\$395,000 during the period.

### **Employees and Remuneration Policy**

As at 30 June 2007, the Group had about 200 employees of whom 10 are based in Hong Kong and 190 based in PRC. The number of workers employed by the Group varies from time to time depending on the industry need and they are remunerated under the employment term which is based on industry practice.

The remuneration policy and package of the Group's employees are periodically reviewed and approved by the executive directors. Apart from the pension funds, discretionary bonuses are awarded to certain employees according to the assessment of individual performance.



## SUPPLEMENTARY INFORMATION

### Directors' and Chief Executives' Interests in Securities

As at 30 June 2007, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

#### Interests in the shares

Name of director	Number of shares held through a controlled corporation	Percentage of the Company's issued share capital
Zhou Chu Jian He ( <i>note</i> )	220,780,500	52.33

*Note:* Mr. Zhou Chu Jian He is beneficially interested in 220,780,500 shares being held by Prime Century Investments Limited, a wholly-owned subsidiary of Junefield (Holdings) Limited.

Save as disclosed above, as at 30 June 2007, so far as is known to the Directors and the chief executives of the Company, no other person had interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO); or are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.





**SUPPLEMENTARY INFORMATION** *(continued)*

**Directors' and Chief Executives' Rights to Acquire Shares or Debentures**

At no time during the six months ended 30 June 2007 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies and subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

**Substantial Shareholders' Interests in Securities**

As at 30 June 2007, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations (other than Directors or chief executives of the Company) in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

<b>Name</b>	<b>Note</b>	<b>Capacity and nature of interest</b>	<b>Number of shares</b>	<b>Percentage of the Company's issued share capital</b>
Prime Century Investments Limited ("PCI")	(1)	Directly beneficially owned	220,780,500	52.33
Junefield (Holdings) Limited	(1)	Through a controlled corporation	220,780,500	52.33
Zhou Chu Jian He	(1)	Through a controlled corporation	220,780,500	52.33
Ranbridge Finance Limited	(2)	See note (2) below	215,416,500	51.05
Liu Xiao Fang		Directly beneficially owned	38,236,000	9.06
Yuan Ling		Directly beneficially owned	25,490,000	6.04

*Notes:*

- (1) Mr. Zhou Chu Jian He is beneficially interested in 220,780,500 shares being held by PCI, a wholly-owned subsidiary of Junefield (Holdings) Limited.
- (2) PCI, being the immediate holding company of the Company, has executed a debenture dated 26 February 2005 incorporating a first floating charge over its undertaking, property and assets in favor of Ranbridge Finance Limited.

Save as disclosed above, as at 30 June 2007, the Company had not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares, underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.



## **SUPPLEMENTARY INFORMATION** *(continued)*

### **Compliance with the Code on Corporate Governance Practices**

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in the Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange throughout the review period. The Board has adopted all the code provisions as its own code on 8 September 2006.

### **Directors' Securities Transactions**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code regarding the directors' securities transactions. All Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standards set out in the Model Code throughout the review period.

Written guidelines on no less exacting terms than the Model Code relating to securities transactions for employees have been sent to the relevant employees of the Group.

### **Purchase, Sale or Redemption of Listed Securities of the Company**

During the period under review, the Company has not redeemed any of its shares and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

### **Disclosure Pursuant to Rules 13.17, 13.18 and 13.21 of the Listing Rules**

Reference is made to the announcements of the Company dated 20 January 2004, 15 June 2004, 25 November 2004, 15 March 2005, 31 October 2005, 7 April 2006, 15 December 2006, and 1 June 2007. Unless otherwise stated, terms used in this interim report shall have the same meanings as used in the said announcements.



**SUPPLEMENTARY INFORMATION** *(continued)*

**Disclosure Pursuant to Rules 13.17, 13.18 and 13.21 of the Listing Rules**  
*(continued)*

The Company announced on 20 January 2004 that the Company entered into the Loan Agreement with, inter alia, Ranbridge Finance Limited (the "Lender") on 10 April 2003 pursuant to which the Lender agreed to make a loan of HK\$20,000,000 to the Company for a term of six months. Supplemental loan agreements were subsequently entered into, among other things, to extend the repayment date of the Loan, which include the fourth supplemental loan agreement dated 26 February 2005 to increase the principal amount of the Loan to HK\$35,000,000. The Company repaid the Lender the sums of HK\$5,000,000 on 28 June 2006 and 31 May 2007 respectively. As such, the principal amount of the Loan was reduced to HK\$25,000,000.

On 1 June 2007, the Company entered into the eighth supplemental loan agreement with, inter alia, the Lender pursuant to which the parties agreed, among other things, to further extend the repayment date of the Loan to 23 August 2007.

The Loan Agreement (as supplemented) provides that the Company shall procure PCI, the controlling shareholder of the Company, to maintain its shareholding in the Company at not less than 51% during the term of the Loan Agreement (as supplemented) and that PCI's shareholding in the Company shall not be reduced below 51% during such term without the prior consent of the Lender.

The Loan Agreement (as supplemented) also requires PCI to maintain a margin securities trading account (the "Account") with Sun Hung Kai Investment Services Limited during the term of the Loan Agreement (as supplemented). The 215,416,500 shares in the Company owned by PCI have been deposited into the Account and the Lender is authorized to dispose of or deal with or transfer such shares, or apply any credit balance in the Account to satisfy any sum due and payable but unpaid to the Lender.

On 19 July 2007, the Company has obtained a letter from the Lender to extend the repayment date to 23 February 2008. Announcement will be made when all the terms are finalized.

Save as disclosed above, the Company does not have other disclosure obligations under 13.17, 13.18 and 13.21 of the Listing Rules.



**CONDENSED CONSOLIDATED INCOME STATEMENT**

Six months ended 30 June 2007

		<b>Six months ended</b>	
	<i>Note</i>	<b>30 June 2007 (Unaudited) HK\$'000</b>	30 June 2006 (Unaudited) HK\$'000
<b>Turnover</b>	3	<b>6,467</b>	12,110
Other income	3	<b>111</b>	193
Contract costs		<b>(3,413)</b>	(10,193)
Employee benefits expense		<b>(5,173)</b>	(4,258)
Depreciation of property, plant and equipment		<b>(130)</b>	(126)
Amortisation of prepaid land lease payments		<b>(16)</b>	(11)
Other operating expenses		<b>(7,713)</b>	(3,718)
<b>Operating loss</b>		<b>(9,867)</b>	(6,003)
Finance costs	4	<b>(3,588)</b>	(4,315)
Share of profit of a jointly-controlled entity		<b>26,528</b>	31,074
<b>Profit before income tax</b>		<b>13,073</b>	20,756
Income tax expense	5	<b>-</b>	(302)
<b>Profit for the period</b>		<b>13,073</b>	20,454
Attributable to:			
Equity holders of the Company		<b>13,073</b>	20,454
Minority interests		<b>-</b>	-
		<b>13,073</b>	20,454
<b>EARNINGS PER SHARE</b>			
Basic	6	<b>3.1 cents</b>	4.8 cents
Diluted		<b>N/A</b>	N/A



**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30 June 2007

	Note	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Prepaid land lease payments		<b>568</b>	564
Property, plant and equipment		<b>2,233</b>	2,280
Investment in a jointly-controlled entity		<b>93,293</b>	66,766
Available-for-sale investment	8	<b>–</b>	–
		<b>96,094</b>	69,610
<b>CURRENT ASSETS</b>			
Inventories		<b>431</b>	315
Properties held for sale		<b>13,462</b>	13,462
Accounts receivable	9	<b>4,108</b>	5,056
Prepayments, deposits and other receivables		<b>489</b>	1,146
Amount due from a jointly-controlled entity		<b>3,439</b>	2,842
Amount due from a joint venturer		<b>–</b>	–
Amount due from a related company		<b>428</b>	5,716
Amount due from a subsidiary's minority shareholder		<b>363</b>	199
Cash and bank balances		<b>2,499</b>	2,226
		<b>25,219</b>	30,962
<b>CURRENT LIABILITIES</b>			
Accounts payable	10	<b>13,720</b>	13,212
Accruals and other payables		<b>24,127</b>	21,296
Amount due to the ultimate holding company		<b>9,801</b>	1,791
Tax payable		<b>1,658</b>	1,798
Interest-bearing borrowings	11	<b>29,630</b>	34,630
		<b>78,936</b>	72,727
<b>NET CURRENT LIABILITIES</b>		<b>(53,717)</b>	(41,765)



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

At 30 June 2007

<i>Note</i>	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
	<b>42,377</b>	27,845
	<b>NON-CURRENT LIABILITIES</b>	
	<b>63,804</b>	61,950
	<b>7,813</b>	7,813
	<b>71,617</b>	69,763
	<b>(29,240)</b>	(41,918)
	<b>REPRESENTING:</b>	
12	<b>42,193</b>	42,193
	<b>(71,433)</b>	(84,111)
	<b>(29,240)</b>	(41,918)
	<b>-</b>	-
	<b>(29,240)</b>	(41,918)
	<b>(29,240)</b>	(41,918)



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Six months ended 30 June 2007

	Attributable to equity holders of the Company								Total HK\$'000
	Share capital HK\$'000 (Note 12)	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Share-based compensation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Minority interests HK\$'000	
As at 1 January 2006	42,193	42,424	230	19,465	647	21	(154,111)	-	(49,131)
Profit for the period	-	-	-	-	-	-	20,454	-	20,454
Total income and expense for the period	-	-	-	-	-	-	20,454	-	20,454
As at 30 June 2006 (Unaudited)	42,193	42,424	230	19,465	647	21	(133,657)	-	(28,677)
Exchange differences on translation of foreign operations recognized directly in equity	-	-	-	-	-	(532)	-	-	(532)
Total income and expense recognized directly in equity	-	-	-	-	-	(532)	-	-	(532)
Loss for the period	-	-	-	-	-	-	(12,709)	-	(12,709)
Total income and expense for the period	-	-	-	-	-	(532)	(12,709)	-	(13,241)
Share options lapsed/expired	-	-	-	-	(647)	-	647	-	-
As at 31 December 2006 and 1 January 2007 (Audited)	42,193	42,424	230	19,465	-	(511)	(145,719)	-	(41,918)
Exchange differences on translation of foreign operations recognized directly in equity	-	-	-	-	-	(395)	-	-	(395)
Total income and expense recognized directly in equity	-	-	-	-	-	(395)	-	-	(395)
Profit for the period	-	-	-	-	-	-	13,073	-	13,073
Total income and expense for the period	-	-	-	-	-	(395)	13,073	-	12,678
As at 30 June 2007 (Unaudited)	42,193	42,424	230	19,465	-	(906)	(132,646)	-	(29,240)



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

*Six months ended 30 June 2007*

	<b>Six months ended</b>	
	<b>30 June 2007 (Unaudited) HK\$'000</b>	30 June 2006 (Unaudited) HK\$'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	<b>(531)</b>	3,033
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES	<b>(18)</b>	41,957
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	<b>(578)</b>	(44,754)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<b>(1,127)</b>	236
Effect on exchange rate changes on balances held in foreign currencies	<b>1,400</b>	-
Cash and cash equivalents at beginning of the period	<b>2,226</b>	2,494
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<b>2,499</b>	2,730
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<b>2,499</b>	2,730





## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

The accounting policies used in preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2006.

### 2. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenue is attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in PRC, and over 90% of the Group's assets are located in PRC.

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) the property investment segment engages in property leasing;
- (b) the property management and agency services segment provides property management and agency services; and
- (c) the construction segment engages in construction contract works as a main contractor or sub-contractor, primarily in respect of design, decoration, electrical and mechanical works.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.



**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

**2. SEGMENT INFORMATION** *(continued)*

**Business segments**

The following tables present revenue and results for the Group's business segments for the six months ended 30 June 2007 and 2006.

**Six months ended 30 June 2007**

	<b>Property Investment (Unaudited) HK\$'000</b>	<b>Property management and agency services (Unaudited) HK\$'000</b>	<b>Construction (Unaudited) HK\$'000</b>	<b>Consolidated (Unaudited) HK\$'000</b>
Segment revenue:				
Sales to/revenue from external customers	<u>246</u>	<u>4,396</u>	<u>1,825</u>	<u>6,467</u>
Segment results	<u>239</u>	<u>(77)</u>	<u>(1,856)</u>	<u>(1,694)</u>
Interest income and other unallocated income				11
Unallocated expenses				<u>(8,184)</u>
Operating loss				<u>(9,867)</u>
Finance costs				<u>(3,588)</u>
Share of profit of a jointly-controlled entity				<u>26,528</u>
Profit before income tax				<u>13,073</u>
Income tax expense				<u>-</u>
Profit for the period				<u><u>13,073</u></u>



**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

**2. SEGMENT INFORMATION** *(continued)*

**Business segments** *(continued)*

**Six months ended 30 June 2006**

	Property Investment (Unaudited) HK\$'000	Property management and agency services (Unaudited) HK\$'000	Construction (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:				
Sales to/revenue from external customers	86	3,148	8,876	12,110
Segment results	48	(299)	(1,208)	(1,459)
Interest income and other unallocated income				193
Unallocated expenses				(4,737)
Operating loss				(6,003)
Finance costs				(4,315)
Share of profit of a jointly-controlled entity				31,074
Profit before income tax				20,756
Income tax expense				(302)
Profit for the period				20,454



**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

**3. TURNOVER AND OTHER INCOME**

	<b>Six months ended</b>	
	<b>30 June 2007 (Unaudited) HK\$'000</b>	30 June 2006 (Unaudited) HK\$'000
Turnover:		
Construction contract revenue	<b>246</b>	86
Gross rental income	<b>4,396</b>	3,148
Property management and agency fees	<b>1,825</b>	8,876
	<b>6,467</b>	12,110
Other income:		
Interest income	<b>11</b>	15
Others	<b>100</b>	178
	<b>111</b>	193
	<b>6,578</b>	12,303

**4. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>30 June 2007 (Unaudited) HK\$'000</b>	30 June 2006 (Unaudited) HK\$'000
Interest expenses on:		
Interest-bearing borrowings wholly repayable within five years	<b>3,588</b>	4,315

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)**5. INCOME TAX EXPENSE**

Hong Kong profits tax had not been provided as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2007 and 2006. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current income tax:		
Hong Kong profits tax	-	-
Elsewhere	-	302
Income tax expense for the period	<u>-</u>	<u>302</u>

**6. EARNINGS PER SHARE**

The calculation of basic earnings per share for the period is based on the profit attributable to equity holders of the Company of approximately HK\$13,073,000 (six months ended 30 June 2006: HK\$20,454,000) and the weighted average of 421,934,200 (six months ended 30 June 2006: 421,934,200) ordinary shares in issue during the period.

A diluted earnings per share for the six months ended 30 June 2007 has not been disclosed as no diluting events existed during the period.

A diluted earnings per share for the six months ended 30 June 2006 has not been disclosed, as the share options outstanding during this period had an anti-dilutive effect on the basic earnings per share for this period.

**7. INTERIM DIVIDENDS**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).



**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

**8. AVAILABLE-FOR-SALE INVESTMENT**

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Unlisted equity investment, at cost	<b>31,642</b>	31,642
Provision for impairment	<b>(31,642)</b>	(31,642)
	<b>-</b>	-

Particulars of the available-for-sale investment as at 30 June 2007 are as follows:

<b>Name</b>	<b>Place of registration and operations</b>	<b>Particulars of issued shares held</b>	<b>Percentage of equity attributable to the Company</b>	<b>Principal activities</b>
Wuhan Huaxin Real-Estate Development Co., Ltd. ("WHRED")	PRC	Registered capital of US\$4,080,000	51	Property development and investment

The above investment in equity securities, which is designated as an available-for-sale financial asset, has no fixed maturity date or coupon rate.

The unlisted equity investment was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that its fair value cannot be measured reliably.

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)***9. ACCOUNTS RECEIVABLE**

Included in accounts receivable are the amounts due from contract customers of approximately HK\$869,000 (31 December 2006: HK\$115,000) and other accounts receivable of approximately HK\$3,239,000 (31 December 2006: HK\$4,941,000).

An aged analysis of the Group's other accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Less than one month	<b>1,235</b>	1,314
One to three months	<b>301</b>	3,999
More than three months	<b>15,115</b>	12,649
	<b>16,651</b>	17,962
Provision for impairment	<b>(13,412)</b>	(13,021)
	<b>3,239</b>	4,941

Receivables from construction contracts are predetermined in accordance with the provisions of relevant agreements and are contractually payable to the Group within a specified period. An impairment charge is made on accounts receivable based on a review of all outstanding amounts on regular basis when collection of the amount is in doubt. Bad debts are written off when identified.

Accounts receivable are non-interest-bearing. The carrying amounts of the accounts receivable approximate their fair values.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 10. ACCOUNTS PAYABLE

Included in accounts payable are the other accounts payable of approximately HK\$13,720,000 (31 December 2006: HK\$13,212,000).

An aged analysis of the Group's other accounts payable as at the balance sheet date, based on invoice date, is as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Less than one month	<b>1,098</b>	897
One to three months	<b>24</b>	63
More than three months	<b>12,598</b>	12,252
	<b>13,720</b>	13,212

Accounts payable are non-interest-bearing. The carrying amounts of the accounts payable approximate their fair values.

### 11. INTEREST-BEARING BORROWINGS

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Other loans repayable within one year or on demand:		
Secured (Note (a))	<b>25,000</b>	30,000
Unsecured (Note (b))	<b>4,630</b>	4,630
	<b>29,630</b>	34,630





**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

**11. INTEREST-BEARING BORROWINGS** *(continued)*

*Notes:*

- (a) During the period, the Group reduced the secured other loan facility from HK\$30,000,000 to HK\$25,000,000 and the captioned loan was due for payment on 23 August 2007. Subsequent to the balance sheet date, the Company has obtained a letter from the Lender on 19 July 2007 to extend the repayment date to 23 February 2008. The Company will enter into a supplemental loan agreement with the Lender subject to terms and conditions mutually acceptable to both parties. As at 30 June 2007, the secured other loan of the Group bears interest at 2% per month and is secured by:
- (i) a debenture incorporating a floating charge on all assets of the Company;
  - (ii) a share mortgage in respect of the two issued ordinary shares of Ever Park Development Limited ("EPD"), a subsidiary of the Company;
  - (iii) a debenture incorporating a first floating charge over the undertaking, properties held for sale and assets of EPD;
  - (iv) a deed of guarantee signed by Mr. Zhou Chu Jian He, Chairman of the Board;
  - (v) a debenture incorporating a first floating charge over the undertaking, properties and assets of PCI, the immediate holding company of the Company;
  - (vi) a share mortgage in respect of the issued ordinary share of US\$1.00 in PCI; and
  - (vii) assignment of receivables of EPD.
- (b) The unsecured other loan bears interest at 9.5% per annum and has no fixed terms of repayment.



**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** (continued)

**12. SHARE CAPITAL**

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
<i>Authorised:</i>		
25,000,000,000 ordinary shares of HK\$0.10 each	<u><b>2,500,000</b></u>	<u>2,500,000</u>
<i>Issued and fully paid:</i>		
421,934,200 (31 December 2006: 421,934,200) ordinary shares of HK\$0.10 each	<u><b>42,193</b></u>	<u>42,193</u>

**13. OPERATING LEASE COMMITMENTS**

(a) As lessee

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from six months to five years.

As at 30 June 2007, the Group had total future minimum lease payment under non-cancellable operating lease commitments as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within one year	-	6
In the second to fifth years, inclusive	-	2
	<u>-</u>	<u>8</u>



**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

**13. OPERATING LEASE COMMITMENTS** *(continued)*

(b) As lessor

The Group leases certain of its properties under operating lease arrangements, which leases negotiated for terms ranging from one to three years.

As at 30 June 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within one year	<b>366</b>	384
In the second to fifth years, inclusive	<b>137</b>	183
	<b>503</b>	567

**14. RELATED PARTY TRANSACTIONS**

(a) Other than as disclosed elsewhere in these interim financial statements, the Group had entered into the following significant related party transactions during the period:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	<b>Six months ended</b> 30 June 2006 (Unaudited) HK\$'000
Acquisition of leasehold land and building <i>(Note (i))</i>	-	2,293
Property management fees received from a jointly-controlled entity <i>(Note (ii))</i>	<b>1,353</b>	1,315

Notes:

- (i) Acquisition of 5 office premises units situated in Wuhan, PRC, which are occupied by a 51% subsidiary.
- (ii) The Group provided with WPM, a jointly-controlled entity of the Group, property management services, for which property management fees of approximately HK\$1,353,000 (six months ended 30 June 2006: HK\$1,315,000) were charged.



**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

**14. RELATED PARTY TRANSACTIONS** *(continued)*

- (b) Compensation to key management personnel

	<b>Six months ended</b>	
	<b>30 June</b>	30 June
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Short-term employee benefits	<b>747</b>	374

**15. LITIGATIONS**

As at 30 June 2007, the Group had the following litigations:

- (1) WPM is a joint venture established between International Management Company Limited ("IMC"), the Company's wholly-owned subsidiary which directly holds a 49% interest in WPM, and Wuhan Department Store Group Co., Ltd. (the "PRC Partner") on a 49:51 basis. WPM operates a department store at Level 1-8, No. 688 Jiefang Ave., Wuhan City, Hubei Province, PRC ("the Premises"). There is a joint venture agreement dated 2 November 1993 ("JV Agreement") governing the respective rights and obligations of each of the joint venture partner of WPM. Pursuant to the JV Agreement relating to the business operation of WPM, it is stipulated that WPM shall lease from the PRC Partner the Premises comprising ground floor, and levels 1-8 at No. 688 Jiefang Ave., Wuhan City with operating area of approximately 70,000 square meters and operate department store business through inviting retailing concessionaires to the Premises in line with international practices. Based on this, the Company asserts that (i) the requirement for the PRC Partner to lease the Premises to WPM as the latter's place of operation is the requisite requirement for WPM's continued operation; and (ii) the Lease (as defined below) is a key basis of cooperation between the PRC Partner and IMC, and had directly impact on the investment interests of both parties. The board of directors of WPM comprises seven directors, three of them are appointed by IMC and the remaining four directors are appointed by the PRC Partner, namely, Wang Dong Sheng (as Chairman), Liu Jiang Chao (as director), Huang Jun (as director), Xiao Zhou Yun (as director and general manager of WPM). The board representation is in accordance with the articles of association of WPM.



**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)*

**15. LITIGATIONS** *(continued)*

(1) *(continued)*

In order to implement the JV Agreement, on 14 January 1995, the Lease (as defined below) was entered into between WPM and the PRC Partner. The agreement has a term of 20 years (same as the joint venture tenure of WPM), commencing from the date of opening of the Wuhan Plaza Shopping Centre (the "Lease"). The Lease has a pre-agreed annual rental for the first ten years. Pursuant to the Lease, from the eleventh year onwards, either party to the Lease may negotiate to change the rental arrangements. For the ten years from the opening of Wuhan Plaza Shopping Centre in 28 September 1996 to 27 September 2006, the Lease was properly executed.

On 22 September 2006, the PRC Partner notified WPM that its shareholders had passed a resolution on 21 September 2006, requesting the annual rental be increased from RMB68,025,000 for the year ended 27 September 2006 to RMB217 million for the year ending 28 September 2007 with an annual increment of 5% for the remaining terms of the Lease.

As requested by the directors of WPM appointed by IMC, two board meetings of WPM were held on 24 October 2006 and 27 October 2006, to discuss the continued execution of the Lease for the remaining period. All the directors of WPM, except Liu Jiang Chao who had authorized Wang Dong Sheng to vote on his behalf, attended the board meetings, whereas the directors of WPM unanimously agreed to propose the new rental rate for the remaining term of the Lease, being the higher of (i) an annual rental of RMB107 million; and (ii) an annual rental calculated based on the turnover before tax generated by its principal operation on the scale of 8% on the part of turnover not exceeding RMB1.0 billion and 6% on the part exceeding RMB1.0 billion. There were two other resolutions proposed by the three directors appointed by IMC, namely Mr. Zhou Chu Jian He, Mr. Liu Zhongsheng ("Mr. Liu") and Mr. Choon Hoi Kit, Edwin, were not passed as they were voted against by the four directors appointed by the PRC Partner. The two resolutions proposed by IMC's representatives were (i) authorizing Mr. Liu to directly deal with, or to engage and appoint intermediary as approved by the authorized person of WPM to deal with, the matters arising from the litigation on the Lease, pending the result of negotiations with the PRC Partner; and (ii) instructing WPM to continue to pay rents to the PRC Partner in accordance with the rental arrangement stipulated in the Lease during the period pending the matters are finally resolved.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 15. LITIGATIONS *(continued)*

(1) *(continued)*

The PRC Partner through its position as the controlling shareholder and through Mr. Wang Dong Sheng and Ms. Xiao Zhou Yun, the chairman and general manager of WPM appointed by them, who also served as chairman (stepped down on 14 December 2006) and deputy general manager (stepped down on 28 May 2007) of the PRC Partner respectively, prevented WPM from settling its rental obligation under the Lease. In the meantime, the PRC Partner, as the Lessor, also notified WPM that its shareholders had duly approved the new annual rental be revised to RMB217 million effective from October 2006 and indicated that they would not accept anything below such amount. The Lessor has finally filed a litigation against the WPM for breach of the Lease and requested for termination of the Lease (the "Lease Litigation") on 30 January 2007.

IMC was first notified by WPM about the Lease Litigation on 5 February 2007. The first court hearing for the Lease Litigation was held on 5 March 2007. The PRC Partner had interfered into WPM such that WPM failed to convene board meeting for the preparation of the case and also refused the request from IMC for itself to make representation to the court of the material facts surrounding of the Lease Litigation. During the first court hearing, WPM had not presented all evidences or facts to the court. No court judgment has been made as at the date of these interim financial statements.

After consulting legal opinions, the Board of Directors of Company has decided to take appropriate legal actions in order to protect the interests of the Company as disclosed below:

**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS** *(continued)***15. LITIGATIONS** *(continued)*(1) *(continued)***Application for arbitration and termination of legal proceeding**

After the filing of the Lease Litigation by the Lessor at the Jiangnan District People's Court in Wuhan City, Hubei Province, PRC (湖北省武漢市江漢區人民法院) on 30 January 2007 against the Group's 49%-owned WPM for breach of the Lease, IMC has applied for an arbitration to the China International Economic And Trade Arbitration Commission (the "Arbitration Commission") on 15 February 2007 pursuant to the arbitration provision in the JV Agreement, requesting the Commission to rule that (i) the minutes of the board meeting of WPM on 27 October 2006 (the "Board Meeting") be valid and shall be complied with by the PRC Partner; (ii) the PRC Partner shall stop acting in a manner in its capacity of a controlling shareholder rendering WPM in breach of Lease by preventing WPM from executing the first resolution passed on the Board Meeting; and (iii) the arbitration fee shall be borne by the PRC Partner. The application was handled by the Arbitration Commission in Beijing on 1 March 2007. No judgement has been made up to the date of these interim financial statements since the hearing held on 14 June 2007. IMC also applied to the Jiangnan District People's Court in Wuhan City, Hubei Province, PRC (湖北省武漢市江漢區人民法院) on 7 March 2007 for the termination of legal proceeding in connection with the Lease Litigation. The application for the termination of legal proceeding was denied by the court.

**Filing of lawsuits***Lawsuit against the PRC Partner*

On 25 February 2007, IMC filed a lawsuit against the PRC Partner at the Supreme People's Court of Hubei Province, PRC (湖北省高級人民法院) (the "WDS Litigation") requesting the court (i) to order the PRC Partner immediately stops making use of its advantageous position as a controlling shareholder of WPM to jeopardise the interests of WPM by (a) raising the rental payable by WPM for the remaining ten years term of Lease and hindering WPM from making rental payment so as to rendering it in breach of the Lease; (b) controlling WPM to amend the terms of Lease and terms of cooperation with suppliers; (c) exploiting the resources of WPM for the marketing of Wuhan Plaza II owned by the PRC Partner so as to damage the interests of WPM; (ii) to order the PRC Partner to pay WPM damages of RMB55 million for the loss it suffered; (iii) to order the PRC Partner to bear all the legal fee of the WDS Litigation, as well as the attorney fees, travel expenses and other costs incurred by IMC arising from the WDS Litigation. The WDS Litigation filing was accepted by the court on 7 March 2007. No development up to the date of these interim financial statements.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 15. LITIGATIONS (continued)

(1) (continued)

*Lawsuit against the management of WPM, which is the representative of the PRC Partner*

On 7 March 2007, IMC filed another lawsuit at the Intermediate People's Court in Wuhan City, Hubei Province, PRC (湖北省武漢市中級人民法院) (the "Director Litigation"), requesting the court: (i) to order the directors of WPM appointed by the PRC Partner ("Four Directors") immediately stop acting in ways that would damage the interests of WPM; (ii) to order the Four Directors to compensate WPM an amount of RMB 3 million; and (iii) to order the Four Directors to pay all the legal fee incurred by IMC on the Director Litigation. The Director Litigation filing was accepted by the court on 14 March 2007. No development up to the date of these interim financial statements since the hearing held on 11 May 2007.

- (2) On 26 February 2007, the Intermediate People's Court in Wuhan City, Hubei Province, PRC (湖北省武漢市中級人民法院) held that WHRED was liable to refund the purchase considerations paid by certain buyers for purchasing certain premises units at No. 688 Jiefang Avenue, Wuhan City of approximately HK\$1.2 million. As WHRED was reclassified as an available-for-sale investment, and the Group has not provided any financial guarantee to WHRED, the directors do not expect the above claims to have any impact on the Group.
- (3) In December 2002, a former director of a subsidiary which was disposed of in prior years commenced litigation in PRC against the Group with total claims of approximately RMB19 million. Currently, the litigation is still in process and no conclusion has been drawn on the litigation. Based on the legal opinion from the Group's PRC lawyer, the directors are in the opinion that the court will ultimately decline such claim and, accordingly, no provision has been made.





## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(continued)*

### 16. CONTINGENT LIABILITIES

WHRED has given corporate guarantees to certain banks (the "Banks") for mortgage loans granted to the buyers of its PRC properties which were sold in prior years.

In September 2004, due to the default payments by certain borrowers, the Banks commenced legal actions against WHRED requesting WHRED to repay the guaranteed amounts. Based on the legal opinion from a PRC lawyer in Wuhan, PRC, the amounts payable by WHRED would be limited to the outstanding balances after the sales proceeds from the mortgaged properties. As at 30 June 2007, the estimated amounts payable of WHRED in respect of the default payments by certain borrowers were approximately HK\$10 million. As WHRED was reclassified as an available-for-sale investment during the year ended 31 December 2004, and the Group has not provided any financial guarantee to WHRED, the Directors do not expect the above claims to have any impact on the Group.

### 17. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 24 August 2007.

By Order of the Board  
**Zhou Chu Jian He**  
*Chairman*

Hong Kong, 24 August 2007