



莊 勝 百 貨 集 團 有 限 公 司
JUNEFIELD DEPARTMENT STORE GROUP LIMITED
(STOCK CODE: 758)

INTERIM REPORT
2008



CONTENTS

	<i>Page</i>
Corporate Information	2
Management Discussion and Analysis	3
Supplementary Information	7
Condensed Consolidated Income Statement	14
Condensed Consolidated Balance Sheet	15
Condensed Consolidated Statement of Changes in Equity	17
Condensed Consolidated Cash Flow Statement	18
Notes to Condensed Consolidated Interim Financial Statements	19



CORPORATE INFORMATION

Board of Directors

Executive directors

Zhou Chu Jian He (*Chairman*)
Zhang Xiao Bing, Adam
Liu Zhongsheng (*Chief Executive Officer*)
Ng Man Chung, Siman (*Deputy Chairman*)

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 2008, the Group reported a turnover of approximately HK\$15,774,000 (six months ended 30 June 2007: HK\$6,467,000), representing an increase of 1.4 times over the corresponding period of 2007. The increase of turnover for the period was mainly due to income derived from consultancy services for retail business.

The Group recorded positive results with net profit for the period was approximately HK\$51,721,000 (six months ended 30 June 2007: HK\$13,073,000), representing an increase of 3.0 times over the corresponding period of 2007. The positive results were attributed to the addition of consultancy services for retail business and apparent persistent performance from retail business in Wuhan.

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. Since the PRC business licence of this subsidiary has expired on 21 April 2008, the management has been discussing with the subsidiary's minority shareholder to review for the issues after expiry of the business licence.

Property management and agency services business

The 51% subsidiary in Wuhan, PRC, recorded a turnover of approximately HK\$6,431,000 (six months ended 30 June 2007: HK\$4,396,000) and profit contribution to the Group was approximately HK\$762,000 for the period under review due to the occupancy rate on office tower continued to reach a higher level. The management has focused to look for opportunity for expanding its services as our core business to independent third parties to sustain better performance of this subsidiary.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Operations Review and Future Prospects (continued)

Properties held for sale

For the six months ended 30 June 2008, the Group recorded a turnover of approximately HK\$343,000 attributable from leasing out its office units held for sale situated in Beijing, PRC, representing an increase of 39% as compared to corresponding period of 2007. The increase of turnover was mainly due to increase in number of office units being leased out during the period under review. Management would endeavour to lease out the remaining units and to dispose these units in the light of flourish property market in Beijing, PRC.

Consultancy services for retail business in PRC

For the six months ended 30 June 2008, the Group recorded a turnover of HK\$9,000,000 attributable from its consultancy services. On 31 August 2007, the Company entered into the services agreement with Wuhan Junefield Sogo Department Store ("Wuhan Sogo"), its related company. The Company will provide brand sourcing consultancy and property management consultancy services to Wuhan Sogo by acting as its agent to introduce international reputable brands to rent retail booths in the shopping centre of Wuhan Sogo for a term of two years commenced from October 2007. The entering into the services agreement enables the Group to broaden its revenues base by leveraging on its expertise in the PRC retail business.

Retail business in Wuhan

The share of profit after tax from the jointly-controlled entity, Wuhan Plaza Management Co., Ltd. ("WPM"), amounted to approximately HK\$53,919,000 (six months ended 30 June 2007: HK\$26,528,000) which represented an increase of 103% as compared to last corresponding period. During the period under review, the economy of PRC continued to experience growth, the retail and department store business remained promising. However, the litigation on the increase in rental remains standoff and the outcome could pose uncertain factors for the future profitability of this jointly-controlled entity.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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 2008, the Group had net assets of approximately HK\$52,087,000 (31 December 2007: HK\$1,257,000) with total assets of approximately HK\$218,368,000 (31 December 2007: HK\$162,561,000) and total liabilities of approximately HK\$166,281,000 (31 December 2007: HK\$161,304,000). The Group's current ratio, which equals current assets divided by current liabilities was 0.19 (31 December 2007: 0.18).

The Group's bank balances and short term deposits which are mainly denominated in Hong Kong dollars and Renminbi ("RMB"), amounted to approximately HK\$9,480,000 (31 December 2007: HK\$6,606,000).

The Group's gearing ratio, as a ratio of total interest-bearing borrowings and the loan from a jointly-controlled entity to total assets as at 30 June 2008, was 0.47 (31 December 2007: 0.60).

The Group currently enjoys the continuous financial support from the Company's ultimate holding company. The Group will actively improve its working capital at appropriate time, consider raising funds by suitable means for investment and trade opportunities.

Capital Structure and Treasury Policies

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Borrowings

As at 30 June 2008, the Group had interest-bearing borrowings of approximately HK\$30,710,000 (31 December 2007: HK\$30,367,000) in which a secured other loan of HK\$25,000,000 (31 December 2007: HK\$25,000,000) bearing interest at 2% per month was due on 22 August 2008 and would be extended to 22 February 2009. Another loan of approximately HK\$5,710,000 (31 December 2007: HK\$5,367,000) is unsecured, denominated in RMB and bears interest at 9.5% per annum with no fixed terms of repayment.

The Group's loan from a jointly-controlled entity of approximately HK\$70,912,000 (31 December 2007: HK\$66,657,000) which would be repayable through dividends distributions by the jointly-controlled entity.

Material Investment or Capital Assets

There was no material acquisition during the period under review.

Charge of Assets

As at 30 June 2008, the Group's other loan of HK\$25,000,000 was 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 10 to the interim financial statements.

Litigations

Detailed litigations are shown in note 14 to the interim financial statements.

Contingent Liabilities

As at 30 June 2008, the Group had no material contingent liabilities, save as disclosed in these interim financial statements.

Exchange Rate Exposure

The Group's turnover and costs are partially denominated in RMB, which will largely offset each other. However, as part of the Group's borrowings are denominated in RMB and reported in Hong Kong dollars, there were translation losses being charged to administrative expenditure as a result of the RMB appreciation. During the period under review, the Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its balance sheet exposure.



MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

Employees and Remuneration Policy

As at 30 June 2008, the Group had about 167 employees of whom 7 are based in Hong Kong and 160 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 2008, 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:



SUPPLEMENTARY INFORMATION (continued)

Directors' and Chief Executives' Interests in Securities (continued)

(I) Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

Interests in the shares

Name of director	Number of shares held through a controlled corporation	Percentage of the Company's issued share capital
Mr. Zhou Chu Jian He (Note)	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 ("PCI"), a wholly-owned subsidiary of Junefield (Holdings) Limited ("JHL").

Save as disclosed above, as at 30 June 2008, 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 were 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 were taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.



SUPPLEMENTARY INFORMATION *(continued)*

Directors' and Chief Executives' Interests in Securities *(continued)*

(II) Share options

No share option was granted, forfeited, exercised or expired during the six months ended 30 June 2008 and 2007.

The Company operates a share option scheme (the "Scheme") with reference to Chapter 17 of the Listing Rules for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include full-time employees of the Company or any of its subsidiaries, including any executive directors of the Company or any of its subsidiaries. The Scheme became effective on 10 November 1999 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than two years commencing on the expiry of 6 months after the commencement date and expiring on the last day of the two-year period or the tenth anniversary of the adoption date, which is the earlier.

The subscription price of the share options is determined by the directors and notified to each relevant director and employee. The subscription price must be at least the higher of: (i) the closing price of the securities as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.



SUPPLEMENTARY INFORMATION (*continued*)

Directors' and Chief Executives' Interests in Securities (*continued*)

(II) Share options (*continued*)

No option may be granted to any person which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Scheme exceeding 10% of the aggregate number of shares issued and issuable under the Scheme for the time being.

Share options do not confer rights on the holders either to dividends or to vote at shareholders' meetings.

Directors' Rights to Acquire Shares or Debentures

At no time during the six months ended 30 June 2008 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.



SUPPLEMENTARY INFORMATION *(continued)*

Substantial Shareholders' Interests in Securities

As at 30 June 2008, so far as is known to the directors and the chief executives of the Company, the interests and short positions of the shareholders (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:

Name	Note	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital
PCI	(1)	Directly beneficially owned	220,780,500	52.33
JHL	(1)	Through a controlled corporation	220,780,500	52.33
Mr. 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
Mr. Liu Xiao Fang		Directly beneficially owned	38,236,000	9.06
Ms. 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 JHL.
- (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 2008, 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



SUPPLEMENTARY INFORMATION (*continued*)

Code of Corporate Governance Practices

In the opinion of the directors, the Company has complied with the Code of Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2008.

Directors' Securities Transaction

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the directors' securities transactions. The Company has made specific enquiry of all directors whether they have complied with the Model Code and all directors confirmed that they have complied with the Model Code for the six months ended 30 June 2008.

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 the Company's Listed Securities

During the review period, 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, 5 November 2007 and 11 June 2008. 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 11 June 2008, the Company entered into the Tenth 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 22 August 2008.

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 ("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 7 August 2008, the Company has obtained a letter from the Lender to extend the repayment date to 22 February 2009. 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 2008

	Note	Six months ended	
		30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Unaudited) HK\$'000
Revenue	3	15,774	6,467
Other income	3	434	111
Contract costs		(2,356)	(3,413)
Employee benefits expense		(4,311)	(5,173)
Depreciation of property, plant and equipment		(139)	(130)
Amortisation of prepaid land lease payments		(16)	(16)
Other operating expenses		(7,559)	(7,713)
Operating profit/(loss)		1,827	(9,867)
Finance costs	4	(3,253)	(3,588)
Share of profit of a jointly-controlled entity		53,919	26,528
Profit before tax		52,493	13,073
Tax	5	(772)	-
Profit for the period		51,721	13,073
Attributable to:			
Equity holders of the Company		51,721	13,073
Minority interests		-	-
Earnings per share attributable to equity holders of the company		51,721	13,073
Basic and diluted	6	12.26 cents	3.1 cents



CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Note	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,249	2,246
Prepaid land lease payments		562	578
Investment in a jointly-controlled entity		185,324	131,405
Available-for-sale investment		-	-
Total non-current assets		188,135	134,229
CURRENT ASSETS			
Properties held for sale		13,462	13,462
Accounts receivable	8	2,604	4,208
Prepayments, deposits and other receivables		1,124	1,357
Amount due from a jointly-controlled entity		3,563	2,507
Amount due from a joint venturer		-	-
Amount due from a subsidiary's minority shareholder		-	192
Time deposits		4,742	2,791
Cash and bank balances		4,738	3,815
Total current assets		30,233	28,332
CURRENT LIABILITIES			
Accounts payable	9	13,344	12,945
Other payables and accruals		28,111	24,987
Amount due to the ultimate holding company		12,727	16,664
Tax payable		2,664	1,871
Interest-bearing borrowings	10	30,710	30,367
Loan from a jointly-controlled entity		70,912	66,657
Total current liabilities		158,468	153,491
Net current liabilities		(128,235)	(125,159)



CONDENSED CONSOLIDATED BALANCE SHEET (continued)

At 30 June 2008

	Note	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		59,900	9,070
NON-CURRENT LIABILITIES			
Deferred tax liabilities		(7,813)	(7,813)
Net assets		52,087	1,257
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	11	42,193	42,193
Reserves		9,894	(40,936)
		52,087	1,257
Minority interests		-	-
Total equity		52,087	1,257



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2008

	Attributable to equity holders of the Company								Total equity (Unaudited) HK\$'000
	Issued capital (Unaudited) HK\$'000 (Note 11)	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Capital reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Accumu- lated losses (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	
At 1 January 2007	42,193	42,424	230	19,465	(511)	(145,719)	(41,918)	-	(41,918)
Exchange realignment recognised directly in equity	-	-	-	-	(395)	-	(395)	-	(395)
Profit for the period	-	-	-	-	-	13,073	13,073	-	13,073
At 30 June 2007	<u>42,193</u>	<u>42,424</u>	<u>230</u>	<u>19,465</u>	<u>(906)</u>	<u>(132,646)</u>	<u>(29,240)</u>	<u>-</u>	<u>(29,240)</u>
At 1 January 2008	42,193	42,424	230	19,465	(1,627)	(101,428)	1,257	-	1,257
Exchange realignment recognised directly in equity	-	-	-	-	(891)	-	(891)	-	(891)
Profit for the period	-	-	-	-	-	51,721	51,721	-	51,721
At 30 June 2008	<u>42,193</u>	<u>42,424</u>	<u>230</u>	<u>19,465</u>	<u>(2,518)</u>	<u>(49,707)</u>	<u>52,087</u>	<u>-</u>	<u>52,087</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2008

	Six months ended	
	30 June 2008	30 June 2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	6,444	(531)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(1,984)	(18)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(7,191)	(578)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,731)	(1,127)
Effect on exchange rate changes on balances held in foreign currencies	3,654	1,400
Cash and cash equivalents at beginning of the period	3,815	2,226
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4,738	2,499
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	4,738	2,499



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 2007.

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 2007.

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 the People's Republic of China ("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;
- (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; and
- (d) the consultancy services segment provides brand sourcing consultancy and property management consultancy services for retail business in PRC.



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

2. SEGMENT INFORMATION *(continued)*

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.

Business segments

The following tables present revenue and results for the Group's business segments for the six months ended 30 June 2008 and 2007.

Six months ended 30 June 2008

	Property management				
	Property Investment (Unaudited) HK\$'000	and agency services (Unaudited) HK\$'000	Construction (Unaudited) HK\$'000	Consultancy services (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:					
Sales to/revenue from external customers	343	6,431	-	9,000	15,774
Segment results	335	931	(751)	6,003	6,518
Bank interest income and other unallocated income					416
Corporate and other unallocated expenses					(5,107)
Operating profit					1,827
Finance costs					(3,253)
Share of profit of a jointly-controlled entity					53,919
Profit before tax					52,493
Tax					(772)
Profit for the period					51,721



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

2. SEGMENT INFORMATION (continued)

Business segments (continued)

Six months ended 30 June 2007

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



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

3. REVENUE AND OTHER INCOME

	Six months ended	
	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Unaudited) HK\$'000
Revenue		
Construction contract revenue	–	1,825
Consultancy services fee	9,000	–
Gross rental income	343	246
Property management and agency fees	6,431	4,396
	15,774	6,467
Other income		
Bank interest income	8	11
Reversal of impairment of amount due from a subsidiary's minority shareholder	408	–
Others	18	100
	434	111
	16,208	6,578

4. FINANCE COSTS

	Six months ended	
	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Unaudited) HK\$'000
Interest on loans wholly repayable within five years	3,253	3,588



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

5. TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. For the six months ended 30 June 2007, there was no provision for Hong Kong profits tax as no assessment had been made as the Group had no assessable profit arising in or derived from Hong Kong for the period. 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.

	Six months ended	
	30 June 2008 (Unaudited) HK\$'000	30 June 2007 (Unaudited) HK\$'000
Current income tax:		
Hong Kong profits tax	595	—
Elsewhere	177	—
Tax expense for the period	772	—

6. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted earnings per share is based on the profit for the period attributable to equity holders of the Company of approximately HK\$51,721,000 (six months ended 30 June 2007: HK\$13,073,000) and the weighted average number of ordinary shares in issue during the period of 421,934,200 (six months ended 30 June 2007: 421,934,200) shares.

The Company had no diluting events existed for the six months ended 30 June 2008 and 2007.

7. INTERIM DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).



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

8. ACCOUNTS RECEIVABLE

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Accounts receivable	17,611	18,477
Impairment	(15,007)	(14,269)
	2,604	4,208

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

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within 1 month	1,531	1,550
1 to 3 months	348	2,206
Over 3 months	15,732	14,721
	17,611	18,477
Impairment	(15,007)	(14,269)
	2,604	4,208

Included in the Group's accounts receivable is an amount due from a related company, Wuhan Junefield Sogo Department Store ("Wuhan Sogo"), of HK\$1,500,000 (31 December 2007: HK\$3,000,000), which is non-interest-bearing and denominated in Hong Kong dollars. The Group does not grant credit period to this related company. Payment in advance is normally required.

Other accounts receivable are due immediately from the date of billing. Other accounts receivable are non-interest-bearing and are denominated in Renminbi ("RMB").



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

9. ACCOUNTS PAYABLE

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

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Over 3 months	13,344	12,945

Accounts payable are non-interest-bearing and are denominated in RMB.

10. INTEREST-BEARING BORROWINGS

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Current		
Other loans		
– Secured (Note (i))	25,000	25,000
– Unsecured (Note (ii))	5,710	5,367
Amount repayable within one year or on demand	30,710	30,367



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

10. INTEREST-BEARING BORROWINGS *(continued)*

Notes:

- (i) On 11 June 2008, the Company entered into the Tenth 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 22 August 2008. Subsequent to the balance sheet date, the Company has obtained a letter from the lender on 7 August 2008 to extend the repayment date to 22 February 2009. 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 2008, the secured other loan is denominated in Hong Kong dollars, bears interest at a rate of 2% per month and is secured by:
 - (a) a debenture incorporating a floating charge on all assets of the Company;
 - (b) a share mortgage in respect of the two issued ordinary shares of Ever Park Development Limited ("EPD"), a subsidiary of the Company;
 - (c) a debenture incorporating a first floating charge over the undertaking, properties held for sale and assets of EPD;
 - (d) a deed of guarantee signed by Mr. Zhou Chu Jian He, Chairman of the Board of Directors of the Company;
 - (e) a debenture incorporating a first floating charge over the undertaking, properties and assets of Prime Century Investments Limited ("PCI"), the immediate holding company of the Company;
 - (f) a share mortgage in respect of the issued ordinary share of US\$1.00 in PCI; and
 - (g) assignment of receivables of EPD.
- (ii) The unsecured other loan is denominated in RMB, bears interest at a rate of 9.5% per annum and has no fixed terms of repayment.



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

11. ISSUED CAPITAL

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Authorised:		
25,000,000,000 ordinary shares of HK\$0.10 each	2,500,000	2,500,000
Issued and fully paid:		
421,934,200 (31 December 2007: 421,934,200) ordinary shares of HK\$0.10 each	42,193	42,193

12. OPERATING LEASE ARRANGEMENTS

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 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within one year	81	305
In the second to fifth years, inclusive	256	194
	337	499



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

13. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these interim financial statements, the Group had the following material transactions with related parties during the period under review:

- (a) Significant transactions with related parties

	Six months ended	
	30 June	30 June
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Property management fees received (Note (i))	989	1,353
Brand sourcing consultancy and property management consultancy services fee received (Note (ii))	9,000	–

Notes:

- (i) The Group provided Wuham Plaza Management Co., Ltd. ("WPM"), a jointly-controlled entity of the Group, with property management services, for which property management fees of approximately HK\$989,000 (six months ended 30 June 2007: HK\$1,353,000) was charged.
- (ii) The Group provided brand sourcing consultancy and property management consultancy services to Wuhan Sogo, a related company of the Group, for which consultancy services fee of HK\$9,000,000 (six months ended 30 June 2007: Nil) was charged.

- (b) Compensation to key management personnel of the Group

	Six months ended	
	30 June	30 June
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	570	747



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

14. LITIGATIONS

As at 30 June 2008, 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 Avenue, 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 Avenue, Wuhan City, PRC 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 perquisite 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 direct 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). The board representation is in accordance with the articles of association of WPM.

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.



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

14. LITIGATIONS *(continued)*

(1) *(continued)*

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 authorised 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) authorising Mr. Liu to directly deal with, or to engage and appoint intermediary as approved by the authorised 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)*

14. 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 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 judgement has been made up to the date of approval of these interim financial statements.

On 23 June 2008, IMC received a letter of notification dated 11 June 2008 from the Intermediate People's Court in Wuhan City, Hubei Province, PRC (中國湖北省武漢市中級人民法院) approving its application made to the Jianghan District People's Court in Wuhan City, Hubei Province, PRC (中國湖北省武漢市江漢區人民法院) on 25 February 2007 for the purpose of joining in the Lease Litigation in the capacity as a third party according to Section 56 of the Civil Procedure Laws of the People's Republic of China (中華人民共和國民事訴訟法).

After consulting legal advisors, the Board of Directors of the 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)*

14. LITIGATIONS *(continued)*

(1) *(continued)*

Application for Arbitration and Termination of Legal Proceeding

After the filing of the Lease Litigation by the Lessor at the Jianghan District People's Court in Wuhan City, Hubei Province, PRC (中國湖北省武漢市江漢區人民法院) on 30 January 2007 against 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 Arbitration 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 ("Request 1"); (ii) the PRC Partner shall stop acting in a manner in its capacity of a controlling shareholder rendering WPM in breach of the Lease by preventing WPM from executing the first resolution passed on the Board Meeting ("Request 2"); and (iii) the arbitration fee shall be borne by the PRC Partner ("Request 3"). The application was handled by the Arbitration Commission in Beijing on 1 March 2007.

On 11 December 2007, IMC received the arbitration awards made by the Arbitration Commission on 6 December 2007. The Arbitration Commission ruled that:

1. Request 1 was in favour of IMC;
2. Request 2 was not granted; and
3. An amount of RMB316,750 (which account for 70% of the total arbitration fee) to be borne by IMC and an amount of RMB135,750 (which account for 30% of the total arbitration fee) to be borne by the PRC Partner in relation to Request 3.

However, the Arbitration Commission took the view that it has no jurisdiction to compel the PRC Partner to accept the proposed rental under the first resolution of the Board Meeting (the "First Resolution") in its capacity as the lessor. In order to implement the proposed rental under the First Resolution against the PRC Partner, an agreement between the PRC Partner and WPM in their respective capacity as the lessor and the tenant under the Lease should be made and that the parties should negotiate and agree on the new rate of annual rental of the Premises on a fair basis with respect to the principles of the First Resolution, which was duly passed and agreed by all the directors (including those appointed by the PRC Partner) at the Board Meeting.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

14. LITIGATIONS (continued)

(1) (continued)

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 (中國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 the 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 the Lease and terms of cooperation with the 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. There are no further development up to the date of approval of these interim financial statements.

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 (中國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 RMB3 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. There are no further development up to the date of approval of these interim financial statements since the hearing held on 11 May 2007.



NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

14. LITIGATIONS (continued)

- (2) On 26 February 2007, the Intermediate People's Court in Wuhan City, Hubei Province, PRC (中國湖北省武漢市中級人民法院) held that Wuhan Huaxin Real-Estate Development Co., Ltd. ("WHRED"), designated as an available-for-sale investment of the Group, was liable to refund the purchase considerations paid by certain buyers for purchasing certain premises units at No. 688 Jiefang Avenue, Wuhan City, PRC of approximately HK\$1.4 million. The Group has not provided any financial guarantee to WHRED and therefore the directors of the Company 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 of the opinion that the court will ultimately decline such claim and, accordingly, no provision has been made.

15. CONTINGENT LIABILITIES

As at 30 June 2008, the Group had no material contingent liabilities, save as disclosed in these interim financial statements.

16. 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 25 August 2008.

By Order of the Board

Zhou Chu Jian He

Chairman

Hong Kong, 25 August 2008