東方銀座控股
Oriental Ginza Holdings

Oriental Ginza Holdings Limited

Interim Report 2008

Stock Code : 00996
Listed on The Stock Exchange of Hong Kong Limited

The board of directors (the "Board" or the "Directors") of Oriental Ginza Holdings Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2008 together with the comparative figures for the corresponding period in 2007 as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

		Unaudited six months ended 30 June	
	Notes	**2008 HK$'000**	2007 HK$'000
Revenue	(3)	**142,036**	52,298
Other income and net gains		**2,362**	1,820
Employee benefits expense		**(8,023)**	(3,650)
Depreciation expense		**(3,167)**	(1,167)
Finance costs		**(56,441)**	(5,829)
Other operating expenses		**(39,117)**	(23,571)
Profit before tax		**37,650**	19,901
Income tax expense	(4)	**(7,166)**	(8,845)
Profit for the period	(5)	**30,484**	11,056
Attributable to:			
Equity holders of the Company		**30,484**	11,056
Minority interests		**—**	—
		30,484	11,056
Dividends:	(6)		
Dividends recognised as distribution during the period — payment of 2007 final dividend of HK$0.0026 (2007: Nil)		**25,104**	—
Earnings per share	(7)		
Basic (HK$ per share)		**4.2 cents**	8.6 cents

CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	(8)	**92,547**	65,689
Investment properties	(8)	**3,710,943**	3,517,115
Goodwill		**70,800**	70,800
		3,874,290	3,653,604
Current assets			
Trade receivables	(9)	**33,537**	78,655
Prepayments, deposits and other receivables		**631,798**	615,723
Pledged bank deposits	(10)	**87,018**	74,371
Bank balances and cash	(10)	**56,849**	82,123
		809,202	850,872
Total assets		**4,683,492**	4,504,476
Current liabilities			
Trade payables	(11)	**99,026**	111,330
Accrued liabilities and other payables		**206,688**	222,090
Purchase consideration payable		**—**	1,120,000
Taxation payable		**29,076**	27,291
Bank borrowings, secured		**252,158**	289,266
		586,948	1,769,977
Net current assets/(liabilities)		**222,254**	(919,105)
Total assets less current liabilities		**4,096,544**	2,734,499
Capital and reserves			
Share capital	(12)	**193,109**	33,109
Share premium and reserves		**2,012,187**	883,838
Equity attributable to equity holders of the Company		**2,205,296**	916,947
Minority interests		**2**	2
Total equity		**2,205,298**	916,949
Non-current liabilities			
Bank borrowings, secured		**1,333,253**	1,289,018
Deferred tax liabilities		**557,993**	528,532
		1,891,246	1,817,550
		4,096,544	2,734,499

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

		Attributable to equity holders of the Company									
	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Convertible loan notes equity reserve HK$'000	Translation reserve HK$'000	PRC statutory reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Reserves HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007 (audited)		21,851	179,008	201,971	32,946	9,711	15,071	(281,250)	157,457	–	179,308
Exchange differences arising on translation of foreign operations and total income recognized directly in equity		–	–	–	–	7,959	–	–	7,959	–	7,959
Profit for the period and total recognized income for the period		–	–	–	–	–	–	11,056	11,056	–	11,056
Issue of shares upon conversion of convertible loan notes	(12)	9,258	199,048	–	(7,687)	–	–	–	191,361	–	200,619
Released on redemption of convertible loan notes		–	–	–	(2,229)	–	–	–	(2,229)	–	(2,229)
Issue of subscription shares	(12)	2,000	26,000	–	–	–	–	–	26,000	–	28,000
Share issue expenses		–	(410)	–	–	–	–	–	(410)	–	(410)
At 30 June 2007 (unaudited)		33,109	403,646	201,971	23,030	17,670	15,071	(270,194)	391,194	–	424,303
At 1 January 2008 (audited)		**33,109**	**420,456**	**9,404**	**–**	**17,466**	**21,773**	**414,739**	**883,838**	**2**	**916,949**
Exchange differences arising on translation of foreign operations and total income recognized directly in equity		**–**	**–**	**–**	**–**	**113,169**	**–**	**–**	**113,169**	**–**	**113,169**
Profit for the period and total income recognized for the period		**–**	**–**	**–**	**–**	**–**	**–**	**30,484**	**30,484**	**–**	**30,484**
Issue of new shares	(12)	**160,000**	**1,040,000**	**–**	**–**	**–**	**–**	**–**	**1,040,000**	**–**	**1,200,000**
Dividends recognised as distribution	(6)	**–**	**–**	**–**	**–**	**–**	**–**	**(25,104)**	**(25,104)**	**–**	**(25,104)**
Share issue expenses		**–**	**(30,200)**	**–**	**–**	**–**	**–**	**–**	**(30,200)**	**–**	**(30,200)**
At 30 June 2008 (unaudited)		**193,109**	**1,430,256**	**9,404**	**–**	**130,635**	**21,773**	**420,119**	**2,012,187**	**2**	**2,205,298**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Unaudited six months ended 30 June 2008 HK$'000	2007 HK$'000
Net cash generated by operating activities	**91,669**	56,695
Net cash (used in)/generated by investing activities:		
Proceeds from disposal of investment properties	**3,462**	—
Increase in pledged bank deposits	**(12,647)**	—
Purchases of property, plant and equipment	**(27,203)**	(50)
Purchases of investment properties	**(1,984)**	—
Acquisition of subsidiaries	**(1,120,000)**	—
Other investing cash flows	**980**	1,734
	(1,157,392)	1,684
Net cash generated by/(used in) financing activities:		
Payment for redemption of convertible loan notes	**—**	(78,000)
Proceeds from issue of shares	**1,200,000**	28,000
Repayment of bank borrowings	**(63,762)**	—
Dividend paid	**(25,104)**	—
Other financing cash flows	**(86,641)**	(3,041)
	1,024,493	(53,041)
Net (decrease)/increase in cash and cash equivalents	**(41,230)**	5,338
Cash and cash equivalents at 1 January	**59,930**	1,671
Effects of exchange rate changes	**28,459**	8,845
Cash and cash equivalents at 30 June	**47,159**	15,854
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	**56,849**	15,854
Bank overdrafts, secured	**(9,690)**	—
Cash and cash equivalents	**47,159**	15,854

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The principal accounting policies adopted and methods of computation used in the preparation of unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations ("New Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2008.

HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above New Interpretations had no material effect on the Group's results of operations and financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early adopted the following new and revised standards, amendments or interpretations to existing standards that have been issued but are not yet effective:

HKAS 1 (Revised)	Presentation of Financial Statements (2)
HKAS 23 (Revised)	Borrowing Costs (2)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (3)
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising On Liquidation (2)
HKFRS 2 (Amendment)	Share-based Payment — Amendments Relating to Vesting Conditions and Cancellations (2)
HKFRS 3 (Revised)	Business Combinations (3)
HKFRS 8	Operating Segments (2)
HK(IFRIC) — Int 13	Customer Loyalty Programmes (1)

(1) Effective for annual periods beginning on or after 1st July, 2008.
(2) Effective for annual periods beginning on or after 1st January, 2009.
(3) Effective for annual periods beginning on or after 1st July, 2009.

The Directors anticipate that the application of these new standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

PRIMARY SEGMENT INFORMATION — BUSINESS SEGMENTS

For the six months ended 30 June 2008

	Property investment business HK$'000	Retail-related consultancy and management services business HK$'000	Consolidated HK$'000
REVENUE			
External sales	**102,047**	**39,989**	**142,036**
RESULTS			
Segment results	**87,938**	**12,654**	**100,592**
Finance costs			**(56,441)**
Unallocated income			**116**
Unallocated corporate expenses			**(6,617)**
Profit before tax			**37,650**
Income tax expense			**(7,166)**
Profit for the period			**30,484**

For the six months ended 30 June 2007

	Property investment business HK$'000	Retail-related consultancy and management services business HK$'000	Consolidated HK$'000
REVENUE			
External sales	—	52,298	52,298
RESULTS			
Segment results	—	28,460	28,460
Finance costs			(5,829)
Unallocated income			1,725
Unallocated corporate expenses			(4,455)
Profit before tax			19,901
Income tax expense			(8,845)
Profit for the period			11,056

3. SEGMENT INFORMATION *(Continued)*

SECONDARY SEGMENT INFORMATION — GEOGRAPHICAL SEGMENTS

No geographical segment analysis is presented as all of the Group's revenue is situated in the People's Republic of China (the "PRC").

4. INCOME TAX EXPENSE

	Unaudited six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
PRC enterprise income tax ("EIT")		
Current period	**6,397**	8,845
Underprovision in prior year	**769**	—
Hong Kong profits tax	**—**	—
Tax charge for the period	**7,166**	8,845

The provision for PRC EIT is calculated based on the statutory income tax rate of 25% (six months ended 30 June 2007: 33%) on the assessable profit of each of the PRC subsidiaries as determined in accordance with the relevant income tax rules and regulations in the PRC.

No provision for Hong Kong profits tax was made as the Group had no assessable profits in Hong Kong for both periods.

On 16 March 2007, the PRC promulgated the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC promulgated the Regulation on the Implementation of the New Law (中華人民共和國企業所得稅法實施條例) (the "Implementation Regulation") by its Order No. 512. The New Law and the Implementation Regulation which came into force on 1 January 2008 have changed the tax rate from 33% to 25% for the subsidiaries of the Company incorporated in the PRC from 1 January 2008.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging/(crediting):

	Unaudited six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Depreciation on property, plant and equipment	**3,167**	1,167
Interest on borrowings	**56,441**	5,829
Interest income	**(980)**	(1,726)
Gain on disposal of investment properties	**(565)**	—

6. DIVIDENDS

A final dividend in respect of 2007 of HK$0.0026 per share in a total amount of approximately HK$25,104,000 has been declared in the Annual General Meeting on 2 June 2008 and was paid during the period. The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: Nil).

7. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the Company for the six months ended 30 June 2008 is based on the following data:

	Unaudited six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Earnings		
Profit for the purpose of calculating basic and diluted earnings per share	**30,484**	11,056
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**734,773,700**	128,784,455

7. EARNINGS PER SHARE *(Continued)*

The earnings per share and the weighted average number of ordinary shares for the six months ended 30 June 2007 for the purpose of calculating basic and diluted earnings per share were restated to adjust for the effect of Share Consolidation (as hereinafter defined) (ten into one) which took effect on 3 June 2008.

No diluted earnings per share has been presented for both periods as there was no outstanding dilutive potential ordinary share in existence during both periods.

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group acquired property, plant and equipment of approximately HK$481,000.

In addition, the Group spent approximately HK$26,722,000 on the final stage of construction of its recreational and ancillary facilities in the PRC.

During the period, the Group acquired investment properties at a cost of approximately HK$1,984,000. Investment properties with a carrying amount of approximately HK$2,897,000 were disposed of during the period, resulting in a gain on disposal of approximately HK$565,000.

At 30 June 2008, the Directors considered the carrying amount of the Group's buildings and investment properties carried at revalued amounts and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no fair value gains or loss has been recognised in the current period.

At 30 June 2008, certain of the Group's investment properties with carrying value of approximately HK$3,248,567,000 (31 December 2007: HK$3,076,077,000) have been pledged to secure the bank borrowings and other banking facilities granted to the Group.

9. TRADE RECEIVABLES

The Group allows credit periods of 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
0-30 days	**11,338**	7,926
31-60 days	**103**	4,802
61-90 days	**14,036**	20,101
Over 90 days	**8,060**	45,826
	33,537	78,655

10. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The pledged bank deposits and bank balance carried interest at prevailing market rates. Included in pledged bank deposits and bank balances of the Group totalling HK$134,841,000 (31 December 2007: HK$145,979,000) were denominated in Renminbi ("RMB"). RMB is not a freely convertible currency and the remittance of funds out of the Mainland China is subject to exchange restrictions imposed by the Mainland China government.

At 30 June 2008, the Group's bank borrowings and other banking facilities were secured by pledged bank deposits of approximately HK$87,018,000 (31 December 2007: HK$74,371,000).

11. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
0-30 days	**—**	—
31-60 days	**—**	49
61-90 days	**565**	214
Over 90 days	**98,461**	111,067
	99,026	111,330

12. SHARE CAPITAL

	Note	Number of shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.02 each at 1 January 2007		3,000,000,000	60,000
Increase in authorised share capital	(a)	4,500,000,000	90,000
Ordinary shares of HK$0.02 each at 31 December 2007		7,500,000,000	150,000
Increase in authorised share capital	(b)	42,500,000,000	850,000
Reduced due to Share Consolidation	(c)	(45,000,000,000)	—
Ordinary shares of HK$0.20 each at 30 June 2008		5,000,000,000	1,000,000
Issued and fully paid:			
Ordinary shares of HK$0.02 each at 1 January 2007		1,092,526,145	21,851
Issue of subscription shares	(d)	100,000,000	2,000
Issue of shares upon conversion of the convertible loan notes	(e)	462,903,167	9,258
Ordinary shares of HK$0.02 each at 31 December 2007		1,655,429,312	33,109
Issue of placing shares	(f)	8,000,000,000	160,000
Reduced due to Share Consolidation	(c)	(8,689,886,381)	—
Ordinary shares of HK$0.20 each at 30 June 2008		965,542,931	193,109

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. SHARE CAPITAL *(Continued)*

Notes:

(a) Increase in authorised share capital

Pursuant to an ordinary resolution passed by the Company's shareholders at the special general meeting held on 15 October 2007, the authorised share capital of the Company was increased from HK$60,000,000 to HK$150,000,000 by the creation of an additional 4,500,000,000 ordinary shares of HK$0.02 each.

(b) Increase in authorised share capital

Pursuant to an ordinary resolution passed by the Company's shareholders at the special general meeting held on 9 January 2008, the authorised share capital of the Company was increased from HK$150,000,000 to HK$1,000,000,000 by the creation of an additional 42,500,000,000 ordinary shares of HK$0.02 each.

(c) Share Consolidation

Pursuant to an ordinary resolution passed by the Company's shareholders at the special general meeting held on 2 June 2008, the Company consolidated every 10 issued and unissued shares of HK$0.02 each into one share of HK$0.20 ("Share Consolidation"). Share Consolidation took effect on 3 June 2008.

(d) Issue of subscription shares

On 9 February 2007, Fit Top Investments Limited ("Fit Top"), a substantial shareholder of the Company which is wholly-owned by a director of the Company, entered into a placing agreement and a top-up subscription agreement with a placing agent and the Company respectively. Pursuant to the placing agreement, Fit Top placed through the placing agent an aggregate of 100 million existing shares in the Company to independent third parties at a price of HK$0.28 per share. Pursuant to the top-up subscription agreement, Fit Top subscribed for an aggregate of 100 million new shares in the capital of the Company at a price of HK$0.28 per share, raising net proceeds of approximately HK$27.5 million which had been applied as general working capital of the Group.

(e) Conversion of convertible loan notes

(i) In May 2007, the convertible loan note with outstanding principal amount of HK$30,000,000 was converted at the conversion price of HK$0.45 per share, resulting in the issue of 66,666,667 ordinary shares of HK$0.02 each.

(ii) In May 2007, the convertible loan note with outstanding principal amount of HK$178,306,425 was converted at the conversion price of HK$0.45 per share, resulting in the issue of 396,236,500 ordinary shares of HK$0.02 each.

(f) Issue of placing shares

On 14 March 2008, the Company had completed, through the placing agent, the placing of an aggregate of 8,000,000,000 new shares of HK$0.02 each in the capital of the Company at a placing price of HK$0.15 each to independent third parties. The Company raised net proceeds of approximately HK$1,169,000,000 which was used as to approximately HK$1,120,000,000 for the settlement of the outstanding debts and the remaining balance of approximately HK$49,000,000 as general working capital of the Group.

13. COMMITMENTS AND CONTINGENT LIABILITIES

(A) OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
Within one year	**46,410**	46,560
In the second to fifth year inclusive	**212,276**	202,441
Over five years	**339,141**	295,852
	597,827	544,853

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	30 June 2008 (Unaudited) HK$'000	31 December 2007 (Audited) HK$'000
Within one year	**225,325**	201,071
In the second to fifth year inclusive	**699,009**	643,363
Over five years	**1,384,442**	1,356,387
	2,308,776	2,200,821

13. COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

(B) CAPITAL COMMITMENTS

As at 30 June 2008, the Group was committed to capital expenditure of approximately HK$16,804,000 for the completion of its recreational and ancillary facilities.

(C) CONTINGENT LIABILITIES

As at 30 June 2008, the Group has no material contingent liabilities.

14. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with related parties that are not members of the Group:

	Unaudited six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Remuneration to key management personnel of the Group		
Short-term benefits	**1,688**	1,503
Post-employment benefits	**24**	43
	1,712	1,546

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF OPERATIONS

BUSINESS ENVIRONMENT

2008 is a year of challenge for business both globally and in the PRC. The credit crunch started in the United States of America ("USA") is now spreading to the other parts of the world. Though the PRC has not been much affected, the PRC government continues the tightening measures to curb inflation, including but not limited to the higher reserve requirement and restrictive lending criteria for commercial banks. Coupled with the global slowdown, the export-oriented sector and the real estate industry are inevitably affected. Having said that, the PRC gross domestic product ("GDP") growth rate is still and will remain high at 8-10% per annum in the foreseeable future. The economic activities in the first-tier cities like Beijing and Shanghai remain buoyant and the real estate price in the core areas generally remain firm due to scarce supply and high economic growth.

In the PRC, the headline retail sales have been able to maintain 20% plus year-on-year growth, outperforming the GDP number. We expect this uptrend will continue as the urbanization in the PRC quickly moves forward and the middle-class is rapidly expanding. This provides a favourable environment for retail business in the PRC and it is evidenced by increasing number of international and local brand names entering the market. The PRC is currently estimated to have retail space about 1.0 m^2 per person, much of which is unorganized; compared with 3.5 m^2 per person in the USA. Thus, as the Group's investment properties have a significant retail component, this represents huge growth potential for the Group.

PROPERTY INVESTMENT

With the completion of the acquisition of two large scale property complexes in Beijing, PRC, namely Oriental Kenzo Plaza (東方銀座廣場) at Dongzhimen (東直門) and JingGang City Plaza (京港城市廣場) at Shilipu (十里堡), at the end of 2007, rental income from the property investment portfolio for the first six months of 2008 amounted to approximately HK$102,047,000, with approximately 49.4% or HK$50,462,000 and 50.6% or HK$51,585,000 contributed by Oriental Kenzo Plaza (東方銀座廣場) and JingGang City Plaza (京港城市廣場) respectively.

Oriental Kenzo Plaza (東方銀座廣場) is located at Dongzhimen (東直門), Dong Cheng District (東城區) of East Second Ring area of Beijing, just opposite to the recently opened Beijing Capital Airport Express Rail Terminal. The basement of the Plaza's shopping mall is directly linked to Dongzhimen (東直門) station of the Beijing Subway. The entire complex covers a site area of about 15,500 m^2 with a total floor area of approximately 138,000 m^2. The unsold floor area is about 63,200 m^2 (retail space: 34,600 m^2, offices: 21,400 m^2, residential apartments: 7,200 m^2 and 509 car parks). At present, the rental occupancy rates are approximately 100% for retail space; 93% for offices; 90% for residential apartments; and majority of car parks are rented on an hourly rate basis.

MANAGEMENT DISCUSSION & ANALYSIS

JingGang City Plaza (京港城市廣場) is a large-scale property project comprising 3 phases of development, namely JingGang City Plaza (京港城市廣場), International Metro Centre (都會國際) and The Metropolitan (都會華庭). It is located on Chao Yang Road, Chao Yang District (朝陽區) of East Fourth Ring area of Beijing. The entire complex covers a site area of about 68,700 m^2 with a total floor area of 298,300 m^2. The unsold floor area is about 75,000 m^2 (retail space: 32,400 m^2; offices: 9,300 m^2; residential apartments: 15,600 m^2; recreational and ancillary facilities: 17,700 m^2; and 669 car parks). At present, the rental occupancy rates are approximately 99% for retail space; 74% for offices; 84% for residential apartments; 49% for recreational and ancillary facilities; and majority of car parks are rented on an hourly rate basis.

The shopping malls of Oriental Kenzo Plaza (東方銀座廣場) and JingGang City Plaza (京港城市廣場) constitute an important and valuable retail component of the Group's investment property portfolio. Strong demand from retailers for high quality retail space at prime locations in Beijing attributes to our two shopping malls' occupancy rate to reach about 100%. Oriental Kenzo Plaza (東方銀座廣場) which is located in Beijing's city centre, attracts local shoppers and tourists. The shopping mall is master-leased to MTR (Beijing) Commercial Facilities Management Company Limited, a subsidiary of MTR Corporation Limited, and it is operated under the name of "Ginza Mall". At JingGang City Plaza (京港城市廣場), the anchor tenant of the shopping mall is a famous Japanese retail operator and it is operated as a department store under the name of "Ito-Yokado".

RETAIL-RELATED CONSULTANCY AND MANAGEMENT SERVICES

The Group offers a comprehensive retail-related consultancy and management service to its clients, encompassing different service areas including development planning consultancy service for shopping malls; advertising and promotion consultancy services; and operation of retail premises and store management services.

On a one-stop-shop basis, our services including project feasibility studies and market research; market positioning; building design and retail space furnishing; business promotion and corporate image management; development, management and enhancement of shopping mall projects; advising on marketing strategies and brand management; media commercial production; seasonal promotional activities to increase customer traffic and stimulate consumer spending; as well as all-in-one store management services including license application, fire prevention approval application, shop renovation coordination, and grand opening preparations, etc. In addition to the above, there is currently a total floor area of approximately 41,000 m^2 of retail space being rented by the Group in Beijing and which are leased out to individual retail operators under different business themes.

Total revenue and profit after tax from the Group's retail-related consultancy and management service sector were approximately HK$39,989,000 and HK$8,972,000 respectively for the first six months of 2008, representing a decrease of approximately HK$12,309,000 or 23.5% and HK$9,706,000 or 52.0% respectively when compared with the same period last year. The main reason for the decrease is attributed to a reduction in both the number of service contracts and contract amounts.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2008, the Group recorded a total revenue of approximately HK$142.0 million (six months ended 30 June 2007: HK$52.3 million), representing an increase of approximately HK$89.7 million or 171.6% as compared with the same period last year. The net profit for the period was approximately HK$30.5 million, representing an increase of approximately HK$19.4 million or 175.7% as compared with the net profit of approximately HK$11.1 million in the corresponding period last year. This is mainly due to the contribution of the rental income from the investment properties acquired by the Group in late 2007.

The finance costs for the six months ended 30 June 2008, which comprised wholly interest on borrowings, amounted to approximately HK$56.4 million compared with approximately HK$5.8 million for the same period last year. The increase in the finance costs is mainly due to the borrowings associated with the investment properties acquired by the Group in late 2007.

Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting held on 9 January 2008, the authorized share capital of the Company was increased from HK$150 million to HK$1,000 million by the creation of an additional 42,500,000,000 ordinary shares of HK$0.02 each.

On 14 March 2008, the Company announced that it had completed, through the placing agent, the placing of an aggregate of 8,000,000,000 new shares of HK$0.02 each in the capital of the Company at a placing price of HK$0.15 each to independent third parties. The Company raised net proceeds of approximately HK$1,169 million which were used as to approximately HK$1,120 million for the settlement of the outstanding debts and as to the remaining balance of approximately HK$49 million as general working capital of the Group.

On 3 June 2008, the Company consolidated the issued and unissued ordinary share capital of the Company on the basis of every 10 existing shares into 1 consolidated share. As a result, the authorized share capital of the Company was HK$1,000 million divided into 5,000,000,000 shares of HK$0.20 each and the issued share capital of the Company was approximately HK$193 million divided into 965,542,931 shares of HK$0.20 each.

As at 30 June 2008, the current assets and current liabilities of the Group were approximately HK$809.2 million (31 December 2007: HK$850.9 million) and HK$586.9 million (31 December 2007: HK$1,770.0 million) respectively. The liquidity ratio, which is calculated at current assets over current liabilities, was approximately 1.4 times, which showed a significant improvement when compared with that of approximately 0.5 times at the previous year end. The Group's total assets and total liabilities amounted to approximately HK$4,683.5 million (31 December 2007: HK$4,504.5 million) and HK$2,478.2 million (31 December 2007: HK$3,587.5 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.5 as at 30 June 2008, which also showed a significant improvement as compared with approximately 0.8 as at 31 December 2007. The improvement in both the liquidity ratio and debt ratio was mainly due to the repayment of outstanding debts by applying the proceeds of share placement as mentioned above.

The cash and cash equivalents (net of bank overdrafts) as at 30 June 2008 was approximately HK$47.2 million (31 December 2007: HK$59.9 million).

MANAGEMENT DISCUSSION & ANALYSIS

The Group's bank borrowing as at 30 June 2008 amounted to approximately HK$1,585.4 million (31 December 2007: HK$1,578.3 million). Out of the total outstanding bank borrowings, approximately HK$252.2 million (31 December 2007: HK$289.3 million) are repayable within one year. The Group's gearing ratio, calculated as total interest bearing borrowings over total shareholders' funds, was 71.9% as at 30 June 2008 as compared to 172.1% on 31 December 2007. The improvement in the gearing ratio was mainly due to the increase in total shareholders' funds subsequent to the share placement as mentioned above.

PROSPECT

As the PRC macro economic policy continues to tighten and the credit crunch of USA is spreading to the other parts of the global economy, we expect the PRC economy is slowing down. The PRC banks continue to adopt a tight lending policy towards the property sector, driving down both the sales price and the volume of property transactions in certain regions in the PRC. However, the PRC GDP still manages to maintain close to 10% annual growth rate and the consumer sector is still buoyant. The investment properties held by us with average about 90% occupancy rate provide stable rental incomes and cushion to any economic downturn. On the other hand, our strategic locations in Beijing and the continued appreciation of the RMB will represent potential gain from our investment property portfolio. Given the Group's healthy financials, this will provide opportunity to us for further expansion and growth.

CHARGES ON ASSETS

As at 30 June 2008, the Group's certain investment properties with carrying value of approximately HK$3,248,567,000 (31 December 2007: HK$3,076,077,000) and bank deposits of approximately HK$87,018,000 (31 December 2007: HK$74,371,000) were charged to secure bank borrowings and other banking facilities.

EXPOSURE TO EXCHANGE RATES

Substantially all of the Group's sales and operating costs are denominated in the functional currency of the group entity making the sales or incurring the costs. Accordingly, the Directors consider that the currency risk is not significant.

The Group currently does not have a formal currency hedging policy in relation to currency risk. The Directors monitor the Group's exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

EMPLOYEE INFORMATION

As at 30 June 2008, the Group had a total of 125 employees (30 June 2007: 138 employees). The employees of the Group are remunerated in accordance with their working experience and performance, and their salaries and benefits are kept at market level. For the period ended 30 June 2008, the total staff costs of the Group was approximately HK$8.0 million (30 June 2007: HK$3.7 million), representing an increase of approximately 116% over the previous year.

	Unaudited six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Salaries	**7,370**	3,001
Contributions to retirement benefits schemes	**113**	70
Other benefits	**540**	579
	8,023	3,650

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2008, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be 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 under such provisions of the SFO) or were required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register maintained by the Company referred to therein, or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") ("Model Code") to be notified to the Company and the Stock Exchange were as follows:

MANAGEMENT DISCUSSION & ANALYSIS

LONG POSITIONS IN THE ORDINARY SHARE OF HK$0.20 EACH OF THE COMPANY

Name	Capacity	Number of shares held	Shareholding (%)
Ms. Tin Yuen Sin Carol ("Ms. Tin")	Beneficial owner	8,600,000	0.89
	Interest in controlled corporation (Note)	53,155,135	5.51
		61,755,135	6.40

Note: At 30 June 2008, Ms. Tin was deemed to be interested in 53,155,135 ordinary shares of the Company through her 100% beneficial interest in Fit Top Investments Limited ("Fit Top") as disclosed in the section headed "Substantial Shareholders" below.

Save as disclosed above, as at 30 June 2008, none of the directors, chief executive nor their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the persons or companies, other than a director or chief executive of the Company, who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required, pursuant to Section 336 of Part XV of the SFO, to be entered in the register maintained by the Company were as follows:

LONG POSITIONS IN THE ORDINARY SHARE OF HK$0.20 EACH OF THE COMPANY

Name	Capacity	Number of shares held	Shareholding (%)
Fit Top (Note 1)	Beneficial owner	53,155,135	5.51
Mr. Kwok Lung	Beneficial owner	47,000,000	4.87
	Interest in controlled corporation (Note 2)	1,550,400	0.16
		48,550,400	5.03

Note:

1. Fit Top was a company wholly-owned by Ms. Tin. Pursuant to SFO, Ms. Tin was deemed to be interested in the 53,155,135 ordinary shares of the Company held by Fit Top. The above interest has already been disclosed in the section headed "Directors' and Chief Executive's Interests in Securities" above.

2. Yo Chen Limited was a company wholly-owned by Mr. Kowk Lung. Pursuant to SFO, Mr. Kowk Lung was deemed to be interested in 1,550,400 ordinary shares of the Company held by Yo Chen Limited.

Save as disclosed above, as at 30 June 2008, the Company has not been notified of any substantial shareholder who had any other relevant interests to be disclosed pursuant to Part XV of SFO.

SHARE OPTION SCHEME

No share options to subscribe for shares in the Company has been granted and held by participants under the share option scheme of the Company during the six months ended 30 June 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The ex-chief executive officer resigned on 25 October 2007 and the Board appointed Mr. Yip Ying Chi Benjamin ("Mr. Yip") as the chief executive officer ("CEO") of the Company on 11 April 2008. During the period when there was no officer with the title of CEO, the CEO duties had been undertaken by the members of the Board. This structure deviates from the code provision A.2.1 of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules ("CCGP") that requires the roles of the chairman and CEO to be separate and not performed by the same individual.

Since the appointment of Mr. Yip, the positions of the chairperson and CEO are held separately by two executive directors to ensure their respective independences, accountabilities and responsibilities and each plays a distinctive role but complementing each other. This rectifies the previous deviation from the code provision A.2.1 of the CCGP.

Save as disclosed above, the Company has complied throughout the six months ended 30 June 2008 with the code provisions set out in the CCGP.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard as set out in the Model Code. All directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by directors therein throughout the period.

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed this interim report 2008 and the Group's unaudited consolidated results for the six months ended 30 June 2008 although the auditors of the Company have not reviewed such interim results.

On behalf of the Board
Tin Yuen Sin Carol
Chairperson

Hong Kong, 22 September 2008

As at the date hereof, the Board comprises Ms. Tin Yuen Sin Carol, Mr. Yip Ying Chi Benjamin, Mr. Zhang Feng, Mr. Li Sai Ho, Mr. Lam Yat Ming and Mr. Fok Wai Ming Eddie as executive directors and Mr. Chan Wai Yip Freeman, Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris as independent non-executive directors.