莊勝百貨集團有限公司
JUNEFIELD DEPARTMENT STORE GROUP LIMITED

(STOCK CODE:758)

ANNUAL REPORT 2008

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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

Leung Man Kit
Chan Kwok Wai *(Chairman)*
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 Fulcrum Group (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 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

CHAIRMAN'S STATEMENTS

On behalf of the Board of Directors (the "Board") of Junefield Department Store Group Limited (the "Company"), I am pleased to announce the annual results of the Company together with its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008.

RESULT

For the year ended 31 December 2008, the Group reported a profit of approximately HK$90,483,000, representing an increase of 104%. The positive results were attributed to a full year's consultancy services income being recognised and apparent persistent performance from retail business in Wuhan during the year under review.

DIVIDENDS

The Board does not recommend the payment of dividend in respect of the year.

BUSINESS REVIEW AND PROSPECTS

During the year of 2008, the Group faced both challenges and opportunities. The Group made exert efforts to resolve the disputes on the rental and leases of the jointly-controlled entity which lasted for 2 years and we believed the outcome was at a win-win situation for both joint ventures. Notwithstanding there was a rapid downturn of the global economy, especially in the second half of the year, the jointly-controlled entity made a contribution of approximately HK$88,205,000, representing an increase of 36% to the Group.

Notwithstanding the global economic downturn will persist for a period of time, we remained optimistic about the prospect of the retail industry in China in view of series of policy measures being introduced by the Chinese Government stimulating the domestic consumption recently.

Looking ahead, the Group will continue to strengthen our current businesses. The Group will also proactively continue to identify acquisition opportunities that relate to its existing businesses or to diversify into different business sectors with the view to increase value for shareholders. The Group will further actively strengthen the financial position of the Group, and consider raising funds by suitable means when opportunities arise. The Group has confidence that it will be able to capture these opportunities in the near future.

Zhou Chu Jian He
Chairman

Hong Kong, 7 April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2008, the Group recorded a turnover in respect of its continuing operations of approximately HK$32,095,000 (2007: HK$15,078,000), representing an increase of 113% compared with last year. The increase of turnover for the year under review was mainly due to income derived from consultancy services for retail business.

The Group recorded positive results with net profit for the year under review was approximately HK$90,483,000 (2007: HK$44,291,000), representing an increase of 104% over the corresponding year of 2007, which was offset by loss of approximately HK$1,589,000 (2007: HK$3,161,000) derived from the discontinued construction and related business. The positive results were attributed to a full year's consultancy services income being recognised and apparent persistent performance from retail business in Wuhan during the year under review.

OPERATIONS REVIEW AND FUTURE PROSPECTS

Property management and agency services business

The 51% subsidiary in Wuhan, PRC recorded a turnover of approximately HK$13,609,000 (2007: HK$10,041,000) and profit of approximately HK$2,237,000 (2007: HK$625,000) representing an increase of 36% and 2.6 times respectively for the year under review as its average occupancy rate on office tower stood at approximately 91%. In light of the slowdown in revenue growth in the coming year, the management has focused to look for opportunity for expanding services to independent third parties to sustain better performance of this subsidiary.

Properties held for sale

For the year under review, the Group recorded a turnover of approximately HK$486,000 (2007: HK$537,000) attributable from leasing out its office units held for sale situated in Beijing, PRC, representing a decrease of 9% as compared to corresponding year of 2007. The decrease was mainly due to decrease in number of office units being leased out. In the second half of the year, rapid downturn of the global economy also struck against the property market in China. With a view of a substantial decrease in property transaction volume in Beijing, at 31 December 2008, the directors were of the opinion that these properties would not be easily to dispose, and therefore all properties held for sale were re-classified to investment properties for generating recurrent rental income.

Consultancy services for retail business in PRC

During the year under review, the Group recorded HK$18,000,000 (2007: HK$4,500,000) in revenue, representing an increase of 3 times from the previous year due to a full year's consultancy services income recognised for the year of 2008. The services agreement entered with Wuhan Sogo of which the Company provided brand sourcing consultancy and property management consultancy services by acting as its agent to introduce international reputable brands to rent retail booths in the shopping centre of Wuhan Sogo, will expire by the end of September 2009. The Group will seek to negotiate new agreement in due course.

Retail business in Wuhan

The share of profit after tax from the jointly-controlled entity, amounted to approximately HK$88,205,000 (2007: HK$64,639,000) which represented an increase of 36% as compared to last year. With the Lease Litigation, the WDS Litigation and the Director Litigation (reference is made to the announcement dated 25 September 2008) has been concluded during the year under review, the Group and the management of the jointly-controlled entity are currently more concentrated on its operation and develop operational strategies striving against the competition in Wuhan area.

Despite the downturn of the global economy, the retail and department store business in PRC remained promising.

MANAGEMENT DISCUSSION AND ANALYSIS

Discontinued construction and related business

The PRC business licence of a 51% subsidiary in Beijing, PRC has expired on 21 April 2008, and therefore no operating activities encountered for the year under review. On 31 December 2008, the Group and the minority shareholder of this subsidiary consented to terminate all operations of this subsidiary.

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 year under review.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group had net assets of approximately HK$90,907,000 (2007: HK$1,257,000) with total assets of approximately HK$254,102,000 (2007: HK$162,561,000) and total liabilities of approximately HK$163,195,000 (2007: HK$161,304,000). The Group's current ratio, which equals current assets divided by current liabilities was 0.09 (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$5,664,000 as at 31 December 2008 (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 31 December 2008, was 0.39 (2007: 0.60).

The Group currently enjoys the continuous financial support from the Company's ultimate holding company.

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

BORROWINGS

As at 31 December 2008, the Group had interest-bearing borrowings of approximately HK$28,625,000 (2007: HK$30,367,000) in which a secured other loan of HK$23,000,000 (2007: HK$25,000,000) bearing interest at 2% per month was due on 22 February 2009. Subsequently to the balance sheet date, the Company repaid the lender with a sum of HK$3,000,000 on 24 February 2009 and obtained a letter from the lender on 20 February 2009 to extend the repayment date of the loan of HK$20,000,000 to 21 August 2009. Another loan of approximately HK$5,625,000 (2007: HK$5,367,000) is unsecured, denominated in RMB and bears interest at 9.5% per annum with no fixed term of repayment.

The Group's loan from a jointly-controlled entity of approximately HK$69,851,000 (2007: HK$66,657,000) would be repayable through dividends distributions by the jointly-controlled entity up to December 2007. Subsequent to the balance sheet date, the board of directors of the jointly-controlled entity declared dividends for years of 2006, 2007 and 2008, of which the Group was entitled to 49% share of dividends declared amounted to approximately RMB159,464,000 (equivalent to HK$181,148,000). Up to the date of this report, the Group received dividends of a total of approximately RMB76,762,000 of which the Group fully settled the loan due to the jointly-controlled entity and received a remaining balance of approximately RMB14,668,000 (equivalent to HK$16,665,000) in cash.

MATERIAL INVESTMENT OR CAPITAL ASSETS

There was no material acquisition during the year under review.

CHARGE OF ASSETS

Detailed charge of assets are shown in note 32 to the financial statements.

LITIGATIONS

Detailed litigations are shown in note 38 to the 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 year under review, the Group did not commit to any financial instruments to hedge its potential exchange rate exposure.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2008, the Group had about 168 employees (2007: 181 employees) of whom 7 (2007: 7) are based in Hong Kong and 161 (2007: 174) 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 and share options are awarded to certain employees according to the assessment of individual performance.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhou Chu Jian He, aged 45, has been the Chairman of the Company since he joined the Group on 2 October 2003. Mr. Zhou acted as a Managing Director of the Company from the years of 2003 to 2005. He is also currently the President of Junefield (Holdings) Limited ("JHL"), the ultimate holding company of the Group, who is responsible for the overall business of JHL. Mr. Zhou serves as a member of the Beijing Committee of the People's Political Consultative Conference (中國人民政治協商會議北京委員會) in PRC. Mr. Zhou has over 12 years of experience in managing property development companies and in operating department stores in PRC.

Mr. Zhang Xiao Bing, Adam, aged 53, has been an executive director of the Company since he joined the Group on 26 February 2004. Mr. Zhang has been the General Manager of Investment & Business Development Division of JHL since 2004. He has been a full member of Singapore Institute of Management for many years. Mr. Zhang has more than 13 years of overseas work experience in international finance, investment and trade, and has accumulated nearly 30 years of experience in finance and investment in diverse Chinese industries. Mr. Zhang finished his university education with a Bachelor's Degree in Mainland China. Afterwards, he obtained professional training in international banking and finance in the City of London, UK, and completed the Advanced Management Program: The International Senior Managers' Program at Harvard Business School, Boston, USA.

Mr. Liu Zhongsheng, aged 50, is currently the chief executive officer of the Company. He is also currently a Vice-President of JHL. Mr. Liu was a Deputy Secretary of Economic Affairs Department, the Liaison Office of the Central People's Government in Hong Kong (formerly known as Xinhua News Agency Hong Kong Branch). Mr. Liu was a Managing Director of Guangnan (Holdings) Limited (until December 2000), and an Investment Advisor of Springridge Investment Management Limited. He holds a Degree in Economic and a Master's Degree in Economics from Lanzhou University, PRC, and has completed an EMBA programme from Tsing Hua University, PRC.

Mr. Ng Man Chung, Siman, aged 45, is currently the Deputy Chairman of the Company. He is also currently a Vice-General Manager of Finance Department of JHL, with 21 years of experience in finance and auditing. Mr. Ng has been the proprietor of M. C. Ng & Co. CPA. since 1997 and the director of Elite Partners CPA Limited since 2007. Mr. Ng is a fellow member of The Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Accountants in England and Wales, and a fellow member of The Taxation Institute of Hong Kong. Mr. Ng holds a Diploma in Business Administration from Shue Yan College and a Master of Business Administration Degree from The Open University of Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Man Kit, aged 55, has been an independent non-executive director and a member of the audit committee of the Company since he joined the Group on 31 December 2002. He has been a member of the remuneration committee of the Company since 2005. He is also currently an independent non-executive director and an audit committee member of China Ting Group Holdings Limited ("China Ting"), which are listed on the Main Board of The Stock Exchange of Hong Kong Limited; and of NetEase, which is a NASDAQ listed company. He is an independent non-executive director and a member of the human resources and remuneration committee of Anhui Expressway Company Limited. He is also a member of the nomination committee of China Ting. On 11 February 2008, Mr. Leung was appointed by Golden Harvest Entertainment (Holdings) Limited as an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee. Mr. Leung was an investment banker with 28 years of experience in project finance and corporate finance. Mr. Leung held senior positions with Peregrine Capital (China) Limited, Crosby Securities (HK) Limited, Swiss Bank Corporation, Hong Kong Branch, and KE Capital (Hong Kong) Limited. He was a director of Emerging Markets Partnership (Hong Kong) Limited which was the principal adviser to the AIG Infrastructure Fund L.P.. Mr. Leung holds a Bachelor's Degree in Social Sciences from The University of Hong Kong.

Mr. Chan Kwok Wai, aged 50, has been an independent non-executive director and a member of the audit committee of the Company since he joined the Group on 31 December 2002. He has been a member of the remuneration committee of the Company since 2005. Mr. Chan is currently an independent non-executive director and member of the audit committee of Chinese Estates Holdings Limited, Tern Properties Company Limited, China Investments Holdings Limited, National Electronics Holdings Limited and Far East Consortium International Limited, all of which are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited. He was an independent non-executive director of Anex International Holdings Limited (now known as Bright Prosperous Holdings Limited), for the period from 12 September 2005 to 9 February 2006, the shares of which are listed on the Stock Exchange. He is also currently a director of High Progress Consultants Limited. Mr. Chan serves as a member of the Hong Kong Securities Institute and an associate member of the CPA Australia.

Mr. Lam Man Sum, Albert, aged 53, has been an independent non-executive director and a member of the audit committee of the Company since he joined the Group on 24 September 2004. He has been a member of the remuneration committee of the Company since 2005, and had been the proprietor of Albert Lam & Co. CPA since 1993 to 2007. He is currently the shareholder and director of Hopkins CPA Ltd. Mr. Lam serves as a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants and member of the Hong Kong Securities Institute, Society of Chinese Accountants and Auditors and Taxation Institute of Hong Kong. Mr. Lam holds a Bachelor's Degree in Arts (Economics) from the University of Manchester, UK. He had been a director of Everpride Biopharmaceutical Company Limited since February 2005 to July 2006.

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the Company and the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and provision of brand sourcing consultancy and property management consultancy services for retail business in PRC. Details of the principal activities of its principal subsidiaries and a jointly-controlled entity are set out in notes 19 and 20 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2008 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 24 to 80.

DIVIDENDS

The directors do not recommend payment of dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 16 to the financial statements.

PRINCIPAL SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

Details of the Company's principal subsidiaries and a jointly-controlled entity are set out in notes 19 and 20 to the financial statements.

SHARE CAPITAL

There is no movement in the share capital of the Company during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statements and in the consolidated statement of changes in equity on page 28, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-Laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 82.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during the year.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

Details of share option scheme of the Company is set out in note 36 to the financial statements.

No share options were outstanding at 31 December 2008. No share option was granted, forfeited exercised or expired during the year.

DISTRIBUTABLE RESERVES

At 31 December 2008, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company for an amount of approximately HK$178,927,000 is not available for distribution.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers in aggregate accounted for 66% of the total turnover for the year and sales to the largest customer included therein accounted for 56%. Purchases from the Group's five largest suppliers accounted for 72% of the total purchases for the year and purchases from the largest supplier included therein accounted for 46%.

During the year, Mr. Zhou Chu Jian He (Chairman of the Board) owns more than 5% of the Company's shares, had an interest in one of the five largest customers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

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

Independent non-executive directors

Mr. Leung Man Kit
Mr. Chan Kwok Wai
Mr. Lam Man Sum, Albert

In accordance with Bye-Law 87, Mr. Zhang Xiao Bing, Adam, Mr. Ng Man Chung, Siman and Mr. Leung Man Kit shall retire by rotation at the annual general meeting and, being eligible, shall offer themselves for re-election.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of directors of the Company are set out on pages 7 to 8 of this report.

DIRECTORS' SERVICE CONTRACTS

Mr. Zhou Chu Jian He has service contract with the Company for a term of two years which commenced on 2 October 2007.

Mr. Zhang Xiao Bing, Adam has a service contract with the Company for a term of two years which commenced on 26 February 2008.

Each of Mr. Liu Zhongsheng and Mr. Ng Man Chung, Siman have service contracts with the Company for a term of two years which commenced on 10 March 2009.

Mr. Lam Man Sum, Albert has a service contract with the Company for a term of two years which commenced on 24 September 2008.

Each of Mr. Leung Man Kit and Mr. Chan Kwok Wai have service contracts with the Company for a term of two years which commenced on 31 December 2008.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

CONTINUING CONNECTED TRANSACTION

On 31 August 2007, the Company entered into the services agreement (the "Services Agreement") with Wuhan Sogo, which is a collective enterprise established under the laws of PRC, of which Mr. Zhou Chu Jian He has a control over its operations and financial activities and is regarded as an associate (as defined under the Listing Rules) of Mr. Zhou Chu Jian He and accordingly is a connected person (as defined under the Listing Rules) of the Company. Wuhan Sogo is principally engaged in the operation and management of department stores.

Pursuant to the Services Agreement, the Company will provide brand sourcing 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. In addition, the Company will provide property management consultancy services to Wuhan Sogo aiming to run the shopping centre as a collection of international brand. A monthly services fee of HK$1.5 million to be given to the Company for the above consultancy services in form of cash in advance at the beginning of each month for a term of two years with effect from 1 October 2007 to 30 September 2009. The above transaction constituted a continuing connected transaction (the "Continuing Connected Transaction") under the Listing Rules during the year ended 31 December 2008.

An announcement (the "Announcement") was published on 4 September 2007 regarding the Continuing Connected Transaction in accordance with the Listing Rules.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTION (continued)

The Continuing Connected Transaction has been reviewed by the independent non-executive directors. The independent non-executive directors have confirmed that for the year 2008 the Continuing Connected Transaction has been entered into (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or on terms no less favourable to the Company than terms available to or from (as appropriate) to independent third parties; and (iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the auditors of the Company to perform certain agreed-upon procedures on the Continuing Connection Transaction of the Group in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported and confirmed to the Board of Directors for the year 2008 that the Continuing Connected Transaction (i) has received the approval of the Board of Directors of the Company; (ii) has been entered into in accordance with the pricing policies of the Company; (iii) has been entered into in accordance with the terms of the agreement governing the transaction; and (iv) has not exceeded the cap amount for the year ended 31 December 2008 as set out in the Announcement.

DIRECTORS' INTERESTS IN CONTRACTS

Except for those set out below, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies and subsidiaries was a party during the year:

Duration of the contract	**Name of the parties to the contract**	**Nature of the contract**	**Nature of director's interest**
2 years (starting from 1 October 2007)	(1) the Company (2) Wuhan Sogo	Services Agreement in respect of brand sourcing consultancy and property management consultancy services	Wuhan Sogo is regarded as an associate of Mr. Zhou Chu Jian He

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 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 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
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 JHL.

Save as disclosed above, as at 31 December 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year 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.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 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 31 December 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.

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

According to Rule 13.21 of the Listing Rules, details of the loan agreement with covenants relating to specific performance of the controlling shareholder for the year are set out in note 32 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, at least 25% of the total issued share capital of the Company was held by the public as required under the Listing Rules.

CORPORATE GOVERNANCE

The Corporate Governance Report of the Company is set out on page 16 of this report.

AUDITORS

The financial statements have been audited by Messrs. HLB Hodgson Impey Cheng who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Zhou Chu Jian He
Chairman

Hong Kong, 7 April 2009

CORPORATE GOVERNANCE REPORT

The Group's annual report for the year ended 31 December 2008 has been reviewed by the Audit Committee of the Company.

The Company is committed to maintaining the highest standard of Corporate Governance Practices. The Company has complied with all the code provisions as set out in Appendix 14 of the Code on Corporate Governance Practices of the Listing Rules (the "code provisions") throughout the accounting period for the year ended 31 December 2008. 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 for Securities Transactions by Directors of Listed Issuers (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 year ended 31 December 2008.

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

BOARD COMPOSITION

The Board currently comprises a total of four executive directors and three independent non-executive directors. The executive directors are Mr. Zhou Chu Jian He (Chairman), Mr. Zhang Xiao Bing, Adam, Mr. Liu Zhongsheng (Chief Executive Officer) and Mr. Ng Man Chung, Siman (Deputy Chairman). The independent non-executive directors are Mr. Leung Man Kit, Mr. Chan Kwok Wai and Mr. Lam Man Sum, Albert. Mr. Chan Kwok Wai and Mr. Lam Man Sum, Albert both have appropriate professional qualification in accounting and related financial management expertise.

Details of all directors and the chief executive officer are given on pages 7 to 8 of this report. The relationships (including financial, business, family or other material or relevant relationships) among members of the Board and the chief executive officer are also disclosed. Save as disclosed above, there is no further relationship among members of the Board and the chief executive officer.

Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines as set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

CORPORATE GOVERNANCE REPORT

BOARD RESPONSIBILITY

The Board is responsible for promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. Each director has a duty to act in good faith in the best interests of the Company. The directors are aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed. The directors contribute to the affairs of the Board and the Board always acts in the best interests of the Group.

The directors are responsible for the preparation of the accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these accounts for the year ended 31 December 2008, the directors have selected suitable accounting policies. The directors are responsible for keeping proper accounting records with reasonable accuracy relating to the financial position of the Group.

The Board delegates day-to-day management of the business of the Group to the management of the relevant principal divisions and certain specific responsibilities to the Audit Committee and Remuneration Committee. The composition and functions of each Committee are described below. These Committees have specific functions and authority to examine issues and report to the Board with their recommendations if appropriate. The final decision rests with the Board, unless otherwise provided for in terms of reference of the relevant Committees.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman provides leadership for the Board and ensures that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. All directors have been consulted about any matters proposed for inclusion in the agenda. The chairman of the meeting has delegated the responsibility for drawing up the agenda for each Board meeting to the company secretary. The chairman of the meeting ensures that all directors are properly briefed on issues arising at Board meetings and received adequate and reliable information in a timely manner with the support of the company secretary.

The chief executive officer is responsible for managing the businesses of the Group, including the implementation strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group.

BOARD MEETINGS

The Board meets regularly and Board meetings are held at least four times a year at approximately quarterly intervals. Board meetings involve active participation, either in person or through other electronic means of communication, of a majority of directors entitled to be present. Notice of at least 14 days is given for regular Board meetings. For all other Board meetings, reasonable notice is given. Minutes of Board meetings are recorded in sufficient detail the matters considered by the Board. Directors are given an opportunity to comment on the draft Board minutes. Final version of Board minutes are kept by the company secretary and such minutes are opened for inspection by any director. Directors have access to the company secretary who is responsible to the Board for ensuring that Board procedures are followed.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS (continued)

As at the date of this report, the Board held five meetings on 10 April 2008, 20 June 2008, 25 August 2008, 19 November 2008 and 7 April 2009.

	Attendance
Executive directors	
Mr. Zhou Chu Jian He *(Chairman)*[(1)]	2/5
Mr. Zhang Xiao Bing, Adam[(2)]	4/5
Mr. Liu Zhongsheng *(Chief Executive Officer)*	5/5
Mr. Ng Man Chung, Siman *(Deputy Chairman)*	5/5
Independent non-executive directors	
Mr. Leung Man Kit	5/5
Mr. Chan Kwok Wai	5/5
Mr. Lam Man Sum, Albert[(3)]	4/5

Notes:

(1) Absent on 20 June 2008, 25 August 2008 and 19 November 2008.
(2) Absent on 20 June 2008.
(3) Absent on 25 August 2008.

AUDITOR'S REMUNERATION

The fee in respect of audit service provided by the external auditors to the Company for the year ended 31 December 2008 was approximately HK$430,000.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee on 15 July 2005. The Remuneration Committee comprises the Chairman, Mr. Leung Man Kit, being an independent non-executive director, and two independent non-executive directors, namely Mr. Chan Kwok Wai and Mr. Lam Man Sum, Albert.

REMUNERATION COMMITTEE (continued)

The principle responsibility of the Remuneration Committee includes making recommendation to the Board on the Company's policy and structure for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the Board. The emoluments of directors are based on the skill and contribution in the Company's affairs and are determined by reference to duties and responsibilities of the executive directors after considering the Group's performance and the prevailing market situations including salaries paid by comparable companies. No director is involved in determining his own remuneration. Terms of reference of the Remuneration Committee are available at the Company's website.

Particulars of the emoluments to the directors are set out in note 10 of the financial statements.

As at the date of this report, the Remuneration Committee held a meeting on 19 November 2008 to discuss the Group's remuneration policy.

	Attendance
Independent non-executive directors	
Mr. Leung Man Kit *(Chairman)*	1/1
Mr. Chan Kwok Wai	1/1
Mr. Lam Man Sum, Albert	1/1

The following is a summary of the work for the Remuneration Committee during the meeting:

1. review of the remuneration policy for the year 2008; and

2. review of the remuneration packages for all executive directors and senior management.

AUDIT COMMITTEE

The Audit Committee was established on 10 November 1999. The Audit Committee comprises the Chairman, Mr. Chan Kwok Wai, being an independent non-executive director, and two independent non-executive directors, namely Mr. Leung Man Kit and Mr. Lam Man Sum, Albert. The Audit Committee meets not less than twice a year.

The principal duties of the Audit Committee include to:

– make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, and to assess their independence and performance;

– review the effectiveness of financial reporting processes and internal control systems of the Group and to monitor the integrity thereof;

– review the completeness, accuracy and fairness of the Company's financial statements before submission to the Board;

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (continued)

– ensure compliance with the applicable accounting standards and legal regulatory requirements on financial reporting and disclosures;

– liaise with the Company's Board, senior management and the Company's qualified accountant and the Committee, at least once a year, with the Company's auditors; and

– establish compliance for and to monitor, receive, retain and handle complaints received by the Company regarding accounting, internal controls or auditing matters.

As at the date of this Report, the Audit Committee held three meetings on 10 April 2008, 21 August 2008 and 7 April 2009.

	Attendance
Independent non-executive directors	
Mr. Leung Man Kit	3/3
Mr. Chan Kwok Wai *(Chairman)*	3/3
Mr. Lam Man Sum, Albert	3/3

The following is a summary of the work of the Audit Committee:

– review of the financial reports for the year ended 31 December 2007, for the six-months ended 30 June 2008 and for the year ended 31 December 2008;

– review and approve the remuneration and terms of engagement of the external auditor for the year 2008;

– review of the effectiveness of the internal control system;

– review and comment on the internal control report;

– review and comment on the finance position of the group; and

– review and comment on the Continuing Connected Transaction and the cap.

INTERNAL CONTROL

The Board recognizes its responsibility for maintaining an adequate internal control system to safeguard the assets of the Group and the interests of shareholders. Annual review on the internal control system of the Group (which exclude the 49% jointly-controlled entity, Wuhan Plaza Management Co., Ltd.) has been conducted by the management and reviewed by the Board in April 2009. The Audit Committee has made recommendations to the Board and is satisfied that nothing has come to its attention to cause the Audit Committee to believe that the internal control system is inadequate. Periodic review will be made to monitor the effectiveness of the internal control system of the Group.

INVESTOR RELATIONS

The Company continues to promote and enhance investor relations and communication with its investors. Shareholders investors and members of the public are able to access up-to-date corporate information and events relating to the Company's website.

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F., Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
JUNEFIELD DEPARTMENT STORE GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Junefield Department Store Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 80, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Auditors' responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 7 April 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 HK$'000	2007 HK$'000
CONTINUING OPERATIONS			
REVENUE	7	32,095	15,078
Cost of services		(4,069)	(4,041)
Other income	7	733	300
Gain arising from transfer from properties held for sale to investment properties	17	3,524	–
Employee benefits expense		(6,740)	(6,505)
Depreciation of property, plant and equipment		(233)	(211)
Amortisation of prepaid land lease payments		(31)	(28)
Other operating expenses		(12,048)	(14,847)
OPERATING PROFIT/(LOSS)	8	13,231	(10,254)
Finance costs	9	(6,456)	(6,933)
Share of profit of a jointly-controlled entity	20	88,205	64,639
PROFIT BEFORE TAX		94,980	47,452
Tax	12	(2,908)	–
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		92,072	47,452
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	13	(1,589)	(3,161)
PROFIT FOR THE YEAR		90,483	44,291
Attributable to:			
Equity holders of the Company		90,483	44,291
Minority interests		–	–
		90,483	44,291
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	15		
– For profit for the year		21.44 cents	10.50 cents
– For profit from continuing operations		21.82 cents	11.25 cents

CONSOLIDATED BALANCE SHEET

At 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	2,727	2,246
Investment properties	17	16,986	–
Prepaid land lease payments	18	548	578
Investment in a jointly-controlled entity	20	219,610	131,405
Available-for-sale investment	21	–	–
Total non-current assets		239,871	134,229
CURRENT ASSETS			
Properties held for sale	22	–	13,462
Accounts receivable	23	745	4,208
Prepayments, deposits and other receivables	24	705	1,357
Amount due from a jointly-controlled entity	20	4,412	2,507
Amount due from a joint venturer	25	77	–
Amount due from a related company	26	941	–
Amount due from a subsidiary's minority shareholder	27	–	192
Held-to-maturity investments	28	1,687	–
Time deposits	29	2,289	2,791
Cash and bank balances	29	3,375	3,815
Total current assets		14,231	28,332
CURRENT LIABILITIES			
Accounts payable	30	13,361	12,945
Other payables and accruals	31	28,509	24,987
Amount due to the ultimate holding company	27	9,434	16,664
Amount due to a related company	27	1,229	–
Tax payable		2,611	1,871
Interest-bearing borrowings	32	28,625	30,367
Loan from a jointly-controlled entity	20	69,851	66,657
Total current liabilities		153,620	153,491
Net current liabilities		(139,389)	(125,159)
TOTAL ASSETS LESS CURRENT LIABILITIES		100,482	9,070

continued/......

CONSOLIDATED BALANCE SHEET

At 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*33*	(9,575)	(7,813)
Net assets		90,907	1,257
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*34*	42,193	42,193
Reserves	*35*	48,714	(40,936)
		90,907	1,257
Minority interests		–	–
Total equity		90,907	1,257

The financial statements were approved and authorised for issue by the Board of Directors on 7 April 2009 and are signed on its behalf by:

Zhou Chu Jian He
Director

Ng Man Chung, Siman
Director

BALANCE SHEET

At 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*16*	27	44
Investments in subsidiaries	*19*	–	–
Total non-current assets		27	44
CURRENT ASSETS			
Accounts receivable	*23*	–	3,000
Prepayments, deposits and other receivables	*24*	173	303
Amounts due from subsidiaries	*19*	487	36
Cash and bank balances	*29*	239	1,111
Total current assets		899	4,450
CURRENT LIABILITIES			
Other payables and accruals	*31*	4,997	4,474
Amounts due to subsidiaries	*19*	40,652	40,643
Amount due to the ultimate holding company	*27*	9,434	16,664
Amount due to a related company	*27*	1,229	–
Tax payable		661	–
Interest-bearing borrowings	*32*	28,625	30,367
Total current liabilities		85,598	92,148
Net current liabilities		(84,699)	(87,698)
Net liabilities		(84,672)	(87,654)
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*34*	42,193	42,193
Reserves	*35*	(126,865)	(129,847)
Total equity		(84,672)	(87,654)

Zhou Chu Jian He
Director

Ng Man Chung, Siman
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Attributable to equity holders of the Company								
	Issued capital HK$'000 *(Note 34)*	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2007	42,193	42,424	230	19,465	(511)	(145,719)	(41,918)	–	(41,918)
Exchange realignment	–	–	–	–	(1,116)	–	(1,116)	–	(1,116)
Total income and expense for the year recognised directly in equity	–	–	–	–	(1,116)	–	(1,116)	–	(1,116)
Profit for the year	–	–	–	–	–	44,291	44,291	–	44,291
Total income and expense for the year	–	–	–	–	(1,116)	44,291	43,175	–	43,175
At 31 December 2007	42,193	42,424	230	19,465	(1,627)	(101,428)	1,257	–	1,257
At 1 January 2008	42,193	42,424	230	19,465	(1,627)	(101,428)	1,257	–	1,257
Exchange realignment	–	–	–	–	(833)	–	(833)	–	(833)
Total income and expense for the year recognised directly in equity	–	–	–	–	(833)	–	(833)	–	(833)
Profit for the year	–	–	–	–	–	90,483	90,483	–	90,483
Total income and expense for the year	–	–	–	–	(833)	90,483	89,650	–	89,650
At 31 December 2008	42,193	42,424	230	19,465	(2,460)	(10,945)	90,907	–	90,907

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		94,980	47,452
Loss before tax			
From discontinued operation	13	(1,589)	(3,161)
Adjustments for:			
Finance costs	9	6,456	6,933
Share of profit of a jointly-controlled entity	20	(88,205)	(64,639)
Depreciation of property, plant and equipment	8	251	247
Amortisation of prepaid land lease payments		31	28
Bank interest income	7	(180)	(18)
Reversal of impairment of accounts receivable	7	(537)	(51)
Reversal of impairment of amount due from a subsidiary's minority shareholder	7	(414)	–
Loss on disposal of property, plant and equipment	8	3	12
Impairment of accounts receivable	8	625	298
Impairment of other receivables	8	659	326
Impairment of amount due from a joint venturer	8	270	509
Gain arising from transfer from properties held for sale to investment properties		(3,524)	–
		8,826	(12,064)
Decrease in inventories		–	315
Decrease in construction contracts		–	115
Decrease/(increase) in accounts receivable		2,691	(515)
(Increase)/decrease in prepayments, deposits and other receivables		(31)	259
(Increase)/decrease in amount due from a jointly-controlled entity		(1,905)	335
Increase in amount due from a joint venturer		(347)	(509)
(Increase)/decrease in amount due from a related company		(941)	5,716
Decrease in amount due from a subsidiary's minority shareholder		615	7
Increase/(decrease) in accounts payable		416	(267)
Increase in other payables and accruals		2,968	3,691
Increase in amount due to a related company		1,229	–
Net cash generated from/(used in) operations		13,521	(2,917)
Bank interest received		180	18
Hong Kong profits tax paid		(109)	–
Overseas income tax paid		(347)	–
Net cash generated from/(used in) operating activities		13,245	(2,899)

continued/......

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

	Note	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(629)	(65)
Purchases of held-to-maturity investments		(1,687)	–
Decrease/(increase) in short term time deposits		502	(2,791)
Net cash used in investing activities		(1,814)	(2,856)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment of)/advance from amount due to the ultimate holding company		(7,230)	14,873
Repayment of short-term borrowings		(2,000)	(5,000)
Interest paid		(5,902)	(6,493)
Net cash (used in)/generated from financing activities		(15,132)	3,380
Net decrease in cash and cash equivalents		(3,701)	(2,375)
Cash and cash equivalents at beginning of year		3,815	2,226
Effect of foreign exchange rate changes, net		3,261	3,964
CASH AND CASH EQUIVALENTS AT END OF YEAR		3,375	3,815
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	29	3,375	3,815

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

1. CORPORATE INFORMATION

Junefield Department Store Group Limited (the "Company") is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section on page 2 of the annual report.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

– property investment;

– provision of property management and agency services; and

– provision of brand sourcing consultancy and property management consultancy services for the retail business in the People's Republic of China ("PRC").

On 31 December 2008, the Group discontinued the operations of provision of design, decoration services and electrical and mechanical works, further details of which are set out in note 13 to the financial statements.

In the opinion of the directors, the immediate holding company of the Company is Prime Century Investments Limited ("PCI"), a company incorporated in British Virgin Islands, and the ultimate holding company of the Company is Junefield (Holdings) Limited ("JHL"), a company incorporated in Hong Kong. Particulars of the Company's principal subsidiaries are set out in note 19 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2008. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 & HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
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 these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [2]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [2]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* [5]

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for transfers of assets from customers received on or after 1 July 2009
* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life, as follows:

Buildings	20 years
Leasehold improvements	The shorter of the lease terms and 6 years
Office equipment	5 years
Motor vehicles	3 to 6 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from properties held for sale to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other three categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same and a discounted cash flow analysis.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, amounts due to the ultimate holding company and related company, and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling prices less any estimated selling expenses.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

NOTES TO THE FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

(ii) rental income, on a time proportion basis over the lease terms;

(iii) from the rendering of property management and agency services, and consultancy services, when such services are rendered; and

(iv) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as expenses in the income statement in the period in which they are incurred.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and jointly-controlled entity are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

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3. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at the balance sheet date are as follows:

	Loan and receivables HK$'000	Held-to-maturity investments HK$'000	Total HK$'000
2008			
Financial assets as per consolidated balance sheet			
Accounts receivable	745	–	745
Financial assets included in prepayments, deposits and other receivables	225	–	225
Amount due from a jointly-controlled entity	4,412	–	4,412
Amount due from a joint venturer	77	–	77
Amount due from a related company	941	–	941
Held-to-maturity investments	–	1,687	1,687
Time deposits	2,289	–	2,289
Cash and bank balances	3,375	–	3,375
	12,064	1,687	13,751

	Loan and receivables HK$'000
2007	
Financial assets as per consolidated balance sheet	
Accounts receivable	4,208
Amount due from a jointly-controlled entity	2,507
Amount due from a subsidiary's minority shareholder	192
Time deposits	2,791
Cash and bank balances	3,815
	13,513

3. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	Financial liabilities at amortised cost	
	2008 HK$'000	2007 HK$'000
Financial liabilities as per consolidated balance sheet		
Accounts payable	13,361	12,945
Financial liabilities included in other payables and accruals	17,062	14,299
Amount due to the ultimate holding company	9,434	16,664
Amount due to a related company	1,229	–
Interest-bearing borrowings	28,625	30,367
Loan from a jointly-controlled entity	69,851	66,657
	139,562	140,932

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings, further details of these borrowings are set out in note 32 to the financial statements. The Group has variable-rate borrowing arising from a loan from a jointly-controlled entity, further details of this borrowing are set out in note 20 to the financial statements. The Group is not exposed to significant cash flow interest rate risk as the jointly-controlled entity agreed to waive the interest charge arising from the aforesaid borrowing for the years ended 31 December 2007 and 2008. The Group currently does not hedge its exposure to fair value and cash flow interest rate risks. However, the management monitors the interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arise.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. The Group's property management and agency services and construction business are located in PRC and all transactions are conducted in Renminbi ("RMB"). All the assets and liabilities of these businesses are denominated in RMB.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

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4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit after tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in RMB %	Increase/ (decrease) in profit after tax HK$'000	Increase/ (decrease) in equity HK$'000
2008			
If Hong Kong dollar weakens against RMB	5	(704)	(865)
If Hong Kong dollar strengthens against RMB	(5)	637	837
2007			
If Hong Kong dollar weakens against RMB	7	(747)	(1,267)
If Hong Kong dollar strengthens against RMB	(7)	649	1,100

Credit risk

The Group reviews the recoverability of its financial assets periodically to ensure that potential credit risk of the counterparty is managed at an early stage and sufficient provision is made for possible defaults. In addition, the Group reviews regularly the recoverable amount of each individual accounts receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk of the Group's other financial assets, which comprise held-to-maturity investments, cash and cash equivalents, amount due from a jointly-controlled entity, amount due from a joint venturer, amount due from a related company, amount due from a subsidiary's minority shareholder, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. At the balance sheet date, the Group has certain concentrations of credit risk as 87% (2007: 71%) and 91% (2007: 91%) of the Group's accounts receivable were due from the Group's largest customer and the five largest customers respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 23 to the financial statements.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on borrowings as a significant source of liquidity. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, was as follows:

	On demand or less than 3 months	
	2008	2007
	HK$'000	HK$'000
Financial liabilities as per consolidated balance sheet		
Accounts payable	13,361	12,945
Other payables and accruals	17,062	14,299
Amount due to the ultimate holding company	9,434	16,664
Amount due to a related company	1,229	–
Interest-bearing borrowings	29,545	31,367
Loan from a jointly-controlled entity	69,851	66,657
	140,482	141,932

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4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Price risk

The Group is not exposed to equity price risk as the Group did not have significant equity investments classified as trading equity investments at 31 December 2008.

Capital management

The primary objective of the Group's capital management is to enhance the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 2007.

The Group monitors capital using the debt-to-adjusted capital ratio, which is net debt divided by adjusted capital. Net debt is calculated as total borrowings (including amount due to the ultimate holding company, amount due to a related company, interest-bearing borrowings and loan from a jointly-controlled entity as shown in the consolidated balance sheet) less cash and bank balances. Adjusted capital comprises all components of equity (including issued capital, reserves, retained profits and minority interest as shown in the consolidated balance sheet).

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The debt-to-adjusted capital ratios at 31 December 2008 and 2007 were as follows:

	2008 HK$'000	2007 HK$'000
Total borrowings	109,139	113,688
Less: Cash and bank balances	(3,375)	(3,815)
Net debt	105,764	109,873
Adjusted capital	90,907	1,257
Debt-to-adjusted capital ratio	116%	8,741%

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and consequently related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the deprecation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Estimated impairment of receivables

The Group records impairment of receivables based on an assessment of the recoverability of accounts receivable and other receivables. Provisions are applied to accounts receivable and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of accounts receivable and other receivables and impairment charges in the period in which such estimate has been changed.

NOTES TO THE FINANCIAL STATEMENTS

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5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation of fair value of investment properties

Investment properties of the Group are stated at fair value in accordance with the accounting policy stated in note 2.4. The fair value of investment properties, set out in note 17 to the financial statements, are determined by an independent professional qualified valuer. Such valuations are made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual results. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market condition existing at the balance sheet date. These estimates are regularly compared to actual market data and actual transactions in the market.

Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

6. 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;

(c) the consultancy services segment provides brand sourcing consultancy and property management consultancy services for retail business in PRC; and

(d) 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, which was discontinued during the year.

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.

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6. SEGMENT INFORMATION (continued)

Business segments

The following tables present revenue, profit and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Group	Continuing operations								Discontinued operation			
	Property investment		Property management and agency services		Consultancy services		Total		Construction		Consolidated	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Segment revenue:												
Sales to/revenue from external customers	486	537	13,609	10,041	18,000	4,500	32,095	15,078	–	402	32,095	15,480
Segment results	3,997	585	2,434	326	10,807	4,147	17,238	5,058	(2,184)	(3,214)	15,054	1,844
Bank interest income and other unallocated income							196	300	595	53	791	353
Corporate and other unallocated expenses							(4,203)	(15,612)	–	–	(4,203)	(15,612)
Operating profit/(loss)							13,231	(10,254)	(1,589)	(3,161)	11,642	(13,415)
Finance costs							(6,456)	(6,933)	–	–	(6,456)	(6,933)
Share of profit of a jointly-controlled entity							88,205	64,639	–	–	88,205	64,639
Profit/(loss) before tax							94,980	47,452	(1,589)	(3,161)	93,391	44,291
Tax							(2,908)	–	–	–	(2,908)	–
Profit/(loss) for the year							92,072	47,452	(1,589)	(3,161)	90,483	44,291

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6. SEGMENT INFORMATION (continued)

Business segments (continued)

Group	Continuing operations								Discontinued operation			
	Property investment		Property management and agency services		Consultancy services		Total		Construction		Consolidated	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Assets and liabilities:												
Segment assets	17,008	13,515	16,010	11,216	239	4,111	33,257	28,842	60	1,750	33,317	30,592
Corporate and other unallocated assets											1,175	564
Investment in a jointly-controlled entity											219,610	131,405
Total assets											254,102	162,561
Segment liabilities	11,626	2,053	16,280	13,403	1,890	-	29,796	15,456	18,624	17,943	48,420	33,399
Corporate and other unallocated liabilities											114,775	127,905
Total liabilities											163,195	161,304
Other segment information:												
Depreciation and amortisation	-	-	239	218	17	13	256	231	18	36	274	267
Corporate and other unallocated amounts											8	8
											282	275
Impairment losses recognised in the income statement	-	-	457	612	-	-	457	612	1,097	521	1,554	1,133
Impairment losses reversed in the income statement	-	-	(537)	-	-	-	(537)	-	(414)	(51)	(951)	(51)
Gain arising from transfer from properties held for sale to investment properties	(3,524)	-	-	-	-	-	-	-	-	-	(3,524)	-
Capital expenditure	-	-	622	24	1	28	623	52	6	9	629	61
Corporate and other unallocated amounts											-	4
											629	65

7. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents an appropriate proportion of contract revenue of construction contracts, consultancy services fee, property management and agency fees, and gross rental income received and receivable during the year.

An analysis of revenue and other income is as follows:

	Note	Group 2008 HK$'000	Group 2007 HK$'000
Revenue			
Consultancy services fee		18,000	4,500
Gross rental income		486	537
Property management and agency fees		13,609	10,041
Attributable to continuing operations reported in the consolidated income statement		32,095	15,078
Construction contract revenue attributable to a discontinued operation	13	–	402
		32,095	15,480
Other income			
Bank interest income		180	16
Reversal of impairment of accounts receivable		537	–
Others		16	284
Attributable to continuing operations reported in the consolidated income statement		733	300
Bank interest income attributable to a discontinued operation		–	2
Reversal of impairment of accounts receivable attributable to a discontinued operation		–	51
Reversal of impairment of amount due from a subsidiary's minority shareholder attributable to a discontinued operation		414	–
Others attributable to a discontinued operation		181	–
	13	595	53
		1,328	353

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8. OPERATING PROFIT/(LOSS)

The Group's operating profit/(loss) is arrived at after charging:#

	Note	Group 2008 HK$'000	Group 2007 HK$'000
Employee benefits expense			
(excluding directors' remuneration)			
Salaries and wages		6,075	6,728
Pension scheme contributions	*(i)*	1,306	902
		7,381	7,630
Depreciation of property, plant and equipment		251	247
Minimum lease payments under operating leases			
in respect of land and buildings		–	13
Auditors' remuneration		430	460
Foreign exchange differences, net		3,452	5,385
Loss on disposal of property, plant and equipment		3	12
Impairment of accounts receivable	*(ii)*	625	298
Impairment of amount due from a joint venturer	*(ii)*	270	509
Impairment of other receivables	*(ii)*	659	326

\# The disclosures presented in this note include those amounts charged in respect of the discontinued operation.

Notes:

(i) At 31 December 2008, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2007: Nil).

(ii) The impairment charges are included in "Other operating expenses" on the face of the consolidated income statement.

9. FINANCE COSTS

	Group	
	2008 HK$'000	2007 HK$'000
Interest on loans wholly repayable within five years	6,456	6,933

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Fees	432	432
Other emoluments:		
Salaries, allowances and benefits in kind	1,281	1,362
Pension scheme contributions	27	32
	1,308	1,394
	1,740	1,826

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Mr. Leung Man Kit	144	144
Mr. Chan Kwok Wai	144	144
Mr. Lam Man Sum, Albert	144	144
	432	432

There were no other emoluments payable to the independent non-executive directors during the year (2007: Nil).

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10. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

Group

2008	**Fees**	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:				
Mr. Zhou Chu Jian He	–	180	9	189
Mr. Zhang Xiao Bing, Adam	–	180	9	189
Mr. Liu Zhongsheng *(Note (i))*	–	741	–	741
Mr. Ng Man Chung, Siman *(Note (i))*	–	180	9	189
	–	1,281	27	1,308

Group

2007	**Fees**	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:				
Mr. Zhou Chu Jian He	–	180	9	189
Mr. Zhang Xiao Bing, Adam	–	180	9	189
Mr. Liu Zhongsheng *(Note (i))*	–	586	–	586
Mr. Ng Man Chung, Siman *(Note (i))*	–	146	7	153
Mr. Yiu Yu Keung, George *(Note (ii))*	–	135	7	142
Mr. Li Jong Tong, Timothy *(Note (ii))*	–	135	–	135
	–	1,362	32	1,394

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

Notes:

(i) Appointed on 10 March 2007.

(ii) Resigned on 2 October 2007.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2007: one) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining two (2007: four) non-director, highest paid employees for the year are as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Salaries, allowances and benefits in kind	1,014	2,623
Pension scheme contributions	24	40
	1,038	2,663

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Group Number of employees	
	2008	2007
Nil – HK$1,000,000	2	4

12. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008. 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.

	Group	
	2008 HK$'000	2007 HK$'000
Current – Hong Kong		
Charge for the year	716	–
Under-provision in prior year	53	–
Current – elsewhere	377	–
Deferred tax charge *(note 33)*	1,762	–
Total tax charge for the year	2,908	–

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12. TAX (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate of 16.5% (2007: 17.5%) as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Profit before tax (including loss from a discontinued operation)	93,391	44,291
Tax at the statutory tax rate of 16.5% (2007: 17.5%)	15,409	7,751
Income not subject to tax	(417)	(268)
Expenses not deductible for tax	655	1,388
Tax losses not recognised	306	3,041
Tax losses utilised from previous periods	(50)	(206)
Under-provision in prior year	53	–
Profits attributable to a jointly-controlled entity	(14,554)	(11,312)
Effect of different tax rates of subsidiaries operating in other jurisdictions	626	(394)
Others	880	–
Tax charge at the Group's effective rate	2,908	–
Represented by:		
Tax charge attributable to a discontinued operation *(note 13)*	–	–
Tax charge attributable to continuing operations reported in the consolidated income statement	2,908	–
	2,908	–

13. DISCONTINUED OPERATION

On 31 December 2008, the Board of Directors of the Company and the minority shareholders of Beijing Urban Construction Hudson Decoration Engineering Co., Ltd. ("Beijing Urban Construction") consented to terminate all operations of this subsidiary since there was no operating activities upon the expiry of its PRC business licence on 21 April 2008. Beijing Urban Construction engaged in construction contract works as a main contractor or subcontractor, primarily in respect of design, decoration, electrical and mechanical works. An analysis of the results of the discontinued operation is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Revenue	–	402
Other income	595	53
Expenses	(2,184)	(3,616)
Loss before tax from the discontinued operation	(1,589)	(3,161)
Tax	–	–
Loss for the year from the discontinued operation	(1,589)	(3,161)

The net cash flows attributable to the discontinued operation are as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Operating activities	(278)	(98)
Investing activities	(4)	(6)
Financing activities	–	(6)
Net cash outflow	(282)	(110)
Loss per share:		
Basic and diluted, from a discontinued operation	(0.38) cents	(0.75) cents

The calculation of basic and diluted loss per share from a discontinued operation is based on the loss attributable to equity holders of the Company from the discontinued operation of approximately HK$1,589,000 (2007: HK$3,161,000) and the weighted average number of ordinary shares in issue during the year of 421,934,200 (2007: 421,934,200) shares.

The Company had no diluting events existed during the years ended 31 December 2008 and 2007.

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14. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2008 includes a profit of approximately HK$2,982,000 (2007: loss of approximately HK$11,412,000) which has been dealt with in the financial statements of the Company.

15. 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 year attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

The Company had no diluting events existed during the years ended 31 December 2008 and 2007.

The calculations of basic and diluted earnings per share are based on:

	Group	
	2008 HK$'000	2007 HK$'000
Earnings		
Profit/(loss) attributable to equity holders of the Company, used in the basic and diluted earnings per share calculation:		
From continuing operations	92,072	47,452
From a discontinued operation	(1,589)	(3,161)
Profit attributable to equity holders of the Company	90,483	44,291

	Number of shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	421,934,200	421,934,200

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2008					
At 31 December 2007 and 1 January 2008					
Cost	2,032	504	1,075	896	4,507
Accumulated depreciation	(183)	(401)	(881)	(796)	(2,261)
Net carrying amount	1,849	103	194	100	2,246
At 1 January 2008, net of accumulated depreciation	1,849	103	194	100	2,246
Additions	–	–	59	570	629
Disposals	–	–	(3)	–	(3)
Depreciation provided for the year	(95)	(32)	(80)	(44)	(251)
Exchange realignment	88	5	6	7	106
At 31 December 2008, net of accumulated depreciation	1,842	76	176	633	2,727
At 31 December 2008					
Cost	2,129	528	1,153	1,512	5,322
Accumulated depreciation	(287)	(452)	(977)	(879)	(2,595)
Net carrying amount	1,842	76	176	633	2,727
31 December 2007					
At 1 January 2007					
Cost	1,888	458	1,008	832	4,186
Accumulated depreciation	(85)	(333)	(801)	(687)	(1,906)
Net carrying amount	1,803	125	207	145	2,280
At 1 January 2007, net of accumulated depreciation	1,803	125	207	145	2,280
Additions	–	–	65	–	65
Disposals	–	–	(12)	–	(12)
Depreciation provided for the year	(87)	(30)	(77)	(53)	(247)
Exchange realignment	133	8	11	8	160
At 31 December 2007, net of accumulated depreciation	1,849	103	194	100	2,246
At 31 December 2007					
Cost	2,032	504	1,075	896	4,507
Accumulated depreciation	(183)	(401)	(881)	(796)	(2,261)
Net carrying amount	1,849	103	194	100	2,246

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008
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16. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Office equipment HK$'000
31 December 2008	
At 31 December 2007 and 1 January 2008	
Cost	83
Accumulated depreciation	(39)
Net carrying amount	44
At 1 January 2008, net of accumulated depreciation	44
Additions	1
Depreciation provided for the year	(18)
At 31 December 2008, net of accumulated depreciation	27
At 31 December 2008	
Cost	84
Accumulated depreciation	(57)
Net carrying amount	27
31 December 2007	
At 1 January 2007	
Cost	55
Accumulated depreciation	(26)
Net carrying amount	29
At 1 January 2007, net of accumulated depreciation	29
Additions	28
Depreciation provided for the year	(13)
At 31 December 2007, net of accumulated depreciation	44
At 31 December 2007	
Cost	83
Accumulated depreciation	(39)
Net carrying amount	44

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17. INVESTMENT PROPERTIES

	Group	
	2008 HK$'000	2007 HK$'000
Carrying amount at 1 January	–	–
Transfer from properties held for sale	16,986	–
Carrying amount at 31 December	16,986	–

The investment properties are held under a medium term lease and are situated in PRC.

During the year ended 31 December 2008, the properties held for sale of the Group were reclassified as investment properties. For the transfer from properties held for sale to investment properties, the difference between the fair value of the properties at the date of transfer and its carrying amount, amounting to approximately HK$3,524,000, is recognised in the consolidated income statement for the year ended 31 December 2008. The investment properties were revalued on 31 December 2008 by RHL Appraisal Limited, independent professional qualified valuer, at approximately HK$16,986,000 (equivalent to RMB15,100,000), on an open market value basis by direct comparison method.

At 31 December 2008, the Group's investment properties were pledged to secure loan facilities granted to the Company *(note 32)*.

Further particulars of the Group's investment properties are included on page 81.

18. PREPAID LAND LEASE PAYMENTS

	Group	
	2008 HK$'000	2007 HK$'000
Carrying amount at 1 January	578	564
Recognised during the year	(31)	(28)
Exchange realignment	1	42
	548	578

The leasehold land is held under a medium term lease and is situated in PRC.

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19. INVESTMENTS IN SUBSIDIARIES

	Company 2008 HK$'000	Company 2007 HK$'000
Unlisted shares, at cost	182,079	182,079
Impairment for unlisted shares	(182,079)	(182,079)
	–	–

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Huaxia Group Limited	British Virgin Islands/ Hong Kong	US$50,000	100	Investment holding
Indirectly held				
Beijing Urban Construction Hudson Decoration Engineering Co., Ltd. *(Note (i))*	PRC	RMB8,000,000	51	Inactive
Huaxia Construction Limited	Hong Kong	HK$13,000,000	100	Investment holding
Huaxia Development Worldwide Limited	Hong Kong	HK$100	100	Investment holding
Hudson Development (H.K.) Limited ("HDHK")	Hong Kong	HK$10 ordinary shares; HK$1,000,000 non-voting deferred shares *(Note (ii))*	100	Investment holding

(Expressed in Hong Kong dollars)

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Huaxia Finance Company Limited	Hong Kong	HK$30,000,000	100	Provision of financial services
Hudson International Hong Kong Limited	Hong Kong	HK$2	100	Investment holding
Huaxia Investment Worldwide Limited	Hong Kong	HK$100	100	Investment holding
International Management Company Limited ("IMC")	Hong Kong	HK$1,500,000	100	Investment holding
Ever Park Development Limited ("EPD") *(Note (iii))*	Hong Kong	HK$2	100	Property investment
Wuhan Huaxin Management Limited ("WHM") *(Note (i))*	PRC	RMB3,000,000	51	Property management

Notes:

(i) The subsidiaries are registered as contractual joint ventures under the PRC law. The PRC business licence of Beijing Urban Construction Hudson Decoration Engineering Co., Ltd. has expired on 21 April 2008.

(ii) The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of HDHK by virtue or in respect of their holdings of such non-voting deferred shares, except at a general meeting convened for any resolution varying or abrogating any of the rights or privileges of the said non-voting deferred shares, or when the resolution to be submitted at a general meeting directly affects the rights and privileges of such holders, or is for the purpose of reducing share capital. The holders of the non-voting deferred shares are not entitled to any dividends of HDHK unless the profit available for distribution for the financial year exceeds HK$100,000,000,000,000 and are not entitled to any participation in the profits or assets of HDHK. On a winding-up, the holders of the non-voting deferred shares are entitled, out of the surplus assets of HDHK, to a return of the capital paid-up on the non-voting deferred shares held by them after a total sum of HK$500,000,000,000,000 has been distributed in such winding-up in respect of the ordinary shares of HDHK.

(iii) At 31 December 2008, the entire issued share capital and the assets of EPD were pledged for a loan of HK$23,000,000 granted to the Company *(note 32)*.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO THE FINANCIAL STATEMENTS

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20. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2008 HK$'000	2007 HK$'000
Share of net assets	219,610	131,405
Loan from a jointly-controlled entity	69,851	66,657

Particulars of the Group's jointly-controlled entity at 31 December 2008 are as follows:

Name	Particulars of registered capital	Place of registration and operations	Percentage of ownership interest and profit sharing attributable to the Group	Principal activities
Wuhan Plaza Management Co., Ltd. ("WPM")	Registered capital of US$10,290,000	PRC	49	Operation and management of a department store

WPM is an equity joint venture company established by IMC, an indirectly held subsidiary of the Company, and Wuhan Department Store Group Co., Ltd (the "PRC Partner") for a period of 20 years commencing from 29 December 1993. The registered capital of WPM amounted to US$21,000,000.

The amount due from a jointly-controlled entity at 31 December 2008 of approximately HK$4,412,000 (2007: HK$2,507,000) is unsecured, interest-free and has no fixed terms of repayment.

Pursuant to a debt settlement agreement on 13 February 2003, the loan from WPM was restructured into a term loan at an interest rate equivalent to that of a one-year term loan quoted by the People's Bank of China, and is repayable over five years through dividend distributions by WPM for the period up to December 2007. The loan is denominated in RMB. A resolution was passed by the board of directors of WPM on 23 May 2006 to exempt the interest for the years ended 31 December 2007 and 2008.

Subsequent to the balance sheet date, WPM declared dividends of approximately RMB325,436,000 (equivalent to approximately HK$369,689,000) in aggregate to the equity holders of the jointly-controlled entity in accordance with their profit sharing ratio. The Group is entitled to its share of the dividends declared by WPM amounting to approximately HK$181,148,000. Up to the date of approval of these financial statements, the Group received dividends of a total of approximately HK$87,214,000 of which the Group fully settled the loan from WPM in February 2009.

20. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY (continued)

The following table illustrates the summarised financial information of the Group's jointly-controlled entity based on its unaudited management accounts:

	Group	
	2008 HK$'000	2007 HK$'000
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	411,227	426,329
Non-current assets	2,299	2,674
Current liabilities	(193,916)	(297,598)
	219,610	131,405
Share of the jointly-controlled entity's results:		
Income	971,430	822,229
Expenses	(883,225)	(757,590)
	88,205	64,639

21. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2008 HK$'000	2007 HK$'000
Unlisted equity investment, at cost	31,642	31,642
Impairment	(31,642)	(31,642)
	–	–

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 PRC business licence of Wuhan Huaxin Real-Estate Development Co., Ltd ("WHRED") has expired on 4 September 2007.

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 THE FINANCIAL STATEMENTS

For the year ended 31 December 2008
(Expressed in Hong Kong dollars)

22. PROPERTIES HELD FOR SALE

The Group's properties held for sale at 31 December 2007 were held under medium term leases in PRC.

23. ACCOUNTS RECEIVABLE

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Accounts receivable	15,786	18,477	–	3,000
Impairment	(15,041)	(14,269)	–	–
	745	4,208	–	3,000

Included in the Group's accounts receivable at 31 December 2007 was an amount due from a related company, Wuhan Junefield Sogo Department Store ("Wuhan Sogo"), of HK$3,000,000, which was 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. Details of this related party transaction are set out in note 39 to the financial statements.

Other accounts receivable are due immediately from the date of billing. Payment in advance is normally required for the provision of property management services. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management to minimise credit risk. Accounts receivable are non-interest-bearing and denominated in RMB.

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

	Group	
	2008 HK$'000	2007 HK$'000
Within 1 month	22	1,550
1 to 3 months	278	2,206
Over 3 months	15,486	14,721
	15,786	18,477
Impairment	(15,041)	(14,269)
	745	4,208

23. ACCOUNTS RECEIVABLE (continued)

The movements in provision for impairment of accounts receivable are as follows:

	Group	
	2008 HK$'000	2007 HK$'000
At 1 January	14,269	13,021
Impairment losses recognised *(note 8)*	625	298
Impairment losses reversed	(537)	(51)
Exchange realignment	684	1,001
	15,041	14,269

The above provision for impairment of accounts receivable represents provision for individually impaired accounts receivable of approximately HK$15,041,000 (2007: HK$14,269,000). The individually impaired accounts receivable mainly relate to customers that were in financial difficulties. It was assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the accounts receivable that are not considered to be impaired is as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Less than 1 month past due	22	1,550
1 to 3 months past due	278	1,690
Over 3 months past due	445	968
	745	4,208

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Prepayments, deposits and other receivables	2,462	2,431	173	303
Impairment	(1,757)	(1,074)	–	–
	705	1,357	173	303

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	Group	
	2008 HK$'000	2007 HK$'000
At 1 January	1,074	1,544
Impairment losses recognised *(note 8)*	659	326
Amount written off as uncollectible	–	(796)
Exchange realignment	24	–
	1,757	1,074

An impairment loss is made on deposits and other receivables based on a review of all outstanding amounts on regular basis when collection of the amounts is in doubt. Bad debts are written off when identified. The Group does not hold any collateral or other credit enhancements over these balances.

The financial assets included in the above net carrying amount relate to receivables that were neither past due nor impaired.

25. AMOUNT DUE FROM A JOINT VENTURER

	Group	
	2008 HK$'000	2007 HK$'000
Amount due from a joint venturer	1,812	1,465
Impairment	(1,735)	(1,465)
	77	–

The amount due from a joint venturer is unsecured, interest-free and has no fixed terms of repayment. An impairment loss of approximately HK$270,000 (2007: HK$509,000) is made on the amount due from a joint venturer based on a review of all outstanding amounts on regular basis when collection of the amount is in doubt.

26. AMOUNT DUE FROM A RELATED COMPANY

Name of company	Name of director having interests	Highest balance outstanding during the year	Group	
			2008	2007
		HK$'000	HK$'000	HK$'000
Beijing Junefield Real Estate Development Co., Ltd. ("Beijing Junefield")	Mr. Zhou Chu Jian He	1,269	941	–

The amount due is unsecured, interest-free and has no fixed terms of repayment.

27. AMOUNT DUE FROM A SUBSIDIARY'S MINORITY SHAREHOLDER/AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY/AMOUNT DUE TO A RELATED COMPANY

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

28. HELD-TO-MATURITY INVESTMENTS

	Group	
	2008	2007
	HK$'000	HK$'000
Debt securities	1,687	–
Analysed for reporting purposes as:		
Current assets	1,687	–

The debt securities are unlisted and denominated in RMB, and will mature on 17 April 2009.

29. TIME DEPOSITS AND CASH AND BANK BALANCES

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Time deposits	2,289	2,791	–	–
Cash and bank balances	3,375	3,815	239	1,111
	5,664	6,606	239	1,111

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008
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29. TIME DEPOSITS AND CASH AND BANK BALANCES (continued)

At 31 December 2008, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$5,423,000 (2007: HK$5,491,000). The remittance of these funds out of PRC is subject to the exchange control restrictions imposed by the PRC government.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of approximately nine months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

30. ACCOUNTS PAYABLE

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

	Group	
	2008 HK$'000	2007 HK$'000
Over 3 months	13,361	12,945

The accounts payable are non-interest-bearing and are denominated in RMB.

31. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Accruals	8,822	7,311	4,640	1,319
Business tax payable	5,534	5,440	–	–
Deposits received and deferred income	5,913	5,248	–	–
Other payables	8,240	6,988	357	3,155
	28,509	24,987	4,997	4,474

Other payables are non-interest-bearing.

32. INTEREST-BEARING BORROWINGS

	Group and Company			
	2008		2007	
	Maturity	HK$'000	Maturity	HK$'000
Current				
Other loans				
– secured *(Note (i))*	February 2009	23,000	February 2008	25,000
– unsecured *(Note (ii))*	On demand	5,625	On demand	5,367
Amounts repayable within one year or on demand		28,625		30,367

Notes:

(i) At 31 December 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 EPD, a subsidiary of the Company;

(c) a debenture incorporating a first floating charge over the undertaking, investment properties *(note 17)* 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 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.

During the year, the Company repaid Ranbridge Finance Limited (the "Lender") a sum of HK$2,000,000. On 4 November 2008, the Company entered into an eleventh supplemental loan agreement with, inter alia, the Lender and extended the repayment date of the loan of HK$23,000,000 to 23 February 2009. The loan agreement (as supplemented) provides that the Company shall procure PCI 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 shares in the Company owned by PCI have been deposited into the Account and the Lender is authorised 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. Subsequent to the balance sheet date, the Company repaid the Lender a sum of HK$3,000,000 on 24 February 2009. The Company has obtained a letter from the Lender on 20 February 2009 to extend the repayment date of the loan of HK$20,000,000 to 21 August 2009. The Company will enter into supplemental loan agreement with the Lender subject to terms and conditions mutually acceptable to both parties.

(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 THE FINANCIAL STATEMENTS

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33. DEFERRED TAX

The movements in deferred tax liabilities in respect of revaluation of properties during the year are as follows:

	Group	
	2008 HK$'000	2007 HK$'000
At 1 January	7,813	7,813
Deferred tax charged to the income statement during the year *(note 12)*	1,762	–
At 31 December	9,575	7,813

The Group has tax losses arising in Hong Kong of approximately HK$8,120,000 (2007: HK$19,644,000) and in PRC of HK$Nil (2007: approximately HK$2,288,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

34. ISSUED CAPITAL

	Group and Company	
	2008 HK$'000	2007 HK$'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 (2007: 421,934,200) ordinary shares of HK$0.10 each	42,193	42,193

Share options

Details of the Company's share option scheme are included in note 36 to the financial statements.

35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 28.

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation on 10 November 1999 (the "Reorganisation"), over the nominal value of the Company's shares issued in exchange therefor.

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2007	42,424	178,927	(339,786)	(118,435)
Loss for the year	–	–	(11,412)	(11,412)
At 31 December 2007 and 1 January 2008	42,424	178,927	(351,198)	(129,847)
Profit for the year	–	–	2,982	2,982
At 31 December 2008	42,424	178,927	(348,216)	(126,865)

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

36. SHARE OPTION SCHEME

No share option was granted, forfeited, exercised or expired during the years ended 31 December 2007 and 2008.

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.

NOTES TO THE FINANCIAL STATEMENTS

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36. SHARE OPTION SCHEME (continued)

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.

The total number of shares issuable pursuant to the Scheme as at the date of the annual report will be 42,193,420, representing 10% of the total number of shares in issue at the date of approval of the Scheme.

Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 December 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Within one year	267	305
In the second to fifth years, inclusive	54	194
	321	499

37. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

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

At 31 December 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2008 HK$'000	2007 HK$'000
Within one year	–	4

38. LITIGATIONS

(a) 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 WHRED 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$1,237,000. As WHRED was classified as an available-for-sale investment, and the Group has not provided any financial guarantee to WHRED, the directors of the Company do not expect the above claims to have any impact on the Group.

(b) 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 RMB19,000,000. Currently, the litigation is still in progress and no conclusion has been drawn on the litigation. Based on the legal opinion from 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.

NOTES TO THE FINANCIAL STATEMENTS

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39. RELATED PARTY TRANSACTIONS

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

(a) Significant transactions with related parties

		Group	
	Note	2008 HK$'000	2007 HK$'000
Property management fee received	*(i)*	2,836	2,708
Brand sourcing consultancy and property management consultancy services	*(ii)*	18,000	4,500
Contract revenue of construction contracts	*(iii)*	–	402

Notes:

(i) The Group provided WPM, a jointly-controlled entity of the Group, with property management services, for which a property management fee of approximately HK$2,836,000 (2007: HK$2,708,000) was charged.

(ii) On 31 August 2007, the Group entered into a service agreement with Wuhan Sogo, a collective enterprise established under the laws of the PRC, whereby the Group provided brand sourcing consultancy and property management consultancy services to Wuhan Sogo for a term of two years at a monthly services fee of HK$1,500,000 commenced from 1 October 2007. Mr. Zhou Chu Jian He, the Chairman, an executive director and the controlling shareholder of the Company, has a control over the operations and financial activities of Wuhan Sogo. The balance due from Wuhan Sogo at 31 December 2008 was HK$Nil (2007: HK$3,000,000).

(iii) During the year ended 31 December 2007, the Group provided Beijing Junefield, a related company of the Group, with construction services, for which a construction contract revenue of approximately HK$402,000 was charged.

(b) Compensation of key management personnel of the Group

	Group	
	2008 HK$'000	2007 HK$'000
Short-term employee benefits	1,308	1,394

Further details of directors' emoluments are included in note 10 to the financial statements.

PARTICULARS OF INVESTMENT PROPERTIES

Location	Gross floor area	Category of the lease	Use
Units 708, 728, 731, 732, 734, 735, 1132, 1510 and 1516 of Junefield Plaza Office Tower I, No. 6 Xuan Wu Men Wai Da Jie, Beijing, PRC.	Approximately 851.59 sq.m.	Land use rights for 50 years from 22 March 1994	Commercial

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000 (as restated)
REVENUE	32,095	15,078	27,578	36,205	44,168
Operating profit/(loss) (including finance costs)	6,775	(17,187)	(18,994)	(43,749)	(20,980)
Share of profits of a jointly-controlled entity	88,205	64,639	26,731	44,626	25,063
Profit/(loss) before tax	94,980	47,452	7,737	877	4,083
Tax	(2,908)	–	8	(119)	(8,688)
Profit/(loss) for the year from continuing operations	92,072	47,452	7,745	758	(4,605)
Loss for the year from a discontinued operation	(1,589)	(3,161)	–	–	–
Profit/(loss) for the year	90,483	44,291	7,745	758	(4,605)
Attributable to:					
Equity holders of the Company	90,483	44,291	7,745	2,873	(3,119)
Minority interests	–	–	–	(2,115)	(1,486)
	90,483	44,291	7,745	758	(4,605)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	At 31 December				
	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000	2004 HK$'000 (as restated)
Property, plant and equipment	2,727	2,246	2,280	603	487
Prepaid land lease payment	548	578	564	–	–
Investment properties	16,986	–	–	14,010	38,679
Investment in jointly-controlled entities and associates	219,610	131,405	66,766	84,366	55,131
Net current liabilities	(139,389)	(125,159)	(41,765)	(45,037)	(29,551)
Non-current liabilities	(9,575)	(7,813)	(69,763)	(103,073)	(114,635)
Minority interests	–	–	–	–	(2,115)
Equity attributable to equity holders of the Company	90,907	1,257	(41,918)	(49,131)	(52,004)