TIMES Ltd.

時代零售集團有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1832

Interim Report 2008

* For identification purpose only

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Times Ltd. ("Times" or the "Company"), it is my pleasure to present to our shareholders the results of Times and its subsidiaries (together, the "Group") for the six months ended 30 June 2008.

Following the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in July 2007 (the "IPO"), the Group has continued to expand our retail network and opened four new hypermarkets in the first half of 2008. As at 30 June 2008, we have 45 hypermarkets and 17 supermarkets with a total gross floor area ("GFA") of approximately 725,000 square meters.

Driven by the expansion of our retail network, our unique positioning in affluent Eastern China region, flexible business model and the continuous favorable economic backdrop in The People's Republic of China (the "PRC"), the revenue and profit of the Group both recorded substantial growth in the first half of 2008, compared with the same period of 2007.

FINANCIAL PERFORMANCE

The revenue of the Group for the first half of 2008 grew to approximately RMB2,088.4 million from approximately RMB1,661.6 million recorded for the same period of 2007, representing a 25.7% year-on-year increase. Such strong growth is mainly attributable to the expansion of our retail network as well as the sustainable same-store-sales growth.

During the period under review, the net profit of the Group has also shown a substantial growth. The net profit attributable to shareholders of the Company for the first half of 2008 was RMB89.3 million, representing an increase of 106.9% over the same period in 2007. Even after adjusting for the effect of the non-recurring expenses of RMB21.6 million incurred for the IPO in the first half of 2007, the net profit still showed an impressive 37.8% growth. The increase mainly resulted from the increase in revenue and gross profit as well as the effective control of operating costs.

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2008 (first half of 2007: Nil).

INFLATION

Facing continuous inflationary environment in the PRC, we managed to maintain our gross profit margin.

EARTHQUAKE

The Sichuan Wenchuan earthquake that took place on 12 May 2008 has caused no significant adverse effect on our operation due to the geographical remoteness from Sichuan Wenchuan to cities where our retail outlets are located. With immense sympathy the Group made a donation of RMB1 million for the relief of those affected.

ENFORCEMENT OF NEW LABOR CONTRACT LAW

The enforcement of the PRC Labor Contract Law (pronounced on 29 June 2007) as of 1 January 2008 gives rise to significant staff cost pressure to enterprises operating in the PRC, especially those involving labor-intensive undertakings. The Group has made every effort to optimize the deployment of staff, and successfully kept staff cost under control. The number of staff increased from 10,451 as at 30 June 2007 to only 10,509 as at 30 June 2008, while the number of our retail outlets for the same period increased from 55 to 62. As a result of our effort, staff costs as a percentage of revenue notably decreased from 5.6% for the first half of 2007 to 5.1% for the period under review.

FUTURE

The Group remains very positive on the outlook of its business into the second half of 2008. Despite the global economic uncertainties that are expected to last for a while, we believe that the strong economic growth in the PRC driven by domestic consumption demand and disposable income growth will continue to provide a positive retail environment.

Riding on the positive retail environment, the Group will stay on-course with organic expansion plan by extending our hypermarket network and actively seeking accretive acquisition opportunities to enhance our market share and to sustain our long-term growth objective.

Looking ahead, though the competition within hypermarket intensifies, we are confident that with the Group's solid market positioning, focusing on second and third tier cities, efficient business model and dynamic expansion plan, Times will continue to deliver outstanding value to its shareholders.

Finally on behalf of the Board, I would like to express our gratitude to our staff for their dedication and to our shareholders and business partners for their support.

Fang Hung, Kenneth
Chairman

Hong Kong, 8 September 2008

Management Discussion And Analysis

BUSINESS ENVIRONMENT

Economic growth in the PRC remained fast during the first half of 2008, logging a 10.4% increase in gross domestic products ("GDP") year-on-year. As a result of the GDP growth, consumption power increased continuously. The disposable income per capita of urban citizens and the total retail sales of consumer goods for the first half of 2008 recorded an year-on-year increase of 14.4% and 21.4% respectively. The Eastern China region where the Group operates is one of the most affluent and fastest-growing regions in the PRC. The management believes that the positive business environment provides great opportunity for the Group to further expand its business.

REVIEW OF OPERATIONS

In the first half of 2008, 4 hypermarkets occupying a total gross floor area ("GFA") of approximately 59,000 square meters were opened. As at 30 June 2008, the Group operated 62 stores including 45 hypermarkets and 17 supermarkets occupying a total GFA of approximately 725,000 square meters. This compares with 55 stores including 36 hypermarkets and 19 supermarkets occupying a total GFA of approximately 595,000 square meters as at 30 June 2007. The decrease in the number of supermarkets was due to the closure of 2 supermarkets. Such action is consistent with the Group's strategy of focusing on hypermarkets.

The first and second phases of construction of our distribution centre with total area of approximately 26,000 square meters were initially completed and are in operation now. At present, the distribution centre is just handling the delivery of merchandise to our supermarkets and will start to handle the delivery of merchandise to hypermarkets in the second half of next year.

REVIEW OF RESULTS

Revenue of the Group comprises primarily proceeds from merchandise sales and commissions from concessionaire sales. For the first half of 2008, the Group's unaudited consolidated revenue amounted to approximately RMB2,088.4 million, increased by 25.7% from approximately RMB1,661.6 million recorded for the corresponding period of 2007. The growth in revenue was mainly attributable to the increased number of stores and the overall growth in same store sales. For stores in full operation throughout the first half of 2007 and the first half of 2008, the average year-on-year same store sales growth was about 11.6%. For the six months ended 30 June 2008, total revenue attributable to hypermarkets increased to approximately RMB1,880.4 million from approximately RMB1,431.3 million for the same period of 2007 and that to supermarkets decreased to approximately RMB208.0 million from RMB230.3 million for the same period of 2007, mainly due to the closure of two supermarkets.

The Group recorded a gross profit of approximately RMB351.0 million for the six months ended 30 June 2008. This represents an increase of 25.4% over the gross profit of RMB279.9 million for the same period of 2007. Gross profit as a percentage of revenue for the first half of 2008 remained rather stable at 16.8% (first half of 2007: 16.8%).

Other income increased slightly by 7.7% to approximately RMB151.2 million in the period under review from approximately RMB140.4 million in the first half of 2007. Excluding the net exchange gain of approximately RMB11.2 million recorded in the first half of 2007 (first half of 2008: net exchange loss of RMB2.5 million), other income increased by 17.0%. The net exchange gain for the first half of 2007 was mainly attributable to the gain on translation of borrowings denominated in foreign currency which were fully settled in 2007. Increase in other income was mainly due to the 36.4% increase in rental income from leasing of shop premises in the first half of 2008 to approximately RMB68.5 million from approximately RMB50.2 million in the same period of 2007, reflecting the success of our business model of integrating "Shopping Street" in our hypermarkets and supermarkets. Rental income for the first half of 2008 covered 82.0% (first half of 2007: 73.8%) of the total operating lease rental expense of approximately RMB83.5 million.

The aggregate of selling and distribution costs plus administrative expenses was approximately RMB374.3 million for the first half of 2008. Such expenses as percentage of revenue was 17.9%, comparing favorably with that of 18.9% for the same period of 2007. This improvement was due to i) our effective cost control; and ii) relatively low rate of increase in operating lease rental due to the increase in self-owned operating properties.

As a result of debt reduction after the IPO, the finance costs of the Group decreased from approximately RMB12.0 million in the first half of 2007 to approximately RMB0.9 million in the first half of 2008.

Net profit attributable to the shareholders of the Company for the six months ended 30 June 2008 increased by 106.9% to approximately RMB89.3 million from approximately RMB43.2 million for the corresponding period in 2007. Net profit margin increased to 4.3% for the six months ended 30 June 2008 from 2.6% for the corresponding period in 2007. Even after adjusting for the effect of the non-recurring expenses of RMB21.6 million incurred for the IPO in the first half of 2007, the net profit still showed an impressive 37.8% growth. This is reflective of the Group's improving operational efficiency.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2008 (first half of 2007: Nil).

CAPITAL EXPENDITURE

During the six months ended 30 June 2008, the Group spent approximately RMB82.9 million on additions to property, plant and equipment and also paid RMB198.7 million deposits for acquisition of property, plant and equipment and leasehold land for 5 stores in order to expand its retail network in the PRC. Such investments were financed by internal resources and the proceeds from IPO.

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations through internally generated cash flows and external financing including bank borrowings.

As at 30 June 2008, the Group had banking facilities amounting to RMB206.0 million of which approximately RMB55.0 million were utilized. Bank borrowings were all denominated in Renminbi, repayable within one year and carried interest at market rate of approximately 7.4%. The gearing ratio of the Group, calculated as a ratio of bank borrowings to total equity, was approximately 4.5% as at 30 June 2008 (31 December 2007: 2.6%). In July 2008, the Group has further raised bank borrowings approximately RMB91 million to finance its operations.

As at 30 June 2008, the Group had net current liabilities of approximately RMB78.8 million (31 December 2007: net current assets of RMB118.7 million). Current ratio as at 30 June 2008 was approximately 0.93 (31 December 2007: 1.10). The Group monitors the liquidity risk carefully by considering cash flows from operations and available banking facilities. Net current liabilities position reflects effective management of working capital as the Group took advantage of longer suppliers' credit terms so that the requirement of working capital has been substantially reduced. As at 30 June 2008, the Group had bank balances and cash, mainly denominated in Renminbi, amounting to approximately RMB220.3 million (31 December 2007: RMB521.6 million).

Most of the Group's assets, liabilities and transactions are denominated in Renminbi. Foreign exchange risk arising from the normal course of operations is considered to be minimal.

CHARGES OF ASSETS

As at 30 June 2008, the Group pledged bank deposits of approximately RMB12.2 million as the security to the banking facilities granted. Except for the above, there were no significant charges or pledges on the Group's assets.

CONTINGENT LIABILITIES

As at 30 June 2008, the Group did not have any significant contingent liabilities.

FUTURE PLAN

The Group will continue to focus its business in the affluent and fast-growing Eastern China region of the PRC and accord with the organic expansion plan. In the first half of 2008, 4 hypermarkets occupying a total GFA of approximately 59,000 square meters were opened. The Group has also further confirmed sites for opening 17 additional hypermarkets, of which 6 will be opened in the second half of 2008. We are also actively seeking conductible opportunities of acquiring properties for use as our shop premises and seeking accretive acquisition opportunities to enhance our market share and to sustain our long-term growth objective if it is in the best interest of the Group and its shareholders as a whole.

EMPLOYMENT AND REMUNERATION POLICY

At 30 June 2008, the Group had 10,509 employees. The remuneration package for the Group's employees is structured by reference to market and industry practice. Discretionary bonuses and other performance rewards are based on the performance of individual employees. In addition, the Company has adopted a share option scheme under which our staff may be granted options entitling them to subscribe for shares in the Company. In reviewing salary remuneration packages in the future, share options may be granted to certain members of the management team.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the period.

INTERESTS OF DIRECTORS

As at 30 June 2008, the interests and short positions of the directors and chief executives of the Company in the share capital, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long position in ordinary shares of HK$0.01 each in the Company ("Shares")

Name of Director	Capacity	Number of Shares	Approximate Percentage of Shareholding (%)
Fang Hung, Kenneth ("Mr Kenneth Fang")	Corporate interest	631,800,000 *(Note)*	72.29
Ting Woo Shou, Kenneth	Personal interest	1,260,000	0.14

Note: These shares were held by CS International Investment Limited ("CS International"), a company incorporated in the British Virgin Islands ("BVI") and is owned as to 51% by Loyson Pacific Limited ("Loyson Pacific") and 49% by Lenstar Global Limited ("Lenstar Global"). Loyson Pacific is a company incorporated in the BVI and is beneficially owned as to 45% by Mr Kenneth Fang, 45% by Fang Chiu, Laurence ("Mr Laurence Fang") and 10% by Fang Kang, Vincent ("Mr Vincent Fang"). Mr Kenneth Fang, Mr Laurence Fang and Mr Vincent Fang are brothers who collectively control Loyson Pacific. Lenstar Global is a company incorporated in the BVI and is entirely and beneficially owned by Mr Kenneth Fang.

Save as disclosed above, as at 30 June 2008, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2008, the following persons (not being a director or a chief executive of the Company) have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Long position in Shares

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Shareholding (%)
Mr Laurence Fang(i)	Corporate interest	631,800,000	72.29
Mr Vincent Fang(i)	Corporate interest	631,800,000	72.29
Loyson Pacific(i)	Corporate interest	631,800,000	72.29
Lenstar Global(ii)	Corporate interest	631,800,000	72.29
CS International(iii)	Beneficially owned	631,800,000	72.29
Newton Investment Management Ltd(iv)	Investment manager	53,354,622	6.10
Commonwealth Bank of Australia(v)	Corporate interest	44,131,000	5.05

Notes:

(i) Loyson Pacific is a company incorporated in the BVI and is beneficially owned as to 45% by Mr Kenneth Fang, 45% by Mr Laurence Fang and 10% by Mr Vincent Fang. Mr Kenneth Fang, Mr Laurence Fang and Mr Vincent Fang are brothers who collectively control Loyson Pacific.

(ii) Lenstar Global is a company incorporated in the BVI and is entirely and beneficially owned by Mr Kenneth Fang.

(iii) CS International is a company incorporated in the BVI and is owned as to 51% by Loyson Pacific and 49% by Lenstar Global.

(iv) These shares were held by Newton Investment Management Ltd as investment manager.

(v) According to the information disclosed to the Company under Part XV of the SFO, these shares were held by corporations controlled directly and indirectly as to 100% by Commonwealth Bank of Australia.

Save as disclosed above, the register required to be kept under section 336 of the SFO shows that as at 30 June 2008, the Company had not been notified of any other person who had an interest or short position in the shares and underlying shares of the Company.

REVIEW OF INTERIM REPORT

The Audit Committee has reviewed the Group's interim report for the six months ended 30 June 2008. The Audit Committee comprises all of the three independent non-executive directors, namely Mr Chan Wing Kee, Mr Ting Woo Shou, Kenneth and Mr Lau Yuen Sun, Adrian. The interim financial information has also been reviewed by Deloitte Touche Tohmatsu, independent auditor of the Company.

CORPORATE GOVERNANCE

Compliance with Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2008.

Compliance with Model Code

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors of the Company, all directors have confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the six months ended 30 June 2008.

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF TIMES LTD.

(時代零售集團有限公司)
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 14 to 34, which comprises the condensed consolidated balance sheet of Times Ltd. and its subsidiaries ("Group") as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8 September 2008

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

	NOTES	Six months ended 30.6.2008 RMB'000 (unaudited)	30.6.2007 RMB'000 (audited)
Revenue	3	**2,088,394**	1,661,645
Cost of sales		**(1,737,413)**	(1,381,763)
Gross profit		**350,981**	279,882
Other income	5	**151,186**	140,409
Selling and distribution costs		**(327,116)**	(274,014)
Administrative expenses		**(47,224)**	(39,694)
Other expenses	6	**—**	(21,621)
Finance costs		**(870)**	(11,997)
Profit before taxation		**126,957**	72,965
Taxation	7	**(37,658)**	(29,801)
Profit for the period	8	**89,299**	43,164
Dividends – paid	9	**26,045**	—
Earnings per share			
Basic (RMB)	10	**0.102**	0.068

Condensed Consolidated Balance Sheet

At 30 June 2008

	NOTES	30.6.2008	31.12.2007
		RMB'000	*RMB'000*
		(unaudited)	*(audited)*
Non-current assets			
Property, plant and equipment	11	**711,650**	663,769
Prepaid lease payments		**263,956**	267,724
Prepaid lease rentals		**89,649**	69,384
Deposits for acquisition of property, plant and equipment and leasehold land		**229,233**	30,484
Deferred tax assets	12	**7,996**	10,327
		1,302,484	1,041,688
Current assets			
Inventories		**537,882**	574,792
Trade and other receivables	13	**169,858**	109,260
Prepaid lease payments		**7,572**	7,572
Prepaid lease rentals		**96,529**	113,902
Pledged bank deposits		**12,169**	4,916
Bank balances and cash		**220,255**	521,592
		1,044,265	1,332,034
Current liabilities			
Trade and other payables	14	**1,051,720**	1,159,100
Tax liabilities		**16,347**	24,194
Bank borrowings	15	**55,000**	30,000
		1,123,067	1,213,294
Net current (liabilities) assets		**(78,802)**	118,740
Total assets less current liabilities		**1,223,682**	1,160,428

Condensed Consolidated Balance Sheet *Continued*

At 30 June 2008

	NOTES	**30.6.2008**	31.12.2007
		RMB'000	*RMB'000*
		(unaudited)	*(audited)*
Capital and reserves			
Share capital	16	**8,478**	8,478
Reserves		**1,215,204**	1,151,950
Total equity		**1,223,682**	1,160,428

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Attributable to equity holders of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory surplus reserve *RMB'000* *(Note a)*	Statutory public welfare fund *RMB'000* *(Note b)*	Enterprise development fund *RMB'000* *(Note b)*	Special reserve *RMB'000* *(Note c)*	Accumulated profits *RMB'000*	Total *RMB'000*
At 1 January 2007 (audited)	8	–	14,175	6,108	3,149	(25,423)	49,596	47,613
Profit for the period and total recognised income for the period	–	–	–	–	–	–	43,164	43,164
Shareholder's contribution *(note d)*	–	–	–	–	–	79,777	–	79,777
Reserve arising from corporate reorganisation *(note e)*	477	–	–	–	–	(477)	–	–
At 30 June 2007 (audited)	485	–	14,175	6,108	3,149	53,877	92,760	170,554
At 1 January 2008 (audited)	8,478	940,390	25,004	7,191	7,481	53,877	118,007	1,160,428
Profit for the period and total recognised income for the period	–	–	–	–	–	–	89,299	89,299
Dividend paid	–	–	–	–	–	–	(26,045)	(26,045)
Transfer to statutory surplus reserve	–	–	7,191	(7,191)	–	–	–	–
At 30 June 2008 (unaudited)	**8,478**	**940,390**	**32,195**	**–**	**7,481**	**53,877**	**181,261**	**1,223,682**

Notes:

(a) The Articles of Association of the subsidiaries of the Company incorporated in the People's Republic of China ("PRC") require the appropriation of 10% of its profit after taxation (prepared under the generally accepted accounting principles in the PRC) each year to the statutory surplus reserve until the balance reaches 50% of the registered share capital. According to the provisions of the Articles of Association of the PRC incorporated companies comprising the Group, in normal circumstances, the statutory surplus reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of its production and operation. Such appropriations are made on an annual basis at the end of each financial year.

(b) Pursuant to the PRC Company Law, the subsidiaries of the Company incorporated in the PRC shall make an allocation to the statutory public welfare fund and enterprise development fund from their profit after taxation (prepared under the generally accepted accounting principles in the PRC) at a rate determined by directors of the relevant subsidiaries. The enterprise development fund can be used for making good losses and capitalisation into paid-in-capital. Both the statutory public welfare fund and the enterprise development fund form part of the shareholders' equity but is non-distributable other than in liquidation. Such appropriation is made on an annual basis at the end of each financial year.

Pursuant to the changes of the relevant PRC regulations, the subsidiaries of the Company incorporated in the PRC are no longer required to appropriate their profit to the statutory public welfare fund. The balance of the statutory public welfare fund was transferred to the statutory surplus reserve during the period ended 30 June 2008.

(c) The amount represents the consideration paid by Swift Harvest Limited ("Swift Harvest") to Fang Brothers Investments Limited ("Fang Brothers") for acquiring the remaining 38% equity interest in Jiangsu Times Supermarket Co., Ltd. ("Jiangsu Times") which is already included in the consolidated financial statements. Accordingly, the consideration paid is deemed as a distribution to the controlling shareholder of the Company. The consideration paid for the acquisition of the 38% in Jiangsu Times was determined with reference to the net asset value of Jiangsu Times as at 31 December 2005 as set out in a valuation report prepared by an independent valuer and was fully settled in April 2006.

(d) Pursuant to the corporate reorganisation on 29 June 2007, the amount due to then ultimate holding company, S.C. Fang & Sons, amounted to RMB79,777,000 was assigned to a subsidiary of the Company, Times Supermarket Limited ("Times Supermarket"), satisfied by issuing one share of Time Supermarket ("Share") amounting to US$1 to the immediate holding company, CS International Investment Limited ("CS International"). Details of the above are set out in the prospectus of the Company dated 29 June 2007. As a result of this assignment, a surplus of approximately RMB79,777,000 over the norminal value of the Share was credited to the equity of the Group as a shareholder's contribution.

(e) Pursuant to the share swap agreement entered between the Company and CS International on 26 June 2007, the Company allotted and issued 49,999,999 shares to CS International and credited the nil-paid share issued on 15 March 2007 as fully paid as a consideration to acquire the entire interest in Times Supermarket from CS International. The special reserve of the Group represents the difference between the nominal value of the issued share capital of Times Supermarket and the Company in the event of share swap.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	NOTE	Six months ended 30.6.2008 RMB'000 (unaudited)	30.6.2007 RMB'000 (audited)
Increase in prepaid lease rentals		**(86,367)**	(41,432)
Other operating cash flows		**69,973**	92,346
Net cash (used in) from operating activities		**(16,394)**	50,914
Net cash used in investing activities			
Acquisition of assets	18	**—**	(113,061)
Purchases of property, plant and equipment		**(82,890)**	(38,432)
Deposits paid for acquisition of property, plant and equipment and leasehold land		**(198,749)**	(11,749)
Payments for prepaid lease		**—**	(15,439)
Proceeds from disposal of property, plant and equipment		**70**	410
Other investing cash flows		**(1,459)**	20,753
		(283,028)	(157,518)
Net cash (used in) from financing activities			
Repayment to a director		**—**	(137,995)
Repayments to related companies		**—**	(145,995)
Repayment to a fellow subsidiary		**—**	(68,497)
Dividend paid		**(26,045)**	—
New bank borrowings raised		**55,000**	741,876
Repayments of bank borrowings		**(30,000)**	(224,000)
Other financing cash flows		**(870)**	(11,600)
		(1,915)	153,789
Net (decrease) increase in cash and cash equivalents		**(301,337)**	47,185
Cash and cash equivalents at beginning of period		**521,592**	215,456
Cash and cash equivalents at end of period, represented by bank balances and cash		**220,255**	262,641

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

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

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

HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

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

2. PRINCIPAL ACCOUNTING POLICIES – Continued

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

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 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
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]

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.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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

3. REVENUE

Revenue, which is also turnover of the Group, represents the amounts received and receivable for merchandise sold by the Group to outside customers and the commissions from concessionaire sales, less sales tax during the periods. An analysis of the Group's revenue for the period is as follows:

	Six months ended	
	30.6.2008	30.6.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Sales of merchandise	**2,036,780**	1,619,179
Commissions from concessionaire sales *(Note)*	**51,614**	42,466
	2,088,394	1,661,645

Note:

The commissions from concessionaire sales are analysed below:		
Gross proceeds received from concessionaire sales	**387,427**	335,301
Commissions from concessionaire sales	**51,614**	42,466

4. SEGMENT INFORMATION

The Group is principally engaged in the operation of hypermarkets and supermarkets in the PRC. Nearly all identifiable assets of the Group are located in the PRC. Accordingly, no segmental analysis is presented.

5. OTHER INCOME

	Six months ended	
	30.6.2008	30.6.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Rental income from leasing of shop premises	**68,488**	50,199
Government subsidies *(Note)*	**2,976**	2,580
Promotion income	**71,416**	71,986
Interest income on bank deposits	**5,801**	2,032
Interest income on amount due from a related company	**—**	607
Indemnity income	**413**	348
Net exchange gain	**—**	11,189
Others	**2,092**	1,468
	151,186	140,409

Note: The amounts represent subsidies received from 南通經濟技術開發區財政局 for the purpose of encouraging the Group to expand its retailing business. There were no conditions attached to the subsidies granted to the Group.

6. OTHER EXPENSES

The amount represented professional fees and other expenses related to the listing of the Company's shares on The Stock Exchange of Hong Kong Limited. Pursuant to HKAS 32 "Financial Instruments: Presentation", the transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are directly attributable to the issuing of new shares. The remaining costs are recognised as an expense when incurred.

7. TAXATION

	Six months ended	
	30.6.2008	30.6.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
The charge comprises PRC Enterprise Income Tax:		
Current taxation	**35,327**	30,431
Deferred tax charge (credit) *(note 12)*		
Current period	**2,331**	(790)
Attributable to a change in tax rate	**—**	160
	2,331	(630)
	37,658	29,801

PRC Enterprise Income Tax is calculated at a tax rate of 25% (six months ended 30 June 2007: 33%), which is the prevailing tax rate in the PRC.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations has changed the tax rate from 33% to 25% for the Group's PRC subsidiaries effective from 1 January 2008. As at 30 June 2007, the deferred tax balance had been adjusted to reflect the tax rates that were expected to apply to the respective periods when the asset was realised.

8. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2008	30.6.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Profit for the period has been arrived at after charging:		
Auditor's remuneration	**318**	900
Depreciation of property, plant and equipment	**34,767**	29,011
Operating lease rentals in respect of rented land and premises	**83,475**	67,992
Release of prepaid lease payments	**3,768**	1,945
Loss on disposal of property, plant and equipment	**172**	245
Staff costs including directors' remuneration	**107,370**	92,774
Net exchange loss (included in administrative expenses)	**2,527**	—

9. DIVIDENDS

On 30 May 2008, a dividend of HK3.18 cents (equivalent to RMB2.98 cents) per share (six months ended 30 June 2007: nil) was paid to shareholders as the final dividend for 2007.

The directors do not recommend the payment of an interim dividend.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the consolidated profit for the period attributable to equity holders of the Company of RMB89,299,000 (2007: RMB43,164,000) and on the basis of 873,990,000 (2007: 631,800,000) shares of the Company in issue during the period.

There was no diluted earnings per share presented for both periods as there were no potential ordinary shares outstanding.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of certain plant and equipment with a carrying amount of RMB242,000 for proceeds of RMB70,000, resulting in a loss on disposal of RMB172,000.

In addition, the Group spent approximately RMB83,000,000 on additions to property, plant and equipment, for the purpose of expanding its retail networks in the PRC.

12. DEFERRED TAXATION

The followings are the major deferred tax assets recognised by the Group and movement thereon, during the period.

	Temporary difference arising from amortisation of pre-operating expenses *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2007	8,445	—	8,445
(Charge) credit to income statement for the period	(1,109)	1,899	790
Effect of change in tax rate	(160)	—	(160)
At 30 June 2007	7,176	1,899	9,075
Credit to income statement for the period	1,882	745	2,627
Effect of change in tax rate	(1,375)	—	(1,375)
At 31 December 2007	7,683	2,644	10,327
Credit (charge) to income statement for the period	313	(2,644)	(2,331)
At 30 June 2008	**7,996**	**—**	**7,996**

As at 30 June 2008 and 31 December 2007, the Group had no significant unprovided deferred taxation.

13. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 30 to 90 days for bulk purchases by corporate customers with good repayment history. The Group's retail sales to customers are mainly conducted on cash basis, including payments by cash and credit cards.

The following is an aged analysis of trade receivables at the balance sheet dates:

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
0 - 30 days	**8,221**	6,132
31 - 60 days	**294**	1,439
61 - 90 days	**134**	93
Over 90 days	**25**	—
	8,674	7,664
Prepayments, deposits and other receivables	**161,184**	101,596
	169,858	109,260

14. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and bills payables at the balance sheet dates:

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
0 - 30 days	**211,802**	343,219
31 - 60 days	**196,971**	214,752
61 - 90 days	**87,491**	73,473
Over 90 days	**92,087**	69,942
	588,351	701,386
Other payables, deposits and accrued charges	**463,369**	457,714
	1,051,720	1,159,100

Trade and other payables principally comprise amounts outstanding for trade purposes and ongoing costs. The analysis of bills payables is as follows:

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Secured by pledged bank deposit	**12,054**	4,835
Unsecured	**12,053**	4,836
	24,107	9,671

15. BANK BORROWINGS

During the period ended 30 June 2008, the Group obtained new bank loans amounting to RMB55,000,000. The loans carry interest at market rate of 7.37% per annum and are repayable within 1 year. The proceeds were used to finance the acquisition of property, plant and equipment and leasehold land.

16. SHARE CAPITAL

	Par value of each ordinary share	Number of shares	Share capital	
	HK$	*'000*	*HK$'000*	*RMB'000*
Ordinary shares				
Authorised:				
At 1 January 2008 and 30 June 2008	**0.01**	**1,500,000**	**15,000**	**—**
Issued:				
At 1 January 2008 and 30 June 2008	**0.01**	**873,990**	**8,740**	**8,478**

17. CAPITAL COMMITMENTS

At the balance sheet date, the Group was committed to capital expenditure in respect of acquisition of property, plant and equipment and leasehold land.

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Contracted for but not provided	**181,023**	98,725
Authorised but not contracted for	**—**	9,857

18. ACQUISITION OF ASSETS

During the six months ended 30 June 2007, the Group acquired certain properties through purchase of the entire equity interest of the following companies ("Acquired Companies"):

	Meili International Limited ("Meili International")	Hong Fung Limited ("Hong Fung")	Waho (China) Limited ("Waho")	East Fine Enterprise Limited ("East Fine")	Wealthland Corporation Limited	Goldwell Corporation Limited ("Goldwell")	Total
Date of acquisition	6 March 2007	8 March 2007	12 March 2007	8 March 2007	8 March 2007	8 March 2007	
Seller	Trueway Investment Limited *(notes 1 & 3)*	Mr. Woo Lap Fu ("Mr. Woo") *(note 2)*	Mr. Douglas Fang *(note 3)*	Mr. Kenneth Fang *(note 3)*	Mr. Kenneth Fang *(note 3)*	Mr. Kenneth Fang *(note 3)*	
Consideration:							
In RMB ('000)	18,198	23,208	7,013	64,843	–	10,475	123,737
Net assets acquired (RMB'000):							
Non-current assets							
Property, plant and equipment	25,596	57,722	9,682	52,981	–	46,137	192,118
Prepaid lease payments	9,079	33,467	22,303	102,031	25,363	7,639	199,882
Deposits paid for acquisition of property, plant and equipment	–	5,400	–	–	–	–	5,400
	34,675	96,589	31,985	155,012	25,363	53,776	397,400
Current assets							
Prepaid lease payments	430	884	679	3,108	546	229	5,876
Other receivables	5	5,379	28	23	5	10	5,450
Amounts due from related companies	–	20,126	–	–	–	–	20,126
Bank balance and cash	231	4,568	1,192	2,497	512	1,676	10,676
	666	30,957	1,899	5,628	1,063	1,915	42,128
Current liabilities							
Amount due to a director	(7,805)	(40,010)	(23,281)	(38,875)	(20,015)	(8,009)	(137,995)
Amounts due to related companies	–	(45,732)	(3,488)	(53,489)	(6,401)	(36,863)	(145,973)
Other payables	(9,338)	(18,296)	(10)	(3,193)	(10)	(243)	(31,090)
Tax payable	–	(300)	(92)	(240)	–	(101)	(733)
	(17,143)	(104,338)	(26,871)	(95,797)	(26,426)	(45,216)	(315,791)
Net assets	18,198	23,208	7,013	64,843	–	10,475	123,737

18. ACQUISITION OF ASSETS – Continued

Notes:

(1) Mr. Kenneth Fang is the sole director and shareholder of Trueway Investment Limited.

(2) Mr. Woo is a senior officer of Hua Tai Garment Factory Limited ("Hua Tai"). Mr. Woo held the equity interest of Hong Fung as nominee for Mr. Kenneth Fang.

(3) Mr. Douglas Fang and Mr. Kenneth Fang are the directors of the Company.

The net cash used in acquisition of assets (net of cash and cash equivalents acquired) amounted to approximately RMB113,061,000.

The principal assets of the Acquired Companies are properties and the acquisitions have been accounted for an acquisition of assets and the related liabilities. The consideration was fully settled in cash.

19. RELATED PARTY TRANSACTIONS

During the periods, the Group had entered into the following significant transactions with related parties:

	Six months ended	
	30.6.2008	30.6.2007
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Sales to Nantong Times Property Co., Ltd ("Nantong Times") *(Note a)*	**52,288**	48,740
Supply of marketing materials to Nantong Times *(Note a)*	**579**	464
Purchases from 南通中誠實業有限公司 *(Note b)*	**—**	190
Management fee paid to 南通輝騰置業有限公司 *(Note b)*	**200**	200
Facilities usage fee paid to 南通輝騰置業有限公司 *(Note b)*	**300**	300
Rentals paid to		
Meili International *(Note c)*	**—**	167
Hong Fung *(Note c)*	**—**	1,080
Waho *(Note c)*	**—**	250
East Fine *(Note c)*	**—**	1,266
Goldwell *(Note c)*	**—**	467
南通輝騰置業有限公司 *(Note b)*	**500**	500
	500	3,730
Interest paid to Hua Tai *(Note a)*	**—**	833
Interest paid to 南通中誠實業有限公司 *(Note b)*	**—**	386
Interest received from 南通德誠房地產有限公司 *(Note b)*	**—**	607
Management fee received from Nantong Times *(Note d)*	**105**	9
Gain on disposal of fixed assets to 南通德誠房地產有限公司 *(Note b)*	**13**	—

19. RELATED PARTY TRANSACTIONS – Continued

Notes:

(a) Nantong Times and Hua Tai are fellow subsidiaries of the Company.

(b) These are related companies of the Group, in which certain directors of the Company have beneficial interests.

(c) These were related companies of which certain directors have controlling interest and were subsequently acquired by the Group during the six months ended 30 June 2007. Details are set out in note 18.

(d) During the periods ended 30 June 2007, Jiangsu Times provided management and operation services to Nantong Times in respect of its supermarket located at 57 Ren Min Dong Lu, Nantong ("Supermarket") without charging any fee until 18 June 2007. On 18 June 2007, the Group and Nantong Times entered into a management agreement for a term of three years for the provision of management and operation services to the Supermarket at a fee of 0.2% of the total turnover of the Supermarket.

In March 2007, the Group acquired the Acquired Companies from the directors of the Company with a consideration in aggregate of approximately RMB113,061,000. Details are set out in note 18.

20. SUBSEQUENT EVENT

In July 2008, the Group has further raised bank borrowings approximately RMB91 million to finance its operations and the amount is repayable 12 months after the drawdown date.