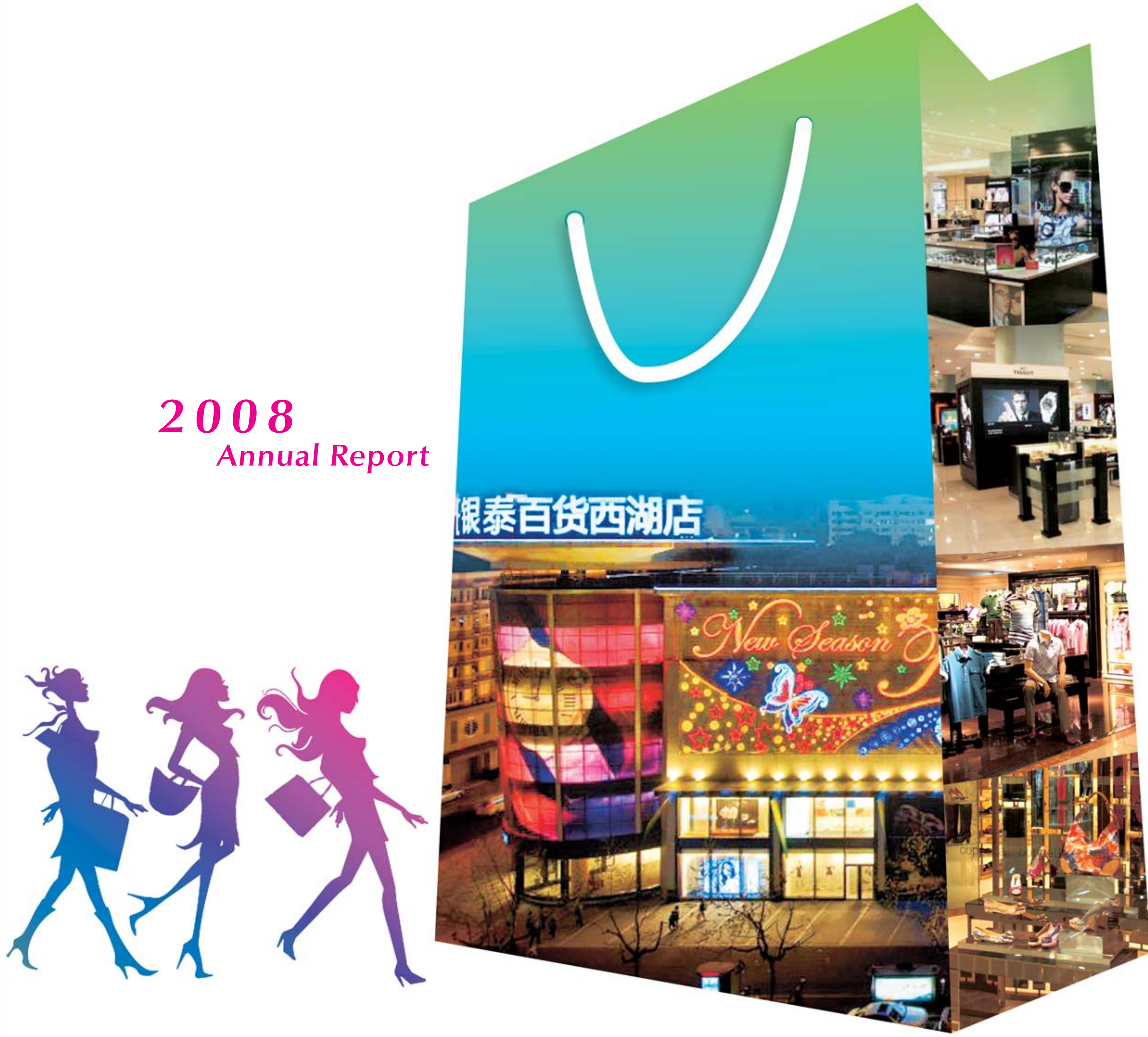
Intime Department Store (Group) Company Limited
銀泰百貨(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)



2008 Annual Report

Stock Code: 1833

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Corporate Profile

Intime Department Store (Group) Company Limited (the "Company") was incorporated in the Cayman Islands with limited liability on 8 November 2006. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 March 2007. Pursuant to a reorganization arrangement of the Company and its subsidiaries (together the "Group") in preparation for the listing on the Stock Exchange (the "Reorganization"), the Company became the holding company of the domestic operating entities engaging in the business of operation of department stores.

The Group commenced its department store business in 1998 when its first department store was established in Hangzhou, namely the Hangzhou Wulin store. After ten years of development, the Group has developed into a large-scale department store chain in Zhejiang province and holds equity interests in two domestic listed department store companies - Baida Group Co., Ltd. ("Baida") and Wuhan Department Store Group Co., Ltd. ("Wushang"). The Group commenced to have significant influence over Wushang and Baida by having board representation on their board of directors in June 2007 and May 2008 respectively, and accounted for the investments in Wushang and Baida as investments in associates.

By the end of 2008, the Group was operating, jointly operating, and managing a total of 16 department stores, including 10 department stores located in the principal cities within Zhejiang province, 4 department stores located in the Hubei province, and 1 store each in Shanxi province and Beijing. The Group has become the largest department store chain in Zhejiang province in terms of sales. In terms of sales per square meter, the operating results of the Group's flagship Hangzhou Wulin store outperform its peers within Zhejiang province. In January 2008, the Group signed a management contract with Baida to manage the Baida department store, located next to its flagship Hangzhou Wulin store, from 1 March 2008 to 28 February 2028. The Intime Lotte Department Store in Beijing, which the Group operates jointly with Lotte Shopping Company Limited of Korea, was opened in August 2008.

The Group sets "Bring you a new lifestyle" as its motto and has traditionally targeted young and modern families as major customers. The Group positions its merchandise in the range of medium to high-end market with a commitment to offer excellent shopping experiences. With increasing sales floor area under management, the Group is gradually broadening its range of merchandise and service offerings to include high-end to luxury retailing, as well as more comprehensive, richer shopping-related amenities and services.

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

SHEN Guojun *(Chairman)*
CHING Siu Leung

Non-executive Directors

XIN Xiangdong
LI Hui, David

Independent Non-executive Directors

LEE Lawrence
CHOW Joseph
SHI Chungui

REGISTERED OFFICE

P.O. Box 309GT
Ugland House
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Grand Cayman
Cayman Islands

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

CHOW Hok Lim *(FCCA, CPA)*

AUTHORIZED REPRESENTATIVES

CHING Siu Leung
No. 501, Unit 1, Building 4
Qianmen East Street
Beijing, PRC

CHOW Hok Lim
Flat 2405, Block A
Kornhill
Quarry Bay
Hong Kong

AUDIT COMMITTEE

LEE Lawrence *(Chairman)*
LI Hui, David
CHOW Joseph

REMUNERATION COMMITTEE

LI Hui, David *(Chairman)*
SHI Chungui
LEE Lawrence

NOMINATION COMMITTEE

LI Hui, David *(Chairman)*
SHI Chungui
LEE Lawrence

STRATEGIC DEVELOPMENT COMMITTEE

SHEN Guojun *(Chairman)*
LI Hui, David

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town, Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
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Wanchai
Hong Kong

PRINCIPAL BANKERS

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Hangzhou, Zhejiang 310003
PRC

COMPLIANCE ADVISER

Guotai Junan Capital Limited
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Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Coudert Brothers in association with
Orrick, Herrington & Sutcliffe LLP
43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants

STOCK CODE

1833

Financial Highlights

A summary of the results and assets, liabilities and equity of the Group for the last five financial years is set out below:

	Year ended 31 December				
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000	**2008** **RMB'000**
Operating Results					
Revenue	325,706	477,964	676,342	884,059	**1,232,827**
Profit before income tax	148,030	202,139	300,623	512,469	**484,090**
Profit for the year	93,528	136,156	219,509	374,856	**368,860**
Profit attributable to:					
- Equity holders of the parent	50,506	85,970	206,406	378,368	**383,797**
- Minority interests	43,022	50,186	13,103	(3,512)	**(14,937)**
Full year dividends per share (RMB)	N/A*	N/A*	N/A*	0.064	**0.066**
Basic earnings per share (RMB)	N/A**	N/A**	0.15	0.22	**0.21**
Diluted earnings per share (RMB)	N/A***	N/A***	N/A***	0.22	**0.21**

	As at 31 December				
	2004 RMB'000	2005 RMB'000	2006 RMB'000	2007 RMB'000	**2008** **RMB'000**
Assets and Liabilities					
Total assets	913,388	1,481,507	2,246,099	6,195,272	**7,186,874**
Total liabilities	(700,298)	(1,003,645)	(1,337,691)	(2,152,106)	**(3,467,430)**
Total equity	213,090	477,862	908,408	4,043,166	**3,719,444**
- Owners' equity	115,795	300,639	908,408	3,873,557	**3,281,779**
- Minority interests	97,295	177,223	—	169,609	**437,665**

* No dividend has been paid by the Company since its incorporation in year 2006.

** No basic earnings per share for year 2004 and 2005 is presented since the Company's shares were issued in year 2006.

*** No diluted earnings per share for year 2004, 2005 and 2006 is presented since no diluting events existed during those years.

INTRODUCTION

2008 was an important year in the Group's history of development. Since its initial public offering (the "IPO") in March 2007, the Group has been implementing an expansion blueprint to grow into a leading national department store chain, and 2008 was an instrumental year of execution. By the end of 2008, the Group was operating, jointly operating, and managing a total of 16 department stores, with a total Gross Floor Area of 578,536 square meters, comparing to a store portfolio of 8 stores with a total Gross Floor Area of 255,515 square meters at the end of 2007. The Group's business scope also expanded beyond its original business territory, the Zhejiang province. Out of the 16 stores as mentioned above, 6 stores are located in Hubei province, Shanxi province, and Beijing.

The Group's revenue in 2008 was approximately RMB1,232.8 million, representing an increase of approximately 39.5% over the previous year. Consolidated profit attributable to equity holders of the parent was approximately RMB383.8 million, representing an increase of approximately 1.4% over the previous year. Basic earnings per share for the year was RMB0.21.

In view of the Group's financial performance, the Board has proposed a final dividend of RMB0.066 (2007: RMB0.064) per share.

MARKET REVIEW

As one of the most eventful years in the past decade of global economic development, 2008 has brought us unprecedented challenges and opportunities for change. The financial crisis originated from the U.S. subprime market since late 2007 further accelerated and spread through the world in 2008, and China saw no exception. In 2008, the PRC economy experienced a slowdown in growth with an annual gross domestic product (GDP) growth of 9%. Nonetheless, domestic consumption in China remained strong with the total sales of consumer goods reached RMB10,848.8 billion in 2008, representing a growth of 21.6% from that in previous year, which was 4.8 percentage points higher than the growth experienced in the previous year.

The economic development in Zhejiang province, where most of the Group's sales and profit was generated, also experienced a slowdown in growth. Substantial decline of overseas orders, rapid appreciation of Chinese currency RMB, continuous increase in raw material prices, utility and labor costs, have resulted in a challenging operational environment for many export-driven enterprises in the Yangzi delta area. The increased cost of bank lending and private lending throughout the year added further difficulties to many Zhejiang private enterprises. In 2008, the GDP of Zhejiang province increased to RMB2,148.7 billion, representing an increase of 10.1% over the previous year, which was lower than the 14.5% increase in 2007. The per capita disposable income of urban household in Zhejiang province increased by 10.5% to RMB22,727, which was lower than the 12.6% increase in 2007. Nonetheless, the total retail sales of consumer goods in Zhejiang province has risen to approximately RMB744.2 billion in 2008, representing a strong and steady growth of 19.8% from the previous year, compared to the growth rate of 16.7% in 2007.

The economic growth of Hubei province where the Group opened four stores was steady, as reflected by an annual GDP growth of 13.4%. The total retail sales of consumer goods in Hubei province has risen to about RMB496.6 billion in 2008, representing a strong growth of 23.3% from the previous year and 5.2 percentage points higher than the growth in the previous year.

The retail consumption also showed a higher than average volatility throughout the year. A few rare natural disasters brought short-term negative impact to the overall department store sales, including the snow storm in February across a few southern provinces, and the tragic earthquake in May in Sichuan province. Although the Group's primary operational regions, mainly Zhejiang and Hubei provinces, have limited exposure to these natural disasters, the overall consumer sentiment has been adversely affected, which led to cautious consumer spending and slower than usual sales growth during the relevant weeks or months.

COMPANY DEVELOPMENT

The Group achieved significant business growth in 2008. The Group grew its business footprint outside Zhejiang province, opened three new stores in Hubei province, one new store in Shanxi province, and one jointly controlled store in Beijing. The establishment of these new stores provided solid foundation for the Group's continuing development in these newly entered markets, and the Group also accumulated valuable experiences and local market knowhow through opening and managing these stores.

In its home market of Zhejiang province, the opening of the Westlake store in Hangzhou, the largest size store in the Group's history, and the gaining of the right to manage the Baida store, greatly enhanced the Group's market share in the Hangzhou retail market and further secured its leadership position. Such market leadership will continue with the Group's planned openings of new stores in Hangzhou and other Zhejiang cities in 2009.

On its way of rapid growth, the Group also learned valuable lessons that will benefit its long-term development. At the beginning of the global financial crisis outburst, the Group's management underestimated the depth and length of its impact and continued a fast pace of expansion. To finance the growth, the Group's financial leverage and interest expense increased from the previous year. In addition, the Group underestimated the costs and challenges of operating new stores outside its home market. Most of the Group's newly opened stores and joint ventures outside Zhejiang province were contributing losses to the 2008 consolidated financials and would likely take longer to be profitable compared to the Group's new stores opened in Zhejiang in 2007. The Group's overall concessionaires margin was diluted, operating expenses substantially increased, and as a result, the Group's success in expanding its business scope did not lead to a comparable level of operating profit growth in 2008.

The Group also invested in a few large, strategic retail complex development projects in the cities of Hangzhou of Zhejiang province, Wuhan of Hubei province, and Zhengzhou of Henan province. These great projects offer tremendous potential for the Group's future market position in these promising retail markets. These projects in general require longer development cycle, and thus are expected to have limited contribution to the Group's near-term financial performance.

OUTLOOK

2009 will continue to be a year of challenges and opportunities. As the global economic recession continues, the world's economic future is facing the greatest uncertainty in decades and the growth of Chinese exports is expected to decline, which will bring negative impact to the overall Chinese economy. On the other hand, local property market in some first-tier Chinese cities and the equity market have shown moderate recovery signs, and the retail consumption in Zhejiang and many other Chinese provinces remains healthy.

After 2008's shakedown and restructuring, the business dynamics in Zhejiang province are still strong and energetic. The Group is confident in the near-term and long-term economic prospects of Zhejiang province and is confident that the Group will continue to benefit from its increasing retail leadership in the retail industry in Zhejiang province, which continues to strengthen. In its newly entered markets, the Group will focus on improving the operation of the existing stores, and explore opportunities of further business penetration by leveraging on the established foundation. The Group's strategic projects in a few provincial capital cities were well-chosen and laid solid foundation for the Group's long-term growth prospects. The Group's management team, under the leadership of newly appointed President and CEO Mr. Chen Xiaodong, will focus on improving internal business efficiency, and continue to steer the Group's growth and development with stronger discipline and prudence.

I would like to take this opportunity to express my sincere gratitude to our Board members and management team, and to all the employees, business partners, customers and shareholders of the Group, for their support and contribution to the Group.

Shen Guojun
Chairman

INTRODUCTION

Thanks to the unremitting efforts of all staff members, the Group achieved excellent business growth and sound financial performance in 2008. During the period, the global financial crisis triggered by the collapse of the US sub-prime market brought unprecedented challenges to the economic development of the PRC and the overall retail environment. Besides, a number of significant events happened in the year, such as the snowstorm in February and the Sichuan earthquake in May, had severe impact on the short term retail sales for weeks or even months.

OPERATIONAL REVIEW

In 2008, the Group's department stores achieved a strong gross sales proceeds growth rate of 40.6%, with the same store sales growth rate at 11.5%. Such a remarkable sales growth was the result of continuous improvement in operational efficiency, better merchandise mix and brand selection, more friendly customer services, more organized sales and promotional campaigns by the Group, despite a volatile retail consumption environment driven by a global economic recession and multiple unfavourable nationwide events.

The Group further strengthened its position as the leading department store operator in Zhejiang province by opening Hangzhou Westlake store and Jinhua Futailong store in April and September 2008 respectively. In addition, leveraging on its increasingly strong partnership with Wushang, the Group has begun business expansion in Hubei province by opening Hubei E'zhou store, Hubei Xiangfan store and Hubei Xianning store. The Group also made good progress in expanding into other new markets. The Shanxi Xi'an Zhonghuan store was opened in May 2008 and the joint venture Beijing Lotte Intime store was opened in August 2008. Together with Hangzhou Baida store managed by the Group, these 8 new stores added a total of 323,021 square meters of retail space to our existing store portfolio, representing an increase of 126% as compared to 2007.

During the reporting period, the Group has made significant progress in forging business cooperation and exploiting synergies with Wushang and Baida. In January 2008, the Group signed a management contract with Baida to manage the Hangzhou Baida department store from 1 March 2008 to 28 February 2028. Through the joint effort of the Group management and Baida department store employees, Baida department store achieved good operational performance during the year. The two directors and two senior executives at Wushang appointed by the Company worked closely with the Wushang management team to improve Wushang's operational performance. The Group will continue to enhance the cooperation and integration with Wushang.

The Group has acquired and commenced to develop a few long-term department store projects. In February 2008, the Group acquired a piece of land in Hankou of Wuhan, Hubei province, to develop a future Intime department store in Hankou in the next three years. The site has a superior location at the commercial centre of Hankou, next to the future subway exit and is right across the street from the largest department store in Wuhan, the 武漢廣場 (Wuhan Square). In February 2008, the Group acquired a piece of land in Zhengzhou to develop the first Intime department store in Zhengzhou of Henan province in the next three years. The site is also well located at the city centre of Zhengzhou and can be conveniently accessed by public transport and in particular, the subway which is currently under development. In addition, the Xinhubin project in Hangzhou, which the Group acquired 50% interest at the end of 2007, was also under active development. Each of these future commercial projects has Gross Floor Area ranging from 70,000 square meters to over 100,000 square meters, will be designed and constructed under the modern retail concepts, and has the potential to become the Group's new flagship department stores in their respective cities.

In October 2008, out of consideration for project planning adjustment and other factors, 杭州銀泰投資管理有限公司 (Intime Investment Management Company Limited), an indirect wholly-owned subsidiary of the Company, entered into an equity Interest transfer agreement with China Yintai to dispose of 33% equity interest in 杭州海威房地產有限公司 (Hiwell Real Estate Company Limited) ("Hiwell Real Estate"). The consideration of disposal of the equity interest in Hiwell Real Estate is RMB70 million and the Company realised a capital gain of RMB36.9 million as a result of this disposal.

In 2008, the Group achieved a rapid expansion and its existing outlets maintained a steady growth, laying a solid foundation for the long-term development strategy of the Company and the establishment of a nationwide department store chain group with competitive strengths. In 2009, the Group will put an emphasis on enhancing its management quality while boosting its long-term development and short term profit contribution.

STRATEGIES

The department store industry in the true sense has been developing in the PRC for merely over a decade and still has plenty of room for development with a low degree of concentration. This will provide a valuable opportunity for us to set up a chain system and expand business. To capture the development opportunity of the department store industry in the PRC, the Group will continue to develop and expand its business in line with its clearly-defined operation strategies and further enhance its leading edges by riding on its leading position in Zhejiang Province. Meanwhile, the Group will make prompt efforts to set up presence in new regional markets through selective acquisition and merger and establish a nationwide chain department store group occupying a leading position in various regions.

In the current year, we will focus on the operation of our existing outlets by exploring their sales potential and enhancing their profit contribution and will make more efforts to shorten the fostering period of new outlets; meanwhile, we will adhere to our scheduled plan for chain store expansion and endeavor to shorten the development cycle of new projects and improve returns of capital investments.

Specifically, the Group will make efforts to improve its management and achieve synergy effect in merchandise management, marketing, retail outlet management, human resources and cost control by leveraging on its scale advantage in various inter-city areas.

In the course of expansion, the Group and its management team believe there are advantages and disadvantages of either owning or leasing department store premises. To achieve a relative balance among long-term operational stability, resource allocation and pace of expansion, the Group adopts a general policy of acquiring or developing core department store properties in strategic locations at appropriate cost, and leasing other premises under reasonable lease schedule to give the Group sufficient operational leverage and certain flexibility.

OUTLOOK

In 2009, the financial crisis will continue to impose huge pressure on the world economy and have a profound impact on the economic and retail environment in the PRC. Nevertheless, we believe the adverse effects brought by such an impact will be minimized by a series of economic stimulus measures taken by the Chinese government. The recovery in retail consumption and asset valuation since the first quarter this year has revealed a light of hope of the Chinese economy. The management believes that as the Chinese economy picks up its growth, the disposable income of urban residents continues to rise and the urbanization of the countryside continues to proceed, the department store retail industry in China will embrace an unprecedented prime opportunity for development. With the efforts of our team, I am confident that the sales and profit target for the year and the strategic target of the Group for chain development will be accomplished.

I would like to take this opportunity to express my sincere gratitude to the shareholders, all staff members, business partners and customers of the Group for their continuous support to the Group.

Chen Xiaodong
CEO & President

FINANCIAL REVIEW

Total gross sales proceeds and revenue

For the year ended 31 December 2008, total gross sales proceeds of the Group (that is, the aggregate proceeds from direct sales, gross revenue from concessionaire sales, rental income and management fee income) was approximately RMB4,887 million, representing an increase of approximately 40.6% from approximately RMB3,474.9 million in 2007. This increase was primarily attributable to 1) the same store sales growth of approximately 11.5%, 2) the inclusion of full year sales performance of the new stores opened in the year 2007, 3) the inclusion of the sales performance of the new stores opened in the year 2008, 4) the increase in the rental income due to the acquisition of Shenyang Intime's property in January 2008 and 5) the management fee income for conducting the operations of Baida department store.

	2008 RMB'000	2007 RMB'000
Sale of goods - direct sales	**288,641**	225,641
Gross revenue from concessionaire sales	**4,517,377**	3,234,298
Rental income	**60,757**	15,004
Management fee income	**20,212**	—
Total Gross Sales Proceeds	**4,886,987**	3,474,943

The commission rate of concessionaires was about 19.1% for the year 2008, slightly below the rate of 19.9% for the year 2007, mainly due to the increase in promotion of sales activities and the increase in sales from newly opened stores which carried lower commission rate. Direct sales margin declined marginally by 0.5 percentage point from 22.9% in 2007 to 22.4% in 2008 mainly due to a shift in the merchandise mix of the Group. The Group will conduct regular reviews on the performance of the Group's suppliers and concessionaires, with an aim to enhance and strengthen product portfolios and provide better shopping choices to its customers.

Total revenue of the group increased by about RMB348.8 million or 39.5% to RMB1,232.8 million in 2008. The growth rate was in line with the growth of the total gross sales proceeds.

Other income and gains

The Group's other income decreased by 27.3% from RMB136.4 million in 2007 to RMB99.1 million in 2008. The decrease was largely due to the absence of one-off interest income of RMB37.3 million from over-subscription funds of new shares issued at the initial public offering of the Company which occurred in March 2007 and the decrease of interest income of RMB49.7 million from bank deposit. The decrease was partially offset by the increase of advertisement, promotion and administration income of RMB22.6 million and the increase of interest income from loans and receivables of RMB22.4 million.

The Group's other gains decreased by 15.2% from RMB83.4 million in 2007 to RMB70.7 million in 2008. The decrease was mainly due to the reduction in gains from the disposal of available-for-sale investments as compared to last year and the recognition of impairment loss of available-for-sale investments during the year. The decrease was however partially offset by the gain of RMB36.9 million from the disposal of 33% equity interest in Hiwell Real Estate.

Purchase of goods and changes in inventories

The purchase of goods and changes in inventories refer to the cost of the direct sales. In line with the increase of direct sales, the cost of sales increased by 28.8% from RMB173.9 million in 2007 to RMB224 million in 2008.

Staff costs

The Group's staff costs increased by 89.5% from RMB85 million in 2007 to RMB161.1 million in 2008. The increase was primarily attributable to the inclusion of the full year staff costs of the new stores opened in 2007 and the inclusion of the staff costs for new stores opened in 2008. Staff costs as a percentage of total revenue was 13.1%, which was 3.5 percentage points higher than the 9.6% recorded in 2007.

Depreciation and amortization

The Group's depreciation and amortization increased by 182.9% from RMB40.7 million in 2007 to RMB115 million in 2008. The increase was primarily attributable to the inclusion of depreciation and amortization costs for new stores opened and commercial properties acquired in 2008.

Other expenses

Other expenses, which mainly consisted of utility expenses, store rental expenses, advertising expenses, credit card handling charges and other tax expenses, increased by 68.2% from RMB253.2 million in 2007 to RMB425.9 million in 2008. The increase was primarily due to the inclusion of the start-up expenses for the new stores opened in 2008 and the inclusion of the full year operating expenses for the new stores opened in 2007.

As a percentage to total revenue, other expenses increased to 34.5% in 2008 from 28.6% in 2007.

Finance costs

The Group's finance costs increased by 61% from RMB47.7 million in 2007 to RMB76.8 million in 2008. The increase was mainly due to the increase in bank borrowings used to finance the development of business operations during the year.

Gain on receipt of cash and shares in a listed company

Pursuant to the share reform programme of Baida, the Group recorded a net gain on receipt of shares and cash of RMB80.5 million in May 2008.

Share of losses of jointly-controlled entities

Share of losses of jointly-controlled entities amounted to RMB57.1 million, which mainly comprised of RMB51.1 million of start-up costs and operation losses for the newly opened Beijing Lotte Intime store.

Share of profit of associates

The share of profit of associates of RMB60.8 million represented the Group's interest in Wushang and Baida, the associates of the Group. The Group had maintained a 24.73% equity interest in Baida and a 22.62% equity interest in Wushang as at 31 December 2008. The disclosure of Baida as an associate for the year (which was classified as available-for-sale investment in 2007) was attributable to the commencement of the exercise of significant influence through the Group's board representation in Baida since May 2008.

Income tax expense

The Group's income tax expense decreased by 16.3% from RMB137.6 million in 2007 to RMB115.2 million in 2008. Effective tax rate of the Group for the year has decreased to 23.8% from 26.9% in 2007, primarily due to the new PRC corporate income tax law effective from 2008.

Profit for the year

As a result of the reasons mentioned above, profit for the year decreased from RMB374.9 million in 2007 to RMB368.9 million in 2008.

Profit attributable to equity holders of the parent

Profit attributable to equity holders of the parent increased from RMB378.4 million in 2007 to RMB383.8 million in 2008.

Liquidity and financial resources

The Group's cash and short term deposit amounted to RMB745 million as at 31 December 2008, representing a slight decrease of RMB32.2 million or 4.1% from the balance of RMB777.2 million as at 31 December 2007. For the year ended 31 December 2008, the Group's net cash inflow from operating activities amounted to RMB795 million (2007: RMB474.7 million), the Group's net cash outflow from investing activities amounted to RMB1,508 million (2007: RMB2,121.3 million), and the Group's net cash inflow from financing activities amounted to RMB713.9 million (2007: RMB2,170 million).

As at 31 December 2008, the total outstanding balance of bank loans of the Group was RMB1,407.5 million (2007: RMB450 million), of which RMB960 million was repayable within one year and RMB447.5 million was repayable over one year. The increase in bank loans was used to finance the expansions of business operations during the year.

Total debt to total assets ratio of the Group expressed as a percentage of interest bearing loans and bank borrowings over the total assets was 19.6% as at 31 December 2008, which was 12.3 percentage points higher than the 7.3% recorded in last year.

Net current liabilities and net assets

The net current liabilities position of RMB83.7 million as at 31 December 2007 has increased to RMB1,018 million as at 31 December 2008. The increase was mainly due to the additional short term borrowings incurred in the first half of 2008 to finance the expansion of business operations. Net assets of the Group as at 31 December 2008 was RMB3,719.4 million (2007: RMB4,043.2 million).

Pledge of assets

Certain buildings, investment properties and land use rights with carrying amount of approximately RMB686.2 million had been pledged to Industrial and Commercial Bank of China and Agriculture Bank of China to obtain bank facilities of RMB1,977.6 million.

Interest rate risk

Interest rate risk exposure of the Group is mainly related to the impacts of interest rate fluctuations on interest-bearing assets and liabilities such as bank deposits, existing (interest-bearing) loans and future borrowing needs. As at 31 December 2008, the total outstanding balance of interest-bearing bank loans was RMB1,407.5 million. The Group currently has not used any derivatives to hedge the interest rate risk.

Foreign exchange risk

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. The Group's cash and bank deposits are denominated in Hong Kong dollars or United States dollars. In addition, the Company pays dividend in Hong Kong dollars. Any significant exchange rate fluctuations of Hong Kong dollars or United States dollars against RMB may have financial impact to the Group. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Staff and remuneration policy

As at 31 December 2008, the Group had about 3,715 employees. The Group strives to offer a good working environment, a diversified range of training programs as well as an attractive remuneration package to its employees. The Group endeavours to motivate its staff with performance-based remuneration. On top of the basic salary, staff with outstanding performance will be rewarded by way of cash bonuses, share options, honorary awards or a combination of all the above to further align the interests of its employees and the Company, to attract talented individuals, and to create long-term incentive for its staff.

Contingent liabilities

On 8 November 2007, 嘉興銀泰投資管理有限公司 (Jiaxing Intime Investment and Management Co., Ltd.) ("Jiaxing Intime") and 銀泰百貨有限公司 (Intime Department Store Co., Ltd.) ("Shanghai Intime") entered into a joint venture contract ("Joint Venture Contract") with 嘉興市文化名城投資集團有限公司 (Jiaxing City Culture Mingcheng Investment Group Company Limited) ("Jiaxing Culture"), a third party, to establish a joint venture company (the "Joint Venture").

The Joint Venture has a registered capital of RMB400,000,000. Jiaxing Intime and Shanghai Intime each contributed RMB120,000,000 in cash, which represented an aggregate of 60% of the equity interest in the Joint Venture. Jiaxing Culture contributed RMB160,000,000 by way of transferring title of property with total Gross Floor Area of approximately 20,000 square meters (the "Injected Property") into the Joint Venture, which represented 40% of equity interest in the Joint Venture.

Pursuant to the Joint Venture contract, Jiaxing Intime and Shanghai Intime shall guarantee a return to Jiaxing Culture in either of the following circumstances:

(a) if the Joint Venture is unable to be listed on any stock exchange within three years from its establishment, and if Jiaxing Culture intends to transfer the 40% equity interest it held in the Joint Venture, Jiaxing Intime and Shanghai Intime shall pay Jiaxing Culture the difference between RMB160,000,000 and the market value of the Injected Property at the time of transfer of the 40% equity interest held by Jiaxing Culture, but in any event, the market value to be used to determine such payment shall not be less than RMB9,000/square meter in respect of the Injected Property; or

(b) if the Joint Venture is successfully listed on a stock exchange within three years but the total market value of the equity interests Jiaxing Culture holds in the listed company at the time of listing is less than the then market value of the Injected Property, Jiaxing Intime and Shanghai Intime will pay Jiaxing Culture the difference between the then market value of the Injected Property at the time of listing and the current market value of the Injected Property of approximately RMB160,000,000, but in any event, the market value to be used to determine such payment shall not be less than RMB9,000/square meter in respect of the Injected Property.

EXECUTIVE DIRECTORS

Mr. Shen Guojun, 46, was appointed as the Chairman and executive Director of the Company in November 2006, is responsible for major decision making of the Group and coordination and management of the Board in general. Mr. Shen has served as chairman of the board of directors of Intime International since February 2006, and as chairman of Zhejiang Intime and Shanghai Intime since their establishment in 1997 and 2005, respectively. Also, Mr. Shen had in the past, during the period between 1998 and 2006, held indirect investments in department store businesses in Dalian, Chongqing and Shenyang. Mr. Shen has also acted as an independent director of Shanghai Tongda Venture Capital Co. Ltd, which is listed on the Shanghai Stock Exchange. He has extensive experience in the department store industry, real estate industry and capital markets. Since December 1996, Mr. Shen has served as chairman of China Yintai Holdings Company Limited. From July 1988 to November 1996, he worked for China Construction Bank group in various management roles. Mr. Shen obtained a Master's degree in Economics from Zhongnan University of Finance and Economics.

Mr. Ching Siu Leung, 46, was appointed as the Vice Chairman and executive Director of the Company in February 2007. He has extensive experience in the department store industry, real estate industry and capital markets. He was appointed as the vice chairman and executive director of Intime International in February 2006. He has served as the director of strategy and investment at Zhejiang Intime since 2000, and was appointed as a director of Zhejiang Intime in May 2005. Mr. Ching assumed the position of director of China Yintai Holdings Company Limited in October 1999, and has served as its President from 2003 to 2006. He was the General Manager of Hong Kong Grand Rise Investment Limited from April 1993 to September 1999.

NON-EXECUTIVE DIRECTORS

Mr. Xin Xiangdong, 52, was appointed as a non-executive Director of the Company in February 2007. Mr. Xin has many years' experience in investment and capital markets. He has been a director of Zhejiang Insigma Technology (Group) Co., Ltd since May 2005. From October 2004 he was the chairman of the Board of Science City Development Public Co., Ltd., which is listed on the Shenzhen Stock Exchange. From May 2001 to April 2004, Mr. Xin was the Vice General Manager of Minsheng Investment Credit Assurance Co., Ltd. and Shanghai Shenhua Holdings Co., Ltd.. From June 2000 to May 2001, he was the Senior Vice General Manager of Beijing Langxin Information System Co., Ltd.. Mr. Xin received his Master's degree in Economics from Huadong Normal University.

Mr. Li Hui, David, 40, was appointed as a non-executive Director of the Company in September 2008. Mr. Li is currently a managing director of Warburg Pincus Asia LLC, a leading private equity and venture capital firm and a wholly-owned subsidiary of Warburg Pincus LLC. Warburg Pincus LLC is the manager of certain private equity funds, including Warburg Pincus Private Equity IX, L.P. and Warburg Pincus International Partners, L.P.. Both Warburg Pincus Private Equity IX, L.P. and Warburg Pincus International Partners, L.P. are substantial shareholders of the Company within the meaning of Part XV of the Securities and Future Ordinance. Mr. Li has been with Warburg Pincus since 2002. Before joining Warburg Pincus, Mr. Li was an executive director of the investment banking division of Goldman Sachs (Asia) LLC and a vice president and an associate of Morgan Stanley's investment banking division in Hong Kong and New York. Mr. Li obtained his B.S. degree in Economics from Renmin University of China and a MBA from Yale University's School of Management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shi Chungui, 68, was appointed as an independent non-executive Director of the Company in May 2008. Mr. Shi is currently a non-executive director of Aluminum Corporation of China Limited, a company listed on The Stock Exchange (Stock Code: 2600), The Shanghai Stock Exchange (Stock Code: 601600) and The New York Stock Exchange, Inc. (Stock Code: ACH) and a member of the Expert Advisory Committee of China Cinda Asset Management Corporation. He has been a non-executive director of Aluminum Corporation of China Limited since June 2005. He graduated from Northeast University of Finance and Economics majoring in accounting in 1964. Mr. Shi is a senior economist with extensive experience in finance, government and corporate management. Mr. Shi was previously Head of Commerce Bureau of Qinhuangdao City, Hebei Province, the Standing Deputy Mayor of Qinhuangdao City, Hebei Province, President of Hebei Branch of China Construction Bank, President of Beijing Branch of China Construction Bank, Deputy President of the Head Office of China Construction Bank and Deputy President of China Cinda Asset Management Corporation.

Mr. Lee Lawrence, 44, was appointed as an independent non-executive Director of the Company in February 2007. Mr. Lee has over 15 years of experience in corporate finance, financial advisory and management, accounting, and auditing. Mr. Lee is currently the Chief Financial Officer of Synutra International, Inc, a company whose shares are listed on NASDAQ. He is also an associate member of the Association of Chartered Certified Accountants. Mr. Lee was the Chief Financial Officer of Hong Kong listed Kasen International Holdings Limited ("Kasen") from 2004 to 2007. Before joining Kasen, Mr. Lee served from 2001 to 2004 as Chief Financial Officer at Eagle Brand Holdings Limited, a company listed on The Singapore Stock Exchange. He also worked as a financial controller at the Korean division of Exel Plc in the United Kingdom between 1999 to 2001 and was the senior auditor of the London international business headquarters of Waste Management Inc. in the United States from 1995 to 1996. Mr. Lee received a Bachelor degree in Management and Engineering from the Beijing Institute of Technology and a Master degree in Accounting and Finance from the London School of Economics.

Mr. Chow Joseph, 45, was appointed as an independent non-executive Director of the Company in February 2007. Mr. Chow is also an independent non-executive director of Kasen. Mr. Chow has accumulated ample experience and knowledge in formulating and monitoring investment strategies through his roles as chief financial officer of various companies and his senior managerial roles in various financial institutions' investment related functions. Mr. Chow was the Chief Financial Officer of China Netcom (Holdings) Company Limited ("China Netcom") for three years from October 2001, director of strategic planning with Bombardier Capital Inc. ("Bombardier Capital"), and vice president of international operations with Citigroup. China Netcom is one of China's largest telecommunication service providers, and Mr. Chow participated in substantially all of its strategic decision making process during that period. Mr. Chow also headed China Netcom's strategic equity investment operations and was involved in investments in ten joint ventures by China Netcom. While he was the head of Bombardier Capital's strategic planning division, Mr. Chow oversaw its strategic planning and expansion. In his role as Vice President of CitiCapital, now part of Citigroup, Mr. Chow led his team to evaluate potential acquisition opportunities and executed over US$10 billion worth of mergers and acquisitions transactions in North America, Europe and Asia. While at Citigroup, Mr. Chow was also involved in monitoring the quality and performance of a US$12 billion international loan portfolio. Mr. Chow obtained a Bachelor of Arts degree in political science from Nanjing Institute of International Relations, and a Master of Business Administration from the University of Maryland at College Park.

SENIOR MANAGEMENT

Mr. Chen Xiaodong, 40, President and Chief Executive Officer of the Company since January 2009, is responsible for overall management of the Group. Mr. Chen joined the Company as Vice President in February 2007 and served as the Chief Operating Officer of the Company from July 2007 to January 2009. Mr. Chen has extensive experience in department store industry, financial management and capital markets. He held various managerial positions in both public listed and private companies prior to his appointment to the Company. Notably, he was the Vice Chairman and President of Science City Development Public Co., Ltd, a company listed on the Shenzhen Stock Exchange, from September 2004. He was also the Assistant General Manager of the Investment Management Department of China Everbright Holdings Company Limited, from May 2001 to August 2004. Mr. Chen obtained a Bachelor degree in Economics from Zhongshan University and a Master degree in Business Administration from Murdoch University, Australia.

Ms Dong Weiping, 54, Senior Vice President of the Company since May 2008. She is responsible for the Group's corporate administration. Since graduation from Zhejiang Commerce Institute in 1978, Ms. Dong has worked at various management positions in wholesaling and retailing. She served as Chairman, General Manager and Party Secretary at Baida Group from July 1992 to May 2008. Ms. Dong graduated from Open University of Hong Kong with a MBA degree. She is also a Senior Economist.

Mr. Wang Gang, 46, Vice President of the Company since July 2007, has also served as the General Manager of East China Region and General Manager of Zhejiang Intime since April 2008. Mr. Wang is responsible for department store operation of the Company. Mr. Wang joined Zhejiang Intime in 1997 as the Manager of Planning Department. Between 2002 and 2007, Mr. Wang held the position of Deputy General Manager of Zhejiang Intime. Mr. Wang graduated from Business Administration Department of Zhejiang University of Technology.

Mr. Wang Chun, 49, Vice President of the Company since July 2007. He is responsible for the business development of the Company. Before joining the Company, he was the General Manager of 湖北新一佳超市公司 (Hubei Xinyijia Supermarket), Vice General Manager of 武漢中百集團股份有限公司 (Wuhan Zhongbai Group Co., Ltd.), General Manager of 中百集團股份有限公司 (Zhongbai Group Department Stores), Vice General Manager of 中心百貨大樓 (Zhongxin Department Store), Manager of 武漢工業品集團東方公司 (Wuhan Industrial Product Eastern Group Ltd.). He holds a Master degree from Huazhong University of Science and Technology. He is also a Senior Economist.

Mr. Wang Liyong, 49, Vice President of the Company since July 2007. Mr. Wang is responsible for construction development of the Company. He joined Zhejiang Intime in 1997 and held the position of Deputy General Manager of Zhejiang Intime from 1997 to 2003. Mr. Wang graduated from Zhejiang Jiaotong College.

Mr. Yuan Fei, 38, Vice President of the Company since July 2007 and Chief Financial Officer of the Company since November 2007. He is responsible for the Company's financial management and capital market transactions. Before joining the Company, he was Senior Vice President of Capital Markets at Panva Gas Holdings Ltd. (now Towngas China Company Limited, Stock Code: 1083) from 2004 to 2007, and before that, he had been working in multinational conglomerate and consulting companies in the U.S. for 6 years, specializing in strategy and corporate finance. He holds a Bachelor degree in Material Science from Tsinghua University, a MBA degree from Yale School of Management. He is also a CFA Charterholder.

Mr. Yu Guangha, 38, Vice President of the Company since November 2007. He is responsible for branding and merchandising and products management of the Company. Before joining the Company, he was the Vice General Manager of 深圳茂業商廈有限公司 (Shenzhen Maoye Shangsha Co., Ltd.) and the General Manager of a number of its subsidiary department stores. He was responsible for branding and merchandising, sales planning, new stores development etc. Before that, he had worked at a number of domestically and internationally recognized brands of clothing, shoes manufacturers and agency companies. He had 12 years of international brand operation and management experience. He is specialized in the execution and development of brands to enter into retail market and the operation and management of department stores and shopping centres. He is an excellent graduate of Nantong University with a degree of Bachelor of Engineering in textiles engineering.

Mr. Ma Qihua, 45, Vice President of the Company since March 2008. He is responsible for north region of Zhejiang province and has served as General Manager of Hangzhou Wulin store. Mr. Ma is a veteran of the department store industry. He started his career with Hangzhou Tower in 1989 and had worked as general manager at multiple divisions. Since 1999, he has worked as Deputy General Manager, Deputy Director and General Manager at various organizations including Intime Department Store, Hangzhou Hubin Commerical & Tourism Cultural District Agency and Hangzhou Hubin International. He graduated with a Master degree in Regional Economics from Zhejiang Normal University in 2000.

Mr. Chow Hok Lim, 43, was appointed as the Company Secretary and Qualified Accountant of the Company in February 2007. Mr. Chow was the Assistant Vice President of the Finance & Treasury Department of BOC International Holdings Co. Ltd. from March 2006 to December 2006. Prior to that, he was the Deputy Manager of the Accounts Division of Bank of China Group Investment Ltd. from July 2005 to March 2006. Mr. Chow was the Manager of the Finance Department of China Everbright Holdings Co., Ltd. from April 1998 to July 2005. Mr. Chow holds a Master degree in Business Administration from the University of Manchester, England and is a member of Hong Kong Institute of Certified Public Accountants and a member of Association of Chartered Certified Accountant, England.

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices. The Company emphasizes the importance of maintaining a quality Board with a balanced skill set, better transparency, an effective accountability system and internal controls in order to enhance shareholders' value.

The Directors are in the opinion that the Company has complied with the Code on Corporate Governance Practices (the "Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the year ended 31 December 2008 save as disclosed below:

Code Provision A.2.1

The functions of chairman and chief executive officer of the Company were not held by different persons during 2008 as required under code provision A.2.1 of the Code on Corporate Governance Practices. Mr. Shen Guojun assumed the roles of both the chairman and the chief executive officer of the Company for the year ended 31 December 2008. The Board considered that this structure facilitated the execution of the Group's business strategies and maximized the effectiveness of its operation. Subsequently after the year end, on 16 January 2009, Mr. Chen Xiaodong has been appointed as the chief executive officer of the Company. After the appointment of Mr. Chen Xiaodong as the chief executive officer of the Company, the Company is in compliance with Code Provision A.2.1.

THE BOARD OF DIRECTORS

As at 31 December 2008, the Board comprised of 7 Directors, including two executive Directors, namely Mr. Shen Guojun and Mr. Ching Siu Leung, two non-executive Directors, namely Mr. Xin Xiangdong and Mr. Li Hui, David and three independent non-executive Directors, namely Mr. Shi Chungui, Mr. Lee Lawrence and Mr. Chow Joseph. Mr. Shen Guojun is the Chairman of the Board.

The Board is responsible for the leadership and management of the Company. Key responsibilities of the Board include formulation of the Group's overall strategies and policies, setting of performance and management targets, evaluation of business performance and supervision of management's performance. The management was delegated the authority and responsibility by the Board for the management and operations of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees as detailed in this report.

Biographies of the Directors are set out on pages 18 to 19 of this annual report, which demonstrates a diversity of skills, expertise, experience and qualifications.

The Chairman is responsible for the orderly conduct and operation of the Board, while the executive Directors (including the Chairman) also take charge of the daily operations of the Group.

The independent non-executive Directors possess appropriate professional qualifications, or accounting or related financial management expertise. Their role is to provide independent and objective opinions to the Board for its consideration and decisions. The Company has received annual confirmation of independence from the three independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are independent within the definition of the Listing Rules.

In accordance with the articles of association of the Company (the "Articles"), no less than one third in number of the Directors shall retire from office by rotation at each annual general meeting of the Company and may offer themselves for re-election at the annual general meeting.

Board meeting will be held at least four times a year with additional meetings convened as and when necessary to determine overall strategic directions and objectives and approve interim and annual results and other significant matters. Before a Board meeting is convened, relevant documents will be sent to the Directors for their review pursuant to the Listing Rules and the Corporate Governance Code.

During the year under review, the Board held nine meetings and attendance of each Director at the meetings is set out below:

Name of the Directors	No. of meetings attended / held
Executive Directors	
Shen Guojun	9/9
Ching Siu Leung	9/9
Non-executive Directors	
Xin Xiangdong	9/9
Li Hui, David (appointed on 12 September 2008)	4/4 (Note 1)
Independent Non-executive Directors	
Lee Lawrence	9/9
Chow Joseph	9/9
Chen Dagang (retired on 27 May 2008)	4/4 (Note 2)
Shi Chungui (appointed on 27 May 2008)	5/5 (Note 3)

Notes:

1. Four Board meetings were held during the period from 12 September 2008 to 31 December 2008.

2. Four Board meetings were held during the period from 1 January 2008 to 27 May 2008.

3. Five Board meetings were held during the period from 27 May 2008 to 31 December 2008.

AUDIT COMMITTEE

As at 31 December 2008, the Audit Committee comprised of three Non-executive Directors, two of whom are independent, namely Mr. Lee Lawrence, Mr. Chow Joseph and Mr. Li Hui, David. The Committee is chaired by Mr. Lee Lawrence, an independent non-executive Director.

The Audit Committee is required to assist the Board in discharging its responsibilities for monitoring the integrity of the Group's financial statement, overseeing the Group's financial reporting systems, internal control procedures and the Company relationship with the external auditors. The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and are in compliance with the Corporate Governance Code.

The Audit Committee shall meet at least twice a year. During the year under review, there were two meetings held by the Audit Committee and the attendances are listed below:

Name of the Audit Committee Member	No. of meetings attended / held
Lee Lawrence (Chairman)	2/2
Chow Joseph	2/2
Chen Dagang (resigned on 27 May 2008)	1/1 (Note 1)
Shi Chungui (appointed on 27 May 2008 and resigned on 12 September 2008)	1/1 (Note 2)
Li Hui David (appointed on 12 September 2008)	0/0 (Note 3)

Notes:

1. One meeting was held during the period from 1 January 2008 to 27 May 2008.
2. One meeting was held during the period from 27 May 2008 to 12 September 2008.
3. No meeting was held during the period from 12 September 2008 to 31 December 2008.

During the year under review, the Audit Committee had reviewed the Group's interim and annual results, internal control system and connected party transactions.

REMUNERATION COMMITTEE

As at 31 December 2008, the Remuneration Committee comprised of three non-executive Directors, two of whom are independent, namely Mr. Li Hui, David, Mr. Lee Lawrence and Mr. Shi Chungui. The Committee is chaired by Mr. Li Hui, David, a non-executive Director.

The duties of the Remuneration Committee are to review annually and recommend to the Board the overall remuneration policy for the directors and senior management to ensure that the level of remuneration is linked to their level of responsibilities undertaken. The Remuneration Committee shall also evaluate annually the performance of the directors and the senior management and recommend to the Board specific adjustments in their remuneration and/or reward payment. The Remuneration Committee has adopted the terms of reference as outlined under the Corporate Governance Code.

The Remuneration Committee shall meet at least once a year. During the year under review, the Remuneration Committee held three meetings and the attendances are listed below:

Name of the Remuneration Committee Member	No. of meetings attended / held
Li Hui, David (Chairman) (appointed on 12 September 2008)	1/1 (Note 1)
Ching Siu Leung (resigned on 12 September 2008)	2/2 (Note 2)
Chen Dagang (resigned on 27 May 2008)	1/1 (Note 3)
Chow Joseph (resigned on 12 September 2008)	2/2 (Note 2)
Shi Chungui (appointed on 27 May 2008)	2/2 (Note 4)
Lee Lawrence (appointed on 12 September 2008)	1/1 (Note 1)

Notes:

1. One meeting was held during the period from 12 September 2008 to 31 December 2008.

2. Two meetings were held during the period from 1 January 2008 to 12 September 2008.

3. One meeting was held during the period from 1 January 2008 to 27 May 2008.

4. Two meetings were held during the period from 27 May 2008 to 31 December 2008.

During the year under review, the Remuneration Committee had reviewed the remuneration packages for all the Directors and senior management, including the grant of options under the Share Option Scheme adopted by the Company.

The principal elements of the executive remuneration package include basic salary, allowances, discretionary bonus and share options. The emoluments received by every executive director and senior executive are based on time commitment and responsibilities to be undertaken, and are determined with reference to corporate and individual performance as well as remuneration benchmark in the industry and the prevailing market conditions.

The primary goal of the remuneration policy on executive remuneration packages is to enable the Company to retain and maintain a stable, motivated and high-calibre management team by linking their remuneration with performance as measured against corporate objectives.

The remuneration of non-executive Directors is subject to annual assessment and determined with reference to their qualifications, experience, involvement in the Company's affairs and the comparable remuneration standard in the market.

NOMINATION COMMITTEE

As at 31 December 2008, the Nomination Committee comprised of three non-executive Directors, two of whom are independent, namely Mr. Li Hui, David, Mr. Lee Lawrence and Mr. Shi Chungui. The Committee is chaired by Mr. Li Hui, David, a non-executive Director.

The responsibilities of the Nomination Committee are to review the structure, size and composition, including the skills, knowledge and experiences of the Board and make recommendations to the Board regarding any proposed changes. The Nomination Committee is also responsible to identify and nominate suitable candidates qualified to become Board members and makes recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors if necessary, in particular, to identify and nominate candidates who can add value to the management through their contributions in the relevant strategic business areas and which appointments will result in the constitution of a stronger and more diverse Board. The Nomination Committee adopts the recommended terms of reference set out in the Corporate Governance Code. In the selection process, the Nomination Committee makes reference to criteria including, inter alia, reputation for integrity, accomplishment and experience in the department store industry, professional and educational background, and commitment in respect of available time.

The Nomination Committee shall meet at least twice a year. During the year under review, the Nomination Committee held two meetings and the attendances are listed below:

Name of the Nomination Committee Member	No. of meetings attended / held
Li Hui, David (Chairman) (appointed on 12 September 2008)	1/1 (Note 1)
Xin Xiangdong (resigned on 12 September 2008)	2/2 (Note 2)
Chow Joseph (resigned on 12 September 2008)	2/2 (Note 2)
Shi Chungui (appointed on 12 September 2008)	1/1 (Note 1)
Lee Lawrence	2/2

Notes:

1. One meeting was held during the period from 12 September 2008 to 31 December 2008.

2. Two meetings were held during the period from 1 January 2008 to 12 September 2008.

During the year under review, the Nomination Committee recommended to the Board candidates suitably qualified to become Board members based on the abovementioned criteria adopted by the Company.

STRATEGIC DEVELOPMENT COMMITTEE

As at 31 December 2008, the Strategic Development Committee comprised of two directors, namely Mr. Shen Guojun and Mr. Li Hui, David. The Committee is chaired by Mr. Shen Guojun, an executive Director.

The primary duty of the Strategic Development Committee is to develop and evaluate the effectiveness of the Company's strategic plans by reviewing and assessing proposals for consideration by the Board regarding:

(i) strategic development plans;

(ii) capital allocation plans;

(iii) organic expansion plans;

(iv) merger and acquisition plans; and

(v) significant investment and financing plans.

During the year under review, the Strategic Development Committee had frequently held meetings to discuss strategic development strategies of the Company.

RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

EXTERNAL AUDITORS

The Group's independent external auditors are Ernst & Young. The report of the auditors of the Company on their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 40 to 41.

For the year ended 31 December 2008, the remuneration paid by the Company to the external auditors for the performance of audit services was approximately RMB3,180,000. No non-audit service was provided by Ernst & Young for the year ended 31 December 2008.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, reappointment and removal of the external auditors, which is subject to the approval by the Board of Directors and at the general meetings of the Company by its shareholders.

Certain factors the Audit Committee will take account of when assessing the external auditors include the audit performance, quality, objectivity and independence of the auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issues (the "Model Code") as set out in the Appendix 10 to the Listing Rules as the code of conduct to regulate securities transactions by Directors of the Company. Having made specific enquiries of all Directors, all of them confirmed that they have strictly complied with the Model Code throughout the year ended 31 December 2008.

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems for the Group in order to safeguard the Group's assets and shareholders' interests, as well as for reviewing the effectiveness of such systems. The Board will from time to time conduct a review of the Group's internal control systems. During the year ended 31 December 2008, the Board through the Audit Committee reviewed the overall effectiveness of the Company's system of internal control over financial, operational and compliance issues, risk management process, information systems security, scope and quality of management's monitoring of risks and effectiveness of financial reporting and compliance with the Listing Rules. The Board concluded that in general, the Group has set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

The articles of association of the Company ("Articles") contain the rights of shareholders to demand and the procedures for a poll voting on resolutions at shareholders' meetings. Details of such rights to demand a poll and the poll procedures are included in all circulars in relation to shareholders' meetings and will be explained during the proceedings of shareholders' meetings. In case poll voting is conducted, the poll results will be posted on the websites of the Stock Exchange and the Company. In addition, since effective from 1 January 2009, the Listing Rules have been amended to require that all shareholders' meeting of the Company shall be voted by poll, the Directors propose to amend the Articles at the forthcoming annual general meeting of the Company to, among other things, align the requirements of the Article in respect of voting at shareholders' meeting with that of the Listing Rules.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Board and external auditors attend the general meetings to answer shareholders' questions.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts.

Enquiries from investors are dealt with in an informative and timely manner. As a channel to further promote effective communication, the Group maintains a website at http://www.intime.com.cn where the Company's announcements, business developments and operations, financial information and other information are posted.

The Board is pleased to present the annual report of the Company together with the audited consolidated financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company, incorporated with limited liability in the Cayman Islands on 8 November 2006, acts as an investment holding company. The principal activities of the Group are the operation and management of department stores in the PRC. The activities of its principal subsidiaries, jointly controlled entities and associates are shown on pages 94 to 100.

RESULTS

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 42 of this annual report.

PROPOSED FINAL DIVIDENDS

The Board has recommended the payment of a final dividend of RMB0.066 per share (2007: RMB0.064 per share) for the year ended 31 December 2008 to shareholders whose name appear on the register of members of the Company at close of business on 8 June 2009.

The proposed final dividends will be paid in Hong Kong dollars, such amount will be calculated by reference to the middle rate published by the People's Bank of China for the conversion of RMB to Hong Kong dollars as at 8 June 2009.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital during the year are set out in note 36 to the consolidated financial statements.

RESERVES

Details of the movements in reserves during the year are set out on pages 45 to 48 and in note 37 to the consolidated financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB 2,917,147 (2007: RMB281,685)

BANK BORROWINGS

Bank borrowings of the Group as at 31 December 2008 amounted to RMB1,407,500,000. Particulars of the borrowings are set out in note 35 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of the Cayman Islands do not impose any limitations on such rights.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are as follows:

Executive Directors:

Mr. Shen Guojun *(Chairman)*
Mr. Ching Siu Leung

Non-executive Directors:

Mr. Xin Xiangdong
Mr. Li Hui, David (appointed on 12 September 2008)

Independent Non-executive Directors:

Mr. Chen Dagang (retired on 27 May 2008)
Mr. Lee Lawrence
Mr. Chow Joseph
Mr. Shi Chungui (appointed on 27 May 2008)

Mr. Li Hui, David who was appointed by the Board as non-executive Director on 12 September 2008 will offer himself for re-election at the forthcoming annual general meeting of the Company.

In accordance with the Company's articles of association and the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, Mr. Ching Siu Leung and Mr. Lee Lawrence shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of Directors and senior management of the Group are set out on pages 18 to 21 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Other than as disclosed in note 46 to the consolidated financial statements, no contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2008, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group. Please also refer to the paragraph headed 'Compliance with the Non-Competition Deed' below.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

PENSION SCHEMES

Employees of the Group's subsidiaries in Mainland China are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group's subsidiaries in Mainland China contribute funds to the retirement schemes to fund the retirement benefits of the employees which are calculated on certain percentage of the average employee salary as agreed by the local municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. The Group has no further obligations for the actual payment of post-retirement benefit beyond the contributions.

The Group's contributions to retirement benefit schemes charged to the consolidated income statement for the year ended 31 December 2008 were RMB19,687,000.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

Name of Directors	Nature of Interest	Number and class of securities [(2)]	Approximate percentage of interest in such corporation
Mr. Shen Guojun	Interest of controlled corporations [(1)]	L774,316,255	44.24%
Mr. Ching Siu Leung	Beneficial owner [(3)]	L2,200,000	0.12%

Notes:

(1) Mr. Shen Guojun is the beneficial owner of the entire share capital of Fortune Achieve Group Ltd., which in turn is the beneficial owner of the entire issued share capital of Glory Bless Limited, which in turn is the beneficial owner of the entire issued share capital of Intime International Holdings Limited, which holds 774,316,255 Shares.

(2) The Letter "L" denotes the person's long position in such Shares.

(3) Mr. Ching was granted options under the Company's Share Option Scheme on 21 March 2007 exercisable in respect of a total of 2,200,000 shares in the Company over a vesting period of 4 years.

Save as disclosed above, as at 31 December 2008, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2008, so far as is known to any Director or chief executive of the Company, the persons (other than the Directors and the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were directly or indirectly, interested in 10% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follows:

Name of Shareholders	Nature of Interest	Number and Class of Securities (1)	Approximate percentage of interest in such corporation
Fortune Achieve Group Ltd. (2)	Interest of controlled corporations	L774,316,255	44.24%
Glory Bless Limited (2)	Interest of controlled corporation	L774,316,255	44.24%
Intime International Holdings Limited (2)	Beneficial Owner	L774,316,255	44.24%
Warburg Pincus & Co. (3)	Interest of controlled corporations	L442,845,000	25.30%
Warburg Pincus Partners LLC (3)	Interest of controlled corporations	L442,845,000	25.30%
Warburg Pincus IX, LLC (3)	Interest of controlled corporation	L221,422,500	12.65%
Warburg Pincus Private Equity IX, L.P. (3)	Beneficial Owner	L221,422,500	12.65%
Warburg Pincus International Partners, L.P. (3)	Beneficial Owner	L212,237,896	12.13%

Notes:

1. The letter "L" denotes the person's long position in such Shares.

2. Mr. Shen Guojun is the beneficial owner of the entire issued share capital of Fortune Achieve Group Ltd., which in turn is the beneficial owner of the entire issued share capital of Glory Bless Limited, which in turn is the beneficial owner of the entire issued share capital of Intime International Holdings Limited, which holds 774,316,255 Shares. Mr. Shen Guojun is a director in each of Fortune Achieve Group Ltd., Glory Bless Limited and Intime International Holdings Limited. Mr. Ching Siu Leung and Mr. Xin Xiangdong are also directors of Intime International Holdings Limited.

3. Warburg Pincus Private Equity IX, L.P. and Warburg Pincus International Partners, L.P. are part of the Warburg Pincus Funds. The direct general partner of Warburg Pincus Private Equity IX, L.P. is Warburg Pincus IX, LLC. Warburg Pincus IX, LLC is therefore deemed to be interested in the Shares held by Warburg Pincus Private Equity IX, L.P.. The controlling entity of the Warburg Pincus Funds is Warburg Pincus Partners LLC, which is a subsidiary of Warburg Pincus & Co.. Each of Warburg Pincus Partners LLC and Warburg Pincus & Co. is therefore deemed to be interested in the Shares held by the Warburg Pincus Funds, which includes Warburg Pincus International Partners, L.P. and Warburg Pincus Private Equity IX, L.P. as well as five other funds.

Save as disclosed above, as at 31 December 2008, so far is known to the Directors or the chief executive of the Company, no other person (not being a Director or chief executive of the Company) had any interests or short positions in the shares, underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHARE OPTION SCHEME

Pursuant to the Company's share option scheme approved by the resolution of the Company's shareholders dated 24 February 2007, the Company may grant options to any employee, management member or director of the Company, or any of the Company's subsidiaries and third party service providers (the "Scheme"). The purpose of the Scheme is to attract skilled and experienced personnel, to incentivise them to remain within the Group and to give effect to the Group's customer-focused corporate culture, and to motivate them to strive for the Group's future development and expansion, by providing them with the opportunity to acquire equity interests in the Company. The amount payable on acceptance of an option is HK$1.00. Details of the Scheme were provided in the Company's prospectus dated 7 March 2007.

The Scheme will remain valid for a period of ten years commencing on 20 March 2007, after which no further share options will be granted but the provisions of the Scheme shall remain in full force and effect in other respects. Share options complying with the provisions of the Listing Rules which are granted during the duration of the Scheme and remain unexercised immediately prior to the end of the 10-year period shall continue to be exercisable in accordance with their terms of grant within the share option period for which share options are granted, notwithstanding the expiry of the Scheme. The maximum 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 as at the date of listing of shares of the Company (such 10% representing 180,000,000 shares), without prior approval from the Company's shareholders. No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of the Options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time, unless the approval of our shareholders is obtained. Options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates in the 12-month period in excess of 0.1% of the Company's issued share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within the time limit specified in the offer letter. The period with which the Options must be exercised will be specified by the Company at the time of grant and must expire no later than 10 years from the date of grant of the Options (being the date on which the board makes a written offer of grant of the Options to the relevant proposed beneficiary) unless the Company obtains specified shareholder's approval in relation to such grant. The exercise price for the shares under the Share Option Scheme will not be less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant; and (iii) the nominal value of a share.

The movements in share options granted under the share option scheme adopted by the Company for the year ended 31 December 2008 are shown below:

Name or category of participant	Date of Grant	Exercise Price per share	Number of share options: As at 1 Jan 2008	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 Dec 2008	Exercise Period	Closing price immediately before the date of grant
Director										
Ching Siu Leung	21/3/2007	6.44	2,200,000	–	–	–	–	2,200,000	22//3/08– 21/3/12	6.44
Other employees in aggregate	21/3/2007	6.44	9,400,000	–	–	–	9,400,000	–	22//3/08– 21/3/12	6.44
	16/7/2007	6.67	1,000,000	–	–	–	1,000,000	–	17//7/08– 16/7/12	6.80
	12/11/2007	7.14	1,000,000	–	–	–	1,000,000	–	13//11/08– 12/11/12	7.02
	11/4/2008	5.64	–	15,960,000	–	–	–	15,960,000	12//4/09– 11/4/14	5.60
	18/9/2008	3.56	–	11,600,000	–	–	–	11,600,000	19/9/09– 18/9/14	3.20
Total			13,600,000	27,560,000	–	–	11,400,000	29,760,000		

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2008, the Company repurchased a total of 49,800,000 ordinary shares of US$ 0.00001 each on the Stock Exchange and such shares were then subsequently cancelled. The Directors believe that such purchases would help enhancing the assets and earnings per share of the Company and would benefit the Company and the shareholders as a whole. Details of the repurchase of shares are summarised as follows:

Month/Year	Number of shares repurchased	Repurchase price per share Highest	Repurchase price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$ '000
Oct 2008	8,000,000	2.40	2.19	18,055
Nov 2008	29,914,000	2.40	1.83	63,255
Dec 2008	11,886,000	2.00	1.88	23,196
Total	49,800,000			104,506

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year under review.

CONNECTED TRANSACTIONS

Acquisition of equity interest in and shareholders' loan of Shenyang Intime

On 11 January 2008, Shanghai Intime, an indirect wholly-owned subsidiary of the Company, entered into the Shenyang Intime Sale and Purchase Agreement with China Yintai Holdings Company Limited ("China Yintai") and 北京銀泰雍和房地產開發有限公司 (Beijing Yintai Yonghe Property Development Co., Ltd.) ("Yintai Yonghe") to acquire the entire equity interest in and a Shareholders' Loan of Shenyang Intime for a total cash consideration of RMB263 million among which RMB146 million was the consideration for the equity interest and RMB117 million was shareholders' loan. The principal asset of Shenyang Intime is a property located at a prime commercial district in Shenyang, Liaoning Province, the PRC (the "Shenyang Property"). As a large portion of the Shenyang Property has been leased to an independent third party for the operation of department store, the acquisition will provide the Group with the opportunity to (i) gain department store sales linked rental income from the Shenyang Property; (ii) gain exposure to the local retail market in Shenyang which will enhance the Company's understanding in the regional market; and (iii) explore future cooperation opportunities with regard to the operational aspects of the department store operating in the Shenyang Property.

Disposal of 33% equity interest in Hiwell Real Estate

On 16 October 2008, 杭州銀泰投資管理有限公司 (Intime Investment Management Company Limited) ("Intime Investment Management"), an indirect wholly-owned subsidiary of the Company, entered into the Equity Interest Transfer Agreement with China Yintai to dispose a 33% equity interest (the "Hiwell Sale Interest") in 杭州海威房地產開發有限公司 (Hiwell Real Estate Company Limited)("Hiwell Real Estate") for a total cash consideration of RMB70,000,000. Further, Hiwell Real Estate (or China Yintai in the event of Hiwell Real Estate's default), shall also repay a shareholder's loan it owed to Intime Investment Management in the principal amount of RMB169,808,371 as of the date of the Equity Interest Transfer Agreement (the "Hiwell Shareholder's Loan"), plus accrued interest calculated at a rate of 8.25% per annum to the Intime Investment Management pursuant to the Equity Interest Transfer Agreement. The Company realized a capital gain of RMB36.9 million from this disposal.

CONTINUING CONNECTED TRANSACTION

On 14 March 2008, 浙江銀泰百貨有限公司北京分公司 (Beijing branch of Zhejiang Intime Department Store Co., Ltd.) ("the Beijing branch of Zhejiang Intime"), which is part of 浙江銀泰百貨有限公司 (Zhejiang Intime Department Store Co., Ltd.) ("Zhejiang Intime") and not a separate legal person, entered into the Beijing Yintai Centre Office Lease with 北京銀泰置業有限公司 (Beijing Yintai Properties Co., Ltd.) ("Beijing Yintai") pursuant to which the Beijing branch of Zhejiang Intime will lease Units 01 and 04 on 52/F, Tower C, Beijing Yintai Centre, No. 2, Jianguomenwai Avenue, Chaoyang District, Beijing, China with a floor area of 1,050.80 sq.m. (the "Beijing Property") from Beijing Yintai for a term from 1 March 2008 to 31 May 2010 at a monthly rental of RMB302,630.40 for use as office premises. Zhejiang Intime is an indirect wholly-owned subsidiary of the Company. Mr. Shen, the Chairman and an executive Director, owns 52.5% equity interest in Beijing Yintai.

For the year ended 31 December 2008, the rental amount paid by Beijing branch of Zhejiang Intime to Beijing Yintai amounted to RMB 3,026,000. The independent non-executive Directors of the Company have reviewed the above transactions and confirmed that the transactions have been entered into in the ordinary and usual course of business of the Company, are on normal commercial terms and in accordance with the relevant agreement and are fair and reasonable and in the interest of the shareholders of the Company as a whole. Based on the work performed, the auditors of the Company have provided a letter and confirmed that the aforesaid continuing connected transactions (1) have been approved by the board of directors of the Company; (2) are in accordance with the pricing policies of the Group; (3) have been entered into in accordance with the terms of the relevant agreements governing the transaction; and (4) have not exceeded the annual cap of RMB3,026,304 as disclosed in the Company's announcement dated 17 March 2008.

COMPLIANCE WITH THE NON-COMPETITION DEED

Each of Mr. Shen Guojun, Fortune Achieve Group Ltd., Glory Bess Limited and Intime International Holdings Limited (together, the "Convenantors") has confirmed to the Company of his/its compliance with the Non-competition Deed (as defined in the prospectus of the Company dated 7 March 2007). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertaking under the Non-competition Deed have been complied with by the Convenantors.

Pursuant to the Non-competition Deed, Mr. Shen Guojun confirmed that, as of 31 December 2008, he has the following interests:

(a) Beijing Guojun Investment Co., Ltd. (北京國俊投資有限公司)("Beijing Guojun"), which is 100% owned by Mr. Shen Guojun, has a 50% interest in Huzhou Jialefu Commercial City Co., Ltd. (湖州佳樂福商城有限公司) ("Huzhou Jialefu"), which owns a commercial complex with a commercial floor area of approximately 48,000 square metres located at Huzhou, Zhejiang province ("Huzhou Complex"). The Huzhou Complex has been leased to independent third parties for operation of shopping arcade. Beijing Guojun has granted the Company the preferential right to lease the Huzhou Complex or acquire its 50% interest in Huzhou Jialefu should the lease with the existing tenant(s) of the Huzhou Complex terminate.

(b) China Yintai, in which Mr. Shen Guojun has 75% interest, has a 44% interest in a project for the development of a commercial complex with a site area of 40,000 square metres located at Chengxi District of Hangzhou, Zhejiang province ("Hangzhou Chengxi Project"). The Hangzhou Chengxi Project is still at the early stage of development. It is expected that, upon completion of development, the Hangzhou Chengxi Project will have a total commercial floor area of approximately 120,000 square metres and part of it will be designated for the operation of a department store. China Yintai has granted the Company a preferential rights to acquire or lease the site designated for operation of department store.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 5.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the respective percentage of the aggregate purchases attributable to the Group's five largest suppliers and the aggregate sales attributable to the Group's five largest customers was less than 30% of the Group's total value of purchases and total sales.

CORPORATE GOVERNANCE REPORT

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" under this annual report.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 49 to the consolidated financial statements.

AUDITORS

Ernst & Young will retire at the forthcoming annual general meeting of the Company, and being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Ernst & Young as auditors of the Company.

On behalf of the Board
Shen Guojun
Chairman

China, 15 April 2009

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street, Certral
Hong Kong

To the shareholders of Intime Department Store (Group) Company Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Intime Department Store (Group) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 144, 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 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. Our report is made solely to you, as a body, 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.

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' judgement, 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 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.

Ernst & Young
Certified Public Accountants
Hong Kong

15 April 2009

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
Revenue	4	**1,232,827**	884,059
Other income and gains	5	**169,858**	219,834
Purchases of goods and changes in inventories	6	**(223,998)**	(173,932)
Staff costs	6	**(161,116)**	(85,033)
Depreciation and amortization	6	**(115,000)**	(40,650)
Other expenses	6	**(425,925)**	(253,187)
Finance costs	7	**(76,824)**	(47,725)
Gain on receipt of cash and shares in a listed company	8	**80,545**	—
Share of profits and losses of:			
Jointly-controlled entities		**(57,060)**	—
Associates		**60,783**	9,103
Profit before tax		**484,090**	512,469
Tax	9	**(115,230)**	(137,613)
Profit for the year		**368,860**	374,856
Attributable to:			
Equity holders of the parent	12	**383,797**	378,368
Minority interests		**(14,937)**	(3,512)
		368,860	374,856
Dividends			
Proposed final	13	**115,513**	115,200
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)			
Basic			
- For profit for the year	14	**0.21**	0.22
Diluted			
- For profit for the year	14	**0.21**	0.22

Consolidated Balance Sheet

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1,374,400**	1,084,277
Investment properties	16	**548,689**	1,508
Prepaid land lease payments	17	**1,481,110**	985,074
Goodwill	18	**220,536**	166,934
Other intangible assets	19	**3,732**	462
Prepaid rental	20	**133,581**	2,375
Interests in jointly-controlled entities	22	**544,861**	—
Investments in associates	23	**900,650**	435,172
Loans and receivables	29	**50,162**	—
Investment deposits	24	**—**	210,800
Available-for-sale investments	25	**188,604**	1,564,097
Deferred tax assets	26	**29,928**	4,103
Total non-current assets		**5,476,253**	4,454,802
CURRENT ASSETS			
Inventories	27	**52,349**	33,954
Prepayments, deposits and other receivables	28	**331,418**	287,792
Loans and receivables	29	**308,667**	322,989
Due from related parties	46(c)	**216,496**	29,420
Prepayments to related parties	46(d)	**—**	204,193
Trade receivables	30	**5,583**	—
Cash in transit	31	**51,069**	84,971
Cash at banks and on hand	32	**745,039**	777,151
Total current assets		**1,710,621**	1,740,470
CURRENT LIABILITIES			
Trade and bills payables	33	**889,274**	436,379
Other payables and accruals	34	**777,912**	850,276
Interest-bearing bank borrowings	35	**960,000**	450,000
Due to related parties	46(f)	**10,491**	3,965
Tax payable		**90,977**	83,504
Total current liabilities		**2,728,654**	1,824,124
NET CURRENT LIABILITIES		**(1,018,033)**	(83,654)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,458,220**	4,371,148

Consolidated Balance Sheet

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	35	**447,500**	—
Other long-term payable		**96,000**	—
Deferred tax liabilities	26	**195,276**	327,982
Total non-current liabilities		**738,776**	327,982
NET ASSETS		**3,719,444**	4,043,166
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	36	**136**	140
Reserves	37	**3,166,130**	3,758,217
Proposed final dividend	13	**115,513**	115,200
		3,281,779	3,873,557
Minority interests		**437,665**	169,609
Total equity		**3,719,444**	4,043,166

Shen Guojun
Chairman

Ching Siu Leung
Executive Director

		Attributable to equity holders of the parent												
	Notes	Issued capital RMB'000 (note 36)	Share premium RMB'000 (note 37)	Merger reserve RMB'000	Capital reserve RMB'000	Reserve for fair value changes of available-for-sale investments RMB'000 (note 25)	Statutory reserves RMB'000 (note 37)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Option RMB'000 (note 38)	Proposed final dividend RMB'000 (note 13)	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007		105	–	299,895	133,842	354,330	45,626	74,867	(257)	–	–	908,408	–	908,408
Changes in fair value of available-for-sale investments, net of tax														
- Group		–	–	–	–	1,510,841	–	–	–	–	–	1,510,841	–	1,510,841
- Associate company		–	–	–	–	525	–	–	–	–	–	525	–	525
Effect of changes in tax rates for provision for deferred taxation on fair value changes on available-for-sale investments		–	–	–	–	28,346	–	–	–	–	–	28,346	–	28,346
Reversal of previously recognized fair value changes on available-for-sale investments upon transfer to interest in an associate		–	–	–	–	(1,152,982)	–	–	–	–	–	(1,152,982)	–	(1,152,982)
Disposal of available-for-sale investments		–	–	–	–	(60,436)	–	–	–	–	–	(60,436)	–	(60,436)
Exchange realignment		–	–	–	–	–	–	–	(64,183)	–	–	(64,183)	–	(64,183)

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

		Attributable to equity holders of the parent											Minority interests	Total equity
	Notes	Issued capital RMB'000 (note 36)	Share premium RMB'000 (note 37)	Merger reserve RMB'000	Capital reserve RMB'000	Reserve for fair value changes of available-for-sale investments RMB'000 (note 25)	Statutory reserves RMB'000 (note 37)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Option RMB'000 (note 38)	Proposed final dividend RMB'000 (note 13)	Total RMB'000	RMB'000	RMB'000
Total income and expense recognized directly in equity		–	–	–	–	326,294	–	–	(64,183)	–	–	262,111	–	262,111
Profit/(loss) for the year		–	–	–	–	–	–	378,368	–	–	–	378,368	(3,512)	374,856
Total income and expense for the year		–	–	–	–	326,294	–	378,368	(64,183)	–	–	640,479	(3,512)	636,967
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	160,321	160,321
Capital contribution from the minority shareholders		–	–	–	–	–	–	–	–	–	–	–	12,800	12,800
Issue of shares		35	2,403,703	–	–	–	–	–	–	–	–	2,403,738	–	2,403,738
Share issue expenses		–	(84,822)	–	–	–	–	–	–	–	–	(84,822)	–	(84,822)
Equity-settled share option arrangements	38	–	–	–	–	–	–	–	–	5,754	–	5,754	–	5,754
Transfer to capital reserve		–	–	(299,895)	299,895	–	–	–	–	–	–	–	–	–
Proposed final 2007 dividend	13	–	–	–	–	–	–	(115,200)	–	–	115,200	–	–	–
Transfer from retained profits		–	–	–	–	–	26,110	(26,110)	–	–	–	–	–	–
At 31 December 2007		140	2,318,881	–	433,737	680,624	71,736	311,925	(64,440)	5,754	115,200	3,873,557	169,609	4,043,166

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

	Notes	Issued capital RMB'000 (note 36)	Share premium RMB'000 (note 37)	Capital redemption reserve RMB'000	Capital reserve RMB'000	Reserve for fair value changes of available-for-sale investments RMB'000 (note 25)	Statutory reserves RMB'000 (note 37)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Option RMB'000 (note 38)	Proposed final dividend RMB'000 (note 13)	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
		Attributable to equity holders of the parent												
At 1 January 2008		140	2,318,881	–	433,737	680,624	71,736	311,925	(64,440)	5,754	115,200	3,873,557	169,609	4,043,166
Changes in fair value of available-for-sale investments, net of tax														
- Group		–	–	–	–	(318,571)	–	–	–	–	–	(318,571)	–	(318,571)
- Associate companies		–	–	–	–	(225)	–	–	–	–	–	(225)	–	(225)
Reversal of previously recognized fair value changes on available-for-sale investments upon transfer to interest in an associate		–	–	–	–	(399,225)	–	–	–	–	–	(399,225)	–	(399,225)
Disposal of available-for-sale investments		–	–	–	–	(32,320)	–	–	–	–	–	(32,320)	–	(32,320)
Exchange realignment		–	–	–	–	–	–	–	(37,524)	–	–	(37,524)	–	(37,524)
Total income and expense recognized directly in equity		–	–	–	–	(750,341)	–	–	(37,524)	–	–	(787,865)	–	(787,865)
Impairment of available-for-sale investment	25	–	–	–	–	37,170	–	–	–	–	–	37,170	–	37,170
Profit/(loss) for the year		–	–	–	–	–	–	383,797	–	–	–	383,797	(14,937)	368,860

Consolidated Statement of Changes in Equity

Year ended 31 December 2008

	Notes	Attributable to equity holders of the parent												
		Issued capital RMB'000 (note 36)	Share premium RMB'000 (note 37)	Capital redemption reserve RMB'000	Capital reserve RMB'000	Reserve for fair value changes of available-for-sale investments RMB'000 (note 25)	Statutory reserves RMB'000 (note 37)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Option RMB'000 (note 38)	Proposed final dividend RMB'000 (note 13)	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
Total income and expense for the year		–	–	–	–	(713,171)	–	383,797	(37,524)	–	–	(366,898)	(14,937)	(381,835)
Acquisition of subsidiaries	39	–	–	–	–	–	–	–	–	–	–	–	146,190	146,190
Disposal of subsidiaries	40	–	–	–	(152)	–	(229)	–	–	–	–	(381)	(30,131)	(30,512)
Final 2007 dividend declared		–	–	–	–	–	–	–	–	–	(115,200)	(115,200)	–	(115,200)
Acquisition of minority interests		–	–	–	(28,712)	–	–	–	–	–	–	(28,712)	(88)	(28,800)
Capital contribution from the minority shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	167,200	167,200
Repurchase of shares	36	(4)	(92,429)	4	–	–	–	(4)	–	–	–	(92,433)	–	(92,433)
Proposed final 2008 dividend		–	–	–	–	–	–	(115,513)	–	–	115,513	–	–	–
Dividend paid to the minority shareholder of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	(178)	(178)
Equity-settled share option arrangements	38	–	–	–	–	–	–	–	–	11,846	–	11,846	–	11,846
Transfer from retained profits		–	–	–	–	–	43,062	(43,062)	–	–	–	–	–	–
At 31 December 2008		136	2,226,452	4	404,873	(32,547)	114,569	537,143	(101,964)	17,600	115,513	3,281,779	437,665	3,719,444

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		484,090	512,469
Adjustments for:			
Finance costs	7	76,824	47,725
Share of losses of jointly-controlled entities		57,060	—
Share of profits of associates		(60,783)	(9,103)
Loss on disposal of property, plant and equipment	5	14	1,003
Fair value gain transferred from equity on disposal of available-for-sale investments	5	(43,093)	(80,582)
Gain on disposal of subsidiaries	5	(4,312)	—
Gain on disposal of investment in Hiwell Real Estate	5	(36,859)	—
Gain on disposal of held-to-maturity investments	5	—	(2,000)
Gain on disposal of shares of an associate	5	(14,539)	—
Dividend income from available-for-sale listed investments	5	(14,362)	(9,594)
Interest income	5	(35,344)	(99,938)
Gain arising from a business combination	5	—	(1,806)
Impairment of available-for-sale investments	5	37,170	—
Gain on receipt of shares and cash in a listed company	8	(80,545)	—
Equity-settled share option expense	6	11,846	5,754
Depreciation of property, plant and equipment	15	85,120	36,164
Depreciation of investment properties	16	18,274	384
Amortization of prepaid land lease payments	17	11,043	3,961
Amortization of other intangible assets	19	563	141
Amortization of prepaid rental	20	8,943	950
		501,110	405,528
Increase in restricted cash		(4,543)	—
(Increase)/decrease in prepayments, deposits and other receivables		(82,899)	47,202
Increase in trade receivables		(5,583)	—
Decrease/(increase) in cash in transit		33,902	(69,812)
Increase in inventories		(16,615)	(5,547)
Increase in trade and bills payables		444,993	128,523
(Decrease)/increase in advances from customers		(54,692)	119,997
Decrease in amounts due from related parties		2,449	—
Increase/(decrease) in amounts due to related parties		10,491	(4,906)
Increase/(decrease) in other payables and accruals		198,336	(15,040)
Cash generated from operations		1,026,949	605,945
Interest paid		(99,359)	(46,746)
Income tax paid		(132,594)	(84,484)
Net cash inflow from operating activities		794,996	474,715

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		26,279	55,709
Purchases of property, plant and equipment and investment properties		(491,532)	(693,867)
Purchases of available-for-sale investments	25	(98,841)	(195,224)
Purchases of other intangible assets		(3,504)	(270)
Payments of prepaid rental		(140,149)	—
Cash receipts from a listed company		53,118	—
Proceeds from disposal of held-to-maturity investments		—	22,000
Acquisition of subsidiaries, net off cash acquired	39	(536,157)	(317,658)
Acquisition of minority interests		(8,800)	—
Acquisition of prepaid land lease payments		(169,948)	(223,617)
Disposal of subsidiaries		258	—
Disposal of investment in Hiwell Real Estate		49,859	—
Dividend received from listed investments	5	14,362	9,594
Deposits paid for investments		—	(210,800)
Proceeds from disposal of property, plant and equipment		1,146	1,677
Proceeds from disposal of shares of an associate		57,811	—
Proceeds from disposal of available-for-sale investments		105,160	114,215
Advances to third parties	28	(94,000)	(299,762)
Repayment of advances to third parties		163,152	115,672
Advances to related parties		(574,166)	(220,613)
Repayment from related parties		501,822	37,746
Repayment of loans from third parties		190,235	—
Loans made to third parties		(40,000)	(316,086)
Acquisition of jointly-controlled entities		(374,873)	—
Capital contribution made to a jointly-controlled entity		(69,248)	—
Loan made to a jointly-controlled entity		(70,000)	—
Net cash outflow from investing activities		(1,508,016)	(2,121,284)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		—	2,441,064
Share issue expenses		—	(84,822)
Repurchase of shares	36(a)	(92,433)	—
Capital contribution from minority shareholders		7,200	12,800
Proceeds from interest-bearing bank borrowings		2,320,000	1,455,000
Repayments of interest-bearing bank borrowings		(1,405,500)	(1,654,000)
Dividends paid		(115,200)	—
Dividends paid to minority shareholders		(178)	—
Net cash inflow from financing activities		713,889	2,170,042
NET INCREASE IN CASH AND CASH EQUIVALENTS		869	523,473
Cash and cash equivalents at beginning of the year		777,151	317,861
Effect of foreign exchange rate changes, net		(37,524)	(64,183)
CASH AND CASH EQUIVALENTS AT END OF YEAR	32	740,496	777,151

Balance Sheet

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Interests in subsidiaries	21	**908,408**	908,408
Due from subsidiaries	21	**2,127,421**	2,188,743
Available-for-sale investments	25	**32,741**	107,308
Total non-current assets		**3,068,570**	3,204,459
CURRENT ASSETS			
Dividend receivable		**160,000**	100,000
Prepayments, deposits and other receivables	28	**1,852**	1,218
Cash and cash equivalents	32	**3,315**	88,828
Total current assets		**165,167**	190,046
CURRENT LIABILITIES			
Other payables and accruals	34	**2**	863
NET CURRENT ASSETS		**165,165**	189,183
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,233,735**	3,393,642
NON-CURRENT LIABILITIES			
Due to subsidiaries	21	**9,617**	37,352
NET ASSETS		**3,224,118**	3,356,290
EQUITY			
Issued capital	36	**136**	140
Reserves	37	**3,108,469**	3,240,950
Proposed final dividend	13	**115,513**	115,200
Total equity		**3,224,118**	3,356,290

Shen Guojun
Chairman

Ching Siu Leung
Executive Director

1. CORPORATE INFORMATION

Intime Department Store (Group) Company Limited (the "Company") was incorporated in the Cayman Islands on 8 November 2006 as an exempted company with limited liability under the Cayman Islands Companies Law. The address of the Company's registered office is M&C Corporate Services Limited, P.O. Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands. The Company and its subsidiaries (together the "Group") are principally engaged in the operation and management of department stores in the People's Republic of China (the "PRC").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 March 2007.

In the opinion of the directors, the ultimate holding company of the Company is Fortune Achieve Group Ltd, a company incorporated in West Samoa. The intermediate holding company of the Company is Intime International Holdings Limited ("Intime International"), a company incorporated in the Cayman Islands.

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 (the "HKICPA"), 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 available-for-sale investments, which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB') and all values are rounded to the nearest thousand except when otherwise stated.

As at 31 December 2008, the Group had net current liabilities of approximately RMB1,018,033,000. The directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the financial statements are prepared on a going concern basis.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2008. 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.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

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. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 and 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*

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKFRS 39 *Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not made such a reclassification of any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC)-Int 11 *HKFRS 2 Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(c) HK(IFRIC)-Int 12 *Service Concession Arrangements*

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for the obligations undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) HK(IFRIC)-Int 14 *HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on 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]

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

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	*Transfer of Assets from Customers* [2]

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
* 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 HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 23 (Revised), HKAS 27 (Revised) and HK(IFRIC)-Int 13 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 interests in subsidiaries are stated at cost less any impairment losses.

2.4 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interest in an associate is 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 an associate is included in the consolidated income statement and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's interest in the associate.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognized in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses. In the case of associates and jointly-controlled entities, goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, associates and jointly-controlled entities (previously referred to as negative goodwill), after reassessment, is recognized immediately in the income statement.

The excess for associates and jointly-controlled entities is included in the Group's share of the associates' and jointly-controlled entities' profits or losses in the period in which the investment is acquired.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets, employee benefits assets, financial assets, investment properties, goodwill and non-current assets), 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.

An impairment loss is recognized 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 in those expense categories consistent with the function of the impaired asset.

2.4 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Impairment of non-financial assets other than goodwill (Continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such 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); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, 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.

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. The principal annual rates used for this purpose are as follows:

Buildings	2.375% to 4.75%
Decorations	20% to 33.33%
Machinery	9.5% to 19%
Vehicles	7.92% to 19%
Furniture, fittings & equipment	19% to 31.67%
Leasehold improvements	20% to 33.33%

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 each balance sheet date.

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

2.4 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Investment properties

Investment properties are interests in land and buildings 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 measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight line basis over the expected useful life of 20 to 40 years.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Any investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as an investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it will be reclassified and subsequently accounted for as an investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, the carrying amount of this item at the date of transfer is recognized as the cost of an investment property for accounting purposes.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

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 net of any incentives received from the lessor 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 recognized 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 recognized 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 derivatives 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 recognized 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.

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. 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 recognized in the income statement. The net fair value gain or loss recognized in the income statement does not include any dividends on these financial assets, which are recognized in accordance with the policy set out for "Revenue recognition" below.

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 amortized cost using the effective interest method less any allowance for impairment. Amortized 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 recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization 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 amortized cost less any allowance for impairment. Amortized cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization 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 in listed and unlisted equity securities 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 recognized as a separate component of equity until the investment is derecognized 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 recognized 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 recognized in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the reserve for fair value changes of available-for-sale investments.

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.

During the current year, certain of the Group's available-for-sale investment was reclassified as an investment in an associate when the Group commences to have significant influence over the investee. Upon the transfer, any existing amount of the reserve for fair value changes of available-for-sale investments relating to the investment was reversed and the investment was accounted for using the equity method accounting.

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; a discounted cash flow analysis; and other valuation models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 amortized cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortized 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 through the use of an allowance account. The amount of the impairment loss is recognized 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 recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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 derecognized when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 amortization) and its current fair value, less any impairment loss previously recognized 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. 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.

2.4 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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 derecognized 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.

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 recognized 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 amortized cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, amounts due to the related parties and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortized 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 recognized within "finance costs" in the income statement.

Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization 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.

2.4 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Inventories

Inventories comprise merchandises purchased for resale and are stated at the lower of cost and net realisable value. Cost of merchandise is determined using the first-in, first-out method. The cost of merchandise comprises purchase cost of goods and other direct costs. Net realisable value is based on the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

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, and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognized 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 recognized 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.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the income statement or in equity if it relates to items that are recognized 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.

2.4 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Income tax (Continued)

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

- where the deferred tax liability arises from goodwill or 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 interests in subsidiaries and associates, 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 recognized 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 interests in subsidiaries and associates, deferred tax assets are only recognized 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 unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Coupon liabilities

Coupon liabilities are recognized as a deduction from revenue based on the fair value of bonus points or coupons granted to customers in accordance with the announced bonus point scheme and the Group's past experience on the level of redemption of coupons, and are recorded in other payables.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, estimated returns, rebates and discounts, and after eliminating sales within the Group. Revenue is recognized as follows:

(a) Sale of goods - retail

Sales of goods are recognized when a group entity sells a product to the customers. Retail sales are usually in cash or by debit card or credit card.

(b) Commission revenue

Commission revenue from concessionaire sales is recognized upon the sale of goods by the relevant stores.

(c) Rental income and display space leasing income

These incomes are recognized on a time proportion basis over the terms of the respective leases.

(d) Other service incomes

Other service incomes including administration fee and credit card handling fee are recognized in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(e) Management fee income

Management fee income from the operation of department stores is recognised when management services are rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(f) Promotion income

Promotion income is recognized according to the underlying contract terms with concessionaires and as the service is provided in accordance herewith.

(g) Interest income

Interest income is recognized on a time proportion basis using the effective interest method.

(h) Dividend income

Dividend income is recognized when the right to receive payment has been established.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in note 38 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognized for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension obligations

The Group companies operating in Mainland China participate in defined contribution retirement benefit plans organized by the relevant government authorities for its employees in Mainland China and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions to these plans are recognized as employee benefit expenses when incurred.

Housing benefits

Employees of the Group companies operating in Mainland China participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the funds are expensed as incurred.

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.

Other borrowing costs are recognized as expenses in the income statement in the period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Foreign currencies

These financial statements are presented in RMB. 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 date 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 the Company and certain subsidiaries is the Hong Kong Dollar. As at the balance sheet date, the assets and liabilities of these companies are translated into the presentation currency of the Group (RMB) at the exchange rates ruling at the balance sheet date, and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into RMB 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 RMB at the weighted average exchange rates for the year.

3. 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Available-for-sale financial assets

The Group's management determines the classification of the Group's equity investments according to its ability to exercise control or influence on the investee companies. The respective accounting treatments under the Group's accounting policies are set out in note 2.4 above.

Certain equity investments in which the Group holds more than 20% but less than 50% of their voting power and over which the Group is not able to exercise significant influence are classified by management as available-for-sale financial assets. When determining whether the Group has significant influence over these companies, management takes into consideration whether:

(a) the Group has representative on the board of directors or an equivalent governing body of these companies;

(b) the Group can participate in the policy making processes of these companies, including participation in decision making such as dividends or other distributions;

(c) there are any material transactions between the Group and these companies;

(d) there are any interchange of managerial personnel between the Group and these companies;

(e) the Group provides any essential technical information to these companies; or

(f) there are any substantial or majority ownership by other investors which can significantly impair the Group's ability to exercise its influence over these companies.

Management reassesses the classification of each equity investment based on the above criteria at each balance sheet date or when there are events or changes in circumstances which affect the Group's ability to exercise control or influence over the investee companies.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2008 was RMB220,536,000 (2007: RMB166, 934,000). More details are given in note 18.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognized tax losses at 31 December 2008 was RMB8,364,000 (2007: RMB2,769,000). The amount of unrecognized tax losses at 31 December 2008 was RMB83,912,000 (2007: nil). Further details are contained in note 26 to the financial statements.

Impairment of available-for-sale investments

The Group classifies certain assets as available for sale and recognizes movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognized in the income statement. At 31 December 2008, the impairment losses have been recognized for available-for-sale investments of RMB37,170,000 (2007: nil). The carrying amount of available-for-sale investments was RMB188,604,000 (2007: RMB1,564,097,000) (note 25).

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste or competitor actions in response to severe consumer product industry cycles. Management reassesses these estimates at each balance sheet date.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of other receivables, loans and receivables and amounts due from related parties

The Group's management estimates the provision for impairment of other receivables, loans and receivables and amounts due from related parties by assessing their recoverability based on credit history and the prevailing market conditions. This requires the use of estimates and judgements. Management reassesses the provision at each balance sheet date.

Provisions are applied to other receivables and amounts due from related parties where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimates, such difference will affect the carrying values of other receivables and amounts due from related parties and thus impairment charge in the period in which such estimates are changed.

Income taxes

The Group is primarily subject to income taxes in Mainland China. There are certain transactions and calculations for which the ultimate tax determination is uncertain. Where the final outcome of tax assessment is different from the carrying amounts of tax provision, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4. REVENUE AND SEGMENT INFORMATION

	2008 RMB'000	2007 RMB'000
Sale of goods - direct sale	288,641	225,641
Commissions from concessionaire sales	863,217	643,414
Rental income	60,757	15,004
Rental income from investment properties	30,987	3,429
Sublease rental income	27,282	10,692
Contingent rental income	2,488	883
Management fee income from operation of department stores (note 46 (b) (vi))	20,212	—
	1,232,827	884,059

The commissions from concessionaire sales are analyzed as follows:

	2008 RMB'000	2007 RMB'000
Gross revenue from concessionaire sales	4,517,377	3,234,298
Commissions from concessionaire sales	863,217	643,414

The direct sales and gross revenue from concessionaire sales are mainly settled in cash, debit card, or credit card. The Group has no fixed credit policy.

The Group is mainly engaged in the operation and management of department stores in Mainland China. All the Group's operations are carried out in Mainland China. In addition, most of the Group's revenue and operating profits are generated from business relating to the operation and management of department stores. Therefore no business segment or geographical segment is presented.

5. OTHER INCOME AND GAINS

	2008 RMB'000	2007 RMB'000
Other income		
Interest income from bank deposits	6,039	55,709
Interest income from loans and receivables	29,305	6,903
Interest income from over subscription funds of new shares	—	37,326
Advertisement, promotion and administration income	39,822	17,248
Credit card handling income	2,234	1,296
Dividend income from available-for-sale listed investments	14,362	9,594
Subsidy income	245	4,161
Others	7,126	4,212
	99,133	136,449
Gains/(losses)		
Loss on disposal of property, plant and equipment	(14)	(1,003)
Fair value gain, net:		
Available-for-sale investments transferred from equity on disposal	43,093	80,582
Gain on disposal of subsidiaries	4,312	—
Gain on disposal of investment in Hiwell Real Estate (note 24(i))	36,859	—
Gain on disposal of shares of an associate	14,539	—
Gain on disposal of held-to-maturity investments	—	2,000
Gain arising from a business combination	—	1,806
Impairment of available-for-sale investments	(37,170)	—
Others	9,106	—
	70,725	83,385
	169,858	219,834

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2008 RMB'000	2007 RMB'000
Purchases of goods and changes in inventories	223,998	173,932
Depreciation and amortization	115,000	40,650
Staff costs (including directors' remuneration (note 10)):	161,116	85,033
Wages, salaries and bonuses	120,037	61,855
Pension costs - defined contribution schemes (note (a))	19,687	11,469
Welfare, medical and other benefits	9,546	5,955
Equity-settled share option expense (note 38)	11,846	5,754
Utility expenses	65,645	31,995
Store rental expenses	173,094	77,514
Credit card charges	35,572	26,086
Advertising expenses	40,132	22,581
Auditors' remuneration	3,180	2,080
Professional service charges	9,628	25,675
Other tax expenses	32,324	20,132

Note:

(a) Employees of the Group's subsidiaries in Mainland China are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. The Group's subsidiaries in Mainland China contribute funds to the retirement schemes to fund the retirement benefits of the employees which are calculated on certain percentage of the average employee salary as agreed by the local municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

7. FINANCE COSTS

	2008 RMB'000	2007 RMB'000
Interest expenses on bank loans	99,359	47,725
Less: Interest capitalised	(22,535)	—
	76,824	47,725

8. GAIN ON RECEIPT OF CASH AND SHARES IN A LISTED COMPANY

According to Baida Group Co., Ltd ("Baida")'s share reform programme in May 2008, the Group received net cash and shares from the shareholders of Baida who own non-tradable legal person shares. The total net gain arising from the share reform of Baida amounted to approximately RMB80,545,000.

9. TAX

	2008 RMB'000	2007 RMB'000
Current income tax - PRC	**137,108**	142,571
Deferred taxation (note 26)	**(21,878)**	(4,958)
	115,230	137,613

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law and is exempted from the payment of Cayman Islands income tax. The Company's wholly owned subsidiaries North Hill Holdings Limited ("North Hill") and River Three Holdings Limited ("River Three") were incorporated in British Virgin Islands ("BVI") as exempted companies with limited liability under the Company Law of BVI and is exempted from the payment of BVI income tax.

The subsidiaries established in the PRC are subject to corporate income tax ("CIT") at the rate of 25% (2007: 33%), except for the head office of Intime Department Store Co., Ltd. ("head office of Shanghai Intime"), which is subject to CIT at the rate of 18% (2007: 15%). From January 1, 2008, the lower preferential tax rates enjoyed by head office of Shanghai Intime shall gradually be increased to the statutory tax rate within 5 years of the date on which the new CIT Law comes into effect. The existing tax rate of 18% shall be increased to 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012.

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2008 RMB'000	2007 RMB'000
Profit before tax	**484,090**	512,469
Tax at the statutory tax rate of 25% (2007:33%)	**121,023**	169,115
Lower tax rates for specific provinces or local authority	**(2,467)**	(38,804)
Profits and losses attributable to jointly-controlled entities and associates	**(931)**	(3,004)
Income not subject to tax	**(23,727)**	(3,166)
Tax losses not recognized	**20,978**	—
Expenses not deductible for tax	**354**	13,472
Tax charge at the Group's effective rate	**115,230**	137,613

The share of tax attributable to associates and jointly-controlled entities amounting to RMB931,000 is included in "Share of profits and losses of jointly-controlled entities and associates" in the face of the consolidated income statement.

10. DIRECTORS' REMUNERATION

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

	Group	
	2008 RMB'000	2007 RMB'000
Fees	529	561
Other emoluments:		
Salaries, allowance and benefits in kind	2,824	1,873
Equity-settled share option expense	823	1,010
	3,647	2,883
	4,176	3,444

During the year, certain directors were granted share options in respect of their services to the Group, under the share option schemes of the Company, further details of which are set out in note 38 to the financial statements. The fair value of such options which has been recognized in the income statement over the vesting period was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

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

	2008 RMB'000	2007 RMB'000
Mr. SHI Chungui	103	—
Mr. CHEN Dagang	74	187
Mr. LEE Lawrence	176	187
Mr. CHOW Joseph	176	187
	529	561

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

10. DIRECTORS' REMUNERATION

(b) Executive directors and two non-executive directors

	Salaries, allowances and benefits in kind RMB'000	Employee share option benefits RMB'000	Total remuneration RMB'000
2008			
Executive directors:			
Mr. SHEN Guojun	1,942	—	1,942
Mr. CHING Siu Leung	441	823	1,264
	2,383	823	3,206
Non-executive directors:			
Mr. LI Hui	—	—	—
Mr. XIN Xiangdong	441	—	441
	441	—	—
	2,824	823	3,647
2007			
Executive directors:			
Mr. SHEN Guojun	937	—	937
Mr. CHING Siu Leung	468	1,010	1,478
	1,405	1,010	2,415
Non-executive director:			
Mr. XIN Xiangdong	468	—	468
	1,873	1,010	2,883

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

11. FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2008 RMB'000	2007 RMB'000
Salary, allowances and benefits in kind	3,693	1,188
Discretionary bonus	1,590	1,184
Contribution to retirement benefit plan	288	175
Equity-settled share option expense	4,400	2,388
	9,971	4,935

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

	Number of employees	
	2008	2007
Nil to RMB 1,000,000	—	1
RMB 1,000,001 to RMB 1,500,000	—	2
RMB 1,500,001 to RMB 2,000,000	3	1
RMB 2,000,001 to RMB 2,500,000	1	—
RMB 2,500,001 to RMB 3,000,000	1	—
	5	4

During the year, share options were granted to the above non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 38 to the financial statements. The fair value of such options which has been recognized to the income statement over the vesting period was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees remuneration disclosures.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2008 includes a profit of RMB101,484,000 (2007: RMB150,368,000) which has been dealt with in the financial statements of the Company (note 37).

13. DIVIDENDS

	2008 RMB'000	2007 RMB'000
Proposed final - RMB0.066 (2007: RMB0.064) per ordinary share	**115,513**	115,200

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

All dividends declared for the year ended 31 December 2007 totalling RMB115,200,000 had been paid prior to 31 December 2008.

14. EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the weight average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2008 RMB'000	2007 RMB'000
Earnings		
Profit attributable to equity holders of the parent	**383,797**	378,368

	Number of shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,794,313,367**	1,706,250,000
Effect of dilution - weighted average number of ordinary shares:		
Share options (note (a))	**–**	1,691,763
Weighted average number of ordinary shares used in diluted earnings per share calculation	**1,794,313,367**	1,707,941,763

Note:

(a) No diluted impact on earning per share has been taken into consideration for the year ended 31 December 2008, since during the period from issuance of the share option to the balance sheet date, the average quoted market price of ordinary shares is lower than the exercise price of the share option.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Decorations RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fittings & equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2008								
At 31 December 2007 and at 1 January 2008:								
Cost	198,936	3,800	48,111	8,076	12,489	146,601	842,644	1,260,657
Accumulated depreciation	(81,607)	(2,454)	(36,815)	(3,031)	(5,957)	(46,516)	–	(176,380)
Net carrying amount	117,329	1,346	11,296	5,045	6,532	100,085	842,644	1,084,277
At 1 January 2008, net of accumulated deprecation	117,329	1,346	11,296	5,045	6,532	100,085	842,644	1,084,277
Additions	25,814	–	893	6,011	10,752	40,427	281,132	365,029
Acquisition of subsidiaries (note 39)	–	–	–	–	1,705	1,956	8,105	11,766
Depreciation provided during the year	(26,546)	(6,589)	(9,497)	(1,710)	(5,002)	(35,776)	–	(85,120)
Transfer to investment properties (note 16)	(392)	–	–	–	–	–	–	(392)
Transfers	714,321	64,024	87,632	–	16,541	7,645	(890,163)	–
Disposals	–	–	(446)	(557)	(129)	(28)	–	(1,160)
At 31 December 2008, net of accumulated depreciation	830,526	58,781	89,878	8,789	30,399	114,309	241,718	1,374,400
At 31 December 2008:								
Cost	938,365	67,824	133,533	13,224	40,844	196,584	241,718	1,632,092
Accumulated depreciation	(107,839)	(9,043)	(43,655)	(4,435)	(10,445)	(82,275)	–	(257,692)
Net carrying amount	830,526	58,781	89,878	8,789	30,399	114,309	241,718	1,374,400

15. **PROPERTY, PLANT AND EQUIPMENT** (Continued)

Group

	Buildings RMB'000	Decorations RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fittings & equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2007								
At 31 December 2006 and at 1 January 2007:								
Cost	182,628	3,800	50,360	4,289	6,155	17,591	4,003	268,826
Accumulated depreciation	(70,683)	(1,732)	(37,861)	(2,062)	(3,529)	(5,940)	–	(121,807)
Net carrying amount	111,945	2,068	12,499	2,227	2,626	11,651	4,003	147,019
At 1 January 2007, net of accumulated depreciation	111,945	2,068	12,499	2,227	2,626	11,651	4,003	147,019
Additions	8,060	–	3,473	3,202	4,391	98,436	472,972	590,534
Acquisition of subsidiaries	–	–	–	280	705	9,293	370,692	380,970
Depreciation provided during the year	(9,243)	(722)	(3,954)	(664)	(1,706)	(19,875)	–	(36,164)
Transfer from investment properties (note 16)	4,986	–	–	–	–	–	–	4,986
Transfer to investment properties (note 16)	(388)	–	–	–	–	–	–	(388)
Transfers	2,812	–	–	–	903	1,308	(5,023)	–
Disposals	(843)	–	(722)	–	(387)	(728)	–	(2,680)
At 31 December 2007, net of accumulated depreciation	117,329	1,346	11,296	5,045	6,532	100,085	842,644	1,084,277
At 31 December 2007:								
Cost	198,936	3,800	48,111	8,076	12,489	146,601	842,644	1,260,657
Accumulated depreciation	(81,607)	(2,454)	(36,815)	(3,031)	(5,957)	(46,516)	–	(176,380)
Net carrying amount	117,329	1,346	11,296	5,045	6,532	100,085	842,644	1,084,277

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Amortisation of land lease payment of approximately RMB11,940,000 during the construction period was capitalised as part of the construction cost of the store in Jinhua, Zhejiang Province, Zhengzhou, Henan Province and Wuhan, Hubei Province and included in the above addition of construction in progress.

The Group pledged certain of its buildings and construction in progress to secure the Group's banking facilities (note 35(c)). The carrying amounts of these pledged buildings and construction in progress as at 31 December 2008 were approximately RMB159,961,000 (2007: RMB113,243,000) and RMB194,835,000(2007: nil) respectively.

The ownership certificates of certain buildings located in Hangzhou and Jiaxing, Zhejiang Province, the PRC, with a carrying amount of RMB622,617,000 as at 31 December 2008 (2007: nil), are in process.

16. INVESTMENT PROPERTIES

Group

	2008 RMB'000	2007 RMB'000
Carrying amount at 1 January	**1,508**	6,490
Additions	**244,063**	—
Acquisition of subsidiaries (note 39 (a))	**321,000**	—
Transfer from/(to) owner-occupied property (note 15)	**392**	(4,598)
Depreciation for the year	**(18,274)**	(384)
Carrying amount at 31 December	**548,689**	1,508
Fair value	**604,841**	30,143

The Group's investment properties are principally comprised of department store buildings held for long term rental yields, which are located in Hangzhou and Jiaxing of Zhejiang Province, and Shenyang, Liaoning Province, the PRC, with lease periods from two to seven years.

The fair value of investment properties as at each balance sheet date for disclosure purpose above is estimated by the Company's directors based on the discounted cash flow of estimated future rental income.

The Group pledged certain of its investment properties to secure the Group's banking facilities (note 35(c)). The carrying amounts of these pledged investment properties as at 31 December 2008 were approximately RMB1,741,000 (2007: RMB1,508,000).

The ownership certificate of certain investment properties located in Hangzhou, Zhejiang Province, the PRC, with a carrying amount of RMB30,960,000 as at 31 December 2008 (2007: nil), is in process.

17. PREPAID LAND LEASE PAYMENTS

Group

	2008 RMB'000	2007 RMB'000
Carrying amount at 1 January	**985,074**	64,034
Additions	**192,973**	319,617
Acquisition of subsidiaries (note 39(c) and (d))	**326,046**	605,384
Amortization for the year	**(22,983)**	(3,961)
Carrying amount at 31 December	**1,481,110**	985,074

The Group's leasehold land is located in Hangzhou and Jinhua, Zhejiang Province, Wuhan, Hubei Province, and Zhengzhou, Henan Province, the PRC, with lease periods from 32 to 40 years.

The transfer of the ownership certificate of the land located in Wuhan, Hubei Province, the PRC, with a carrying amount of RMB127,476,000 at 31 December 2008 (As at 31 December 2007: RMB130,676,000), is in progress.

Included in the amortization provided during the year is an amount of approximately RMB11,940,000, which was capitalised as part of the construction cost of the stores in Jinhua, Zhejiang Province, Zhengzhou, Henan Province and Wuhan, Hubei Province. Further details of capitalisation are included in note 15.

The Group pledged its prepaid land lease payments to secure the Group's banking facilities (note 35(c)). The carrying amounts of these pledged prepaid land lease payments as at 31 December 2008 were approximately RMB329,637,000 (2007: RMB61, 889,000).

18. GOODWILL

Group

	2008 RMB'000	2007 RMB'000
Cost at 1 January	**166,934**	—
Reduction (note (i))	**(47,500)**	—
Acquisition of subsidiaries (note 39 (a), (b), (c) and (d))	**101,102**	166,934
Impairment during the year	**—**	—
Cost and net carrying amount at 31 December	**220,536**	166,934

Note:

(i) In 2007, the Group entered into an agreement with third parties (the "Sellers") to acquire 50% equity interest in Zhejiang Zhelian Investment and Management Co., Ltd. ("Zhelian Investment Management") for a total consideration of RMB100,000,000. As at 31 December 2007, RMB5,000,000 has been injected as capital into Zhelian Investment Management. In 2008, as agreed between the Group and the Sellers, the remaining balance of RMB95,000,000 was injected as capital surplus into Zhelian Investment Management.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating unit for impairment testing:

Department stores cash-generating unit

The recoverable amount of the department store cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a 5-year period approved by senior management. The discount rate applied to the cash flow projections is 15% and cash flows beyond the 5-year period are extrapolated using a growth rate of 3% which is the same as the long term average growth rate of the department stores industry.

18. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Department stores cash-generating unit (Continued)

The carrying amount of goodwill allocated to the cash-generating unit is as follows:

	2008 RMB'000	2007 RMB'000
Carrying amount of goodwill	**220,536**	166,934

Key assumptions were used in the value in use calculation of the department stores cash-generating unit for 31 December 2008. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted income - The basis used to determine the value assigned to income is the average income achieved in the year immediately before the budget year, increased for expected efficiency improvements and expected market development.

Discount rates - The discount rates used are before tax and reflect specific risks relating to the relevant unit.

19. OTHER INTANGIBLE ASSETS

Group

	Computer software RMB'000
31 December 2008	
Cost at 1 January 2008, net of accumulated amortization	462
Additions	3,504
Acquisition of subsidiaries (note 39(b))	329
Amortization provided during the year	(563)
At 31 December 2008	3,732
At 31 December 2008:	
Cost	5,208
Accumulated amortization	(1,476)
Net carrying amount	3,732
31 December 2007	
Cost at 1 January 2007, net of accumulated amortization	286
Additions	317
Amortization provided during the year	(141)
At 31 December 2007	462
At 31 December 2007:	
Cost	1,153
Accumulated amortization	(691)
Net carrying amount	462

20. PREPAID RENTAL

Group

	RMB'000
31 December 2008	
Carrying amount at 1 January 2008,	3,325
Addition	156,149
Recognised during the year	(8,943)
At 31 December 2008	150,531
Less: Current portion	(16,950)
Non-current portion of prepaid rental	133,581
31 December 2007	
Carrying amount at 1 January 2007,	4,275
Recognised during the year	(950)
At 31 December 2007	3,325
Less: Current portion	(950)
Non-current portion of prepaid rental	2,375

21. INTERESTS IN SUBSIDIARIES

Company

	2008 RMB'000	2007 RMB'000
Unlisted shares, at cost	**908,408**	908,408

The amounts due from and to subsidiaries included in the Company's non-current assets and non-current liabilities of RMB2,127,421,000 (2007:RMB2,188,743,000) and RMB9,617,000 (2007: RMB37,352,000), respectively, are unsecured and interest-free, and have no fixed repayment terms. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and kind of legal entity	Nominal value of issued ordinary/ registered and share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
North Hill	BVI, limited liability company	US$1	100%	–	Investment holding
River Three	BVI, limited liability company	US$1	100%	–	Investment holding and trademark management
Hangzhou Intime North Hill Enterprise Management Co., Ltd. ("Hangzhou North Hill")	Mainland China, wholly-foreign-owned enterprise	US$ 28,000,000	–	100%	Investment holding
Hangzhou Intime Investment and Management Co., Ltd. ("Intime Investment Management")	Mainland China, wholly-foreign-owned enterprise	US$ 48,000,000	–	100%	Investment holding
Zhejiang Intime Department Store Co., Ltd. ("Zhejiang Intime")	Mainland China, wholly-foreign-owned enterprise	RMB 500,000,000	–	100%	Operation and management of department stores and investment holding

21. **INTERESTS IN SUBSIDIARIES** (Continued)

Name	Place of incorporation/ registration and kind of legal entity	Nominal value of issued ordinary/ registered and share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Intime Department Store Co., Ltd. ("Shanghai Intime")	Mainland China, wholly-foreign-owned enterprise	RMB 300,000,000	–	100%	Operation and management of department stores and investment holding
Zhejiang Wenzhou Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB 30,000,000	–	100%	Operation and management of department stores
Hangzhou Intime Outlets Commercial Development Co., Ltd.	Mainland China, limited liability company	RMB 20,000,000	–	100%	Investment holding
Zhejiang Intime Department Store (Jinhua) Co., Ltd.	Mainland China, limited liability company	RMB 30,000,000	–	100%	Operation and management of department stores
Jiaxing Intime Meiwan Xintiandi Investment and Management Co., Ltd. ("Jiaxing Meiwan")	Mainland China, limited liability company	RMB 400,000,000	–	60%	Investment and business management
Yinzhou Intime Department Store Company Co., Ltd.	Mainland China, limited liability company	RMB 20,000,000	–	100%	Operation and management of department stores
Zhelian Investment Management	Mainland China, limited liability company	RMB 10,000,000	–	50%*	Investment holding and property development
Hangzhou Yinxi Intime Department Store Co., Ltd. ("Yinxi Intime")	Mainland China, limited liability company	RMB 36,000,000	–	50%*	Operation and management of department stores
Ezhou Intime Department Store & Trade Company Limited ("Ezhou Intime")	Mainland China, limited liability company	RMB 10,000,000	–	100% ^	Operation and management of department stores
Hubei Intime Department Store Co., Ltd. ("Hubei Intime")	Mainland China, limited liability company	RMB 50,000,000	–	100%^^	Operation and management of department stores

21. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and kind of legal entity	Nominal value of issued ordinary/ registered and share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hangzhou Linping Intime Shopping Center Co., Ltd. ("Hangzhou Linping")	Mainland China, limited liability company	RMB 10,000,000	–	70%	Operation and management of department stores
Shenyang North Intime Property Co., Ltd. ("Shenyang Intime") #	Mainland China, limited liability company	RMB 6,800,000	–	100%	Lease of real estate and equipment; property management
Xi'an Central Intime Management Co., Ltd. ("Xi'an Intime") #	Mainland China, limited liability company	RMB 10,000,000	–	60%	Operation and management of department stores
Wuhan Huilian Investment Co., Ltd. ("Wuhan Huilian") #	Mainland China, limited liability company	RMB 9,800,000	–	90%	Investment and property development
Henan Longyu Property Development Co. Ltd. ("Henan Longyu") #	Mainland China, limited liability company	RMB 77,000,000	–	70%	Property development and management
Yiwu Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB 15,000,000	–	52%	Operation and management of department stores

* These companies are accounted for as subsidiaries of the Group as the Group is able to control their financial and operating policies.

^ In November 2008, the Group acquired an additional 8% equity interest in Ezhou Intime from a third party at a cash consideration of RMB800,000.

^^ On 29 February 2008, Wuhan Intime acquired an additional 50% equity interest in Hubei Intime for a cash consideration of RMB28,000,000.

\# During the year, the Group acquired Wuhan Huilian, Henan Longyu, Xi'an Intime and Shenyang Intime. Further details of these acquisitions are included in note 39 to the financial statements.

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.

22. INTEREST IN JOINTLY-CONTROLLED ENTITIES

Group

	2008 RMB'000
Share of net assets	304,729
Goodwill on acquisition	240,132
	544,861

Particulars of the jointly-controlled entities are as follows:

Name	Registered share capital	Place of registration	Percentage of ownership interest attributable to the Group	Principal Activities
Lotte Intime Department Store Co., Ltd. ("Lotte Intime") (note (a))	US$ 20,000,000	PRC	50%	Operation and management of department stores
Hangzhou Xin Hubin Commercial Development Co., Ltd. ("Xin Hubin")	RMB 80,000,000	PRC	50%	Property development; Wholesale and retailing
Hangzhou Hubin International Commercial Development Co., Ltd. ("Hubin International")	RMB 100,000,000	PRC	50%	Property development; Wholesale and retailing

22. INTEREST IN JOINTLY-CONTROLLED ENTITIES (Continued)

Note:

(a) Pursuant to a joint venture agreement with Lotte Shopping Company Limited ("Lotte"), Zhejiang Intime and Lotte established a joint venture in the PRC with a registered capital of US$20,000,000 to operate a department store in Mainland China. Zhejiang Intime made capital injection of US$10,000,000 (RMB69,248,000 in equivalent) in April 2008 to establish Lotte Intime by holding 50% equity interest in it.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2008 RMB'000
Share of the jointly-controlled entities' assets and liabilities:	
Current assets	68,882
Non-current assets	1,296,795
Current liabilities	(353,529)
Non-current liabilities	(707,419)
Net assets	304,729
Share of the jointly-controlled entities' results:	
Revenue	44,088
Other income	1,822
	45,910
Total expenses	(104,872)
Tax	1,902
Loss after tax	(57,060)

The information on the income statement of Hubin International and Xin Hubin is for the period from 1 May 2008 to 31 December 2008.

23. INVESTMENTS IN ASSOCIATES

Group

	2008 RMB'000	2007 RMB'000
Shares listed in PRC, at cost		
Share of net assets	765,642	300,582
Goodwill on acquisition	178,280	134,590
	943,922	435,172
Disposal of shares in an associate (note (a))	(43,272)	—
	900,650	435,172
Market value of listed shares	946,332	2,139,749

23. INVESTMENTS IN ASSOCIATES (Continued)

Note:

(a) The Group disposed of 8,000,000 shares of Baida in July 2008.

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of ownership interest attributable to the Group	Principal activities
Baida	93,059,865 ordinary shares of RMB1 each	PRC	24.73%	Operation and management of department stores
Wuhan Department Store Group Co., Ltd. ("Wushang")	114,736,865 ordinary shares of RMB1 each	PRC	22.62%	Operation and management of supermarkets and department stores

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements.

	2008 RMB'000	2007 RMB'000
Assets	**7,923,569**	4,586,023
Liabilities	**4,361,902**	3,113,030
Gross revenue from concessionaire sales and other revenues	**7,327,662**	2,698,268
Profit	**266,372**	40,244

Baida's financial statements for the period from 20 May 2008 to 31 December 2008 were included in the above summarised financial information.

24. INVESTMENT DEPOSITS

Group

	2008 RMB'000	2007 RMB'000
Hiwell Real Estate Company Limited ("Hiwell Real Estate") (note (i))	–	33,000
Wuhan Guo Shang Lian Commercial Development Co., Ltd （武漢國商聯商業發展有限公司） ("Wuhan Commercial")) (note (ii))	–	20,000
Hangzhou Enterprise Property Rights Exchange (note (iii))	–	157,800
	–	210,800

Notes:

(i) In 2007, Intime Investment Management made investment deposit of RMB33,000,000 to purchase a 33% equity interest in Hiwell Real Estate from a third party, and Intime Investment Management also agreed to acquire a loan from the third party for a cash consideration of approximately RMB204,808,000 at par value. The interest of such loan is 5.40% per annum and the loan has no fixed repayment terms.

In October 2008, pursuant to an equity interest transfer agreement between Intime Investment Management and China Yintai Holding Co., Ltd ("China Yintai"), Intime Investment Management disposed of the 33% equity interest in Hiwell Real Estate to China Yintai for a total cash consideration of RMB70,000,000 and recognised a gain of RMB36,859,000 in the income statement (note 5). Hiwell Real Estate had repaid RMB68,958,000 of the loan as at 31 December 2008 and the remaining balance of the loan of RMB135,850,000 is to be repaid within one year. The interest rate changed from 5.40% to 8.25% at the date of disposal (note 29).

(ii) In December 2007, Wuhan Intime and Ezhou Intime entered into an agreement with Wuhan Commercial to acquire 50% equity interest in Hubei Intime, a 50% owned subsidiary of the Group, for a consideration of RMB28,000,000. As at 31 December 2007, Wuhan Intime has prepaid RMB20,000,000. The acquisition was completed in 2008.

(iii) As at 31 December 2007, Hangzhou North Hill has prepaid RMB157,800,000 to Hangzhou Enterprise Property Rights Exchange to acquire a 50% equity interest in both Hangzhou Hubin International Commercial Development Co., Ltd. ("Hubin International") and Hangzhou Xin Hubin Commercial Development Co., Ltd. ("Xin Hubin"). In 2008, the acquisition was completed and Xin Hubin and Hubin International became jointly-controlled entities of the Group (note 22).

25. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Listed equity investments, at fair value:				
Hong Kong	32,741	107,308	32,741	107,308
Mainland China	155,863	1,456,789	—	—
	188,604	1,564,097	32,741	107,308

During the year, the gross loss of the Group's available-for-sale investments recognized directly in equity amounted to RMB415,011,000 (gross gain in 2007: RMB1,986,467,000), of which a disposal gain of RMB43,093,000 (note 5) was transferred to and recognized in the income statement for the current year (gain in 2007: RMB80,582,000).

The above investments consist of investments in equity securities which were designated as available-for-sale investments and have no fixed maturity date or coupon rate.

The movements of the available-for-sale investments during the years 2008 and 2007 are as follows:

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
At beginning of year	1,564,097	1,459,474	107,308	—
Additions	98,841	195,224	—	107,308
Disposals	(62,067)	(114,215)	—	—
Revaluation (deficit)/surplus transferred to equity	(415,011)	1,986,467	(30,378)	—
Receipt of shares of a listed company (note (i))	27,427	—	—	—
Transfer to interest in an associate (note(ii)) (note 23)	(980,494)	(1,962,853)	—	—
Impairment charged to the income statement (note (iii))	(37,170)	—	(37,170)	—
Foreign exchange realignment	(7,019)	—	(7,019)	—
At end of year	188,604	1,564,097	32,741	107,308

25. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Notes:

(i) According to Baida's share reform programme in May 2008, the Group received shares of RMB27,427,000 from the shareholders of Baida who own non-tradable legal person shares.

(ii) In May 2008, the Group commenced to have significant influence over Baida as the Company had one representative appointed as a director of Baida. Accordingly, the Group made a reversal of the previously recognized revaluation surplus together with deferred tax liabilities on its investment in Baida and accounted for its investment in Baida as an investment in an associate.

(iii) There has been a significant decline in the market value of certain listed equity investments during the year. The directors consider that such a decline indicates that the listed equity investments have been impaired and an impairment loss of RMB37,170,000 (2007: nil) , which included a transfer from the available-for-sale investment revaluation reserve of RMB37,170,000 (2007: nil), has been recognised in the income statement for the year.

Available-for-sale investments include equity interests in the following companies, of which A-shares are listed on stock exchanges in Mainland China and H share is listed on the Stock Exchange in Hong Kong. Those A-share companies established in Mainland China are principally engaged in the operation and management of department stores.

	Group		Company	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
H-share tradable shares:				
China Dongxiang (Group)				
Co., Ltd. (note (i))	**32,741**	107,308	**32,741**	107,308
A-share tradable shares:				—
Baida	**—**	1,037,040	**—**	—
Citic Development-Shenyang Commercial				
Building (Group) Co., Ltd.				
("Shenyang Commercial") (note (ii))	**155,863**	232,490	**—**	—
A-share non-tradable shares:				—
Baida	**—**	187,259	**—**	—
	188,604	1,564,097	**32,741**	107,308

(i) As at 31 December 2008, the Group held a 0.35% equity interest in China Dongxiang (Group) Co., Ltd.

(ii) As at 31 December 2008, the Group held a 7.88% equity interest in Shenyang Commercial.

The fair values of listed equity investments are based on quoted market prices.

26. DEFERRED TAX

Group

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Accruals RMB'000	Available-for-sale investments RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2007	1,106	—	—	1,106
Recognized in the income statement (note 9)	228	—	2,769	2,997
At 31 December 2007	1,334	—	2,769	4,103
Recognized in the income statement (note 9)	9,281	—	3,771	13,052
Acquisition of a subsidiary (note 39(b))	—	—	1,824	1,824
Charged to equity	—	10,949	—	10,949
At 31 December 2008	10,615	10,949	8,364	29,928

The Group has tax losses arising in Mainland China of RMB83,912,000 (2007: nil) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is uncertain that taxable profits will be available against which the tax losses can be utilized.

26. **DEFERRED TAX** (Continued)

Deferred tax liabilities

	Available-for-sale investments RMB'000	Fair value adjustment arising from cquisition of a subsidiaries RMB'000	Total RMB'000
At 1 January 2007	185,138	—	185,138
Recognized in the income statement (note 9)	(1,961)	—	(1,961)
Charged to equity	474,056	—	474,056
Acquisition of subsidiaries	—	103,568	103,568
Reversal upon disposal	(20,146)	—	(20,146)
Effects of changes in tax rates charged to equity	(28,346)	—	(28,346)
Reversal upon transfer to interest in an associate	(384,327)	—	(384,327)
At 31 December 2007	224,414	103,568	327,982
Recognized in the income statement (note 9)	(6,129)	(2,697)	(8,826)
Charged to equity	(74,437)	—	(74,437)
Acquisition of subsidiaries (notes 39 (a), (c) and (d))	—	94,405	94,405
Reversal upon disposal	(10,773)	—	(10,773)
Reversal upon transfer to interest in an associate	(133,075)	—	(133,075)
At 31 December 2008	—	195,276	195,276

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries and jointly-controlled entities established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2008, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities arising from the withholding tax have not been recognised totalling approximately RMB468,046,000 at 31 December 2008 (2007: nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. INVENTORIES

Group

	2008 RMB'000	2007 RMB'000
Store merchandise, at cost	52,349	33,954

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Deposits and prepayments for purchases of properties	—	13,152	—	—
Intention money paid for potential investments	10,590	24,090	—	—
Receivable of disposal of a subsidiary	30,000	—	—	—
Rental deposits	63,599	20,228	—	—
Prepaid rental	34,031	22,033	—	—
Advances to suppliers	41,291	24,071	—	—
Advances to third parties (note (a))	109,000	160,000	—	—
Others	42,907	24,218	1,852	1,218
	331,418	287,792	1,852	1,218

Note:

(a) The advances to third parties include an investment advance amounting to RMB90,000,000 pursuant to an equity transfer agreement that had been terminated in year 2008. Subsequent to the balance sheet date, the advance has been subsequently collected.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The carrying amounts of deposits and other receivables approximate to their fair values.

29. LOANS AND RECEIVABLES

Group

During the year, the Group made interest-bearing loans to the following parties:

	2008 RMB'000	2007 RMB'000
Principal due from:		
Hiwell Real Estate (note 24(i)) and (note 46 (e))	135,850	204,808
Well Beauty International Limited ("Well Beauty") (note (i))	—	111,278
Lotte Intime (note (ii)) and (note 46 (e))	177,012	—
Others	30,000	—
	342,862	316,086
Less: non-current portion	(50,162)	—
	292,700	316,086
Interest receivable due from:		
Hiwell Real Estate (note 46 (e))	—	3,380
Well Beauty (note (i))	7,895	3,523
Lotte Intime (note 46 (e))	6,536	—
Others	1,536	—
	15,967	6,903
	308,667	322,989

Notes:

(i) On 8 August 2007, North Hill entered into a loan agreement with Well Beauty, pursuant to which North Hill offered a loan with principal of US$14,700,000 and earns interest of 8.25% per annum. The loan principal has been fully repaid in year 2008 and the interest has been fully and subsequently collected.

(ii) Pursuant to the loan agreement between Zhejiang Intime and Lotte Intime, Zhejiang Intime granted Lotte Intime certain shareholder loans of RMB50,000,000, RMB20,000,000 and RMB107,012,000, bearing interest rate at 6.723%, 6.890% and 12% respectively. The loan of RMB50,000,000 and RMB20,000,000 will be repaid within one year and the loan of RMB107,012,000 will be repaid within 27 months.

30. TRADE RECEIVABLES

	2008 RMB'000	2007 RMB'000
Trade receivables	5,583	—
Impairment	—	—
	5,583	—

Trade receivables as at the respective balance sheet dates were denominated in RMB, and were aged within 60 days.

The carrying amounts of trade receivables approximated to their fair values.

31. CASH IN TRANSIT

Group

	2008 RMB'000	2007 RMB'000
Cash in transit	51,069	84,971

Cash in transit represents the sales proceeds settled by debit cards or credit cards, which have yet to be credited by the banks to the Group.

32. CASH AT BANKS AND ON HAND

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and cash equivalents	**740,496**	777,151	**3,315**	88,828
Restricted cash	**4,543**	—	**—**	—
Cash at banks and on hand	**745,039**	777,151	**3,315**	88,828

At 31 December 2008 and 2007, the cash at banks and on hand were denominated in the following currencies:

	Group		Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**689,795**	587,046	**—**	—
US$	**49,752**	94,887	**—**	—
HK$	**5,492**	95,218	**3,315**	88,828
	745,039	777,151	**3,315**	88,828

At the balance sheet date, the cash and bank balances of the Group denominated in US$ and HK$ amounted to RMB49,752,000 and RMB5,492,000 (2007: RMB94,887,000 and RMB95,218,000), respectively.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

33. TRADE AND BILLS PAYABLES

Group

	2008 RMB'000	2007 RMB'000
Trade and bills payable	**889,274**	436,379

Trade and bills payables as at the respective balance sheet dates were denominated in RMB and were aged within 60 days.

The carrying amounts of trade payables approximated to their fair values.

34. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Payables for purchase of property, plant and equipment and prepaid land lease payments	**105,601**	157,065	**—**	—
Advance from customers	**168,264**	222,956	**—**	—
Payable to a IC card service provider	**89,699**	—	**—**	
Other liabilities to local government	**21,446**	21,446	**—**	—
Other tax payables	**31,707**	61,962	**—**	—
Bonus and welfare payables	**33,930**	22,739	**—**	—
Deposits received from suppliers/concessionaires	**47,413**	29,920	**—**	—
Accruals	**37,386**	12,166	**—**	—
Payables for purchase of equity interests	**200,000**	295,000	**—**	—
Others	**42,466**	27,022	**2**	863
	777,912	850,276	**2**	863

The carrying amounts of other payables approximate to their fair values.

35. INTEREST-BEARING BANK BORROWINGS

Group

	2008 Effective interest rate (%)	2008 Maturity	2008 RMB'000	2007 Effective interest rate (%)	2007 Maturity	2007 RMB'000
Current:						
Bank loans - unsecured	5.29 - 8.22	2009	465,000	6.03 - 7.29	2008	150,000
Bank loans - secured (a)	6.99	2009	400,000	6.03 - 7.29	2008	300,000
Current portion of long term bank loans - secured (a)	7.94	2009	95,000	—	—	—
			960,000			450,000
Non-current:						
Secured bank loans (a)	7.92 - 8.61	2010 - 2015	447,500			—
			1,407,500			450,000

	2008 RMB'000	2007 RMB'000
Analysed into:		
Within one year or on demand	960,000	450,000
In the second year	150,000	—
In the third to fifth years, inclusive	187,500	—
Beyond five years	110,000	—
	1,407,500	450,000

35. INTEREST-BEARING BANK BORROWINGS (Continued)

Notes:

(a) Secured bank loans as at 31 December 2008 were secured by certain of the Group's buildings, investment properties and prepaid land lease payments, the total carrying amount of which at 31 December 2008 was RMB686,174,000 (2007: RMB176,640,000) (notes 15, 16 and 17).

(b) The carrying amounts of the Group's current borrowings as at 31 December 2008 and 2007 approximated to their fair values. The carrying amounts and fair values of the Group's non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Secured bank loans	**447,500**	—	**385,704**	—

All borrowings are denominated in RMB.

(c) The Group has the following undrawn banking facilities:

	2008 RMB'000	2007 RMB'000
At floating rate:		
Expiring within 1 year	**841,550**	—
Expiring within 2 to 3 years, inclusive	**—**	1,224,050
Expiring after 5 years	**193,510**	—
	1,035,060	1,224,050

The Group's banking facilities were secured by certain buildings (note 15), investment properties (note 16) and prepaid land lease payments (note 17) of the Group.

36. SHARE CAPITAL

Group and Company

	Authorized		
	Number of shares	US$	RMB
Upon incorporation of the Company on 8 November 2006	50,000	50,000	393,500
Share subdivision on 30 December 2006 and at 31 December 2008	5,000,000,000	50,000	393,500

	Issued and fully paid up		
	Number of shares	US$	RMB'000
As at 31 December 2007	1,800,000,000	18,000	140
Repurchase during the year (note (a))	(49,800,000)	(498)	(4)
As at 31 December 2008	1,750,200,000	17,502	136

36. SHARE CAPITAL (Continued)

Note:

(a) During the year, the Company repurchased on the Hong Kong Stock Exchange a total of 49,800,000 shares of US$0.00001 each of the Company for an aggregate consideration of HK$104,506,000 (RMB92,433,000 in equivalent). A summary of the share repurchase transactions during the year is as follows:

Trading date	Settlement date	Number of shares repurchased	Price per share or highest price paid HK$	Lowest price paid HK$	Total price paid HK$'000	Cancellation date
30 October 2008	3 November 2008	6,000,000	2.40	2.19	13,579	11 November 2008
31 October 2008	4 November 2008	2,000,000	2.27	2.20	4,476	11 November 2008
4 November 2008	6 November 2008	335,000	2.30	2.30	771	8 December 2008
7 November 2008	11 November 2008	2,849,000	2.40	2.26	6,624	8 December 2008
10 November 2008	12 November 2008	61,000	2.30	2.30	140	8 December 2008
12 November 2008	14 November 2008	4,966,000	2.30	2.24	11,418	8 December 2008
13 November 2008	17 November 2008	1,000,000	2.20	2.20	2,200	8 December 2008
17 November 2008	19 November 2008	3,000,000	2.20	2.20	6,600	8 December 2008
18 November 2008	20 November 2008	1,309,000	2.00	1.98	2,617	8 December 2008
19 November 2008	21 November 2008	3,000,000	2.05	2.00	6,112	17 December 2008
20 November 2008	24 November 2008	3,000,000	2.06	1.95	6,010	17 December 2008
21 November 2008	25 November 2008	511,000	2.00	1.95	1,021	17 December 2008
24 November 2008	26 November 2008	3,000,000	2.00	1.83	5,994	17 December 2008
25 November 2008	27 November 2008	750,000	2.00	1.99	1,500	17 December 2008
26 November 2008	28 November 2008	2,250,000	2.00	1.98	4,484	17 December 2008
27 November 2008	1 December 2008	883,000	2.00	2.00	1,766	17 December 2008
28 November 2008	2 December 2008	3,000,000	2.00	1.99	5,998	17 December 2008
1 December 2008	3 December 2008	3,000,000	2.00	1.97	5,988	17 December 2008
2 December 2008	4 December 2008	1,392,000	1.95	1.94	2,709	17 December 2008
4 December 2008	8 December 2008	1,184,000	1.95	1.94	2,304	17 December 2008
6 December 2008	9 December 2008	1,635,000	1.95	1.88	3,134	17 December 2008
8 December 2008	10 December 2008	3,000,000	1.95	1.92	5,795	17 December 2008
8 December 2008	10 December 2008	1,675,000	1.95	1.92	3,266	23 December 2008
		49,800,000			104,506	

37. RESERVES

Group

(i) Statutory reserves

Prior to their conversion into wholly-owned-foreign enterprises in 2006, the subsidiaries of the Company established in the PRC shall appropriate 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law and their articles of association. When the balance of such reserve fund reaches 50% of the share capital of each entity, any further appropriation is optional. The statutory reserve fund can be utilized to offset prior years' losses or to increase capital after proper approval. However, except for offsetting prior years' losses, such statutory reserve fund must be maintained at a minimum of 25% of share capital after such usage.

In addition to the above, these subsidiaries are also required to appropriate 5% to 10% of their annual statutory net profit (after offsetting any prior years' losses) to the statutory welfare fund to be utilized for employees' common welfare in accordance with the PRC Company Law and the subsidiaries' articles of association.

Upon conversion of the Group's PRC subsidiaries into wholly-foreign-owned enterprises in 2006, these subsidiaries are no longer required to appropriate the net profit to the statutory reserve fund and the statutory welfare fund. Pursuant to the relevant PRC Law and the revised articles of association of these subsidiaries, they are required to appropriate 10% of their statutory net profit to the enterprise expansion fund. The enterprise expansion fund can only be used to increase the capital of Group companies or to expand their production operations upon approval by the relevant authority.

37. **RESERVES** (Continued)

(ii) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Company

	Share premium RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Reserve for fair value changes of available-for-sale investments RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Option RMB'000	Total RMB'000
At 1 January 2007	–	–	908,303	–	–	–	–	908,303
Change in fair value of available-for-sale investments	–	–	–	30,378	–	–	–	30,378
Exchange realignment	–	–	–	–	–	(57,534)	–	(57,534)
Total income and expense recognized directly in equity	–	–	–	30,378	–	(57,534)	–	(27,156)
Profit for the year	–	–	–	–	150,368	–	–	150,368
Total income and expense for the year	–	–	–	30,378	150,368	(57,534)	–	123,212
Issue of new shares	2,403,703	–	–	–	–	–	–	2,403,703
Share issue cost	(84,822)	–	–	–	–	–	–	(84,822)
Equity-settled share option arrangements (note 38)	–	–	–	–	–	–	5,754	5,754
Proposed final 2007 dividend	–	–	–	–	(115,200)	–	–	(115,200)
At 31 December 2007	2,318,881	–	908,303	30,378	35,168	(57,534)	5,754	3,240,950
Change in fair value of available-for-sale investments	–	–	–	(67,548)	–	–	–	(67,548)
Exchange realignment	–	–	–	–	–	(7,491)	–	(7,491)
Total income and expense recognized directly in equity	–	–	–	(67,548)	–	(7,491)	–	(75,039)
Impairment of available-for-sales investment	–	–	–	37,170	–	–	–	37,170
Profit for the year	–	–	–	–	101,484	–	–	101,484
Total income and expense for the year	–	–	–	(30,378)	101,484	(7,491)	–	63,615
Repurchase of the shares	(92,429)	4	–	–	(4)	–	–	(92,429)
Equity-settled share option arrangements (note 38)	–	–	–	–	–	–	11,846	11,846
Proposed final 2008 dividend	–	–	–	–	(115,513)	–	–	(115,513)
At 31 December 2008	2,226,452	4	908,303	–	21,135	(65,025)	17,600	3,108,469

38. SHARE OPTION SCHEME

The share option scheme was approved pursuant to a resolution passed by the Company's shareholders at an extraordinary general meeting held on 24 February, 2007. According to this share option scheme, the directors may invite the Group's employees, senior management, directors and other eligible participants to take up share options of the Company. The amount payable for each share to be subscribed for under an option upon exercise shall be determined and will be determined according to the higher of (i) the average official closing price of the shares on the Stock Exchange for the five trading days immediately preceding the relevant offer date, (ii) the official closing price of the shares on the Stock Exchange on the relevant offer date and (iii) the nominal value of the shares. Options granted become vested after certain period. An option may be exercised in accordance with the terms of the share option scheme any time during a period to be notified by the board to each grantee or to be resolved by the board at the time of grant.

The maximum number of shares in respect of which options may be granted under the share option scheme when aggregated with the maximum number of shares in respect of which options over shares or other securities may be granted by the Group under any other scheme shall not exceed 10% of the issued share capital (representing 180,000,000 shares). Options lapsed in accordance with the terms of the option scheme shall not be counted for the purpose of calculating the 10% limit. Any further grant of share options in excess of this limit is subject to the approval of the Company's shareholders.

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

The following share options were outstanding under the Scheme during the year:

	2008		2007	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**6.51**	**13,600**	—	—
Granted during the year	**4.76**	**27,560**	6.51	13,600
Cancelled during the year	**6.51**	**(11,400)**	—	—
At 31 December	**4.89**	**29,760**	6.51	13,600

38. SHARE OPTION SCHEME (Continued)

The exercise prices and exercise periods of the share options outstanding as at the balance sheet date are as follows:

2008

Number of options '000	Exercise price HK$ per share	Exercise period
2,200	6.44	22 March 2008 to 21 March 2012
11,600	3.56	19 September 2009 to 18 September 2014
15,960	5.64	12 April 2009 to 11 April 2014
29,760		

2007

Number of options '000	Exercise price HK$ per share	Exercise period
11,600	6.44	22 March 2008 to 21 March 2012
1,000	6.67	17 July 2008 to 16 July 2012
1,000	7.14	13 November 2008 to 12 November 2012
13,600		

The fair value of options granted during the year was approximately RMB15,363,000 (2007: RMB18,384,000), of which the Group recognized a share option expense of RMB5,278,000 (2007: RMB5,754,000) during the year ended 31 December 2008. The Group recognized a total share option expenses of RMB11,846,000 (2007: RMB5,754,000) for the year ended 31 December 2008 (note 6).

38. **SHARE OPTION SCHEME** (Continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2008	2007
Dividend yield (%)	**1.9%**	2%
Expected volatility (%)	**34.63%-49.20%**	34.62% - 40.43%
Risk-free interest rate (%)	**1.23%-2.46%**	3.19% - 4.56%
Expected life of options (year)	**3 - 6**	1.5 - 4.5
Weighted average exercise price (HK$)	**4.76**	6.51

The volatility measured at the standard deviation of expected share price returns is based on statistical analyses of comparable listed companies in the same industry.

In September 2008, the Company cancelled certain options previously granted to certain senior management with the exercise price significantly higher than the current fair market value, and concurrently re-granted the same number of options at the current fair market value. The vesting of the replacement option starts from the date of re-grant, and all other terms remain the same as the original option. The cancellation and re-grant is intended to provide incentives for these senior management. In accordance with HKFRS 2 – Share-based Payment, cancellation of an award accompanied by the concurrent grant of a replacement award shall be accounted for as a modification of the terms of the cancelled award. Therefore, incremental compensation cost shall be measured as the excess of the fair value of the replacement award over the fair value of the cancelled award at the cancellation date.

The total compensation cost measured at the date of re-grant shall be the portion of the grant-date fair value of the original award for which the requisite service is expected to be rendered (or has already been rendered) at that date plus the incremental cost resulting from the cancellation and replacement. The Company will continue to recognise an expense for the original grant date fair value of the modified award over its original vesting period and recognise an expense for the incremental cost over its modified vesting period.

At the balance sheet date, the Company had 29,760,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 29,760,000 additional ordinary shares of the Company and additional share capital of approximately RMB2,000 and share premium of approximately RMB128,336,000 (before issue expenses).

Subsequent to the balance sheet date, on 4 March 2009, a total of 17,780,000 share options were granted to certain of the senior management of the Company in respect of their services to the Group in the forthcoming year. These share options vest on the first to fourth anniversaries of the grant date in four equal tranches and have an exercise price of HK$1.88 per share and an exercise period ranging from 5 March 2010 to 4 March 2015. The price of the Company's shares at the date of grant was HK$1.86 per share.

At the date of approval of these financial statements, the Company had 47,540,000 share options outstanding under the Scheme, which represented approximately 2.7% of the Company's shares in issue as at that date.

39. BUSINESS COMBINATIONS

(a) In January 2008, the Group acquired 100% interest in Shenyang Intime from China Yintai and Beijing Yintai Yonghe Property Development Co., Ltd. ("Yintai Yonghe"). Shenyang Intime is engaged in operating a department store in Liaoning Province, the PRC. The purchase consideration for the acquisition was in the form of cash amounting to RMB146,000,000, which was fully paid as at 31 December 2008. In addition, the Group has also acquired from China Yintai and Yintai Yonghe a shareholder's loan of RMB117,190,000 at par. The loan is interest-free and has no fixed repayment terms. As at 31 December 2008, the consideration for the shareholder's loan has been fully paid to China Yintai and Yintai Yonghe.

The fair values of the identifiable assets and liabilities of Shenyang Intime as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognized on acquisition** RMB'000	**Carrying amount** RMB'000
Investment properties	16	321,000	139,669
Prepayments, deposits and other receivables		1,058	1,058
Cash and cash equivalents		308	308
Other payables and accruals		(127,485)	(127,485)
Deferred tax liability	26	(45,333)	—
Interest-bearing bank borrowings		(43,000)	(43,000)
Tax payable		(2,959)	(2,959)
Net assets		103,589	(32,409)
Net assets acquired		103,589	
Goodwill on acquisition	18	42,411	
Satisfied by cash		146,000	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	(146,000)
Cash paid for a shareholder's loan assumed	(117,190)
Cash and cash equivalents acquired	308
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(262,882)

39. **BUSINESS COMBINATIONS** (Continued)

(b) In February 2008, the Group injected RMB18,000,000 into Xi'an Intime as additional paid-in capital in exchange for its 60% equity interest. Xi'an Intime is engaged in operating a department store in Shanxi Province, the PRC. The capital injection was fully paid by 31 December 2008.

The fair values of the identifiable assets and liabilities of Xi'an Intime as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognized on acquisition RMB'000	Carrying amount RMB'000
Property, plant and equipment	15	3,177	3,177
Other intangible assets	19	329	329
Inventory		1,968	1,968
Deferred tax assets	26	1,824	1,824
Prepayments, deposits and other receivables		5,620	5,620
Cash and cash equivalents		3,125	3,125
Other payables and accruals		(1,576)	(1,576)
Trade payables		(7,938)	(7,938)
Net assets		6,529	6,529
Add: capital contribution		18,000	
Net assets after capital contribution		24,529	
40% minority interests		(9,812)	
Net assets acquired		14,717	
Goodwill on acquisition	18	3,283	
Satisfied by cash		18,000	

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	(18,000)
Cash and cash equivalents acquired	21,125
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	3,125

39. **BUSINESS COMBINATIONS** (Continued)

(c) On 22 February 2008, the Group acquired 90% interest in Wuhan Huilian from third parties (the "Sellers"). Wuhan Huilian is engaged in the development of premises used for the operation of department stores located in Wuhan, Hubei Province. The purchase consideration for the acquisition was in the form of cash, amounting to RMB59,000,000 and was fully paid by 31 December 2008. In addition, the Group has also acquired a shareholder's loan of RMB60,000,000 from the Sellers at par. The loan is interest-free and has no fixed repayment terms. As at 31 December 2008, the consideration for the loan has been paid to the Sellers.

The fair values of the identifiable assets and liabilities of Wuhan Huilian as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognized on acquisition RMB'000	Carrying amount RMB'000
Property, plant and equipment	15	484	484
Prepaid land lease payments	17	100,046	53,997
Prepayments, deposits and other receivables		106	106
Cash and cash equivalents		207	207
Other payables and accruals		(69,291)	(69,291)
Deferred tax liabilities	26	(11,512)	—
Net assets		20,040	(14,497)
10% minority interests		(2,004)	
Net assets acquired		18,036	
Goodwill on acquisition	18	40,964	
Satisfied by cash		59,000	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	(59,000)
Cash paid for a shareholder's loan assumed	(60,000)
Cash and cash equivalents acquired	207
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(118,793)

39. **BUSINESS COMBINATIONS** (Continued)

(d) In February 2008, the Group acquired 70% interest in Henan Longyu from a third party ("Seller"). Henan Longyu is engaged in the development of premises used for the operation of department stores located in Henan, Zhengzhou Province. The purchase consideration for the acquisition was in the form of cash, amounting to RMB140,424,000 and was paid by 31 December 2008. In addition, the Group has also acquired a shareholder's loan of RMB13,576,000 from the seller at par. The loan is interest-free and has no fixed repayment terms. As at 31 December 2008, the consideration for the shareholder's loan has been paid to the seller.

The fair values of the identifiable assets and liabilities of Henan Longyu as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognized on acquisition** RMB'000	**Carrying amount** RMB'000
Property, plant and equipment	15	8,105	8,105
Prepaid land lease payments	17	226,000	75,761
Cash and cash equivalents		13	13
Other payables and accruals		(16,587)	(16,587)
Deferred tax liability	26	(37,560)	—
Net assets		179,971	67,292
30% minority interests		(53,991)	
Net assets acquired		125,980	
Goodwill on acquisition	18	14,444	
Satisfied by cash		140,424	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	(140,424)
Cash paid for a shareholder's loan assumed	(13,576)
Cash and cash equivalents acquired	13
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(153,987)

40. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of the following companies:

In February 2008, the Group disposed of 100% equity interest in Ningbo High-Tech Zone Guo Ruan Technology Company Limited for a cash consideration of RMB1,000,000. As at 31 December 2008, the consideration has been received.

In February 2008, the Group acquired 51% equity interest in Shanghai South Railway Station Square Management Co., Ltd. ("Shanghai SRSS Management") at the consideration of RMB35,000,000. On 19 November 2008, the Group disposed of its entire equity interest in Shanghai SRSS Management at a cash consideration of RMB35,200,000. As at 31 December 2008, RMB5,200,000 has been received.

The carrying amounts of the assets and liabilities of the above disposed companies as at the date of disposal were as follows:

	Carrying amount RMB'000
Net assets disposed of:	
Property, plant and equipment	21,165
Leasehold interests	43,000
Inventory	220
Deposits, prepayments and other receivables	11,011
Cash and cash equivalents	5,942
Other payables and accruals	(8,569)
Deferred tax liability	(10,750)
	62,019
Minority interests	(30,131)
	31,888
Satisfied by cash	36,200

40. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration received	6,200
Cash and cash equivalents disposed of	(5,942)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	258

41. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

During the year, pursuant to the joint venture agreement between Shanghai Intime with Jiaxing City Culture Mingcheng Investment Group Company Limited ("Jiaxing Culture"), Jiaxing Culture injected properties of RMB160,000,000 (2007: nil) into Jiaxing Meiwan as paid-in capital (note 42).

42. CONTINGENT LIABILITIES

On 8 November 2007, Jiaxing Intime and Shanghai Intime entered into a joint venture contract with Jiaxing Culture, a third party, to establish a joint venture company, Jiaxing Meiwan.

Jiaxing Meiwan has a registered capital of RMB400,000,000. Jiaxing Intime and Shanghai Intime each contributed RMB120,000,000 in cash, which in aggregate represented a 60% equity interest in Jiaxing Meiwan. Jiaxing Culture contributed RMB160,000,000 by way of transferring title of property with total gross floor area of approximately 20,000 square meters (the "Injected Property") into Jiaxing Meiwan, which represented 40% of equity interest in the joint venture.

Pursuant to the joint venture contract, Jiaxing Intime and Shanghai Intime shall guarantee a return to Jiaxing Culture in either of the following circumstances:

(a) if Jiaxing Meiwan is unable to be listed on any stock exchange within three years from its establishment, and if Jiaxing Culture intends to transfer the 40% equity interest it held in Jiaxing Meiwan, Jiaxing Intime and Shanghai Intime shall pay Jiaxing Culture the difference between RMB160,000,000 and the market value of the Injected Property at the time of transfer of the 40% equity interest held by Jiaxing Culture, but in any event, the market value to be used to determine such payment shall not be less than RMB9,000/square meter in respect of the Injected Property; or

(b) if Jiaxing Meiwan is successfully listed on a stock exchange within three years but the total market value of the equity interests Jiaxing Culture holds in the listed company at the time of listing is less than the then market value of the Injected Property, Jiaxing Intime and Shanghai Intime will pay Jiaxing Culture the difference between the then market value of the Injected Property at the time of listing and the current market value of the Injected Property of approximately RMB160,000,000, but in any event, the market value to be used to determine such payment shall not be less than RMB9,000/square meter in respect of the Injected Property.

43. PLEDGE OF ASSETS

Details of the Group's bank loans and facilities, which are secured by the assets of the Group, are included in notes 15, 16 and 17.

44. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) and subleases its leased assets under operating lease arrangements for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	2008 RMB'000	2007 RMB'000
Within one year	**46,844**	8,191
In the second to fifth years, inclusive	**140,478**	12,545
After five years	**195,054**	12,643
	382,376	33,379

The amounts above include future minimum sublease payments expected to be received under non-cancellable subleases amounting to RMB33,791,000 (2007: RMB27,730,000) as at 31 December 2008.

(b) As lessee

The Group leases certain of its stores and office premises under non-cancellable operating lease agreements.

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

	2008 RMB'000	2007 RMB'000
Within one year	**203,145**	110,684
In the second to fifth years, inclusive	**1,041,368**	676,739
After five years	**2,722,189**	1,756,648
	3,966,702	2,544,071

45. COMMITMENTS

In addition to the operating lease commitments detailed in note 44(b) above, the Group had the following capital commitments at the balance sheet date:

	2008 RMB'000	2007 RMB'000
Contracted, but not provided for:		
Land and buildings	**121,678**	227,813
Equity interests	**–**	903,668
Capital contributions payable to a jointly-controlled entity	**–**	73,046
	121,678	1,204,527

	2008 RMB'000	2007 RMB'000
Authorised, but not contracted for:		
Land and buildings	**315,000**	–

In addition, the Group's share of the jointly-controlled entities' own capital commitments, which are not included in the above, is as follows:

	2008 RMB'000	2007 RMB'000
Authorised, but not contracted for	**75,000**	–

46. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Name and relationship of related parties

Name	Relationship
Mr. Shen Guojun	Shareholder of the Company
Yintai Yonghe	Controlled by the Mr. Shen Guojun
Beijing Yintai Properties Co., Ltd. ("Beijing Yintai")	Controlled by the Mr. Shen Guojun
China Yintai	Controlled by the Mr. Shen Guojun
Silvertie Holding Co., Ltd. ("Silvertie Holding")	20.63% of its shares were held by China Yintai
Beijing Jixiang Real Estate Co., Ltd. ("Jixiang Real Estate")	Subsidiary of China Yintai
Wenzhou Yintai Department Store Co., Ltd. ("Wenzhou Yintai")	Subsidiary of China Yintai
Hangzhou Intime Shopping Centre Co., Ltd. ("Hangzhou Intime")	Associate of China Yintai
Hiwell Real Estate *	Associate of China Yintai
Baida	Associate of the Group
Lotte Intime	Jointly-controlled entity
Xin Hubin	Jointly-controlled entity
Hubin International	Jointly-controlled entity

* Hiwell Real Estate became a related party of the Group after China Yintai's acquisition of 33% equity interest in Hiwell Real Estate in October 2008 (note 24).

46. **RELATED PARTY TRANSACTIONS** (Continued)

(b) Transactions with related parties

The following transactions were carried out with related parties:

	2008 RMB'000	2007 RMB'000
Rental expense and management fee expenses:		
Beijing Yintai (note(i))	3,026	—
Silvertie Holding (note(ii))	41,395	27,390
	44,421	27,390
Advances to related parties:		
Jixiang Real Estate (note(iii))	—	97,181
Xin Hubin	36,107	—
	36,107	97,181
Prepayment of rental:		
Jixiang Real Estate (note(iv))	—	107,012
Payment made on behalf of a related party:		
Lotte Intime (note(v))	13,221	16,420
Repayments from a related party:		
Lotte Intime (note (iii) and (v))	126,822	—
Management fee from a related party:		
Baida (note(vi))	20,212	—
Purchase of a subsidiary from a related party:		
China Yintai (note (vii))	146,000	—
Hangzhou Intime	—	7,000
	146,000	7,000
Purchase of shareholders' loan:		
China Yintai and Yintai Yonghe (note 39(a))	117,190	—
Disposal of investment to a related party:		
China Yintai (note (viii))	70,000	—
Repayment of bank loans on behalf of a jointly-controlled entity:		
Hubin International (note ix)	524,838	—
Repayment from a jointly-controlled entity:		
Hubin International (note ix)	375,000	—

46. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

	2008 RMB'000	2007 RMB'000
Loans made to a related party:		
Lotte Intime (note 29(ii))	177,012	—
Interest income from related parties:		
Hiwell Real Estate (note 29)	2,767	—
Lotte Intime (note 29 (ii))	8,200	—
	10,967	—
Purchase of inventories from a related party:		
Wenzhou Yintai	—	5,797

Notes:

(i) In March 2008, Zhejiang Intime entered into an agreement with Beijing Yintai, to lease certain floors of an office building from Beijing Yintai for its operation.

(ii) Pursuant to an agreement between Shanghai Intime and Silvertie Holding signed on 31 March 2005, Shanghai Intime leased certain floors of a building from Silvertie Holding for its operations.

(iii) Zhejiang Intime and Lotte have entered into a joint venture agreement to establish Lotte Intime. Lotte Intime leased certain premises for its shopping mall operations from Jixiang Real Estate. Since Beijing Lotte Intime was not yet established as at 31 December 2007, in order to ensure the availability of premises, the Group made advances to Jixiang Real Estate on behalf of Lotte Intime as prepaid rental deposit, and the decoration of the premises where the shopping mall Lotte Intime will operate amounted to approximately RMB35,681,000 and RMB 61,500,000 respectively. Lotte Intime has fully repaid the rental deposit and the decoration to Zhejiang Intime in 2008 after its establishment.

(iv) On 12 December 2007, Zhejiang Intime entered into a rental advance payment agreement (the "Rental Advance Payment Agreement") with Jixiang Real Estate. As stipulated in the agreement, Jixiang Real Estate has agreed to provide a fixed discount of 12% per annum to Zhejiang Intime on a 50% portion of the total rent of 32 months. Zhejiang Intime made the advance payment of approximately RMB107,012,000 to Jixiang Real Estate at 31 December 2007. Pursuant to an agreement between Jixiang Real Estate, Zhejiang Intime and Lotte Intime signed on 1 August 2008, all rights and obligations related to the rental advance payment of RMB107,012,000 under the Rental Advance Payment Agreement has been transferred to Lotte Intime.

(v) Pursuant to an agreement between Zhejiang Intime and Lotte Intime, the Group paid decoration expenses for the new store leased from Jixiang Real Estate on behalf of Lotte Intime of RMB16,420,000 and RMB13,221,000 in 2007 and 2008 respectively. Lotte Intime fully repaid the amounts of RMB29,641,000 in year 2008.

46. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties (Continued)

Notes: (Continued)

(vi) Zhejiang Intime entered into a management agreement ("Management Agreement") with Baida on 30 January 2008. Pursuant to the Management Agreement, Zhejiang Intime is entrusted to manage the department store operations of certain subsidiaries and branches ("Operating Entities") of Baida for a period of 20 years starting from 1 March 2008 to 28 February 2028 (the "Management Periods"). The Management Agreement has been approved at the shareholders' meeting of Baida on 28 February 2008.

According to the Management Agreement, Zhejiang Intime is entitled to an annual management fee computed on the basis stipulated in the Management Agreement. During year 2008, Zhejiang Intime recognised management fee income of RMB20,212,000 from managing the operation of the Operating Entities of Baida.

In addition, Zhejiang Intime has guaranteed the annual minimum return generated from the Operating Entities to Baida under the Management Agreement as follows:

	Annual minimum return to Baida RMB'000
First year of the Management Periods	81,500
Second year of the Management Periods	91,280
Third year of the Management Periods	102,234
Fourth year of the Management Periods	114,502
Fifth to twentieth year of the Management Periods	89,650

Pursuant to the Management Agreement, if the return generated from the Operating Entities to Baida falls below the guaranteed annual minimum return, Zhejiang Intime will be liable to compensate Baida for the deficit.

(vii) On 11 January 2008, Shanghai Intime, a subsidiary of the Company, reached an agreement with China Yintai and Yintai Yonghe to acquire 100% equity interest of Shenyang Intime at a consideration of RMB146,000,000 (note 39(a)).

(viii) On 16 October 2008, Intime Investment Management, a subsidiary of the Company, entered into an agreement with China Yintai to dispose of its 33% equity interest in Hiwell Real Estate, for a total cash consideration of RMB70,000,000. The gain on this disposal amounted to RMB36,859,000. As at 31 December 2008, China Yintai has paid RMB50,000,000 of the total consideration (note 24(i)).

(ix) The Group repaid a bank loan of RMB524,838,000 on behalf of Hubin International and Hubin International repaid RMB375,000,000 to the Group of in 2008.

46. RELATED PARTY TRANSACTIONS (Continued)

(c) Due from related parties

The Group had the following significant balances due from related parties at the balance sheet date:

	2008 RMB'000	2007 RMB'000
Due from related parties:		
Hubin International	149,838	—
Silvertie Holding (note (i))	6,500	13,000
China Yintai	20,000	—
Baida	4,051	—
Xin Hubin	36,107	—
Lotte Intime (note (b)(iv))	—	16,420
	216,496	29,420

Note:

(i) The amount due from Silvertie Holding represents a deposit of RMB6,500,000 in connection with a lease agreement between Shanghai Intime and Silvertie Holding entered into on 31 March 2005.

All the amounts due from related parties are denominated in RMB, are unsecured and interest-free, have no predetermined term of repayment, and are expected to be received within 12 months after the respective balance sheet date.

The maximum outstanding amounts due from related parties during the year, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

	2008 RMB'000	2007 RMB'000
Due from related parties:		
Hubin International	524,838	—
China Yintai	70,000	—
Silvertie Holding	13,000	13,000
Xin Hubin	36,107	—
Baida	4,051	—
Lotte Intime	—	16,420
	647,996	29,420

46. **RELATED PARTY TRANSACTIONS** (Continued)

(d) Prepayments to related parties

	2008 RMB'000	2007 RMB'000
Jixiang Real Estate (notes (b) (iii) and (iv))	–	204,193

(e) Loans and interest receivable from related parties

	2008 RMB'000	2007 RMB'000
Hiwell Real Estate (note 29)	135,850	–
Lotte Intime (note 29)	183,548	–
	319,398	–

(f) Due to related parties

The Group had the following significant balances due to related parties:

	2008 RMB'000	2007 RMB'000
Due to related parties:		
Hangzhou Intime	–	3,965
Jixiang Real Estate	3,596	–
Silvertie Holding (note (b)(ii))	6,895	–
	10,491	3,965

All amounts due to related parties are denominated in RMB, which are unsecured, interest-free and payable on demand.

The carrying amounts of these related party balances approximate to their fair values.

46. RELATED PARTY TRANSACTIONS (Continued)

(g) Key management compensation

	2008 RMB'000	2007 RMB'000
Salaries, allowances and other benefits	4,982	2,110
Discretionary bonuses	2,363	1,546
Contributions to a retirement plan	395	223
Equity-settled share option expense	5,468	2,654
	13,208	6,533

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

47. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each category of financial instruments as at the balance sheet date are as follows:

Group

2008

Financial assets

	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Available-for-sale investments	—	188,604	188,604
Financial assets including prepayments, deposits and other receivables	245,506	—	245,506
Trade receivables	5,583	—	5,583
Loans and receivables	358,829	—	358,829
Due from related parties	216,496	—	216,496
Cash in transit	51,069	—	51,069
Cash and cash equivalents	740,496	—	740,496
	1,617,979	188,604	1,806,583

Financial liabilities

	Financial liabilities at amortized cost RMB'000
Trade and bills payables	889,274
Financial liabilities included in other payables and accruals	588,202
Due to related parties	10,491
Interest-bearing bank borrowings	1,407,500
	2,895,467

47. **FINANCIAL INSTRUMENTS BY CATEGORY** (Continued)

The carrying amounts of each category of financial instruments as at the balance sheet date are as follows: (Continued)

Group

2007

Financial assets

	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Available-for-sale investments	—	1,564,097	1,564,097
Financial assets including prepayments, deposits and other receivables	211,439	—	211,439
Loans and receivables	322,989	—	322,989
Due from related parties	29,420	—	29,420
Cash in transit	84,971	—	84,971
Cash and cash equivalents	777,151	—	777,151
	1,425,970	1,564,097	2,990,067

Financial liabilities

	Financial liabilities at amortized cost RMB'000
Trade and bills payables	436,379
Financial liabilities included in other payables and accruals	549,795
Due to related parties	3,965
Interest-bearing bank borrowings	450,000
	1,440,139

47. **FINANCIAL INSTRUMENTS BY CATEGORY** (Continued)

The carrying amounts of each category of financial instruments as at the balance sheet date are as follows: (Continued)

Company

2008

Financial assets

	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Available-for-sale investments	—	32,741	32,741
Financial assets including prepayments, deposits and other receivables	1,852	—	1,852
Due from subsidiaries	2,127,421	—	2,127,421
Dividend receivable	160,000	—	160,000
Cash and cash equivalents	3,315	—	3,315
	2,292,588	32,741	2,325,329

Financial liabilities

	Financial liabilities at amortized cost RMB'000
Due to subsidiaries	9,617
Financial liabilities included in other payables and accruals	2
	9,619

47. **FINANCIAL INSTRUMENTS BY CATEGORY** (Continued)

The carrying amounts of each category of financial instruments as at the balance sheet date are as follows: (Continued)

Company

2007

Financial assets

	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Available-for-sale investments	—	107,308	107,308
Financial assets including prepayments, deposits and other receivables	1,218	—	1,218
Due from subsidiaries	2,188,743	—	2,188,743
Dividend receivable	100,000	—	100,000
Cash and cash equivalents	88,828	—	88,828
	2,378,789	107,308	2,486,097

Financial liabilities

	Financial liabilities at amortized cost RMB'000
Due to subsidiaries	37,352
Financial liabilities included in other payables and accruals	863
	38,215

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and cash. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The policies for managing each of these risks are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

As the Group has no significant interest-bearing assets other than cash at banks (note 32) and loans and receivables (note 29).

The Group's interest rate risk arises from its borrowings, details of which are set out in note 35. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

Foreign currency risk

During the year ended 31 December 2008, the Group has cash at banks denominated in foreign currencies, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

Details of the Group's cash and cash equivalents denominated in foreign currencies as at 31 December 2008 and 2007 are disclosed in note 32.

The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Credit risk

The Group has no significant concentrations of credit risk of trade receivables. Sales to retail customers are made in cash or via major credit cards trade. The Group has policies that limit the amount of credit exposure to any financial institution.

The Group has significant concentrations of credit risk of other receivables and loans and receivables, which are mostly amounts due from related parties. Management of the Group is of the view that there is low recoverability issue for the amounts due from related parties, because the Group believes that the related parties have the repayment capability and the Group has agreed with the related parties about future plans of repayment.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Prudent liquidity risk management implies sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group's treasury function aims to maintain flexibility in funding by keeping committed credit lines available.

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

Group	2008					
	On demand RMB'000	Less than 6 months RMB'000	6 to less than 12 months RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	—	295,000	665,000	150,000	297,500	1,407,500
Trade and bills payables	—	889,274	—	—	—	889,274
Other payables and accruals	—	282,601	305,601	—	—	588,202
Due to related parties	—	—	10,491	—	—	10,491
	—	1,466,875	981,092	150,000	297,500	2,895,467

Group	2007					
	On demand RMB'000	Less than 6 months RMB'000	6 to less than 12 months RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	—	400,000	50,000	—	—	450,000
Trade and bills payables	—	436,379	—	—	—	436,379
Other payables and accruals	—	97,730	452,065	—	—	549,795
Due to related parties	3,965	—	—	—	—	3,965
	3,965	934,109	502,065	—	—	1,440,139

48. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)

Liquidity risk (Continued)

Company	**2008**					
	On demand RMB'000	**Less than 6 months RMB'000**	**6 to less than 12 months RMB'000**	**1 to 2 years RMB'000**	**Over 2 years RMB'000**	**Total RMB'000**
Other payables and accruals	**—**	**2**	**—**	**—**	**—**	**2**
Due to subsidiaries	**—**	**—**	**—**	**9,617**	**—**	**9,617**
	—	**2**	**—**	**9,617**	**—**	**9,619**

Company	2007					
	On demand RMB'000	Less than 6 months RMB'000	6 to less than 12 months RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
Other payables and accruals	—	863	—	—	—	863
Due to subsidiaries	—	—	—	—	37,352	37,352
	—	863	—	—	37,352	38,215

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (note 25) as at 31 December 2008. The Group's listed investments are listed on the Hong Kong and Shenzhen stock exchanges and are valued at quoted market prices at the balance sheet date.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year are as follows:

	31 December 2008	**High/low 2008**	31 December 2007	High/low 2007
Hong Kong - Hang Seng Index	**14,387**	**27,616/ 11,016**	27,812	31,638/ 18,664
Shenzhen - A Share Index	**582**	**1,660/ 480**	1,520	1,629/ 572

The following table demonstrates the sensitivity to every 5% change in the fair values of equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date. For the purpose of this analysis and for the available-for-sale equity investments that not impaired, the impact is deemed to be on the available-for-sale investment revaluation reserve. For the available-for-sale equity investments that already impaired, the impact is reflected on the income statement.

	Carrying amount of equity investments	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
2008			
Available-for-sale investments listed in:			
Hong Kong	**1,637**	**1,637**	**—**
Shenzhen	**7,793**	**—**	**5,845**
2007			
Available-for-sale investments listed in:			
Hong Kong	5,365	—	5,365
Shenzhen	11,625	—	8,718
Shanghai	61,215	—	45,911

* Excluding retained earnings

48. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2008 and 2007.

The Group monitors capital using a gearing ratio, which is net debt divided by the total adjusted capital plus net debt. The net debt includes interest-bearing bank borrowings, amounts due to the related parties, trade and bills payables, and other payables and accruals, less cash and cash equivalents. Capital includes equity attributable to equity holders of the parent less the net unrealized gains / (losses) reserve. The gearing ratios as at the balance sheet dates were as follows:

Group

	2008 RMB'000	2007 RMB'000
Interest-bearing bank borrowings	**1,407,500**	450,000
Trade and bills payables	**889,274**	436,379
Other payables and accruals (note 34)	**777,912**	850,276
Due to related parties (note 46(f))	**10,491**	3,965
Less: Cash and bank balances	**(745,039)**	(777,151)
Net debt	**2,340,138**	963,469
Equity attributable to equity holders of the parent	**3,281,779**	3,873,557
Net unrealized losses/(gains) reserve	**32,547**	(680,624)
Total adjusted capital	**3,314,326**	3,192,933
Capital and net debt	**5,654,464**	4,156,402
Gearing ratio	**41%**	23%

49. POST BALANCE SHEET EVENTS

(a) On 4 March 2009, 17,780,000 share options were granted to certain senior management of the Company, as further detailed in note 38 to the financial statements.

(b) On 31 March 2009 Zhejiang Intime entered into an agreement with Hangzhou Weizhen Investment Management Co., Ltd. to acquire 30% equity interest in Hangzhou Linping for a total cash consideration of RMB7,000,000.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 15 April 2009.