INTIME 银泰

Intime Department Store (Group) Company Limited

銀泰百貨(集團)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1833

银泰百货

Annual Report 2009

INTIME 银泰

CONTENTS

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 an reorganization arrangement of the Company and its subsidiaries (together the "Group") in preparation for the listing on the Stock Exchange, 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 twelve 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 currently operates and manages a total of 21 department stores with a total gross floor area (or "GFA") of 824,939 square meters, including 15 department stores located in the principal cities within Zhejiang province, 5 department stores located in Hubei province and 1 store located in Shaanxi province. The Group is 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. The Group signed a management contract with Baida to manage the Baida department store, located next to its flagship Hangzhou Wulin store, from March 2008 to February 2028.

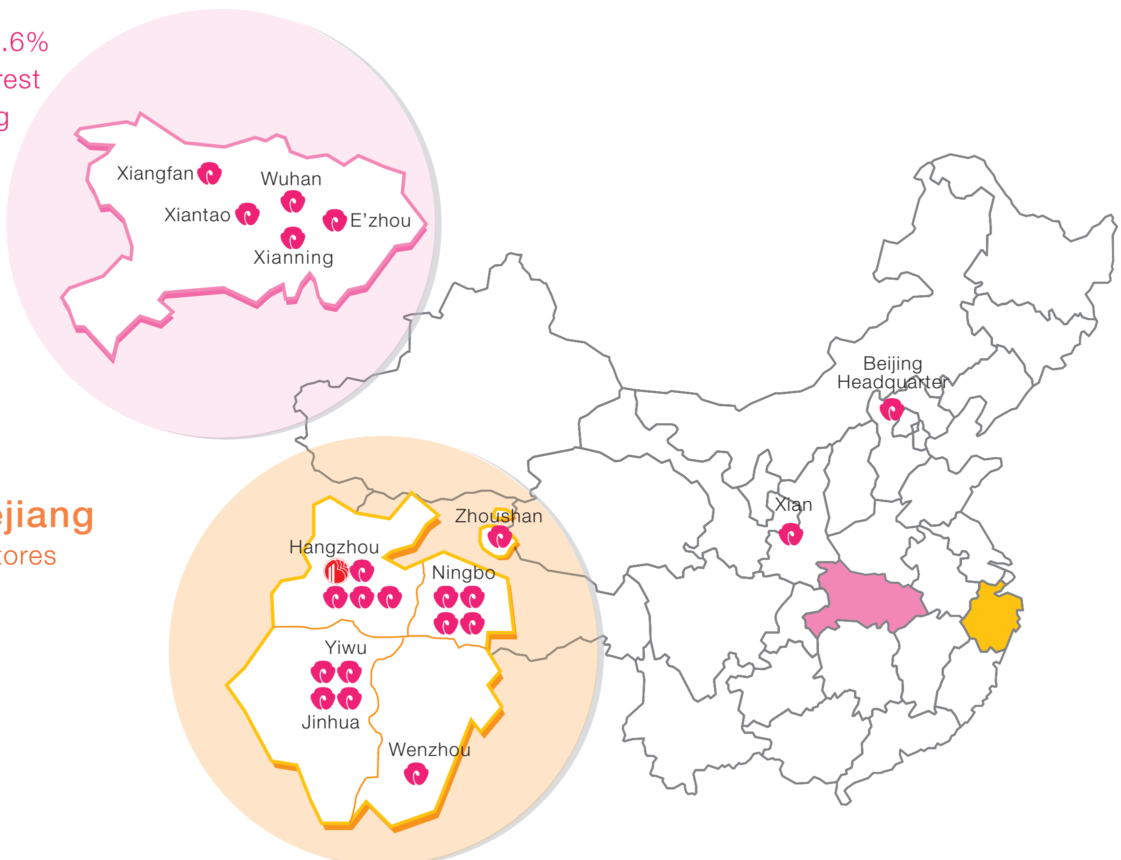
The Group sets "Bring you a new lifestyle" as its motto and has traditionally targeted young and modern families as major customers. The Group positions its merchandise in the range of medium to high-end market with a commitment to offer excellent shopping experiences. With increasing sales floor area 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.

Being A Prime Leader in Zhejiang Province and Growing Into **A Nationwide Department Store Chain Group**

The Group is the largest department store chain group in Zhejiang Province with ongoing expansion of its leadership advantage – **15 stores** operating in Zhejiang Province. The Group has developed strategic cooperation with regional leading operators to set up presence in new markets – on top of its shareholdings in Wushang, the Group is currently operating **5 stores** in Hubei Province. The total number of department stores reached 21 stores by the end of 2009 with a total GFA of **824,939 square meters.**

Hubei
5 Stores
Holding 22.6% equity interest in Wushang

Zhejiang
15 Stores



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

CHOW Joseph
SHI Chungui
YU Ning

REGISTERED OFFICE

P.O. Box 309GT
Ugland House
South Church Street, George Town
Grand Cayman
Cayman Islands

HEAD OFFICE

52nd Floor, Yintai Centre Tower C
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Beijing 100022
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Tel: +86 10 65057260
Fax: +86 10 65688886
Email: info@intime.com.cn

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1707, Tower II
Admiralty Centre
18 Harcourt Road
Hong Kong

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

CHOW Hok Lim *(FCCA, CPA)*

AUTHORIZED REPRESENTATIVES

CHING Siu Leung
CHOW Hok Lim

AUDIT COMMITTEE

CHOW Joseph *(Chairman)*
LI Hui, David
YU Ning

REMUNERATION COMMITTEE

LI Hui, David *(Chairman)*
SHI Chungui
YU Ning

NOMINATION COMMITTEE

LI Hui, David *(Chairman)*
SHI Chungui
CHOW Joseph

STRATEGIC DEVELOPMENT COMMITTEE

SHEN Guojun *(Chairman)*
LI Hui, David

LEGAL ADVISERS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe
43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

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
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

JP Morgan Chase Bank N.A.
20th Floor, JP Morgan Tower
138 Shatin Rural Committee Road
Shatin
New Territories
Hong Kong

China Construction Bank Co. Ltd.
Hangzhou Zhongshan Branch
No, 297 Zhongshanbeilu
Hangzhou, Zhejiang 310003
PRC

AUDITORS

Ernst & Young
Certified Public Accountant

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				
	2005#	2006#	2007#	2008# (Restated)	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Operating Results					
Revenue	477,964	676,342	884,059	1,224,546	**1,572,095**
Profit before income tax	202,139	300,623	512,469	475,809	**572,752**
Profit for the year	136,156	219,509	374,856	362,649	**449,367**
Profit attributable to:					
– Owners of the parent	85,970	206,406	378,368	377,586	**462,609**
– Minority interests	50,186	13,103	(3,512)	(14,937)	**(13,242)**
Full year dividends per share (RMB)	N/A*	N/A*	0.064	0.066	**0.132**
Basic earnings per share (RMB)	N/A**	0.15	0.22	0.21	**0.26**
Diluted earnings per share (RMB)	N/A***	N/A***	0.22	0.21	**0.26**

	As at 31 December				
	2005#	2006#	2007#	2008# (Restated)	**2009**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Assets and Liabilities					
Total assets	1,481,507	2,246,099	6,195,272	7,190,507	**7,485,511**
Total liabilities	(1,003,645)	(1,337,691)	(2,152,106)	(3,481,960)	**(3,591,858)**
Total equity	477,862	908,408	4,043,166	3,708,547	**3,893,653**
– Owners' equity	300,639	908,408	3,873,557	3,270,882	**3,448,194**
– Minority interests	177,223	–	169,609	437,665	**445,459**

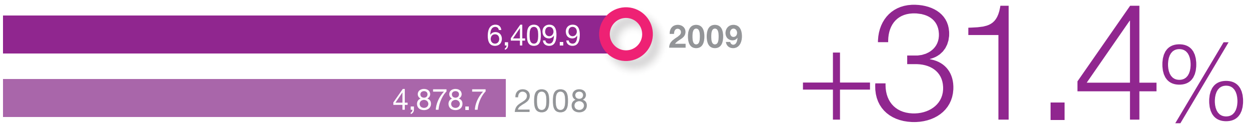
* No dividend was paid by the Company in year 2006, the year of its incorporation.

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

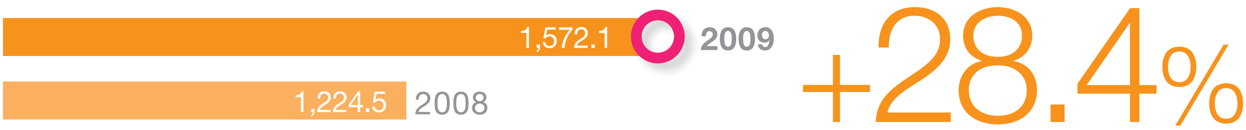
*** No diluted earnings per share for year 2005 and 2006 is presented since no diluting events existed during those years.

\# The Group has adopted HK(IFRIC) – Int 13 Customer Loyalty Programmes ("Int 13") to prepare the consolidated financial statements for the year ended 31 December 2009 and has retrospectively restated comparatives of the consolidated financial statements for the year ended 31 December 2008 accordingly. The management of the Company is of the view that the adoption of Int 13 has no significant impact on the financial information for the period from 2005 to 2007, therefore such financial information have not been restated.

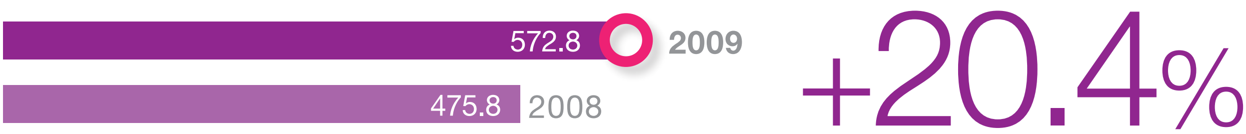
GROSS SALES PROCEEDS (RMB MILLION)



REVENUE (RMB MILLION)

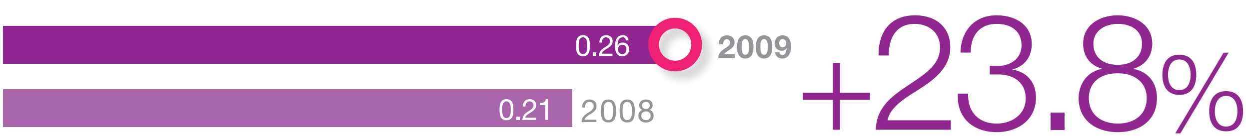


PROFIT BEFORE TAX (RMB MILLION)



PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT (RMB MILLION)

EARNINGS PER SHARE (RMB)



FULL YEAR DIVIDEND PER SHARE (RMB)

CHAIRMAN'S STATEMENT

Mr. Shen Guojun, ***Chairman***

2009 was a year of solid achievement for the Group. During the year, by leveraging our strength, the Group has achieved remarkable financial result despite many challenges faced by us. In 2009, the Group's total revenue reached RMB1,572.1 million, representing an increase of 28.4% over the previous year. Consolidated profit attributable to owners of the parent was RMB462.6 million, representing an increase of 22.5% over the previous year. Basic earnings per share increased by 23.8% to RMB0.26.

In view of the Group's strong financial performance, the Board of Directors has proposed the payment of a final dividend of RMB0.032 per share for the year ended 31 December 2009. Together with the interim dividend RMB0.10 per share, the full year dividend per share for 2009 will amount to RMB0.132 per share, representing an increase of 100% over the year of 2008. The payout ratio was approximately 49.9% of the consolidated profit attributable to owners of the parent of the year.

MARKET REVIEW

In 2009, the global economy gradually emerged from recession and the rate of recovery of China's economy was notably the fastest in the world. During the year, the Chinese Government launched a series of measures designed to boost domestic consumption and to stimulate the economy. The overall rate of economic recovery in the PRC was increasing. In 2009, the PRC recorded a GDP of RMB33,535.3 billion, representing a 8.7% increase from the previous year. The per capita disposable income of urban residents amounted to RMB17,175, representing a 8.8% increase from the previous year. Domestic consumption in China continued healthy expansion with the total sales of consumer goods reached RMB12,534.3 billion in 2009, representing a growth of 15.5% from 2008.

The economic development in Zhejiang province, where most of the Group's sales and profit was generated, also showed signs of sustained recovery. In 2009, the GDP of Zhejiang province increased to RMB2,283.2 billion, representing an increase of 8.9% over the previous year. The per capita disposable income of urban household in Zhejiang province increased by 8.3% to RMB24,611. The total retail sales of consumer goods in Zhejiang province has risen to approximately RMB862.2 billion in 2009, representing a steady growth of 15.9% from the previous year.

The economy of Hubei province, where the Group currently operates five stores, continued to show steady growth with its GDP increased to RMB1,283.2 billion, representing an increase of 13.2% over the previous year. The per capita disposable income of urban household in Hubei province increased by 9.2% to RMB14,367. The total retail sales of consumer goods in Hubei province has risen to approximately RMB592.8 billion in 2009, representing a strong growth of 19% from the previous year.

CHAIRMAN'S STATEMENT

COMPANY DEVELOPMENT

During the year, the Group continued to make progress in implementing its strategy of growing into a leading national department store chain. The Group has further consolidated its position in Zhejiang province by capitalizing on its experience and understanding of the market to systematically expand its presence in Zhejiang province. In the year of 2009, five new stores were opened in the cities of Zhoushan, Hangzhou, Yiwu, Ningbo and Jinhua respectively. In addition, leveraging on the Group's increasingly strong partnership with Wushang, the Group expanded its presence in Hubei province by acquiring a store in the city of Xiantao. By the end of 2009, the Group was operating and managing a total of 21 department stores with a total GFA of 824,939 square meters, representing a year-on-year total net increase of 42.6%.

Through a year of intensive effort, the Group's financial health has significantly improved from the beginning of the year. As part of its strategic business alignment, the Group divested certain non-core or unprofitable assets such as the joint venture stakes in Hangzhou Hubin International Commercial Development Co. Ltd. ("Hubin International") and Beijing Intime Lotte Department Store Co. Ltd ("Intime Lotte") in year of 2009. The Group also sold all its available-for-sale investments and reduced stockholding in Baida, an associated company. These divestments pave the way for the Group's sustained growth in its core business units, and the large inflow of disposal proceeds enabled the Group not only to reduce its bank loan level substantially and resume a net-cash position, but also to reward its shareholders with increased dividend payout. The Group has put an emphasis on enhancing its management quality and operational efficiency while boosting its long term development and short-medium term profit contribution. With a healthy financial position, the Group now has stronger financial muscle to further implement its expansion plan.

OUTLOOK

Year 2010 could present more challenges and at the same time more opportunities for the Group in advancing its expansion blueprint. The global economic recovery is still in an early stage and is relatively fragile and the risk of a "double dip" economic slowdown cannot be ruled out entirely. Although the PRC economy seemed to be recovering, the rising risk of inflation from abundant liquidity and soaring bank credit may lead to tightening of the PRC's monetary policies which will pose uncertainties and challenges to the economy.

On the other hand, 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 leadership in the retail industry of Zhejiang province. 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 foundations for the Group's long-term growth prospects.

I would like to take this opportunity to express my sincere gratitude to our Board members and the 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

CEO'S STATEMENT

2009 was a rewarding year for the Group despite uncertainties in the economy and the challenges in our operating environment. The Group's sales maintained a strong growth momentum, its operating profit achieved steady increase and its capital structure was greatly improved. The Group and its management can proudly describe the year's operation as an impressive recovery, and the Group is much better positioned to compete and expand in today's increasingly competitive industry environment.

OPERATIONAL REVIEW

The Group's department stores achieved total gross sales proceeds of RMB6,409.9 million in 2009, representing a year-on-year increase of 31.4%. Total revenue increased by 28.4% to RMB1,572.1 million and the profit attributable to equity holders of the Company increased by 22.5% to RMB462.6 million. This was the result of the expansion of the store network, the continuous improvement in operational efficiency, better merchandise mix and brand selection, more friendly customer services, more organized sales and promotional campaigns by the Group.

The Group further strengthened its position as the leading department store operator in Zhejiang province by opening five new stores, namely Zhejiang Zhoushan Lincheng store in January 2009, Zhejiang Hangzhou Qingchun store and Zhejiang Yiwu Yimei store in April 2009, Zhejiang Jinhua Intime World store in September 2009 and Zhejiang Ningbo Jiangdong store in December 2009. By leveraging on its leading position in Zhejiang province, the Group aims to achieve greater synergy in regional merchandising, marketing, storefront management, store managers' training and development and cost control. In addition, the Group further expanded its store network in Hubei province by acquiring Hubei Xiantao store in December 2009. These 6 new stores added a net GFA of about 246,403 square meters, representing a year-on-year total net increase of 42.6%. The Group is currently operating and managing a total of 21 stores with a total GFA of 824,939 square meters, including 15 department stores located in the principal cities within Zhejiang province, five department stores located in Hubei province and one store located in Shaanxi province.

During the year under review, the Group acquired some minority stakes of its stores in order to utilize the financial and merchandising functions of these stores more efficiently and enable the Group to reap greater financial benefits from the stores' growth. In March 2009, the Group entered into an agreement to acquire the remaining 30% equity interest in 杭州臨平銀泰百貨有限公司 (Hangzhou Linping Intime Shopping Center Co., Ltd.) ("Hangzhou Linping") and the transaction was completed in April 2009, through which Hangzhou Linping became our wholly owned subsidiary. In October 2009, the Group entered into an agreement to acquire the remaining 40% equity interest in 金華銀泰購物中心有限公司 (Jinhua Intime Shopping Center Co., Ltd.) ("Jinhua Intime") and the transaction was completed in November 2009, through which Jinhua Intime became our wholly owned subsidiary.

In 2009, the Group focused on improving its financial position and asset quality. The Group disposed of all of its available-for-sale investments in China Dongxiang (Group) Co., Ltd. ("China Dongxiang"), Citic Development – Shenyang Commercial Building (Group) Co., Ltd. ("Zhongxing"), and reduced part of the shareholdings in an associated company, Baida. The aforesaid disposals generated a total cash proceeds of RMB578 million. In addition, the Group disposed of its 50% joint venture interests in Intime Lotte in July 2009 and its 50% joint venture interests in Hubin International in August 2009. Both of these joint ventures have been operating at a loss and are not expected to generate profit in the near future. The disposals can help the Group improve its liquidity and financial prospects. In June 2009, the Group also cancelled its previous acquisition, through government auction, of a piece of land in Hangzhou, Zhejiang province, as certain conditions specified in the auction were not satisfied. Subsequently, the Group has received from the government a full refund of its payment of RMB212.3 million.

In November 2009, the Group successfully acquired a piece of land located in the commercial center of Cixi, Zhejiang province with an area of 30,886 square meters through auction held by the local government. Cixi is one of the richest counties in China, ranked 6th among the top 100 counties in PRC in year 2008. The total consideration for the acquisition of such land use right was RMB247.5 million. With such a premier location, the Group plans to develop a large mixed-use commercial property of over 100,000 square meters, of which around 70,000 square meters will be used for operating a department store. The construction has started in the first half of 2010 and is scheduled to be completed by the end of 2011. This is the Group's first project in Cixi which is expected to be developed into the largest and most advanced shopping complex in Cixi.

The Group has enhanced the management of its concessionaires and direct sales suppliers by strengthening its relationships with them. In July 2009, the Group signed a strategic cooperation agreement with 149 leading and popular brand names. The Group believes that, through its partnership with its concessionaires and direct sales suppliers, the Group will receive their continued support and be able to provide a better shopping experience for its customers through enriched product mix and availability of the latest fashion wear.

In line with our strategy of reinforcing customer loyalty and expanding customer base, the Group's department stores continued to grow their VIP customers base through various shopping benefits, gift offers and exclusive activities. As at 31 December 2009, the Group had over 554,200 VIP customers, representing a year-on-year growth of 86.9%. Sales attributable to VIP customers contributed about 32.3% of the Group's total sales proceeds, representing an increase of 2.7% from 29.6% in 2008.

In 2009, the Group planned and organized many large scale promotions and festive events to generate bigger sales. For instance, "Olympic Drums" (奧運缶) promotional activities were carried out with great success in 2009. In addition, the Group participated in the "BAZAAR" (時尚芭莎) charitable activities and Zhejiang Television's "Power of Youth" (青春力量) programs. These activities were all received well by the media and our customers.

CEO'S STATEMENT

Last but not least, Group has further enhanced its operational efficiency and management control during the year. Various operating policies and procedure manuals of the Group have been refined to drive higher efficiency and to enhance accountability. The independent internal audit department was expanded to enlarge the scale of corporate supervision. Treasury managements of the Group's department stores have been further centralized during the year. In order to facilitate growth of the Group, "Intime Department Store University" was formally established in July 2009. The courses of the University will focus on sales and marketing, merchandizing and operational management so that our staff can acquire the latest professional expertise and capabilities.

STRATEGIES

The modern department store industry has been developing in the PRC for merely over a decade with plenty of room for growth. The low degree of market concentration provides a valuable opportunity for the Group to expand its chain system. To capture the development opportunity of the department store industry in the PRC, the Group will continue to develop and expand its business by closely executing its "regional predominance" strategies and further enhancing its leadership advantage in Zhejiang province. Meanwhile, the Group will make efforts to replicate its regional competence in Zhejiang province when setting up presence in new regional markets through selective acquisition and merger.

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. We will also follow our scheduled plan for chain store expansion, shorten the development cycle of new projects and improve the returns on capital investments. Moreover, the Group will make continuous efforts to achieve synergy effect through improving merchandise management, marketing, retail outlet management, human resources and cost control and leveraging on its scale advantage in various intercity areas. The Group will continue to focus on the young and trendy segment of the market, while providing comprehensive range of products and services to the customers.

The Group plans to enter the Beijing market by forming strategic alliances with Metro Land Corporation Ltd. ("Metro Land"). Metro Land is a Shanghai Stock Exchange listed company primarily engaged in real estate development, with Beijing Infrastructure Investment Co., Ltd ("Jingtou") being its controlling shareholder. Jingtou is engaged in subway and metro transportation related infrastructure investments in Beijing. With the signing of the strategic cooperation agreement in January 2010, the Group has established a formal long-term strategic cooperation relationship with Metro Land and become a preferred partner in operating commercial complexes on top of subway exits developed by Metro Land. As the first project under this strategic alliance, the Group will lease 6 floors of a subway-connected commercial property with GFA of 49,500 square meters being developed by Metro Land at 26 Dahongmen West Road in Fengtai District, Beijing (the "Dahongmen Project") for operation of a large-scale department store in 2011. In November 2009, the Beijing Municipal Government declared an "Accelerate the Development of South City" action plan and budgeted RMB50 billion to be invested in Beijing's South City over the next 3 years. The Dahongmen Project is situated right in the center of the new South City under the blueprint and well-positioned to reap future benefit from such long-term development. We believes that the strategic cooperation with Metro Land offers great potential and strategic opportunity for the Group to grow its business in the Beijing market.

OUTLOOK

Looking ahead to 2010, the PRC economy is expected to continue its recovery and growth. Although the financial crisis and the lingering concerns about overcapacity in certain industries, asset bubbles and inflation may have an impact on the PRC economy, and fluctuations and uncertainties may arise in the recovery process, we believes such negative effects could be mitigated by the Chinese Government's policies on boosting domestic demand and retail consumption. 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 in the PRC, the department store industry in China will embrace an unprecedented prime opportunity for development. Through the concerted efforts of all its employees, the Group is confident to achieve greater financial performance and stronger business establishment in 2010.

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

MANAGEMENT DISCUSSION AND ANALYSIS

2009 Total Gross Sales Proceeds RMB million

6,410

FINANCIAL REVIEW

Total gross sales proceeds and revenue

For the year ended 31 December 2009, 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 RMB6,409.9 million, representing an increase of approximately 31.4% from approximately RMB4,878.7 million in 2008. This increase was primarily attributable to the same store sales growth of approximately 16.7%, the inclusion of full year sales performance of the new stores opened in the year 2008 and the sales performance of the new stores opened in the year 2009.

	2009 RMB'000	2008 RMB'000
Sale of goods-direct sales	385,842	288,641
Gross revenue from concessionaire sales	5,900,425	4,509,096
Rental income	102,454	60,757
Management fee income	21,190	20,212
Total Gross Sales Proceeds	**6,409,911**	**4,878,706**

The Hangzhou Wulin store and Ningbo Tianyi store maintained double digit same store sales growth of approximately 12.6% and 11.2%, respectively, for the year 2009. In addition, younger stores like Wenzhou Shimao store, Ningbo Wanda store and Hangzhou Linping store with about 3 years in operations recorded strong same store sales growth of approximately 36.0%, 32.5% and 19.3%, respectively, for the year 2009. Due to the property's aging physical conditions, the Ningbo Dongmen store underwent full-blown renovation from June to September 2009, and its sales growth was excluded from the same store sales growth statistics.

2009 Same store Sales Growth

16.7%

The commission rate of concessionaires was about 18.0% for the year 2009, slightly below the rate of 19.0% for the year 2008, mainly due to the increase in sales promotion activities, the increase in sales from newly opened stores which carried lower commission rate and the change in booking for settlement services income from being recognised as part of sales proceeds to being recognised as part of other income. Direct sales margin declined slightly from 22.4% in 2008 to 21.7% in 2009 mainly due to the increase in promotional activities and 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 was RMB1,572.1 million in 2009, representing an increase of 28.4% from RMB1,224.5 million in 2008. The growth was contributed from all sources of revenue including commission income from concessionaire sales, sales of goods for direct sales, rental income and management fee income, which increased by approximately 24.3%, 33.7%, 68.6% and 4.8%, respectively, from the year 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income and gain

Other income of the Group in 2009 amounted to RMB157.9 million, representing an increase of 59.3% as compared with RMB99.1 million in 2008. The increase was primarily due to receipt of government grant of RMB17.5 million from the cancellation of previous acquisition of a piece of land in Hangzhou, Zhejiang province, and the increase in advertisement, promotion and administration income of RMB40.0 million. The increase was partly offset by the decrease in dividend income of RMB12.5 million. The decrease in dividend income was because the dividend received from Baida in year 2009 was accounted for as a deduction of the investment cost in Baida as Baida became an associate of the Group since May 2008.

Other gains of the Group increased to RMB155.8 million in 2009 from RMB70.7 million recorded in 2008. The increase was mainly resulted from the gain on disposal of equity interests in Baida, Zhongxing and China Dongxiang which amounted to RMB118.0 million, RMB17.9 million and RMB37.9 million, respectively. The above disposals have further improved the Group's liquidity and financial resources.

Purchase of goods and changes in inventories

The purchase of goods and changes in inventories represent the cost of the direct sales. In line with the increase of direct sales, cost of sales increased by 34.8% from RMB224.0 million in 2008 to RMB301.9 million in 2009.

Staff costs

The Group's staff costs increased by 34.6% from RMB161.1 million in 2008 to RMB216.8 million in 2009. The increase was primarily attributable to the inclusion of the full year staff costs of the new stores opened in 2008 and the inclusion of staff costs for new stores opened in 2009. The number of employees increased from 3,715 as at the end of 2008 to 5,513 as at the end of 2009. Also, due to new grant of certain share options during the year 2009, the amortized share option expense increased by 10.6% from RMB11. 8 million in 2008 to RMB13.1 million in 2009.

Staff costs as a percentage to total revenue increased to 13.8% in 2009 from 13.2% recorded in 2008. The increase was mainly due to the impact of newly opened department stores.

Depreciation and amortization

The Group's depreciation and amortization increased by 61.1% from RMB115.0 million in 2008 to RMB185.3 million in 2009. The increase was primarily attributable to the inclusion of depreciation and amortization costs for new stores and retail properties acquired and opened in the year of 2008 and 2009.

Depreciation and amortization as a percentage to total revenue increased from 9.4% in 2008 to 11. 8% in 2009.

Other operating expenses

Other operating expenses, which mainly consisted of utility expenses, store rental expenses, advertising expenses, credit card handling charges, maintenance and repair expenses and other tax expenses, increased by 40.0% from RMB425.9 million in 2008 to RMB596.3 million in 2009. The increase was mainly due to the inclusion of the full year store rental expenses of the new stores opened in the year 2008 and the operating expenditure arising from the newly opened stores in 2009.

Due to the above reason, other operating expenses as a percentage to total revenue increased from 34.8% in 2008 to 37.9% in 2009. Stringent cost control measures have been in place and will continue in the year of 2010.

Finance costs

During the year under review, the Group achieved a substantial saving in interest expenses. The Group's financing costs decreased by 29.0% from RMB76.8 million in 2008 to RMB54.5 million in 2009. The total bank borrowing of the Group decreased substantially from RMB1,407.5 million as at 31 December 2008 to RMB998.0 million as at 31 December 2009. The average borrowing interest rate of the Group was also lowered from approximately 7.56% as at the beginning of 2009 to approximately 5.04% as at the end of 2009.

Share of losses of jointly-controlled entities

The share of losses of jointly-controlled entities amounted to RMB27.8 million, which was significantly reduced from the losses of RMB57.1 million in the year of 2008. As part of the measures to enhance return on assets, the Group disposed of the 50% interest in Intime Lotte and Hubin International in July 2009 and August 2009, respectively.

2009 Total Revenue
RMB million

1,572

MANAGEMENT DISCUSSION AND ANALYSIS

2009 Profit attributable to Owners of the Parent RMB million

463

Share of profits of associates

The share of profit of associates was RMB69.5 million, representing an increase of 14.3% from RMB60.8 million in the year of 2008. The Group maintained a 22.62% equity interest in Wushang and a 14.57% equity interest in Baida as at 31 December 2009.

Income tax expense

The Group's income tax expense increased by 9.0% from RMB113.2 million in 2008 to RMB123.4 million in the 2009. Effective tax rate of the Group for the period was 21.5%, marginally lowered by 2.3% compared to the same period of last year.

Profit for the year

As a result of the reasons mentioned above, profit for the year increased to RMB449.4 million in 2009, representing an increase of 23.9% from RMB362.6 million in 2008.

Profit attributable to owners of the parent

Profit attributable to owners of the parent was RMB462.6 million in 2009, representing an increase of 22.5% from RMB377.6 million in 2008.

Liquidity and financial resources

The liquidity and financial position of the Group have strengthened significantly during the year. The Group's cash and bank balances amounted to RMB1,002.7 million as at 31 December 2009, representing a significant increase of RMB257.7 million or 34.6% from the balance of RMB745.0 million as at 31 December 2008. For the year ended 31 December 2009, the Group's net cash inflow from operating activities amounted to RMB732.7 million (2008: net cash inflow of RMB795.0 million), the Group's net cash inflow from investing activities amounted to RMB250.2 million (2008: net cash outflow of RMB1,508.0 million), and the Group's net cash outflow from financing activities amounted to RMB724.6 million (2008: net cash inflow of RMB713.9 million).

As at 31 December 2009, total borrowings were RMB998.0 million, which represented a decrease of 29.1% from RMB1,407.5 million as at the end of December 2008. All borrowings are denominated in RMB. The decrease was largely due to the repayment of both short-term and long-term bank borrowing in the year of 2009. The total borrowings as at the end of 2009 include short-term bank borrowings of RMB468 million and long term borrowings of RMB530 million. The Group's total cash and bank deposit position exceeds its total bank borrowing level, and the percentage of short-term borrowings in total borrowings has decreased to approximately 46.9% from 68.2% at the end of the previous year. In general, the Group's liquidity trends towards healthier status.

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 13.3% as at 31 December 2009, which was substantially lower than the 19.6% recorded as at 31 December 2008.

Net current liabilities and net assets

The net current liabilities position of RMB1,032.6 million as at 31 December 2008 decreased to RMB913.7 million as at 31 December 2009, representing a decrease of 11.5%. Net assets of the Group as at 31 December 2009 was RMB3,893.7 million, an increase of 5.0% from RMB3,708.5 million as at the end of 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of assets

Certain buildings, investment properties, construction in progress and land use rights with carrying amount of RMB1,393 million had been pledged to the Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China and China CITIC Bank to obtain bank facilities in the amount of RMB2,277 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 2009, the total outstanding balance of interest-bearing bank loans was RMB998.0 million. The Group currently has not used any derivatives to hedge its interest rate risk.

2009 Dividend Payout Ratio

49.9%

Foreign exchange risk

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. Certain of the Group's cash and bank deposits are denominated in Hong Kong dollars and United States dollars. All borrowings are denominated in RMB. 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 2009, the Group had about 5,513 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

Details of the contingent liabilities are set out in note 38 to the Financial Statements.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Shen Guojun, 47, 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. From June 2003 to June 2007, Mr. Shen 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, 47, 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, 53, 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 and vice chairman of Zhejiang Insigma Technology (Group) Co., Ltd since May 2005. From October 2004 to November 2008, 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, 41, 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, 69, 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. Yu Ning, 56, was appointed as an independent non-executive Director of the Company in June 2009. Mr. Yu is a member of the Chinese People's Political Consultative Conference (中國人民政治協商會議). He is also an independent director of Huaneng Power International, Inc. (華能國際電力股份有限公司) (Hong Kong Stock Exchange Stock Code: 902, Shanghai Stock Exchange Stock Code: 600011, New York Stock Exchange Stock Code: HNP), an independent director of AEGON-INDUSTRIAL Fund Management Co., Ltd. (興業全球基金管理有限公司) (formerly "Industrial Fund Management Co., Ltd. (興業基金管理有限公司)"), an independent director of Sinolink Securities Co., Ltd. (國金證券股份有限公司) (Shanghai Stock Exchange Stock Code: 600109) and an independent director of Zhejiang Haina Science and Technology Co., Ltd. (浙江海納科技股份有限公司) (Shenzhen Stock Exchange Stock Code: 000925). Mr. Yu is currently the President of All China Lawyers Association (中華全國律師協會). Mr. Yu served as Deputy Director (副處長) and Director (處長) of Central Disciplinary Inspection Commission of the Chinese Communist Party （中國共產黨中央紀律檢查委員會), and a practising lawyer at Beijing Times Highland Law Firm (時代華地律師事務所) (currently Jurisino Law Group (時代九和律師事務所)), a part-time professor at Peking University (北京大學), and a mentor of master postgraduates at the Law School of Tsinghua University (清華大學). He was an independent director of Jiangsu Lianyungang Port Co., Ltd. (江蘇連雲港港口股份有限公司) (Shanghai Stock Exchange Stock Code: 601008) and the Vice President of All China Lawyers Association. He graduated from the law department of Peking University with a LLB degree in 1983 and obtained a LLM degree specializing in economic law from the law department of Peking University in 1996. He is a qualified PRC lawyer.

Mr. Chow Joseph, 47, 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 International Holdings Limited (Hong Kong Stock Exchange Stock Code: 496). 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 a managing director of Goldman Sachs (Asia) LLP from 2008 to 2009. 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.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Chen Xiaodong, 41, 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, 55, 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, 47, 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. Ma Qihua, 46, Vice President of the Company since March 2008. He is responsible for the business of northern 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. Zou Minggui, 46, Vice President of the Company since October 2009. He is responsible for the business of central region of Zhejiang province and northern region of China. Before joining the Company, he was the Executive Director of the Maoye International Holdings Limited (Stock Code: 848) ("Maoye") and was responsible for the overall operational management and business development in China. Mr. Zou has over 10 years of experience in the retail industry, and worked as the manager of the Finance Department of the Maoye Group, deputy general manager and general manager of the Maoye Group. He obtained a master's degree in business administration from China Europe International Business School in 2007.

Mr. Wang Liyong, 50, 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. Wang Chun, 50, 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. Yu Guangha, 39, 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. Yuan Fei, 39, 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.

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chow Hok Lim, 43, was appointed as the Company Secretary and Qualified Accountant of the Company in February 2007. 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 M.B.A. degree from University of Manchester, England and is a member of Hong Kong Institute of Certified Pubic Accountants and a fellow member of Association of Chartered Certified Accountants, England. He is also a CFA Charterholder.

CORPORATE GOVERNANCE REPORT

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 2009 save as disclosed below:

Code Provision A.2.1

Prior to 16 January 2009, Mr. Shen Guojun assumed the roles of both the chairman and the chief executive officer of the Company, and the functions of chairman and chief executive officer of the Company were not held by different persons as required under code provision A.2.1 of the Corporate Governance Code. The Board considered that this structure facilitated the execution of the Group's business strategies and maximized the effectiveness of its operation at the relevant time. On 16 January 2009, Mr. Chen Xiaodong was 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 has been in compliance with Code Provision A.2.1.

THE BOARD OF DIRECTORS

As at 31 December 2009, the Board comprised of seven 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. Yu Ning and Mr. Chow Joseph. Mr. Shen Guojun is the Chairman of the Board.

The Board is responsible for the leadership and overall management of the Company. Key responsibilities of the Board include formulation and approval 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 Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the Chief Executive Officer, senior management and certain specific responsibilities to the Board committees.

Biographical details of the Directors are set out on pages 24 to 27 of this annual report. The composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operations and development of the Group.

To ensure a balance of power and authority, the roles of the Chairman and the Chief Executive Officer are segregated and performed by Mr. Shen Guojun and Mr. Chen Xiaodong, respectively. There is a clear distinction between the Chairman's responsibility for providing leadership for the Board and the Chief Executive Officer's responsibility for managing the day-today operations of the Group's business.

Each of the non-executive Directors and independent non-executive Directors has entered into a service contract with the Company for a term of three years. The incumbent non-executive and independent non-executive Directors have extensive academic, professional and industry expertise and management experience and have participated in the meetings of the Board in a highly conscientious and responsible manner. Non-executive Directors serve actively on Board committees to provide their independent and objective views, in particular, on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct and to promote critical review and control. They play an important check-and-balance role to safeguard the interests of the Company and the Shareholders as a whole.

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 9 meetings and attendance of each Director at the meetings is set out below:

Board of Directors	**No. of meetings attended/held**
Executive Directors	
Shen Guojun	6/9
Ching Siu Leung	5/9
Non-Executive Directors	
Xin Xiangdong	9/9
Li Hui, David	9/9
Independent Non-executive Directors	
Lee Lawrence (resigned on 8 June 2009)	4/4 (Note 1)
Chow Joseph	9/9
Shi Chungui	9/9
Yu Ning (appointed on 8 June 2009)	5/5 (Note 2)

Notes:

1. 4 Board Meetings were held during the period from 1 January 2009 to 8 June 2009

2. 5 Board Meetings were held during the period from 9 June 2009 to 31 December 2009

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

As at 31 December 2009, the Audit Committee comprised of three non-executive Directors, two of whom are independent, namely Mr. Yu Ning, Mr. Chow Joseph and Mr. Li Hui, David. The Committee is chaired by Mr. Chow Joseph, 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 2 meetings held by the Audit Committee and the attendances are listed below:

Name of The Audit Committee Member	**No. of meetings attended/held**
Chow Joseph *(Chairman)*	2/2
Lee Lawrence (resigned on 8 June 2009)	1/1 (Note 1)
Yu Ning (appointed on 8 June 2009)	1/1 (Note 2)
Li Hui, David	2/2

Notes:

1. 1 meeting was held during the period from 1 January 2009 to 8 June 2009

2. 1 meeting was held during the period from 9 June 2009 to 31 December 2009

During the year under review, the Audit Committee had reviewed the Group's interim and annual results and the effectiveness of the internal control system. The Audit Committee also considered and reviewed the reports prepared by the external auditors relating to accounting and internal control issues and major findings in the course of audit.

REMUNERATION COMMITTEE

As at 31 December 2009, the Remuneration Committee comprised of three non-executive Directors, two of whom are independent, namely Mr. Li Hui, David, Mr. Yu Ning 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 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 4 meetings and the attendances are listed below:

Name of The Remuneration Committee Member	No. of meetings attended/held
Li Hui, David *(Chairman)*	4/4
Lee Lawrence (resigned on 8 June 2009)	1/1 (Note 1)
Yu Ning (appointed on 8 June 2009)	3/3 (Note 2)
Shi Chungui	4/4

Notes:

1. 1 meeting was held during the period from 1 January 2009 to 8 June 2009

2. 3 meetings were held during the period from 9 June 2009 to 31 December 2009

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, level of involvement in the Company's affairs and the comparable remuneration standard in the market.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

As at 31 December 2009, the Nomination Committee comprised of three non-executive Directors, two of whom are independent, namely Mr. Li Hui, David, Mr. Chow Joseph 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 2 meetings and the attendances are listed below:

Name of The Nomination Committee Member	**No. of meetings attended/held**
Li Hui, David *(Chairman)*	2/2
Lee Lawrence (resigned on 8 June 2009)	2/2 (Note 1)
Chow Joseph (appointed on 8 June 2009)	0/0 (Note 2)
Shi Chungui	2/2

Notes:

1. 2 meetings were held during the period from 1 January 2009 to 8 June 2009

2. No meeting was held during the period from 9 June 2009 to 31 December 2009

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 2009, 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 plans 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 48 to 49.

For the year ended 31 December 2009, the remuneration paid by the Company to the external auditors for the performance of audit services was approximately RMB2,800,000. No non-audit service was provided by Ernst & Young for the year ended 31 December 2009.

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.

CORPORATE GOVERNANCE REPORT

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 2009.

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. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations.

During the year ended 31 December 2009, the Board 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, effectiveness relating to 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.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The management believes that effective communication with the investment community in a timely manner through various media is essential. We held regular briefings, attended investor conferences and participated in roadshows to meet institutional investors and financial analysts in the PRC, Hong Kong and overseas countries to keep them abreast of the Company's business and development.

AGM proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the AGM exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the beginning of the meeting. Voting results are posted on the Group's website on the day of the AGM.

REPORT OF THE DIRECTORS

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 2009.

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 115 to 122 of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 50 of this annual report.

PROPOSED FINAL DIVIDENDS

The Board has recommended the payment of a final dividend of RMB0.032 per share (2008: RMB0.066 per share) for the year ended 31 December 2009 to shareholders whose name appear on the register of members of the Company at close of business on 7 June 2010. The proposed final dividend 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 7 June 2010.

Together with the interim dividend of RMB0.10 per share (six months ended 30 June 2008: Nil), the total dividend for the year ended 31 December 2009 will amount to RMB0.132 per share (2008: RMB0.066 per share).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital during the year are set out in note 34 to the financial statements.

REPORT OF THE DIRECTORS

RESERVES

As at 31 December 2009, distributable reserves of the Company included the Company's retained profits amounted to RMB7,138,000 (2008: RMB21,135,000) and the Company's share premium amounted to RMB2,230,876,000 (2008: RMB2,226,452,000). By passing an ordinary resolution of the Company, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law of the Cayman Islands. Details of the movements in reserves of the Company and the Group during the year are set out in note 35 to the financial statements and in the consolidated statement of changes in equity, respectively.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB206,445 (2008: RMB2,917,147).

BANK BORROWINGS

Bank borrowings of the Group as at 31 December 2009 amounted to RMB998.0 million. Particulars of the borrowings are set out in note 33 to the 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

Independent Non-executive Directors:

Mr. Chow Joseph
Mr. Shi Chungui
Mr. Yu Ning (appointed with effect from 8 June 2009)
Mr. Lee Lawrence (resigned with effect from 8 June 2009)

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. Shen Guojun, Mr. Xin Xiangdong and Mr. Chow Joseph 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 24 to 27 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Shen Guojun and Mr. Ching Siu Leung have each accepted the extension of the service contract with the Company on 24 February 2010 under which they agreed to act as Executive Directors for a term of three years. Mr. Shen Guojun will receive an annual Director's fee of HK$3,000,000 under the service contract. Mr. Ching Siu Leung will receive an annual Director's fee of HK$500,000.

Mr. Xin Xiangdong and Mr. Li Hui, David have each signed a new letter of appointment dated 24 February 2010 under which they agreed to act as a Non-executive Director for a period of three years. Mr. Xin Xiandong will receive an annual Director's fee of HK$500,000. Mr. Li Hui, David will not receive any emoluments and bonus for his appointment.

Mr. Chow Joseph, Mr. Shi Chungui and Mr. Yu Ning have each signed a new letter of appointment dated 24 February 2010 with the Company under which they agreed to act as Independent Non-executive Directors for a term of three years. The annual Director's fee for each Independent Non-executive Director is HK$200,000.

None of the Director 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 under the "Connected Transactions and Continuing Connected Transaction" section below, 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 under review or at any time during the year.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Saved as disclosed under the "Connected Transactions and Continuing Connected Transaction" section below, no contract of significance in relation to the Company's business entered into between the Company or any of its subsidiaries and the controlling shareholders subsisted during the year ended 31 December 2009.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As 31 December 2009, other than the 50% equity interest in Intime Lotte held by China Yintai, which is owned as to 75% by Beijng Guojun, and Beijing Guogun in turn is wholly beneficially owned by Mr. Shen Guojun, an executive director and the chairman of the Company, (details of which have been set out in the announcement and the circular of the Company dated 3 July 2009 and 24 July 2009 respectively), none of the Directors or their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group. Such interests in Intime Lotte, China Yintai and Beijing Guojun held by Mr. Shen Guojun were in compliance with a non-competition deed between Mr. Shen Guojun, Fortune Achieve Group Ltd., Glory Bess Limited and Intime International Holdings Limited, the details of which are set out in the section headed "Compliance with the Non-competition Deed" below.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

Connected transactions disclosed in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") are as follows:

Acquisition of a 30% Equity Interest in Hangzhou Linping

On 31 March 2009, Zhejiang Intime, an indirect wholly-owned subsidiary of the Company, entered into the Hangzhou Linping Sale and Purchase Agreement with Hangzhou Weizhen Investment Management Co., Ltd ("Hangzhou Weizhen") to acquire a 30% equity interest in Hangzhou Linping Intime Shopping Center Co., Ltd ("Hangzhou Linping") for a total cash consideration of RMB7,000,000. Hangzhou Linping is principally engaged in the development and management of department stores in the PRC. As Hangzhou Weizhen holds a 30% equity interest in Hangzhou Linping, it is a substantial shareholder of a subsidiary of the Company thus a connected person of the Company pursuant to the Listing Rules. The Group already acquired a 70% interest in Hangzhou Linping in December 2007. At the completion of the acquisition of the remaining 30% interest in Hangzhou Linping in April 2009, Hangzhou Linping became a wholly-owned subsidiary of the Group, and would enable the Group to utilize the financial and merchandising resources of Hangzhou Linping more efficiently.

Transfer of 50% Equity Interest in Intime Lotte and Shareholders' Loan

On 3 July 2009, Zhejiang Intime, an indirect wholly-owned subsidiary of the Company, entered into the Transfer Agreement with China Yintai pursuant to which Zhejiang Intime disposed and China Yintai acquired (i) the 50% equity interest in Intime Lotte for a consideration of RMB1; and (ii) the Shareholder's Loan, being a loan owed by Intime Lotte to Zhejiang Intime in the amount of RMB145 million, for a consideration of RMB145 million. Intime Lotte is principally engaged in the management and operation of the Intime Lotte Department Store in Beijing, the PRC. As China Yintai is owned as to 75% by Beijing Guojun, which in turn is wholly beneficially owned by Mr. Shen Guojun, an executive director and the chairman of the Company, China Yintai is a connected person of the Company pursuant to the Listing Rules. Intime Lotte is still at the early stage of development, requiring significant capital input and is not expected to be able to generate profit in the short term future. By disposing the 50% equity interest in Intime Lotte, the Group can be released from the financial burden of Intime Lotte.

Transfer of 50% Equity Interest in Hubin International and Shareholders' Loan

On 14 August 2009, Hangzhou North Hill, an indirect wholly-owned subsidiary of the Company, entered into the Transfer Agreement with Beijing Guojun pursuant to which Hangzhou North Hill disposed and Beijing Guojun acquired (i) the 50% equity interest in Hubin International, for a consideration of RMB210,170,000; and (ii) the Shareholder's Loan, being a loan owed by Hubin International to Hangzhou North Hill in the amount of RMB303,840,000, for a consideration of RMB303,840,000. Hubin International is principally engaged in the operation and management of "shopping street areas" in the tourist attraction areas in the Hubin District, the Hubin International Property, in Hangzhou, the PRC. As Beijing Guojun is wholly beneficially owned by Mr. Shen Guojun, an executive director and the chairman of the Company, it is a connected person of the Company pursuant to the Listing Rules. In view that, among other things: (i) the Board considers that the business of Hubin International, namely the operation and management of "shopping street areas" in the tourist attraction areas in the Hubin District of Hangzhou, does not form part of the core business of the Group and (ii) Hubin International has been operating at a loss since acquisition by the Group in December 2007 and is not expected to be able to generate profit in the near future, the Board considers it is in the interests of the Group to focus on its core business by disposing the 50% equity interest in Hubin International.

Acquisition of 40% Equity Interest in Jinhua Intime

On 27 October 2009, Zhejiang Intime, an indirect wholly-owned subsidiary of the Company, entered into the Jinhua Intime Sale and Purchase Agreement with Jinhua Municipal Zanjia Real Estate Co., Ltd, ("Jinhua Zanjia") to acquire a 40% equity interest in Jinhua Intime Shopping Center Co., Ltd ("Jinhua Intime") for a total cash consideration of RMB47,000,000. Jinhua Intime is principally engaged in the development and management of department stores in the PRC. As Jinhua Zanjia holds a 40% equity interest in Jinhua Intime, it is a substantial shareholder of a subsidiary of the Company thus a connected person of the Company pursuant to the Listing Rules. The principal business of Jinhua Intime is the operation of department store in the PRC and its primary asset is a department store, located in Jinhua, Zhejiang Province, the PRC. At the completion of the acquisition of the remaining 40% interest in Jinhua Intime in November 2009, Jinhua Intime became a wholly-owned subsidiary of the Group, which would enable the Group to utilize the financial and merchandising resources of Jinhua Intime more efficiently, and enable the Group to receive greater financial benefit when Jinhua Intime's business grows.

Continuing connected transaction disclosed in accordance with the Listing Rules is as follows:

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, an executive Director and the chairman of the Company, owns 52.5% equity interest in Beijing Yintai.

REPORT OF THE DIRECTORS

For the year ended 31 December 2009, the rental amount paid by Beijing branch of Zhejiang Intime to Beijing Yintai amounted to RMB3,631,560. 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 RMB3,631,560 as disclosed in the Company's announcement dated 17 March 2008.

Related Party Transactions:

Details of the significant related party transactions undertaken in the normal course of business are provided under note 42 to the financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules, except for those described in the section of "Connected Transactions and Continuing Connected Transaction", in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

RETIREMENT 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. Particulars of these retirement plans are set out in note 6 to the financial statements.

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" below, at no time during the year was the Company and any of its subsidiaries a party to any arrangement to enable the Directors or chief executive or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

As at 31 December 2009, 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/ Chief Executive	Nature of Interest	Number and class of securities[1]	Approximate percentage of interest in such corporation
Mr. Shen Guojun	Interest of controlled corporations[2]	L774,316,255	44.22%
Mr. Ching Siu Leung	Beneficial owner[3]	L1,650,000	0.09%
Mr. Chen Xiaodong	Beneficial owner[4]	L12,900,000	0.74%

Notes:

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

(2) Mr. Shen Guojun, an executive Director and the Chairman of the Board, 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. Mr. Shen Guojun is a director of each of Fortune Achieve Group Ltd., Glory Bless Limited and Intime International Holdings Limited.

(3) Mr. Ching Siu Leung, an executive Director, held options in respect of a total of 1,650,000 shares in the Company as at 31 December 2009.

(4) Mr. Chen Xiaodong, the Chief Executive of the Company, held options in respect of a total of 12,900,000 shares in the Company as at 31 December 2009.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2009, 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 2009, 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	44.22%
Glory Bless Limited[2]	Interest of controlled corporation	L774,316,255	44.22%
Intime International Holdings Limited[2]	Beneficial Owner	L774,316,255	44.22%
Warburg Pincus & Co.[3]	Interest of controlled corporations	L382,845,000	21.86%
Warburg Pincus Partners LLC[3]	Interest of controlled corporations	L382,845,000	21.86%
Warburg Pincus IX, LLC[3]	Interest of controlled corporation	L191,422,500	10.93%
Warburg Pincus Private Equity IX, L.P.[3]	Beneficial Owner	L191,422,500	10.93%
Warburg Pincus International Partners, L.P.[3]	Beneficial Owner	L182,237,896	10.41%

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 2009, 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.

REPORT OF THE DIRECTORS

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 2009 are shown below:

Name or category of participant	Date of Grant	Exercise Price per share	Number of share options As at 1 Jan. 2009	Granted during the period	Exercised during the period	Lapsed during the period	Forfeited during the period	As at 31 Dec. 2009	Exercise Period	Closing price immediately before the date of grant	Weighted Average closing price immediately before the date of exercise
		HK$								*HK$*	*HK$*
Director											
Ching Siu Leung	21/3/2007	6.44	2,200,000	–	–	550,000	–	1,650,000	22/3/09-21/3/12	6.44	
Chief Executive Officer											
Chen Xiaodong	11/4/2008	5.64	1,200,000	–	–	–	–	1,200,000	12/4/09-11/4/14	5.60	
	18/9/2008	3.56	1,200,000	–	300,000	–	–	900,000	19/9/09-18/9/14	3.20	7.15
	4/3/2009	1.88	–	1,800,000	–	–	–	1,800,000	5/3/10-4/3/15	1.83	
	28/8/2009	6.63		9,000,000	–	–	–	9,000,000	29/8/10-28/8/15	5.15	
Other employees in aggregate	11/4/2008	5.64	14,760,000	–	234,000	–	3,860,000	10,666,000	12/4/09-11/4/14	5.60	7.08
	18/9/2008	3.56	10,400,000	–	430,000	–	2,550,000	7,420,000	19/9/09-18/9/14	3.20	7.22
	4/3/2009	1.88	–	15,980,000	–	–	540,000	15,440,000	5/3/10-4/3/15	1.83	
	20/10/2009	5.50	–	1,000,000	–	–	–	1,000,000	21/10/10-20/10/15	5.35	
Total			29,760,000	27,780,000	964,000	550,000	6,950,000	49,076,000			

COMPLIANCE WITH THE NON-COMPETITION DEED

Each of Mr. Shen Guojun, Fortune Achieve Group Ltd., Glory Bless 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 undertakings under the Non-competition Deed have been complied with by the Convenantors.

REPORT OF THE DIRECTORS

Pursuant to the Non-competition Deed, Mr. Shen Guojun confirmed that, as of 31 December 2009, 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"). 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors at the latest practicable date prior to this annual report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2009 and at any time up to the latest practicable date.

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 6.

MAJOR CUSTOMERS AND SUPPLIERS

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

CORPORATE GOVERNANCE REPORT

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

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 46 to the 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 reappoint Ernst & Young as auditors of the Company.

On behalf of the Board
Shen Guojun
Chairman
China, 7 April 2010

INDEPENDENT AUDITORS' REPORT

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 50 to 156, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 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.

INDEPENDENT AUDITORS' REPORT

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 2009 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

7 April 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 (Restated) RMB'000
Revenue	5	**1,572,095**	1,224,546
Other income and gains	5	**313,721**	169,858
Purchases of goods and changes in inventories	6	**(301,931)**	(223,998)
Staff costs	6	**(216,784)**	(161,116)
Depreciation and amortization	6	**(185,275)**	(115,000)
Other expenses		**(596,261)**	(425,925)
Finance costs	7	**(54,454)**	(76,824)
Gain on receipt of cash and shares in a listed company		**–**	80,545
Share of profits and losses of:			
Jointly-controlled entities		**(27,844)**	(57,060)
Associates		**69,485**	60,783
Profit before tax		**572,752**	475,809
Income tax expense	8	**(123,385)**	(113,160)
Profit for the year		**449,367**	362,649
Attributable to:			
Owners of the parent	11	**462,609**	377,586
Minority interests		**(13,242)**	(14,937)
		449,367	362,649
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)	13		
Basic			
– For profit for the year		**0.26**	0.21
Diluted			
– For profit for the year		**0.26**	0.21

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	Notes	2009 **RMB'000**	2008 (Restated) *RMB'000*
Profit for the year		**449,367**	362,649
Other comprehensive income			
Available-for-sale investments:			
Change in fair value		**99,545**	(415,011)
Reversal of previously recognized fair value changes on available-for-sale investments upon transfer to interest in an associate		**–**	(532,300)
Reclassification adjustments for gains included in the consolidated income statement			
– gain on disposal	5	**(55,749)**	(43,093)
– impairment loss		**–**	37,170
Income tax effect		**(10,949)**	240,288
		32,847	(712,946)
Share of other comprehensive income/(loss) of associates		**232**	(225)
Exchange differences on translation of foreign operations		**(8,194)**	(37,524)
Other comprehensive income/(loss) for the year, net of tax:		**24,885**	(750,695)
Total comprehensive income/(loss) for the year		**474,252**	(388,046)
Attributable to:			
Owners of the parent	11	**487,494**	(373,109)
Minority interests		**(13,242)**	(14,937)
		474,252	(388,046)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 RMB'000	2008 (Restated) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,344,721**	1,374,400
Investment properties	15	**1,101,187**	548,689
Prepaid land lease payments	16	**1,453,898**	1,481,110
Goodwill	17	**327,377**	220,536
Other intangible assets	18	**3,902**	3,732
Prepaid rental	19	**104,410**	133,581
Investments in jointly-controlled entities	21	**304,409**	544,861
Investments in associates	22	**769,452**	900,650
Loans and receivables	27	**126,549**	50,162
Available-for-sale investments	23	**–**	188,604
Deferred tax assets	24	**30,915**	33,561
Total non-current assets		**5,566,820**	5,479,886
CURRENT ASSETS			
Inventories	25	**118,304**	52,349
Prepayments, deposits and other receivables	26	**262,665**	331,418
Loans and receivables	27	**376,218**	308,667
Due from related parties	42(c)	**101,767**	216,496
Trade receivables	28	**8,685**	5,583
Cash in transit	29	**48,387**	51,069
Cash and bank balances	30	**1,002,665**	745,039
Total current assets		**1,918,691**	1,710,621
CURRENT LIABILITIES			
Trade and bills payables	31	**1,094,494**	889,274
Other payables and accruals	32	**1,167,305**	792,442
Interest-bearing bank borrowings	33	**468,000**	960,000
Due to related parties	42(e)	**1,985**	10,491
Tax payable		**100,649**	90,977
Total current liabilities		**2,832,433**	2,743,184
NET CURRENT LIABILITIES		**(913,742)**	(1,032,563)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 RMB'000	2008 (Restated) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,653,078**	4,447,323
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	33	**530,000**	447,500
Other long term payable		**–**	96,000
Deferred tax liabilities	24	**219,452**	195,276
Deferred subsidy income		**9,973**	–
Total non-current liabilities		**759,425**	738,776
NET ASSETS		**3,893,653**	3,708,547
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	**137**	136
Reserves	35	**3,392,020**	3,155,233
Proposed final dividend	12	**56,037**	115,513
		3,448,194	3,270,882
Minority interests		**445,459**	437,665
Total equity		**3,893,653**	3,708,547

Shen Guojun
Chairman

Ching Siu Leung
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

		Attributable to owners of the parent												
	Notes	Issued capital RMB'000 (note 34)	Share premium RMB'000 (note 35)	Capital redemption reserve RMB'000	Capital reserve RMB'000	Reserve for fair value changes of available-for-sale investments RMB'000 (note 23)	Statutory reserves RMB'000 (note 35)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000 (note 36)	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008														
As previously reported		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
Prior year adjustments (note 2.2)		–	–	–	–	–	–	(4,686)	–	–	–	(4,686)	–	(4,686)
As restated		140	2,318,881	–	433,737	680,624	71,736	307,239	(64,440)	5,754	115,200	3,868,871	169,609	4,038,480
Total comprehensive income for the year		–	–	–	–	(713,171)	–	377,586	(37,524)	–	–	(373,109)	(14,937)	(388,046)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	146,190	146,190
Disposal of subsidiaries		–	–	–	(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		(4)	(92,429)	4	–	–	–	(4)	–	–	–	(92,433)	–	(92,433)
Proposed final 2008 dividend	12	–	–	–	–	–	–	(115,513)	–	–	115,513	–	–	–
Dividend paid to the minority shareholder of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	(178)	(178)
Equity-settled share option arrangements	36	–	–	–	–	–	–	–	–	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	526,246	(101,964)	17,600	115,513	3,270,882	437,665	3,708,547

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

		Attributable to owners of the parent											Minority interests	Total equity
	Notes	Issued capital RMB'000 (note 34)	Share premium RMB'000 (note 35)	Capital redemption reserve RMB'000	Capital reserve RMB'000	Reserve for fair value changes of available-for-sale investments RMB'000 (note 23)	Statutory reserves RMB'000 (note 35)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000 (note 36)	Proposed final dividend RMB'000 (note 12)	Total RMB'000	RMB'000	RMB'000
At 1 January 2009														
As previously reported		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
Prior year adjustments (note 2.2)		-	-	-	-	-	-	(10,897)	-	-	-	(10,897)	-	(10,897)
As restated		136	2,226,452	4	404,873	(32,547)	114,569	526,246	(101,964)	17,600	115,513	3,270,882	437,665	3,708,547
Total comprehensive income for the year		-	-	-	-	33,079	-	462,609	(8,194)	-	-	487,494	(13,242)	474,252
Acquisition of a subsidiary	37	-	-	-	-	-	-	-	-	-	-	-	36,527	36,527
Purchase of minority interests		-	-	-	(36,212)	-	-	-	-	-	-	(36,212)	(15,491)	(51,703)
Final 2008 dividend declared	12	-	-	-	-	-	-	-	-	-	(115,513)	(115,513)	-	(115,513)
Exercise of share option	36	1	4,424	-	-	-	-	-	-	(968)	-	3,457	-	3,457
Equity-settled share option arrangements	36	-	-	-	-	-	-	-	-	13,106	-	13,106	-	13,106
Interim 2009 dividend	12	-	-	-	-	-	-	(175,020)	-	-	-	(175,020)	-	(175,020)
Proposed final 2009 dividend	12	-	-	-	-	-	-	(56,037)	-	-	56,037	-	-	-
Transfer from retained profits		-	-	-	-	-	37,470	(37,470)	-	-	-	-	-	-
At 31 December 2009		137	2,230,876*	4*	368,661*	532*	152,039*	720,328*	(110,158)*	29,738*	56,037	3,448,194	445,459	3,893,653

* These reserve accounts comprise the consolidated reserves of RMB3,392,020,000 (2008: RMB3,155,233,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**572,752**	475,809
Adjustments for:			
Finance costs	7	**54,454**	76,824
Share of losses of jointly-controlled entities		**27,844**	57,060
Share of profits of associates		**(69,485)**	(60,783)
Interest income	5	**(34,541)**	(35,344)
Dividend income from available-for-sale investments	5	**(1,832)**	(14,362)
Loss on disposal of property, plant and equipment	5	**121**	14
Fair value gains, net:			
Available-for-sale investments (transferred from equity on disposal)	5	**(55,749)**	(43,093)
Gain on disposal of a subsidiary	5	**–**	(4,312)
Gain on disposal of investment in Hiwell Real Estate	5	**–**	(36,859)
Gain on disposal of shares of an associate	5	**(117,952)**	(14,539)
Loss on disposal of a jointly-controlled entity	5	**2,438**	–
Loss on disposal of prepaid land lease payment	5	**13,053**	–
Loss on liquidation of a subsidiary		**2,297**	–
Impairment of available-for-sale investments	5	**–**	37,170
Gain on receipt of shares and cash in a listed company	5	**–**	(80,545)
Equity-settled share option expense	6	**13,106**	11,846
Depreciation of property, plant and equipment	14	**129,799**	85,120
Depreciation of investment properties	15	**33,090**	18,274
Amortization of prepaid land lease payments		**20,876**	11,043
Amortization of other intangible assets	18	**1,512**	563
Amortization of prepaid rental	19	**28,088**	8,943
		619,871	492,829
Increase in restricted cash		**(7,491)**	(4,543)
Decrease/(increase) in prepayments, deposits and other receivables		**7,724**	(82,899)
Increase in trade receivables		**(3,102)**	(5,583)
Decrease in cash in transit		**2,682**	33,902
Increase in inventories		**(9,758)**	(16,615)
Increase in trade and bills payables		**145,227**	444,993
Increase/(decrease) in advances from customers		**102,425**	(54,692)
Increase in amounts due from related parties		**1,712**	2,449
Increase/(decrease) in amounts due to related parties		**(8,809)**	10,491
Increase in other payables and accruals		**78,106**	206,617
Cash generated from operations		**928,587**	1,026,949
Interest paid		**(69,183)**	(99,359)
Income tax paid		**(126,724)**	(132,594)
Net cash flows from operating activities		**732,680**	794,996

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Notes	**2009** **RMB'000**	2008 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**38,654**	26,279
Purchases of property, plant and equipment and investment properties		**(401,097)**	(491,532)
Purchases of available-for-sale investments	23	**–**	(98,841)
Purchases of other intangible assets		**(1,701)**	(3,504)
Payments of prepaid rental		**–**	(140,149)
Cash receipts from a listed company		**–**	53,118
Acquisition of subsidiaries, net off cash acquired	37	**54,655**	(536,157)
Payment of consideration for purchasing of equity interest		**(100,000)**	–
Acquisition of minority interests	20	**(54,000)**	(8,800)
Acquisition of prepaid land lease payments	16	**(265,146)**	(169,948)
Repayment of other long term payable		**(96,000)**	–
Disposal of subsidiaries		**–**	258
Disposal of a jointly-controlled entity		**210,170**	–
Disposal of prepaid land lease payments		**212,300**	–
Disposal of other intangible assets		**19**	–
Proceeds from disposal of non-current assets held for sale		**20,000**	49,859
Dividend received from listed investments		**1,832**	14,362
Dividend received from associates		**28,967**	–
Proceeds from disposal of property, plant and equipment		**1,754**	1,146
Proceeds from disposal of shares of an associate		**289,902**	57,811
Proceeds from disposal of available-for-sale investments		**288,149**	105,160
Advances to third parties	26	**(59,200)**	(94,000)
Repayment of advances from third parties		**136,000**	163,152
Advances to related parties		**(52,780)**	(574,166)
Repayment from related parties		**–**	501,822
Repayment of loans and receivables from third parties		**30,000**	190,235
Repayment of loans and receivables from related parties		**196,748**	–
Loans made to third parties		**–**	(40,000)
Acquisition of jointly-controlled entities		**–**	(374,873)
Capital contribution made to a jointly-controlled entity		**–**	(69,248)
Loans made to jointly-controlled entities		**(229,000)**	(70,000)
Net cash flows used in investing activities		**250,226**	(1,508,016)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2009

	Notes	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares		–	(92,433)
Capital contribution from minority shareholders		–	7,200
Proceeds from exercise of share options	34	3,457	–
Proceeds from interest-bearing bank borrowings		2,530,866	2,320,000
Repayments of interest-bearing bank borrowings		(2,968,366)	(1,405,500)
Dividends paid		(290,533)	(115,200)
Dividends paid to minority shareholders		–	(178)
Net cash flows from/(used in) financing activities		(724,576)	713,889
NET INCREASE IN CASH AND CASH EQUIVALENTS		258,330	869
Cash and cash equivalents at beginning of the year		740,496	777,151
Effect of foreign exchange rate changes, net		(8,195)	(37,524)
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	990,631	740,496

STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	**2009** **RMB'000**	2008 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	20	**908,408**	908,408
Due from subsidiaries	20	**2,260,839**	2,127,421
Available-for-sale investments	23	**–**	32,741
Total non-current assets		**3,169,247**	3,068,570
CURRENT ASSETS			
Dividend receivable		**–**	160,000
Prepayments, deposits and other receivables	26	**1,138**	1,852
Cash and cash equivalents	30	**4,319**	3,315
Total current assets		**5,457**	165,167
CURRENT LIABILITIES			
Other payables and accruals	32	**650**	2
NET CURRENT ASSETS		**4,807**	165,165
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,174,054**	3,233,735
NON-CURRENT LIABILITIES			
Due to subsidiaries	20	**19,805**	9,617
NET ASSETS		**3,154,249**	3,224,118
EQUITY			
Issued capital	34	**137**	136
Reserves	35	**3,098,075**	3,108,469
Proposed final dividend	12	**56,037**	115,513
Total equity		**3,154,249**	3,224,118

Shen Guojun
Chairman

Ching Siu Leung
Executive Director

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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 financial statements are presented in Renminbi ("RMB') and all values are rounded to the nearest thousand except when otherwise stated.

As at 31 December 2009, the Group had net current liabilities of approximately RMB913,742,000 (2008: RMB1,032,563,000). 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.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.1 Basis of Preparation *(continued)*

Basis of Consolidation *(continued)*

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 Changes in Accounting Policy and Disclosures

The Group has adopted the following new and revised 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.

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*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments – Disclosure of information about segment assets (early adopted)*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.2 Changes in Accounting Policy and Disclosures *(continued)*

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*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in Improvements to HKFRSs 2009 (as issued in May 2009).

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

(a) 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*

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment. The amendment is applied prospectively. HKAS 27 has also been amended to deal with the measurement of the cost of investments where a parent reorganises the structure of its group by establishing a new entity as its parent. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

2.2 Changes in Accounting Policy and Disclosures *(continued)*

(b) Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Group has not entered into share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or result of operations of the Group.

(c) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The revised liquidity risk disclosures are presented in note 46 to the financial statements.

(d) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group's operating segment information determined in accordance with HKFRS 8 is shown in note 4 to the financial statements.

(e) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.2 Changes in Accounting Policy and Disclosures *(continued)*

(f) Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk. The amendment has had no impact on the financial position or results of operations of the Group.

(g) HKAS 23 (Revised) *Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has had no impact on the financial position or results of operations of the Group. During the year, borrowing costs of RMB14,729,000 have been capitalised on qualifying assets included in construction in progress as shown in note 7 to the financial statements.

(h) Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. The HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

(i) Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*

The amendment to HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. HKAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.2 Changes in Accounting Policy and Disclosures *(continued)*

(j) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

The Group has been operating a credit award programme and has adopted HK(IFRIC)-Int 13 retrospectively since 1 January 2009. Prior to the adoption of HK(IFRIC)-Int 13, revenue were recognized for the awards when they were granted to customers. Upon the adoption of HK(IFRIC)-Int 13, the credit awards earned by customers as part of a sales transaction are accounted for as a separate component of the sales transaction and is deferred until the credit awards are redeemed or the liability is otherwise extinguished. HK(IFRIC)-Int 13 has been adopted by the Group retrospectively and therefore relevant comparatives have been restated. The effect of the abovementioned changes is summarised as follows:

	2009	2008
	RMB'000	*RMB'000*
Consolidated income statement for the year ended 31 December		
Decrease in revenue	**(1,296)**	(8,281)
Decrease in deferred taxation	**324**	2,070
Decrease in profit for the year	**(972)**	(6,211)
Consolidated statement of financial position as at 1 January		
Increase in deferred revenue (note 32)	**(14,530)**	(6,249)
Increase in deferred tax assets (note 24)	**3,633**	1,563
Decrease in total equity	**(10,897)**	(4,686)
Consolidated statement of financial position as at 31 December		
Increase in deferred revenue (note 32)	**(15,826)**	(14,530)
Increase in deferred tax assets (note 24)	**3,957**	3,633
Decrease in total equity	**(11,869)**	(10,897)

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.2 Changes in Accounting Policy and Disclosures *(continued)*

(k) HK(IFRIC)-Int 15 *Agreements for the Construction of Real Estate*

HK(IFRIC)-Int 15 replaces HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 Construction Contracts or an agreement for the sale of goods or services in accordance with HKAS 18 Revenue. The interpretation has had no impact on the accounting for the Group's construction activities. As the Group currently is not involved in any construction of real estate, the interpretation has had no impact on the financial position or results of operations of the Group.

(l) HK(IFRIC)-Int 16 *Hedges of a Net Investment in a Foreign Operation*

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation has had no impact on the financial position or results of operations of the Group.

(m) HK(IFRIC)-Int 18 *Transfers of Assets from Customers*

HK(IFRIC)-Int 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. 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.

NOTES TO FINANCIAL STATEMENTS

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2.2 Changes in Accounting Policy and Disclosures *(continued)*

(n) In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* which are effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures:* Removes the reference to "total interest income" as a component of finance costs.

- HKAS 1 *Presentation of Financial Statements:* Clarifies that assets and liabilities which are classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the statement of financial position.

- HKAS 16 *Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell" and states that the recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use.

  In addition, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventories when rental ceases and they are held for sale.

- HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance:* Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with HKAS 39 and the benefit of the reduced interest to be accounted for as a government grant.

- HKAS 27 Consolidated and Separate Financial Statements: Requires that when a parent entity accounts for a subsidiary at fair value in accordance with HKAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- HKAS 28 *Investments in Associates:* Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.2 Changes in Accounting Policy and Disclosures *(continued)*

- HKAS 36 *Impairment of Assets:* States that, when discounted cash flows are used to estimate "fair value less costs to sell", additional disclosures (e.g., discount rate and growth rate used) are required which are consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

- HKAS 38 *Intangible Assets:* Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

  The reference to there being rarely, if ever, persuasive evidence to support an amortisation method for intangible assets other than the straight-line method has been removed. The Group has reassessed the useful lives of its intangible assets and concluded that the straight-line method is still appropriate.

- HKAS 39 *Financial Instruments: Recognition and Measurement:* (i) sets out a number of changes in circumstances relating to derivatives that are not considered to result in reclassification into or out of the fair value through profit or loss category; (ii) removes the reference to the designation of hedging instrument at the segment level; and (iii) requires that the revised effective interest rate (rather than the original effective interest rate) calculated on cessation of fair value hedge accounting should be used for the remeasurement of the hedged item when paragraph AG8 of HKAS 39 is applicable.

- HKAS 40 *Investment Property:* Revises the scope such that property being constructed or developed for future as an investment property is classified as an investment property. The Group has applied the amendment prospectively from 1 January 2009. Since the Group has no such property being constructed or developed for future as an investment property, the amendment has no significant impact on the financial position of the Group.

NOTES TO FINANCIAL STATEMENTS

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2.3 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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards-Additional Exemptions for First-time Adopters* [2]
HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards-Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in improvements to *HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards *(continued)*

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

HKFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

The HKFRS 1 Amendments provide relief from the full retrospective application of HKFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

The HKFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in HK(IFRIC)-Int 8 *Scope of HKFRS 2* and HK(IFRIC)-Int 11 *HKFRS 2 – Group and Treasury Share Transactions*. The Group expects to adopt the HKFRS 2 Amendments from 1 January 2010. The amendments are unlikely to have any significant implications on the Group's accounting for share-based payments.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect the accounting of future acquisitions and loss of control.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards *(continued)*

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety by the end of 2010. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any significant impact on the related party disclosures.

The HKAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the HKAS 32 Amendment from 1 January 2011. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

The HKAS 39 Amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Group expects to adopt the HKAS 39 Amendment from 1 January 2010. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

NOTES TO FINANCIAL STATEMENTS

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2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards *(continued)*

The HK(IFRIC)-Int 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. The Group expects to adopt the HK(IFRIC)-Int 14 Amendments from 1 January 2011. As the Group has no defined benefit scheme, the amendments will not have any financial impact on the Group.

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Reporting Period* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

HK(IFRIC)-Int 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not undertaken such transactions, the interpretation is unlikely to have any material financial impact on the Group.

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The Group expects to adopt the amendments from 1 January 2010. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

NOTES TO FINANCIAL STATEMENTS

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2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards *(continued)*

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. Except for the amendment to HKAS 18, the Group expects to adopt the amendments from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group are as follows:

(a) HKFRS 2 *Share-based Payment:* Clarifies that a contribution of a business on the formation of a joint venture and combination of entities or businesses under common control is not within the scope of HKFRS 2 even though it is outside the scope of HKFRS 3.

(b) HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* Clarifies that (i) the disclosures required in respect of non-current assets (or a disposal group) classified as held for sale or a discontinued operation are those set out in HKFRS 5; (ii) the general requirements of HKAS 1 still apply (e.g., source of estimation uncertainty); and (iii) the disclosures in other HKFRSs are not required unless:

    (i) those HKFRSs specifically require disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; or

    (ii) the disclosures relate to the measurement of assets or liabilities within a disposal group that are outside the scope of measurement requirements of HKFRS 5 and disclosures are not disclosed elsewhere in the financial statements.

(c) HKFRS 8 *Operating Segments:* Clarifies that segment assets and liabilities need only to be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. Upon the adoption of the Amendment, the Group will no longer disclose segment asset information as it is not currently reviewed by the chief operating decision maker.

(d) HKAS 1 *Presentation of Financial Statements:* States that the terms of a liability that could result, at any time, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

(e) HKAS 7 *Statement of Cash Flows:* Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

NOTES TO FINANCIAL STATEMENTS

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2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards *(continued)*

(f) HKAS 17 *Leases:* Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this Interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

(g) HKAS 36 *Impairment of Assets:* Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in HKFRS 8 *Operating Segments* before aggregation for financial reporting purposes.

(h) HKAS 38 *Intangible Assets:* Clarifies that (i) if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of assets as a single asset provided that the individual assets have similar useful lives; and (ii) the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

(i) HKAS 39 *Financial Instruments: Recognition and Measurement:* Clarifies that (i) a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract; (ii) the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken; and (iii) gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

(j) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives:* Clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

(k) HK(IFRIC)-Int 16 *Hedges of a Net Investment in a Foreign Operation:* Removes the restriction of where the hedging instrument may be held in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied.

NOTES TO FINANCIAL STATEMENTS

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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.

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 investments in jointly-controlled entities are stated in the consolidated statement of financial position 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.

When an investment in a jointly-controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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 investments in associates are stated in the consolidated statement of financial position 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 associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investment in the associates and is not individually tested for impairment.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 Summary of Significant Accounting Policies *(continued)*

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 statement of financial position 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 statement of financial position.

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 Summary of Significant Accounting Policies *(continued)*

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, deferred tax assets, financial assets, investment properties, goodwill and non-current assets classified as held for sale), 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.

An assessment is made at the end of each reporting period 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);

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 Summary of Significant Accounting Policies *(continued)*

Related Parties *(continued)*

(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.

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 the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciation.

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 and 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 least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Property, Plant and Equipment and Depreciation *(continued)*

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.

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 gains or losses on the retirement on disposal of an investment are recognised in the income statement in the year in which they arise.

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. 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. Property being constructed or developed for future as an investment property is classified as an investment property.

Non-current Assets and Disposal Groups Held For Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties, deferred tax assets and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 Summary of Significant Accounting Policies *(continued)*

Intangible Assets (other than Goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of the acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently 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 financial year end.

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.

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 or capitalised as part of the cost of construction in progress 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

Initial recognition and measurement

Financial assets within 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, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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

The Group's financial assets include cash and bank balances, cash in transit, trade and other receivables, loans receivable and amounts due from related parties.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and Other Financial Assets *(continued)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

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. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interests earned on these financial assets, which are recognized in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and Other Financial Assets *(continued)*

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

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.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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 derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of Financial Assets *(continued)*

Financials assets carried at amortized cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Financial 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of Financial Assets *(continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to related parties and interest-bearing loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 Summary of Significant Accounting Policies *(continued)*

Financial Liabilities *(continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

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.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 Summary of Significant Accounting Policies *(continued)*

Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate 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.

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 statement of cash flows, cash and cash balances 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 statement of financial position, cash and bank balances 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 end of the reporting period 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 Summary of Significant Accounting Policies *(continued)*

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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 investments in subsidiaries, associates and jointly-controlled entities, 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 investments in subsidiaries, associates and jointly-controlled entities, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 Summary of Significant Accounting Policies *(continued)*

Income Tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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.

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. Where the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary assets and 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 coupons granted to customers in accordance with 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 measured at the fair value of the consideration received net of value-added tax, estimated returns, rebates and discounts, and after eliminating sales within the Group. Revenue is recognized as follows:

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue Recognition *(continued)*

(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.

Customer loyalty award credits granted in concessionaire sales is accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

(c) Operating lease 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.

(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.

2.4 Summary of Significant Accounting Policies *(continued)*

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 36 to the financial statements.

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. The cumulative expense recognized for equity-settled transactions at the end of each reporting period 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 equity-settled transactions 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, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. 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. All cancellations of equity-settled transaction awards are treated equally.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

2.4 Summary of Significant Accounting Policies *(continued)*

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. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of statement of financial position, 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.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 Summary of Significant Accounting Policies *(continued)*

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 recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. 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 currency of the Company and certain subsidiaries is the Hong Kong Dollar. As at the end of the reporting period, the assets and liabilities of these companies are translated into the presentation currency of the Group (RMB) at the exchange rates ruling at end of the reporting period, and their income statements are translated at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity.

For the purpose of the consolidated statement of cash flows, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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 end of the reporting period. 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:

Associate:

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 investment in which the Group holds less than 20% of their voting power and over which the Group is able to exercise significant influence is classified by management as investment in associate. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

3. Significant Accounting Judgements and Estimates *(continued)*

Judgements *(continued)*

Associate: *(continued)*

Management reassesses the classification of each equity investment based on the above criteria at each reporting 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.

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 end of the reporting period, 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 2009 was RMB327,377,000 (2008: RMB220,536,000). More details are given in note 17.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

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 2009 was RMB13,394,000 (2008: RMB8,364,000). The amount of unrecognized tax losses at 31 December 2009 was RMB173,908,000 (2008: RMB83,912,000). Further details are contained in note 24 to the financial statements.

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 reporting date.

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 reporting 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.

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation Uncertainty *(continued)*

Deferred revenue

The amount of revenue attributable to the credit award earned by the customers of the Group's VIP programme is estimated based on the fair value of the credits awarded and the expected redemption rate. The expected redemption rate was estimated considering the number of the credits that will be available for redemption in the future after allowing for credits which are not expected to be redeemed.

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. Segment Information

For management purposes, the Group has a single operating and reportable segment – the operation and management of department stores in Mainland China. All the Group's operations are carried out in Mainland China. All revenues from external customers are generated from business relating to the operation and management of department stores and no revenue from operations amounted to 10 percent or more of the Group's revenue was derived from sales to a single customer for the years ended 31 December 2009 and 2008. All non-current assets of the Group are located in the Mainland China.

5. Revenue, Other Income and Gains

	2009 ***RMB'000***	2008 (Restated) *RMB'000*
Sale of goods – direct sale	**385,842**	288,641
Commissions from concessionaire sales	**1,062,609**	854,936
Rental income	**102,454**	60,757
Rental income from investment properties	**58,631**	30,987
Sublease rental income	**38,942**	27,282
Contingent rental income	**4,881**	2,488
Management fee income from operation of department stores (note 42(b)(iii))	**21,190**	20,212
	1,572,095	1,224,546

NOTES TO FINANCIAL STATEMENTS

31 December 2009

5. Revenue, Other Income and Gains *(continued)*

The commissions from concessionaire sales are analyzed as follows:

	2009 *RMB'000*	2008 (Restated) *RMB'000*
Gross revenue from concessionaire sales	**5,900,425**	4,509,096
Commissions from concessionaire sales	**1,062,609**	854,936

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.

	2009 *RMB'000*	2008 *RMB'000*
Other income		
Interest income	**34,541**	35,344
Interest income from bank deposits	**3,390**	6,039
Interest income from loans and receivables	**26,789**	29,305
Interest income from jointly-controlled entities	**4,043**	–
Other interest income	**319**	–
Advertisement, promotion and administration income	**79,841**	39,822
Credit card handling income	**4,191**	2,234
Dividend income from available-for-sale investments	**1,832**	14,362
Subsidy income	**29,425**	245
Others	**8,099**	7,126
	157,929	99,133
Gains/(losses)		
Loss on disposal of property, plant and equipment	**(121)**	(14)
Fair value gain, net:		
Available-for-sale investments (transferred from equity on disposal)	**55,749**	43,093
Gain on disposal of a subsidiary	**–**	4,312
Gain on disposal of the investment in Hiwell Real Estate	**–**	36,859
Gain on disposal of shares of an associate	**117,952**	14,539
Loss on disposal of a jointly-controlled entity	**(2,438)**	–
Loss on disposal of prepaid land lease payment	**(13,053)**	–
Impairment of available-for-sale investments	**–**	(37,170)
Others	**(2,297)**	9,106
	155,792	70,725
	313,721	169,858

NOTES TO FINANCIAL STATEMENTS

31 December 2009

6. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

	2009 RMB'000	2008 RMB'000
Purchases of goods and changes in inventories	**301,931**	223,998
Depreciation and amortization	**185,275**	115,000
Staff costs (including directors' remuneration (note 9)):	**216,784**	161,116
Wages, salaries and bonuses	**165,607**	120,037
Pension costs – defined contribution schemes (note (a))	**26,813**	19,687
Welfare, medical and other benefits	**11,258**	9,546
Equity-settled share option expense (note 36)	**13,106**	11,846
Utility expenses	**87,183**	65,645
Store rental expenses	**242,069**	173,094
Credit card charges	**52,125**	35,572
Advertising expenses	**67,389**	40,132
Auditors' remuneration	**2,800**	3,200
Professional service charges	**1,544**	9,628
Other tax expenses	**54,453**	32,324
Direct operating expenses (including repairs and maintenance, but excluding depreciation and amortisation) arising on rental-earning investment properties	**20,996**	7,804
Rental income on investment properties less direct operating expenses of RMB20,996,000 (2008: RMB7,804,000)	**(39,696)**	(23,182)

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

7. Finance Costs

An analysis of finance costs is as follows:

	2009 RMB'000	2008 RMB'000
Interest expenses on bank loans wholly repayable within five years	**69,183**	99,359
Less: Interest capitalised	**(14,729)**	(22,535)
	54,454	76,824

8. Income Tax Expense

	2009 RMB'000	2008 (Restated) RMB'000
Current income tax – PRC	**125,136**	137,108
Deferred taxation (note 24)	**(1,751)**	(23,948)
	123,385	113,160

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 are 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% (2008: 25%), 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 20% (2008: 18%). From 1 January 2008, the lower preferential tax rates enjoyed by head office of Shanghai Intime shall gradually be increased to the statutory tax rate within five years from the date on which the new CIT Law comes into effect. The existing tax rate of head office of Shanghai Intime of 20% will be increased to 22% in 2010, 24% in 2011 and 25% in 2012.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

8. Income Tax Expense *(continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the country in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2009	2008
	RMB'000	*RMB'000*
Profit before tax	**572,752**	475,809
Tax at the statutory tax rate of 25% (2008: 25%)	**143,188**	118,953
Lower tax rates for specific provinces or enacted by local authority	**(33,362)**	(2,467)
Tax losses utilized from previous periods	**(3,878)**	–
Profits and losses attributable to associates and jointly-controlled entities	**(10,410)**	(931)
Losses on disposal of jointly-controlled entities	**(20,986)**	–
Income not subject to tax	**(458)**	(23,727)
Effect of withholding tax at 10% on the distributable profits of a PRC subsidiary	**5,357**	–
Tax losses not recognized	**43,477**	20,978
Expenses not deductible for tax	**457**	354
Tax charge at the Group's effective rate	**123,385**	113,160

The share of tax attributable to associates and jointly-controlled entities amounting to RMB13,880,000 (2008: RMB1,241,000) is included in "Share of profits and losses of jointly-controlled entities and associates" in the face of the consolidated income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

9. 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	
	2009	2008
	RMB'000	*RMB'000*
Fees	**542**	529
Other emoluments:		
Salaries, allowance and benefits in kind	**3,522**	2,824
Equity-settled share option expense	**482**	823
	4,004	3,647
	4,546	4,176

In prior years, 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 36 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:

	2009	2008
	RMB'000	*RMB'000*
Mr. SHI Chungui	**176**	103
Mr. CHEN Dagang	**–**	74
Mr. YU Ning	**102**	–
Mr. LEE Lawrence	**88**	176
Mr. CHOW Joseph	**176**	176
	542	529

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

9. Directors' Remuneration *(continued)*

(b) Executive Directors and two Non-executive Directors

	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expenses RMB'000	Total remuneration RMB'000
2009			
Executive directors:			
Mr. SHEN Guojun	**2,642**	**–**	**2,642**
Mr. CHING Siu Leung	**440**	**482**	**922**
	3,082	**482**	**3,564**
Non-executive directors:			
Mr. LI Hui	**–**	**–**	**–**
Mr. XIN Xiangdong	**440**	**–**	**440**
	440	**–**	**440**
	3,522	**482**	**4,004**
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	–	441
	2,824	823	3,647

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

10. Five Highest Paid Employees

The five highest paid employees during the year included one (2008: Nil director) director, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2008: five) non-director, highest paid employees for the year are as follows:

	Group	
	2009	2008
	RMB'000	*RMB'000*
Salary, allowances and benefits in kind	**2,317**	3,693
Discretionary bonus	**2,443**	1,590
Contribution to retirement benefit plan	**198**	288
Equity-settled share option expense	**5,637**	4,400
	10,595	9,971

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

	Number of employees	
	2009	2008
RMB 1,500,001 to RMB 2,000,000	**2**	3
RMB 2,000,001 to RMB 2,500,000	**1**	1
RMB 2,500,001 to RMB 3,000,000	**–**	1
RMB 4,500,001 to RMB 5,000,000	**1**	–
	4	5

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 36 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

11. Profit Attributable to Owners of the Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2009 includes a profit of RMB217,060,000 (2008: RMB101,484,000) which has been dealt with in the financial statements of the Company (note 35).

12. Dividends

	2009	2008
	RMB'000	*RMB'000*
Interim – RMB0.10 (2008: Nil) per ordinary share	**175,020**	–
Proposed final – RMB0.032 (2008: RMB0.066) per ordinary share	**56,037**	115,513
	231,057	115,513

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 2008 totalling RMB115,513,000 and interim dividend of RMB175,020,000 had been paid prior to 31 December 2009.

13. Earnings per Share Attributable to the Owners of the Parent

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary share of 1,750,213,751 (2008: 1,794,313,367) 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.

No diluted impact on earnings 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 reporting date, the average quoted market price of ordinary shares was lower than the exercise price of the share option.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

13. Earnings per Share Attributable to the Owners of the Parent *(continued)*

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

	2009	2008
	RMB'000	*RMB'000*
Earnings		
Profit attributable to owners of the parent	**462,609**	377,586

	Number of shares	
	2009	2008
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,750,213,751**	1,794,313,367
Effect of dilution – weighted average number of ordinary shares:		
Share options	**6,518,006**	–
Weighted average number of ordinary shares used in diluted earnings per share calculation	**1,756,731,757**	1,794,313,367

NOTES TO FINANCIAL STATEMENTS

31 December 2009

14. Property, Plant and Equipment

Group

	Buildings	Decorations	Machinery	Vehicles	Furniture, fittings and equipment	Leasehold improve- ments	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2009								
At 31 December 2008 and at 1 January 2009:								
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
At 1 January 2009, net of accumulated deprecation	830,526	58,781	89,878	8,789	30,399	114,309	241,718	1,374,400
Additions	26,968	9,752	12,403	724	10,119	165,487	243,811	469,264
Transfer	193,210	67,808	(43,537)	–	755	12,771	(231,007)	–
Acquisition of subsidiaries (note 37)	51,324	–	4,158	896	114	–	34,433	90,925
Depreciation provided during the year	(32,434)	(28,451)	(4,100)	(2,075)	(6,904)	(55,835)	–	(129,799)
Transfer to investment properties (note 15)	(239,861)	–	–	–	–	–	(218,333)	(458,194)
Disposals	(9)	–	(17)	(61)	(1,700)	(88)	–	(1,875)
At 31 December 2009, net of accumulated depreciation	829,724	107,890	58,785	8,273	32,783	236,644	70,622	1,344,721
At 31 December 2009:								
Cost	979,756	149,731	117,408	14,022	50,337	371,385	70,622	1,753,261
Accumulated depreciation	(150,032)	(41,841)	(58,623)	(5,749)	(17,554)	(134,741)	–	(408,540)
Net carrying amount	829,724	107,890	58,785	8,273	32,783	236,644	70,622	1,344,721

NOTES TO FINANCIAL STATEMENTS

31 December 2009

14. Property, Plant and Equipment *(continued)*

Group

	Buildings RMB'000	Decorations RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, fittings and equipment RMB'000	Leasehold improve-ments 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	–	–	–	–	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 15)	(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

Amortisation of land lease payment of approximately RMB19,541,000 (2008: 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 33(c)). The carrying amounts of these pledged buildings and construction in progress as at 31 December 2009 were approximately RMB522,410,000 (2008: RMB159,961,000) and RMB Nil (2008: RMB194,835,000) respectively.

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14. Property, Plant and Equipment *(continued)*

The application for the ownership certificates of certain buildings located in Hangzhou and Jinhua of Zhejiang Province, the PRC, with a carrying amount of RMB659,400,000 as at 31 December 2009 (2008: RMB622,617,000), was in process.

The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2009.

15. Investment Properties

Group

	2009	2008
	RMB'000	*RMB'000*
Carrying amount at 1 January	**548,689**	1,508
Additions	**–**	244,063
Acquisition of subsidiaries	**–**	321,000
Transfer from construction in progress (note 14)	**218,333**	–
Transfer from owner-occupied property (note 14)	**239,861**	392
Transfer from prepaid land lease payments (note 16)	**127,394**	–
Depreciation for the year	**(33,090)**	(18,274)
Carrying amount at 31 December	**1,101,187**	548,689
Fair value	**1,525,438**	604,841

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15. Investment Properties *(continued)*

The Group's investment properties are principally comprised of buildings held for long term rental yields, which are located in Hangzhou, Jiaxing and Jinhua of Zhejiang Province, and Shenyang, Liaoning Province, the PRC and are held under the following lease terms:

	RMB'000
Medium term leases	469,916
Short term leases	631,271
	1,101,187

The fair value of investment properties as at each reporting 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 33(c)). The carrying amounts of these pledged investment properties as at 31 December 2009 was approximately RMB 355,263,000 (2008: RMB1,741,000).

The application for the ownership certificate of certain investment properties located in Hangzhou, Jinhua and Jiaxing, Zhejiang Province, the PRC, with a carrying amount of RMB475,926,000 as at 31 December 2009 (2008: RMB30,960,000), was in process.

The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned investment properties. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2009.

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16. Prepaid Land Lease Payments

Group

	2009	2008
	RMB'000	*RMB'000*
Carrying amount at 1 January	**1,481,110**	985,074
Additions	**265,146**	192,973
Transferred to investment properties (note 15)	**(127,394)**	–
Acquisition of subsidiaries (note 37)	**100,804**	326,046
Amortization for the year	**(40,415)**	(22,983)
Disposal	**(225,353)**	–
Carrying amount at 31 December	**1,453,898**	1,481,110

The Group's leasehold land is located in Hangzhou, Jinhua and Cixi, 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 RMB124,276,000 at 31 December 2009 (As at 31 December 2008: RMB127,476,000), was in progress.

The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned leasehold land. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2009.

Included in the amortization provided during the year is an amount of approximately RMB19,541,000 (2008: 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 14.

The Group pledged its prepaid land lease payments to secure the Group's banking facilities (note 33(c)). The carrying amounts of these pledged prepaid land lease payments as at 31 December 2009 was approximately RMB515,419,000 (2008: RMB329,637,000).

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17. Goodwill

Group

	2009	2008
	RMB'000	*RMB'000*
Cost at 1 January	**220,536**	166,934
Reduction	**–**	(47,500)
Acquisition of a subsidiary (note 37)	**106,841**	101,102
Impairment during the year	**–**	–
Cost and net carrying amount at 31 December	**327,377**	220,536

Impairment Testing of Goodwill

Goodwill acquired through business combinations has been allocated to the relevant department stores from which the goodwill was resulted. These individual department stores are treated as 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 five-year period approved by senior management. The discount rate applied to the cash flow projections is 15% and cash flows beyond the five-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.

The carrying amounts of goodwill allocated to each cash-generating unit of operation of department store are:

	2009	2008
	RMB'000	*RMB'000*
Carrying amount of goodwill	**327,377**	220,536

Key assumptions were used in the value in use calculation of the department stores cash-generating unit for 31 December 2009. 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 rate used is before tax and reflects specific risks relating to the relevant unit.

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18. Other Intangible Assets

Group

	Computer software
	RMB'000
31 December 2009	
Cost at 1 January 2009, net of accumulated amortization	**3,732**
Additions	**1,701**
Disposal	**(19)**
Amortization provided during the year	**(1,512)**
At 31 December 2009	**3,902**
At 31 December 2009:	
Cost	**6,638**
Accumulated amortization	**(2,736)**
Net carrying amount	**3,902**
31 December 2008	
Cost at 1 January 2008, net of accumulated amortization	462
Additions	3,504
Acquisition of subsidiaries	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

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19. Prepaid Rental

Group

	RMB'000
31 December 2009	
Carrying amount at 1 January 2009,	**150,531**
Additions	**–**
Recognised during the year	**(28,088)**
At 31 December 2009	**122,443**
Less: Current portion	**(18,033)**
Non-current portion of prepaid rental	**104,410**
31 December 2008	
Carrying amount at 1 January 2008,	3,325
Additions	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

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20. Interests in Subsidiaries

Company

	2009	2008
	RMB'000	*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 RMB2,260,839,000 (2008: RMB2,127,421,000) and RMB19,805,000 (2008: RMB9,617,000), 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	United States dollars ("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.	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	RMB500,000,000	–	100%	Operation and management of department stores and investment holding
Intime Department Store Co., Ltd. ("Shanghai Intime")	Mainland China, wholly-foreign-owned enterprise	RMB300,000,000	–	100%	Operation and management of department stores and investment holding

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20. 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 Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Zhejiang Wenzhou Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB30,000,000	–	100%	Operation and management of department stores
Hangzhou Intime Outlets Commercial Development Co., Ltd.	Mainland China, limited liability company	RMB20,000,000	–	100%	Investment holding
Zhejiang Intime Department Store (Jinhua) Co., Ltd.	Mainland China, limited liability company	RMB30,000,000	–	100%	Operation and management of department stores
Jiaxing Intime Meiwan Xintiandi Investment and Management Co., Ltd. ("Jiaxing Meiwan")	Mainland China, limited liability company	RMB400,000,000	–	60%	Investment and business management
Yinzhou Intime Department Store Company Co., Ltd.	Mainland China, limited liability company	RMB20,000,000	–	100%	Operation and management of department stores
Zhejiang Zhelian Investment and Management Co., Ltd.	Mainland China, limited liability company	RMB10,000,000	–	50%*	Investment holding and property development
Hangzhou Yinxi Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB36,000,000	–	50%*	Operation and management of department stores
Ezhou Intime Department Store & Trade Company Limited	Mainland China, limited liability company	RMB10,000,000	–	100%	Operation and management of department stores
Hubei Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB50,000,000	–	100%	Operation and management of department stores
Hangzhou Linping Intime Shopping Center Co., Ltd. ("Hangzhou Linping")	Mainland China, limited liability company	RMB10,000,000	–	100%^	Operation and management of department stores

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20. 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	
Jinhua Intime Shopping Center Co., Ltd. ("Jinhua Intime")	Mainland China, limited liability company	RMB30,000,000	–	100%^^	Operation and management of department stores
Shenyang North Intime Real Estate Co., Ltd.	Mainland China, limited liability company	RMB6,800,000	–	100%	Lease of real estate and equipment; property management
Xi'an Central Intime Management Co., Ltd.	Mainland China, limited liability company	RMB10,000,000	–	60%	Operation and management of department stores
Wuhan Huilian Investment Co., Ltd.	Mainland China, limited liability company	RMB9,800,000	–	90%	Investment and property development
Henan Longyu Property Development Co., Ltd.	Mainland China, limited liability company	RMB77,000,000	–	70%	Property development and management
Yiwu Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB15,000,000	–	52%	Operation and management of department stores
Xiantao City Gongxiao Shangcheng Building Co., Ltd. ("Xiantao Gongxiao")	Mainland China, limited liability company	RMB36,925,000	–	65.8%	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 April 2009, Zhejiang Intime acquired a 30% equity interest in Hangzhou Linping from Hangzhou Weizhen Investment Management Co., Ltd. at a total cash consideration of RMB7,000,000. The difference between the consideration and the book value of the share of the net assets acquired of RMB2,897,000 is recognised as an equity transaction and deducted from capital reserve.

^^ In November 2009, Zhejiang Intime acquired an additional 40% equity interest in Jinhua Intime at a cash consideration of RMB47,000,000. The difference between the consideration and the book value of the share of the net assets acquired of RMB33,315,000 is recognised as an equity transaction and deducted from capital reserve.

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20. Interests in Subsidiaries *(continued)*

During the year, the Group acquired a 65.8% equity interest of Xiantao Gongxiao from a third party. Further details of this acquisition are included in note 37 to the financial statements.

During the year, the Group liquidated a subsidiary, namely Jiaxin Meiwan Property Management Co., Ltd.

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.

21. Investments in Jointly-controlled Entities

Group

	2009	2008
	RMB'000	*RMB'000*
Share of net assets	**167,890**	304,729
Goodwill on acquisition	**136,519**	240,132
	304,409	544,861

The movement of the investments in jointly-controlled entities during years 2009 and 2008 are as follows:

	2009	2008
	RMB'000	*RMB'000*
At 1 January	**544,861**	–
Acquisition of jointly-controlled entities	**–**	532,673
Investment in a jointly-controlled entity	**–**	69,248
Share of losses	**(27,844)**	(57,060)
Disposal of jointly-controlled entities (note (a) and (b))	**(212,608)**	–
At 31 December	**304,409**	544,861

21. Investments in Jointly-controlled Entities *(continued)*

Particulars of the jointly-controlled entity is as follows:

Name	Registered share capital	Place of registration	Ownership interest	Percentage of Voting power	Profit sharing	Principal Activities
Hangzhou Xin Hubin Commercial Development Co., Ltd. ("Xin Hubin")	RMB80,000,000	Mainland China	50	50	50	Property development; Wholesale and retailing

The investment in jointly-controlled entity is held through a wholly-owned subsidiary of the Company.

Note:

(a) In July 2009, Zhejiang Intime reached an agreement (the "Transfer Agreement") with China Yintai Holdings Co., Ltd. ("China Yintai", a related party of the Group (note 42)), to transfer the joint venture interest in Beijing Intime Lotte Department Store Co., Ltd. ("Intime Lotte") and the shareholder's loan due from Intime Lotte. Zhejiang Intime disposed of 50% equity interest in Intime Lotte for a consideration of RMB1 (the "Disposal") and the shareholder's loan made to Intime Lotte of RMB145,000,000 for a consideration of RMB145,000,000 with no significant disposal gain or loss recognised. The consideration owed by China Yintai to Zhejiang Intime is payable in four instalments: RMB15,000,000 in year 2009; RMB15,000,000 and RMB15,000,000 within years 2010 and 2011 respectively and RMB100,000,000 within three years since 17 September 2009 (effective date of the transfer). The outstanding balance bears interest at the prevailing market rates and interest will be paid together with the repayment of each instalment of consideration. As at 31 December 2009, the first instalment of RMB15,000,000 has been paid by China Yintai to Zhejiang Intime.

In addition, Intime Lotte owed Zhejiang Intime a loan of approximately RMB75,000,000 at date of the Disposal. The loan will be repaid by Intime Lotte and the repayment was guaranteed by China Yintai. As at 31 December 2009, the outstanding loan balance was RMB61,114,000 and will be repaid within 15 months (note 27).

In addition, China Yintai has also granted a buy-back option to Zhejiang Intime under the Transfer Agreement, pursuant to which Zhejiang Intime will have the right, but not the obligation, at any time during the three year period after the Transfer Agreement became effective, to buy back the 50% equity interest in Intime Lotte and the shareholder's loan at a consideration to be determined by the following formula: the audited net profit of Intime Lotte for the most recent full financial year x China Yintai's shareholding ratio in Intime Lotte x the average price earnings ratio of the Company for the one month prior to exercise of the buy-back option x 0.7, provided that the consideration payable upon exercise of the buy-back option shall not be (i) lower than the total consideration paid by China Yintai to acquire the 50% equity interest in Intime Lotte, the shareholder's loan plus any further amount to be invested into Intime Lotte by China Yintai subsequent to the acquisition, and (ii) higher than 1.5 times of the total amount mentioned in (i) above.

Partners Capital International Limited, the Company's independent financial adviser, has issued an opinion that the terms of the Transfer Agreement and the buy-back option, are in the interest of the Company and are fair and reasonable.

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21. Investments in Jointly-controlled Entities *(continued)*

Note: *(continued)*

(b) On 14 August 2009, Hangzhou North Hill entered into an equity transfer agreement ("Equity Transfer Agreement") with Beijing Guojun Investment Co., Ltd. ("Beijing Guojun", a related party of the Group (note 42)). Pursuant to the Equity Transfer Agreement, Hangzhou North Hill disposed of its 50% equity interest in Hangzhou Hubin International Commercial Development Co., Ltd. ("Hubin International") to Beijing Guojun for a consideration of RMB210,170,000 and recognised a disposal loss of RMB2,438,000. In addition, Hangzhou North Hill disposed of its shareholder loan made to Hubin International with a carrying amount of RMB303,840,000 to Beijing Guojun for a consideration of RMB303,840,000. The consideration is payable within one year from the effective day of the transfer. The outstanding balance bears interest rate at the prevailing market rate and the interest will be paid together with the payment of the consideration.

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

	2009 ***RMB'000***
Share of the jointly-controlled entity's assets and liabilities:	
Current assets	**5,555**
Non-current assets	**854,220**
Current liabilities	**31,815**
Non-current liabilities	**660,070**
Net assets	**167,890**
Share of the jointly-controlled entities' results:	
Revenue	**24,510**
Other income	**682**
	25,192
Total expenses	**(53,036)**
Tax	**–**
Loss after tax	**(27,844)**

The information of the income statement included the Group's share of results of Intime Lotte and Hubin International for the periods from 1 January 2009 to 30 April 2009 and 1 January 2009 to 30 June 2009 respectively.

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22. Investments in Associates

Group

	2009	2008
	RMB'000	*RMB'000*
Shares listed in Mainland China, at cost		
Share of net assets	**806,392**	765,642
Goodwill on acquisition	**178,280**	178,280
	984,672	943,922
Disposal of shares in an associate (note (a))	**(215,220)**	(43,272)
	769,452	900,650
Market value of listed shares	**2,264,033**	946,332

Note:

(a) The Group disposed of 38,251,704 shares (10.17%) of Baida Group Co., Ltd. ("Baida") in 2009.

The movement of the investments in associates during the years 2009 and 2008 are as follows:

	2009	2008
	RMB'000	*RMB'000*
At 1 January	**900,650**	435,172
Share of profits	**69,485**	60,783
Transfer from available-for-sale investments	**–**	448,192
Disposal shares of associate	**(171,948)**	(43,272)
Dividends received from associates	**(28,967)**	–
Share of other comprehensive income/(loss) of associate	**232**	(225)
At 31 December	**769,452**	900,650

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22. Investments in Associates *(continued)*

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 *	54,808,161 ordinary shares of RMB1 each	Mainland China	14.56%	Operation and management of department stores
Wuhan Department Store Group Co., Ltd.	114,736,865 ordinary shares of RMB1 each	Mainland China	22.62%	Operation and management of supermarkets and department stores

* The Group have significant influence over Baida as the Company had one representative in the board of directors of Baida. Accordingly, the Group still accounted for its investment in Baida as an investment in associate though its ownership interest in Baida attributable to the Group is 14.56%.

The investments in associates are held through wholly-owned subsidiaries of the Company.

The percentage of voting right and profit sharing of these associates are the same with percentage of ownership interest.

The following table illustrates the summarised financial information of the Group's associates.

	2009 **RMB'000**	2008 RMB'000
Assets	**9,040,718**	7,923,569
Liabilities	**5,355,213**	4,361,902
Gross revenue from concessionaire sales and other revenues	**9,048,151**	7,327,662
Profit	**318,203**	266,372

23. Available-for-sale Investments

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Listed equity investments, at fair value:				
Hong Kong	**–**	32,741	**–**	32,741
Mainland China	**–**	155,863	**–**	–
	–	188,604	**–**	32,741

During the year, the gross gain of the Group's available-for-sale investments recognized directly in equity amounted to RMB99,545,000 (gross loss in 2008: RMB415,011,000), of which a disposal gain of RMB55,749,000 (note 5) was transferred to and recognized in the income statement for the current year (gain in 2008: RMB43,093,000).

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 2009 and 2008 are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At beginning of year	**188,604**	1,564,097	**32,741**	107,308
Additions	**–**	98,841	**–**	–
Disposals	**(288,149)**	(62,067)	**(70,630)**	–
Revaluation surplus/(deficit) transferred to equity	**99,545**	(415,011)	**37,889**	(30,378)
Receipt of shares of a listed company	**–**	27,427	**–**	–
Transfer to interest in an associate	**–**	(980,494)	**–**	–
Impairment charged to the income statement	**–**	(37,170)	**–**	(37,170)
Foreign exchange realignment	**–**	(7,019)	**–**	(7,019)
At end of year	**–**	188,604	**–**	32,741

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24. Deferred Tax

Group

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

Deferred tax assets

	Accruals	Available-for-sale investments	Losses available for offsetting against future taxable profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008 as previously reported	1,334	–	2,769	4,103
Prior year adjustment (note 2.2)	1,563	–	–	1,563
As restated at 1 January 2008	2,897	–	2,769	5,666
Recognized in the income statement (note 8)	11,351	–	3,771	15,122
Acquisition of a subsidiary	–	–	1,824	1,824
Charged to equity	–	10,949	–	10,949
At 31 December 2008	14,248	10,949	8,364	33,561
At 31 December 2008 as previously reported	10,615	10,949	8,364	29,928
Prior year adjustment (note 2.2)	3,633	–	–	3,633
As restated at 31 December 2008	14,248	10,949	8,364	33,561
Recognized in the income statement (note 8)	3,273	–	5,030	8,303
Charged to equity	–	(10,949)	–	(10,949)
At 31 December 2009	17,521	–	13,394	30,915

The Group has tax losses arising in Mainland China of RMB173,908,000 (2008: RMB83,912,000) that will expire in one to five years for offsetting against future taxable profits for which no deferred tax assets have been recognized, 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.

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24. Deferred Tax *(continued)*

Deferred tax liabilities

	Available-for-sale investments	Fair value adjustment arising from acquisition of subsidiaries	Withholding tax at 10% on the distributable profit of a Group's PRC subsidiary	Temporary difference of gain arising from disposal of shares in an associate	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	224,414	103,568	–	–	327,982
Recognized in the income statement (note 8)	(6,129)	(2,697)	–	–	(8,826)
Charged to equity	(74,437)	–	–	–	(74,437)
Acquisition of subsidiaries	–	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
Recognized in the income statement (note 8)	–	(4,958)	5,357	6,153	6,552
Charged to equity	4,465	–	–	–	4,465
Acquisition of a subsidiary (notes 37)	–	17,624	–	–	17,624
Reversal upon disposal	(4,465)	–	–	–	(4,465)
At 31 December 2009	–	207,942	5,357	6,153	219,452

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 the 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 2009, except for a deferred tax liability of RMB5,357,000 arising from the withholding tax of 10% on the distributable profit of a group's PRC subsidiary to be liquidated in year 2010, 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 totalled approximately RMB848,587,000 at 31 December 2009 (2008: RMB468,046,000).

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

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25. Inventories

Group

	2009	2008
	RMB'000	*RMB'000*
Store merchandise, at cost	**116,435**	52,349
Low value consumables	**1,869**	–
	118,304	52,349

26. Prepayments, Deposits and Other Receivables

	Group		**Company**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Intention money paid for potential investments	**10,590**	10,590	**–**	–
Receivable of disposal of a subsidiary	**–**	30,000	**–**	–
Rental deposits	**61,000**	63,599	**–**	–
Prepaid rental	**26,961**	34,031	**–**	–
Advances to suppliers	**33,394**	41,291	**–**	–
Advances to third parties (note (a))	**62,200**	109,000	**–**	–
Others	**68,520**	42,907	**1,138**	1,852
	262,665	331,418	**1,138**	1,852

Note:

(a) The advances to third parties as at 31 December 2008 include an investment advance amounting to RMB90,000,000 pursuant to an equity transfer agreement that had been terminated in year 2008. The advance has been collected in year 2009.

The advances to third parties as at 31 December 2009 include an advance deposit amounting to RMB50,000,000 to South City Holdings Co., Ltd. to settle the outstanding payables of RMB100,000,000 for the purchase of 100% equity interest in Million Energy Holdings Limited.

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.

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27. Loans and Receivables

Group

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

	2009	2008
	RMB'000	*RMB'000*
Principal due from:		
Hiwell Real Estate Company Limited (note 42(d))	**–**	135,850
Intime Lotte (note (i)) and (note 42(d))	**61,114**	177,012
China Yintai (note 21)	**130,000**	–
Beijing Guojun (note 21)	**303,840**	–
Others	**–**	30,000
	494,954	342,862
Less: non-current portion	**(126,549)**	(50,162)
	368,405	292,700
Interest receivable due from:		
Well Beauty International Limited	**–**	7,895
Intime Lotte (note 42(d))	**7,397**	6,536
China Yintai	**416**	–
Others	**–**	1,536
	7,813	15,967
	376,218	308,667

Notes:

(i) Pursuant to the loan agreement between Zhejiang Intime and Intime Lotte, Zhejiang Intime granted Intime Lotte certain shareholder loans of RMB50,000,000, RMB20,000,000 and RMB107,012,000 in the year 2008 and RMB75,000,000 in the year 2009, bearing interest rate at 6.723% (2008: 6.723%), 4.86% (2008: 6.890%), 12% (2008:12%) and 4.86% (2008: n/a) respectively. The loan principal of RMB50,000,000, RMB20,000,000 and RMB75,000,000 have been disposed to China Yintai (note 21) and the outstanding loan of RMB61,114,000 will be repaid within 15 months and the repayment was guaranteed by China Yintai.

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

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28. Trade Receivables

	2009	2008
	RMB'000	*RMB'000*
Trade receivables	**8,685**	5,583
Impairment	**–**	–
	8,685	5,583

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

The trade receivables are neither past due or impaired.

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

29. Cash in Transit

Group

	2009	2008
	RMB'000	*RMB'000*
Cash in transit	**48,387**	51,069

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.

30. Cash and Bank Balances

	Group		**Company**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances	**1,002,665**	745,039	**4,319**	3,315
Less: Restricted cash	**12,034**	4,543	**–**	–
Cash and cash equivalent	**990,631**	740,496	**4,319**	3,315

30. Cash and Bank Balances *(continued)*

At 31 December 2009 and 2008, the cash at banks and on hand were denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**988,502**	689,795	**–**	–
US$	**68**	49,752	**–**	–
Hong Kong dollars ("HK$")	**14,095**	5,492	**4,319**	3,315
	1,002,665	745,039	**4,319**	3,315

At the end of the reporting period, the cash and bank balances of the Group denominated in US$ and HK$ amounted to RMB68,000 and RMB14,095,000 (2008: RMB49,752,000 and RMB5,492,000), 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.

31. Trade and Bills Payables

Group

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the payment due date, is as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 1 month	**666,420**	638,361
1 to 2 months	**358,517**	250,913
2 to 3 months	**42,633**	–
over 3 months	**26,924**	–
	1,094,494	889,274

Trade and bills payables as at the respective end of the reporting period were denominated in RMB.

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

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32. Other Payables and Accruals

	Group		Company	
	2009	2008 (Restated)	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Payables for purchase of property, plant and equipment and prepaid land lease payments	**140,292**	105,601	**–**	–
Advance from customers	**276,082**	168,264	**–**	–
Payable to a IC card service provider	**–**	89,699	**–**	–
Other liabilities to local government	**21,446**	21,446	**–**	–
Other tax payables	**100,478**	31,707	**–**	–
Bonus and welfare payables	**47,000**	33,930	**–**	–
Deposits received from suppliers/concessionaires	**64,914**	47,413	**–**	–
Accruals	**115,469**	37,386	**–**	–
Payables for purchase of equity interests	**277,115**	200,000	**–**	–
Deferred revenue	**15,826**	14,530	**–**	–
Deferred government subsidy	**3,798**	–	**–**	–
Payables to ex-shareholders of a subsidiary	**29,750**	–	**–**	–
Others	**75,135**	42,466	**650**	2
	1,167,305	792,442	**650**	2

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

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33. Interest-bearing Bank Borrowings

Group

	2009			2008		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current:						
Bank loans – unsecured	**4.374-5.31**	**2010**	**140,000**	5.29 – 8.22	2009	465,000
Bank loans – secured (a)	**4.374-5.31**	**2010**	**308,000**	6.99	2009	400,000
Current portion of long term bank loans – secured (a)	**5.184**	**2010**	**20,000**	7.94	2009	95,000
			468,000			960,000
Non-current:						
Secured bank loans (a)	**5.184-6.534**	**2011 – 2015**	**530,000**	7.92 – 8.61	2010 – 2015	447,500
			998,000			1,407,500

Analysed into:	**2009** ***RMB'000***	2008 *RMB'000*
Within one year or on demand	**468,000**	960,000
In the second year	**70,000**	150,000
In the third to fifth years, inclusive	**435,000**	187,500
Beyond five years	**25,000**	110,000
	998,000	1,407,500

Notes:

(a) Secured bank loans of RMB838,000,000 as at 31 December 2009 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 2009 was RMB1,393,092,000 (2008: RMB686,174,000) (notes 14, 15 and 16). The remaining secured bank loan of RMB20,000,000 was guaranteed by a minority shareholder of a subsidiary of the Group.

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33. Interest-bearing Bank Borrowings *(continued)*

Note: *(continued)*

(b) The carrying amounts of the Group's current bank loans as at 31 December 2009 and 2008 approximated to their fair values. The carrying amounts and fair values of the Group's non-current bank loans are as follows:

	Carrying amounts		**Fair values**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Secured bank loans	**530,000**	447,500	**526,297**	385,704

All borrowings are denominated in RMB.

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

	2009	2008
	RMB'000	*RMB'000*
At floating rate:		
Expiring within 1 year	**–**	841,550
Expiring within 2 to 4 years, inclusive	**1,266,550**	–
Expiring after 5 years	**300,000**	193,510
	1,566,550	1,035,060

The Group's banking facilities were secured by certain buildings (note 14), investment properties (note 15) and prepaid land lease payments (note 16) of the Group.

34. Share Capital

Group and Company

	Authorized		
	Number of shares	*US$*	*RMB*
At 31 December 2009 and 2008	5,000,000,000	50,000	393,500

	Issued and fully paid up		
	Number of shares	*US$*	*RMB'000*
As at 31 December 2008	1,750,200,000	17,502	136
Share options exercised	964,000	10	1
As at 31 December 2009	1,751,164,000	17,512	137

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34. Share Capital *(continued)*

During the year, the movement in share capital was as follows:

The subscription rights attaching to 964,000 share options were exercised at the subscription price of HK$3.56 and HK$5.64 per share (note 36), resulting in the issue of 964,000 shares of US$0.00001 each for a total cash consideration, before expenses, of HK$3,918,560.

A summary of the transactions during the year with reference to the above movement in the Company's issued share capital is as follows:

	Number of shares *RMB'000*	**Issued capital** *US$'000*	**Share premium** *RMB'000*
At 1 January 2008	1,800,000,000	18,000	2,318,881
Repurchase during the year	(49,800,000)	(498)	(92,429)
As 1 January 2009	1,750,200,000	17,502	2,226,452
Share options exercised	964,000	10	3,456
As at 31 December 2009	1,751,164,000	17,512	2,229,908

Share options

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

35. 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.

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35. Reserves *(continued)*

(i) *Statutory reserves (continued)*

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.

(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	Share option reserve RMB'000	Total RMB'000
At 31 December 2007	2,318,881	–	908,303	30,378	35,168	(57,534)	5,754	3,240,950
Total comprehensive income 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 36)	–	–	–	–	–	–	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
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**217,060**	**(12,959)**	**–**	**204,101**
Equity-settled share option arrangements (note 36)	**–**	**–**	**–**	**–**	**–**	**–**	**13,106**	**13,106**
Exercise of share option	**4,424**	**–**	**–**	**–**	**–**	**–**	**(968)**	**3,456**
Interim 2009 dividend	**–**	**–**	**–**	**–**	**(175,020)**	**–**	**–**	**(175,020)**
Proposed final 2009 dividend	**–**	**–**	**–**	**–**	**(56,037)**	**–**	**–**	**(56,037)**
At 31 December 2009	**2,230,876**	**4**	**908,303**	**–**	**7,138**	**(77,984)**	**29,738**	**3,098,075**

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36. Share Option Scheme

The share option scheme (the "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:

	2009		2008	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 January	**4.89**	**29,760**	6.51	13,600
Granted during the year	**3.55**	**27,780**	4.76	27,560
Forfeited during the year	**4.58**	**(6,950)**	–	–
Exercised during the year	**4.06**	**(964)**	–	–
Expired during the year	**6.44**	**(550)**	–	–
Cancelled during the year	**–**	**–**	6.51	(11,400)
At 31 December	**4.17**	**49,076**	4.89	29,760

The weighted average share price at the date of exercise for share options exercised during the year was HK$7.18 (2008: Nil).

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36. Share Option Scheme *(continued)*

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

2009

Number of options *'000*	**Exercise price** *HK$ per share*	**Exercise period**
1,650	**6.44**	22 March 2009 to 21 March 2012
8,320	**3.56**	19 September 2011 to 18 September 2014
11,866	**5.64**	12 April 2009 to 11 April 2014
17,240	**1.88**	5 March 2010 to 4 March 2015
9,000	**6.63**	29 August 2010 to 28 August 2015
1,000	**5.50**	21 October 2010 to 20 October 2015
49,076		

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 2011 to 18 September 2014
15,960	5.64	12 April 2009 to 11 April 2014
29,760		

The fair value of options granted during the year was approximately RMB23,116,000 (2008: RMB15,363,000), of which the Group recognized a share option expense of RMB5,649,000 (2008: RMB5,278,000) during the year ended 31 December 2009. The Group recognized a total share option expenses of RMB13,106,000 (2008: RMB11,846,000) for the year ended 31 December 2009 (note 6).

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36. 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:

	2009	2008
Dividend yield (%)	**2.91% – 3.89%**	1.9%
Expected volatility (%)	**53.15% – 54.37%**	34.63% – 49.20%
Risk-free interest rate (%)	**0.996% – 1.986%**	1.23% – 2.46%
Expected life of options (year)	**3 – 6**	3 – 6
Weighted average exercise price (HK$)	**3.55**	4.76

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 started 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 cancellation and replacement 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 reporting date, the Company had 49,076,000 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 49,076,000 additional ordinary shares of the Company and additional share capital of approximately RMB3,350 and share premium of approximately RMB180,280,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 47,547,000 share options outstanding under the Scheme, which represented approximately 2.8% of the Company's shares in issue as at that date.

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37. Business Combinations

In December 2009, the Group acquired 65.8% interest in Xiantao City Gongxiao Shangcheng Building Co., Ltd. ("Xiantao Gongxiao") from the individual shareholders of Xiantao Gongxiao. Xiantao Gongxiao is engaged in operating a department store in Hubei Province, the PRC. The purchase consideration for the acquisition was in the form of cash amounting to RMB177,117,822, which was fully paid in January 2010.

The fair values of the identifiable assets and liabilities of Xiantao Gongxiao 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	*14*	90,925	90,925
Prepaid land lease payments	*16*	100,804	30,302
Other receivables		14,690	14,690
Inventories		56,199	56,199
Cash and cash equivalents		54,655	54,655
Other payables and accruals		91,350	91,350
Deferred tax liability	*24*	17,624	–
Interest-bearing bank borrowings		28,000	28,000
Tax payable		13,503	13,503
Trade payables		59,992	59,992
Net assets		106,804	53,926
Minority interests		36,527	
Net assets acquired		70,277	
Goodwill on acquisition	*17*	106,841	
Satisfied by cash		177,118	

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37. Business Combinations *(continued)*

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	–
Cash and cash equivalents acquired	54,655
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	54,655

Since its acquisition, Xiantao Gongxiao contributed RMB32,127,000 to the Group's turnover and RMB3,841,000 to the consolidated profit for the year ended 31 December 2009.

38. Contingent Liabilities

On 8 November 2007, Jiaxing Intime Investment Management Company Limited ("Jiaxing Intime") and Shanghai Intime entered into a joint venture contract with Jiaxing City Culture Mingcheng Investment Group Company Limited ("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.

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39. 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 14, 15 and 16.

40. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties (note 15) 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 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2009	2008
	RMB'000	*RMB'000*
Within one year	**103,278**	46,844
In the second to fifth years, inclusive	**340,035**	140,478
After five years	**352,195**	195,054
	795,508	382,376

The amounts above include future minimum sublease payments expected to be received under non-cancellable subleases amounting to RMB197,004,000 (2008: RMB33,791,000) as at 31 December 2009.

(b) As lessee

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

At 31 December 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009	2008
	RMB'000	*RMB'000*
Within one year	**197,032**	203,145
In the second to fifth years, inclusive	**948,113**	1,041,368
After five years	**2,996,876**	2,722,189
	4,142,021	3,966,702

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41. Commitments

In addition to the operating lease commitments detailed in note 40(b) above, the Group had the following capital commitments at the reporting date:

	2009	2008
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Land and buildings	**35,239**	121,678

	2009	2008
	RMB'000	*RMB'000*
Authorised, but not contracted for:		
Land and buildings	**657,000**	315,000

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

	2009	2008
	RMB'000	*RMB'000*
Authorised, but not contracted for	**36,000**	75,000

NOTES TO FINANCIAL STATEMENTS

31 December 2009

42. 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
Beijing Yintai Yonghe Property Development Co., Ltd. ("Yintai Yonghe")	Controlled by the Mr. Shen Guojun
Beijing Yintai Property Co., Ltd. ("Yintai Property")	Controlled by the Mr. Shen Guojun
China Yintai	Controlled by the Mr. Shen Guojun
Beijing Guojun	Controlled by the Mr. Shen Guojun
Metro Land Corporation Ltd. ("Metro Land", formerly known as Silvertie Holding Co., Ltd.)	24.83% of its shares were held by China Yintai
Beijing Jixiang Real Estate Co., Ltd. ("Jixiang Real Estate")	Subsidiary of China Yintai
Hiwell Real Estate	Associate of China Yintai
Baida	Associate of the Group
Intime Lotte #	Jointly-controlled entity of China Yintai
Hangzhou Xin Hubin Commercial Development Co., Ltd. ("Xin Hubin")	Jointly-controlled entity
Hubin International ^	Jointly-controlled entity of Beijing Guojun

Intime Lotte was a jointly-controlled entity of the Group before the Group's disposal of its 50% equity interest in Intime Lotte to China Yintai in July 2009.

^ Hubin International was a jointly-controlled entity of the Group before the Group's disposal of its 50% equity interest in Hubin International to Beijing Guojun in August 2009.

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42. Related Party Transactions *(continued)*

(b) *Transactions with related parties*

The following transactions were carried out with related parties:

	2009 **RMB'000**	2008 RMB'000
Renal expense and management fee expenses:		
Yintai Property (note (i))	**3,632**	3,026
Metro Land (note (ii))	**37,408**	41,395
	41,040	44,421
Rental income		
Metro Land (note (ii))	**2,000**	–
Advances to a jointly-controlled entity:		
Xin Hubin	**52,778**	36,107
Payment made on behalf of a jointly-controlled entity:		
Intime Lotte	**–**	13,221
Payments from a related party for purchase of a subsidiary:		
China Yintai	**20,000**	–
Repayment of loans and receivables from related parties:		
Intime Lotte	**45,898**	126,822
China Yintai	**15,000**	–
Hiwell Real Estate	**135,850**	–
	196,748	126,822
Management fee from a related party:		
Baida (note (iii))	**21,190**	20,212
Purchase of a subsidiary from a related party:		
China Yintai	**–**	146,000

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31 December 2009

42. Related Party Transactions *(continued)*

(b) Transactions with related parties *(continued)*

	2009 RMB'000	2008 RMB'000
Purchase of shareholders' loan:		
China Yintai and Yonghe Yintai	–	117,190
Disposal of investment to a related party:		
China Yintai	–	70,000
Repayment of bank loans on behalf of a jointly-controlled entity:		
Hubin International	–	524,838
Loans made to jointly-controlled entities:		
Intime Lotte (note 27(i))	**75,000**	177,012
Hubin International	**154,660**	–
	229,660	177,012
Interest income from related parties:		
Hiwell Real Estate	**5,191**	2,767
Intime Lotte (note 27(i))	**15,737**	8,200
Beijing Guojun	**5,658**	–
China Yintai	**416**	–
Xin Hubin	**3,385**	–
Hubin International	**658**	–
	31,045	10,967

Notes:

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

(ii) Pursuant to an agreement between Shanghai Intime and Metro Land signed on 31 March 2005, Shanghai Intime leased certain floors of a building from Metro Land for its operations and then sub-leased certain areas to Metro Land.

(iii) 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 2009, Zhejiang Intime recognised management fee income of RMB21,190,000 from managing the operation of the Operating Entities of Baida.

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42. Related Party Transactions *(continued)*

(b) Transactions with related parties *(continued)*

In addition, Zhejiang Intime has guaranteed the annual minimum return 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 to Baida falls below the guaranteed annual minimum return, Zhejiang Intime will be liable to compensate Baida for the deficit.

(c) Due from related parties

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

	2009	2008
	RMB'000	*RMB'000*
Due from related parties:		
Hubin International	**658**	149,838
Metro Land (note (i))	**6,500**	6,500
China Yintai	**–**	20,000
Baida	**2,339**	4,051
Xin Hubin	**92,270**	36,107
	101,767	216,496

Note:

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

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42. Related Party Transactions *(continued)*

(c) ***Due from related parties*** *(continued)*

All the amounts due from related parties are denominated in RMB, are unsecured and interest-free, have no predetermined term of repayment.

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:

	2009	2008
	RMB'000	*RMB'000*
Due from related parties:		
Hubin International	**303,840**	524,838
China Yintai	**20,000**	70,000
Metro Land	**13,000**	13,000
Xin Hubin	**92,270**	36,107
Baida	**7,308**	4,051
	436,418	647,996

(d) ***Loans and interest receivable from related parties***

	2009	2008
	RMB'000	*RMB'000*
Hiwell Real Estate (note 27)	**–**	135,850
Intime Lotte (note 27)	**68,511**	183,548
China Yintai	**130,416**	–
Beijing Guojun	**303,840**	–
	502,767	319,398

42. Related Party Transactions *(continued)*

(e) Due to related parties

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

	2009 **RMB'000**	2008 RMB'000
Due to related parties:		
Jixiang Real Estate	**–**	3,596
Metro Land (note (b)(ii))	**1,682**	6,895
Yintai Property	**303**	–
	1,985	10,491

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.

(f) Key management compensation

	2009 **RMB'000**	2008 RMB'000
Salaries, allowances and other benefits	**4,121**	4,982
Discretionary bonuses	**4,453**	2,363
Contributions to a retirement plan	**405**	395
Equity-settled share option expense	**7,734**	5,468
	16,713	13,208

Further details of directors' emoluments are included in note 9 to the financial statements.

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43. Financial Instruments by Category

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

Group

2009

Financial assets

	Loans and receivables *RMB'000*
Financial assets including prepayments, deposits and other receivables	**188,950**
Trade receivables	**8,685**
Loans and receivables	**502,767**
Due from related parties	**101,767**
Cash in transit	**48,387**
Cash and bank balances	**1,002,665**
	1,853,221

Financial liabilities

	Financial liabilities at amortized cost *RMB'000*
Trade and bills payables	**1,094,494**
Financial liabilities included in other payables and accruals	**724,122**
Due to related parties	**1,985**
Interest-bearing bank borrowings	**998,000**
	2,818,601

NOTES TO FINANCIAL STATEMENTS

31 December 2009

43. Financial Instruments by Category *(continued)*

The carrying amounts of each category of financial instruments as at the reporting date are as follows: *(continued)*

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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

43. Financial Instruments by Category *(continued)*

The carrying amounts of each category of financial instruments as at the reporting date are as follows: *(continued)*

Company

2009

Financial assets

	Loans and receivables ***RMB'000***
Financial assets including prepayments, deposits and other receivables	**1,138**
Due from subsidiaries	**2,260,839**
Cash and cash equivalents	**4,319**
	2,266,296

Financial liabilities

	Financial liabilities at amortized cost ***RMB'000***
Financial liabilities included in other payables and accruals	**650**
Due to subsidiaries	**19,805**
	20,455

43. Financial Instruments by Category *(continued)*

The carrying amounts of each category of financial instruments as at the reporting 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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

44. 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 and liquidity 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 30) and loans and receivables (note 27).

The Group's interest rate risk arises from its borrowings, details of which are set out in note 33. 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 2009, 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 2009 and 2008 are disclosed in note 30.

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 the recoverability issue for the amounts due from related parties is small, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

44. 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. In addition, 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.

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

Group			**2009**			
	On demand	**Less than 6 months**	**6 to less than 12 months**	**1 to 2 years**	**Over 2 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Interest-bearing bank borrowings	**–**	**128,000**	**340,000**	**70,000**	**460,000**	**998,000**
Trade and bills payables	**–**	**1,094,494**	**–**	**–**	**–**	**1,094,494**
Other payables and accruals	**30,122**	**276,730**	**417,270**	**–**	**–**	**724,122**
Due to related parties	**–**	**303**	**1,682**	**–**	**–**	**1,985**
	30,122	**1,499,527**	**758,952**	**70,000**	**460,000**	**2,818,601**

Group			2008			
	On demand	Less than 6 months	6 to less than 12 months	1 to 2 years	Over 2 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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

NOTES TO FINANCIAL STATEMENTS

31 December 2009

44. Financial Risk Management Objectives and Policies *(continued)*

Liquidity risk *(continued)*

Company			**2009**			
			6 to			
		Less than	**less than**	**1 to**	**Over**	
	On demand	**6 months**	**12 months**	**2 years**	**2 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Other payables and accruals	**–**	**650**	**–**	**–**	**–**	**650**
Due to subsidiaries	**19,805**	**–**	**–**	**–**	**–**	**19,805**
	19,805	**650**	**–**	**–**	**–**	**20,455**

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

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 shareholders' 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 2009 and 2008.

NOTES TO FINANCIAL STATEMENTS

31 December 2009

44. Financial Risk Management Objectives and Policies *(continued)*

Capital management *(continued)*

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 bank balances. Capital includes equity attributable to equity holders of the parent less the net unrealized losses/(gains) reserve. The gearing ratios as at the reporting dates were as follows:

Group

	2009	2008
		(Restated)
	RMB'000	*RMB'000*
Interest-bearing bank borrowings	**998,000**	1,407,500
Trade and bills payables	**1,094,494**	889,274
Other payables and accruals (note 32)	**1,167,305**	792,442
Due to related parties (note 42(e))	**1,985**	10,491
Less: Cash and bank balances	**(1,002,665)**	(745,039)
Net debt	**2,259,119**	2,354,668
Equity attributable to equity holders of the parent	**3,448,194**	3,270,882
Net unrealized losses/(gains) reserve	**(532)**	32,547
Total adjusted capital	**3,447,662**	3,303,429
Total capital and net debt	**5,706,781**	5,658,097
Gearing ratio	**40%**	42%

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45. Comparative Amounts

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements.

46. Events after the Reporting Period

On 3 April 2010, Intime Department Store (Hong Kong) Company Limited ("Intime HK"), a wholly-owned subsidiary of the Company, as purchaser, and the Company, as Intime HK's guarantor, entered into an agreement with Chevalier Development China Limited ("Chevalier Development"), as vendor, and Chevalier International Holdings Limited, as Chevalier Development's guarantor, to acquire the entire issued share capital of Smartco Holdings Limited, which holds a 51% equity interest in 安徽省華僑飯店有限公司 (Anhui Province Huaqiao Hotel Company Limited, "Anhui Huaqiao Hotel") at a consideration of HK$246,000,000, and the loan amounted to RMB118,502,000 owned by Anhui Huaqiao Hotel to Chevalier (Chengdu) Investment Management Limited at its par value, an indirect wholly-owned subsidiary of Chevalier International. On the same date, Shanghai Intime, an indirect wholly-owned subsidiary of the Company, entered into i) an agreement with 安徽省旅遊集團有限公司 (Anhui Province Travel Group Company Limited, "Anhui Travel Group"), to acquire a 19% equity interest in Anhui Huaqiao Hotel at a consideration of RMB129,969,000; and ii) an agreement with 安徽安興發展股份有限公司 (Anhui Anxing Development Joint-Stock Company Limited, "Anxing Development"), to acquire a 30% equity interest in Anhui Huaqiao Hotel at a consideration of RMB205,214,000.

47. Approval of the Financial Statements

The financial statements were approved and authorized for issue by the board of directors on 7 April 2010.

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