Interim Report
2010


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*

# 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 PRC 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 domestically listed department store companies – Baida Group Co., Ltd. ("Baida") and Wuhan Department Store Group Co., Ltd. ("Wushang"). As at 30 June 2010, the Group operated and managed a total of 22 department stores with a total gross floor area ("GFA") of 850,939 square meters, including 16 department stores located in the major 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 adopts "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 medium to high-end market with a commitment to offer excellent shopping experiences. With increasing sales floor area under management, the Group is gradually broadening its range of merchandise and service offerings to include high-end to luxury retailing, as well as more comprehensive, richer shopping-related amenities and services.

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors:

SHEN Guojun *(Chairman)*
CHING Siu Leung

### Non-Executive Directors

XIN Xiangdong
LI Hui, David

### Independent Non-Executive Directors

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
2 Jianguomenwai Avenue
Beijing 100022
PRC
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 AS TO HONG KONG LAW

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

# Corporate Information

## 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 Accountants

## STOCK CODE

1833

## WEBSITE

www.intime.com.cn

# Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2010

| | Notes | For the six months ended 30 June 2010 (Unaudited) RMB'000 | 2009 (Unaudited) RMB'000 |
|---|---|---|---|
| **Revenue** | 4 | **1,094,476** | 722,164 |
| Other income and gains | 5 | **172,567** | 126,666 |
| Purchases of goods and changes in inventories | 6 | **(282,603)** | (131,094) |
| Staff costs | 6 | **(137,529)** | (97,021) |
| Depreciation and amortization | 6 | **(116,788)** | (81,259) |
| Other expenses | | **(338,550)** | (262,037) |
| Finance costs | 7 | **(25,324)** | (34,355) |
| Share of profits and losses of: | | | |
| Jointly-controlled entities | | **(764)** | (28,610) |
| Associates | | **42,607** | 42,428 |
| **Profit before tax** | | **408,092** | 256,882 |
| Tax | 8 | **(92,748)** | (50,131) |
| **Profit for the period** | | **315,344** | 206,751 |
| **Attributable to:** | | | |
| Owners of the parent | | **300,404** | 210,388 |
| Non-controlling interests | | **14,940** | (3,637) |
| | | **315,344** | 206,751 |
| Interim dividends | 9 | **175,546** | 175,020 |
| **Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)** | | | |
| Basic | | | |
| – For profit for the period | 10 | **0.17** | 0.12 |
| Diluted | | | |
| – For profit for the period | 10 | **0.17** | 0.12 |

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

| | For the six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Profit for the period** | **315,344** | 206,751 |
| **Other comprehensive income** | | |
| Available-for-sale investments: | | |
| Change in fair value | – | 81,295 |
| Reclassification adjustments for gain on disposal included in the consolidated income statement | – | (13,805) |
| Income tax effect | – | (16,873) |
| | – | 50,617 |
| Share of other comprehensive income of associates | – | 147 |
| Exchange differences on translation of foreign operations | **(8,162)** | (4,316) |
| **Other comprehensive income/(loss) for the period, net of tax:** | **(8,162)** | 46,448 |
| **Total comprehensive income for the period, net of tax** | **307,182** | 253,199 |
| **Attributable to:** | | |
| Owners of the parent | **292,242** | 256,836 |
| Non-controlling interests | **14,940** | (3,637) |
| | **307,182** | 253,199 |

# Interim Condensed Consolidated Statement of Financial Position

30 June 2010

| | Notes | 30 June 2010 (Unaudited) RMB'000 | 31 December 2009 (Audited) RMB'000 |
|---|---|---|---|
| **Non-current Assets** | | | |
| Property, plant and equipment | 12 | **1,415,794** | 1,344,721 |
| Investment properties | 12 | **1,121,535** | 1,101,187 |
| Prepaid land lease payments | 12 | **1,067,210** | 1,453,898 |
| Property under development | 13 | **113,951** | – |
| Goodwill | | **286,414** | 327,377 |
| Other intangible assets | | **4,476** | 3,902 |
| Prepaid rental | | **56,871** | 104,410 |
| Investments in jointly-controlled entities | | **303,645** | 304,409 |
| Investments in associates | 14 | **822,272** | 769,452 |
| Long-term prepayments | 15 | **99,309** | – |
| Loans and receivables | | **315,000** | 126,549 |
| Deferred tax assets | | **36,250** | 30,915 |
| Total non-current assets | | **5,642,727** | 5,566,820 |
| **Current assets** | | | |
| Inventories | 16 | **113,048** | 118,304 |
| Prepayments, deposits and other receivables | 17 | **442,600** | 262,665 |
| Loans and receivables | | **418,506** | 376,218 |
| Due from related parties | 28 | **59,192** | 101,767 |
| Trade receivables | | **5,172** | 8,685 |
| Cash in transit | 18 | **66,992** | 48,387 |
| Cash and bank balances | 19 | **615,827** | 1,002,665 |
| Total current assets | | **1,721,337** | 1,918,691 |
| Assets of disposal group classified as held for sale | 11 | **503,727** | – |

# Interim Condensed Consolidated Statement of Financial Position

30 June 2010

| | Notes | 30 June 2010 (Unaudited) RMB'000 | 31 December 2009 (Audited) RMB'000 |
|---|---|---|---|
| **Current Liabilities** | | | |
| Trade and bills payables | 20 | **937,125** | 1,094,494 |
| Other payables and accruals | 21 | **1,226,824** | 1,167,305 |
| Interest-bearing bank borrowings | 22 | **635,000** | 468,000 |
| Due to related parties | 28 | **31,106** | 1,985 |
| Tax payable | | **88,500** | 100,649 |
| Total current liabilities | | **2,918,555** | 2,832,433 |
| **Net current liabilities** | | **(1,197,218)** | (913,742) |
| **Total assets less current liabilities** | | **4,949,236** | 4,653,078 |
| **Non-current liabilities** | | | |
| Interest-bearing bank borrowings | 22 | **340,000** | 530,000 |
| Deferred tax liabilities | | **194,113** | 219,452 |
| Deferred subsidy income | | **7,359** | 9,973 |
| Total non-current liabilities | | **541,472** | 759,425 |
| Liabilities directly associated with the assets classified as held for sale | 11 | **243,301** | – |
| **Net assets** | | **4,164,463** | 3,893,653 |
| Equity | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | 23 | **137** | 137 |
| Reserves | | **3,708,014** | 3,448,057 |
| | | **3,708,151** | 3,448,194 |
| **Non-controlling interests** | | **456,312** | 445,459 |
| Total equity | | **4,164,463** | 3,893,653 |

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

| | Attributable to owners of the parent | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital RMB'000 | Share premium RMB'000 | Capital redemption reserve RMB'000 | Capital reserve RMB'000 | Reserve for fair value changes of available-for-sale investments RMB'000 | Statutory reserves RMB'000 | Retained profits RMB'000 | Exchange fluctuation reserve RMB'000 | Option RMB'000 | Proposed interim dividend RMB'000 | Proposed final dividend RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2010 | 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 |
| Profit for the period | - | - | - | - | - | - | 300,404 | - | - | - | - | 300,404 | 14,940 | 315,344 |
| Other comprehensive loss | - | - | - | - | - | - | - | (8,162) | - | - | - | (8,162) | - | (8,162) |
| **Total comprehensive income/(loss)** | - | - | - | - | - | - | 300,404 | (8,162) | - | - | - | 292,242 | 14,940 | 307,182 |
| Final 2009 dividend declared | - | - | - | - | - | - | - | - | - | - | (56,037) | (56,037) | - | (56,037) |
| Non-controlling interests directly associated with the assets classified as held for sale | - | - | - | - | - | - | - | - | - | - | - | - | (4,087) | (4,087) |
| Equity-settled share option arrangements | - | - | - | - | - | - | - | - | 8,977 | - | - | 8,977 | - | 8,977 |
| Exercise of share option | - | 18,557 | - | - | - | - | - | - | (3,782) | - | - | 14,775 | - | 14,775 |
| Proposed interim 2010 dividend | - | - | - | - | - | - | (175,546) | - | - | 175,546 | - | - | - | - |
| **At 30 June 2010 (Unaudited)** | 137 | 2,249,433 | 4 | 368,661 | 532 | 152,039 | 845,186 | (118,320) | 34,933 | 175,546 | - | 3,708,151 | 456,312 | 4,164,463 |

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

| | Attributable to equity holders of the parent | | | | | | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital | Share premium | Capital redemption reserve | Capital reserve | Reserve for fair value changes of available-for-sale investments | Statutory reserves | Retained profits | Exchange fluctuation reserve | Option | Proposed interim dividend | Proposed final dividend | Total | | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *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 | – | – | – | – | – | – | (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 |
| Profit/(loss) for the period | – | – | – | – | – | – | 210,388 | – | – | – | – | 210,388 | (3,637) | 206,751 |
| Other comprehensive income/(loss) | – | – | – | – | 50,764 | – | – | (4,316) | – | – | – | 46,448 | – | 46,448 |
| **Total comprehensive income/(loss)** | – | – | – | – | 50,764 | – | 210,388 | (4,316) | – | – | – | 256,836 | (3,637) | 253,199 |
| Final 2008 dividend declared | – | – | – | – | – | – | – | – | – | – | (115,513) | (115,513) | – | (115,513) |
| Proposed interim 2009 dividend | – | – | – | – | – | – | (175,020) | – | – | 175,020 | – | – | – | – |
| Acquisition of non-controlling interests | – | – | – | (2,896) | – | – | – | – | – | – | – | (2,896) | (4,104) | (7,000) |
| Equity-settled share option arrangements | – | – | – | – | – | – | – | – | 6,950 | – | – | 6,950 | – | 6,950 |
| Transfer from retained profits | – | – | – | – | – | 536 | (536) | – | – | – | – | – | – | – |
| **At 30 June 2009 (Unaudited)** | 136 | 2,226,452 | 4 | 401,977 | 18,217 | 115,105 | 561,078 | (106,280) | 24,550 | 175,020 | – | 3,416,259 | 429,924 | 3,846,183 |

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010

| | For the six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Net cash flows from operating activities | **292,270** | (166,678) |
| Net cash flows used in investing activities | **(656,673)** | 297,139 |
| Net cash flows from financing activities | **(64,265)** | (350,013) |
| Decrease in cash and cash equivalents | **(428,668)** | (219,552) |
| Cash and cash equivalents at beginning of the period | **990,631** | 740,496 |
| Effects of foreign exchange rate changes, net | **(8,162)** | (4,316) |
| Cash and cash equivalents at end of the period | **553,801** | 516,628 |

# Notes to the Interim Condensed Consolidated Financial Statements

30 June 2010

## 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.



## 2.1 BASIS OF PREPARATION

The interim condensed financial statements have been prepared in accordance with Hong Kong Accounting Standards 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, except for available-for-sale investments, which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise stated.

The interim condensed consolidated financial statement do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2009.

## 2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2009, except for the adoption of the new and revised Hong Kong Financial Reporting Standards and interpretations as noted below.

| | |
|---|---|
| HKFRS 1 (Revised) | *First-time Adoption of Hong Kong Financial Reporting Standards* |
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards-Additional Exemptions for First-time Adopters* |
| HKFRS 2 Amendments | Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* |
| HKFRS 3 (Revised) | *Business Combinations* |
| HKAS 27 (Revised) | *Consolidated and Separate Financial Statements* |
| HKAS 39 Amendment | Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* |
| HK(IFRIC)-Int 17 | *Distributions of Non-cash Assets to Owners* |
| 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* |
| HK Interpretation 4 (Revised in December 2009) | *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* |

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the financial position or performance of the Group.

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

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

| | |
|---|---|
| HKFRS 1 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*[1] |
| HKFRS 9 | *Financial Instruments*[2] |
| HK(IFRIC)-Int 14 Amendments | Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3] |
| HK(IFRIC)-Int 19 | *Extinguishing Financial Liabilities with Equity Instruments*[1] |
| HKAS 24 (Revised) | *Related Party Disclosures*[3] |
| HKAS 32 Amendment | Amendment to HKAS 32 Financial Instruments: *Presentation – Classification of Rights Issues*[4] |

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 February 2010



## 2.4 SIGNIFICANT ACCOUNTING POLICIES

### Properties under development

Properties under development are intended to be held for sale after completion. On completion, the properties are transferred to completed properties held for sale.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development which are intended to be held for sale and expected to be completed within 12 months from the end of the reporting period are classified as current assets.

Properties under development which are intended to be held for sale and expected to be completed beyond 12 months from the end of the reporting period are classified as non-current assets.

### Non-current assets 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 classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

## 3. 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 periods ended 30 June 2010 and 2009. All non-current assets of the Group are located in the Mainland China.

## 4. REVENUE

| | For the six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Sale of goods – direct sale | **359,890** | 167,149 |
| Commissions from concessionaire sales | **649,945** | 496,540 |
| Rental income | **66,305** | 42,514 |
| Rental income from investment properties | **37,680** | 16,639 |
| Sublease rental income | **26,539** | 25,875 |
| Contingent rental income | **2,086** | – |
| Management fee income from operation of department stores | **18,336** | 15,961 |
| | **1,094,476** | 722,164 |

The commissions from concessionaire sales are analyzed as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Gross revenue from concessionaire sales | 3,561,837 | 2,647,609 |
| Commissions from concessionaire sales | 649,945 | 496,540 |

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.

## 5. OTHER INCOME AND GAINS

| | For the six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Other income** | | |
| Interest income | **20,027** | 14,389 |
| Interest income from bank deposits | **2,572** | 1,562 |
| Interest income from loans and receivables | **17,172** | 12,827 |
| Interest income from jointly-controlled entities | **178** | – |
| Other interest income | **105** | – |
| Advertisement and promotion administration income | **68,488** | 23,608 |
| Credit card handling income | **1,011** | 2,119 |
| Dividend income | **–** | 111 |
| Subsidy income | **7,270** | – |
| Others | **10,337** | 9,353 |
| | **107,133** | 49,580 |
| **Gains** | | |
| Fair value gains, net: | | |
| Available-for-sale investments (transferred from equity on disposal) | **–** | 38,515 |
| Gain on disposal of shares of an associate | **65,434** | 38,477 |
| Others | **–** | 94 |
| | **65,434** | 77,086 |
| | **172,567** | 126,666 |

## 6. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Purchases of goods and changes in inventories | **282,603** | 131,094 |
| Depreciation and amortization | **116,788** | 81,259 |
| Staff costs | **137,529** | 97,021 |
| Wages, salaries and bonuses | **102,454** | 69,264 |
| Pension costs – defined contribution schemes | **16,348** | 15,341 |
| Welfare, medical and other benefits | **9,752** | 5,466 |
| Equity-settled share option expense | **8,975** | 6,950 |
| Utility expenses | **56,676** | 39,786 |
| Store rental expenses | **149,896** | 112,656 |
| Credit card charges | **23,985** | 18,639 |
| Advertising expenses | **29,284** | 23,119 |
| Auditor's remuneration | **1,000** | 1,000 |
| Professional service charges | **2,190** | 1,455 |
| Other tax expenses | **35,291** | 24,193 |
| Direct operating expenses (including repairs and maintenance, but excluding depreciation and amortisation) arising on rental-earning investment properties | **15,797** | 7,175 |
| Rental income on investment properties less direct operating expenses of RMB15,797,000 (six months ended 30 June 2009: RMB7,175,000) | **(21,883)** | (9,464) |

## 7. FINANCE COSTS

| | For the six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Interest expenses on bank loans wholly repayable within five years | **25,324** | 44,869 |
| Less: Interest capitalized | **–** | (10,514) |
| | **25,324** | 34,355 |

## 8. TAX

| | For the six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Current income tax – PRC | **103,928** | 60,840 |
| Deferred taxation | **(11,180)** | (10,709) |
| | **92,748** | 50,131 |

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. North Hill Holdings Limited and River Three Holdings Limited were incorporated in British Virgin Islands ("BVI") as exempted companies with limited liability under the Company Law of BVI and is exempted from the payment of BVI income tax.

The subsidiaries established in the PRC are subject to corporate income tax ("CIT") at the rate of 25% (six months ended 30 June 2009: 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 22% (six months ended 30 June 2009: 20%). From January 1, 2008, the lower preferential tax rates enjoyed by the head office of Shanghai Intime shall gradually be increased to the statutory tax rate within 5 years of the date on which the new CIT Law comes into effect. The existing tax rate of 22% shall be increased to 24% in 2011 and 25% in 2012.

## 9. INTERIM DIVIDEND

The board of directors of the Company declared an interim dividend of RMB0.10 per share for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB0.10).

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT

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

The calculation of diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the period, 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 of or conversion of all dilutive potential ordinary shares into ordinary shares.

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| Profit attributable to owners of the parent | **300,404** | 210,388 |

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT (CONTINUED)

| | Number of shares For the six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | 1,752,447,572 | 1,750,200,000 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | 15,619,308 | 2,844,674 |
| Weighted average number of ordinary shares used in diluted earnings per share calculation | 1,768,066,880 | 1,753,044,674 |

## 11. NON-CURRENT ASSETS HELD FOR SALE

On 23 June 2010, the Group publicly announced the decision of its Board of Directors to locate a buyer to dispose the 90% equity interest in Zhongqinglv Group Wuhan Hankou Hotel Co., Ltd. ("Hankou Hotel").

## 12. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PREPAID LAND LEASE PAYMENTS

During the six months ended 30 June 2010, the Group acquired property, plant and equipment and construction in progress with a cost of RMB124,504,000 (six months ended 30 June 2009: RMB99,131,000). Depreciation for property, plant and equipment and investment properties is approximately RMB98,782,000 (six months ended 30 June 2009: RMB60,086,000) during the period.

During the six months ended 30 June 2010, amortization for land use rights is RMB19,891,000 (including RMB2,278,000 capitalized in construction in progress) (six months ended 30 June 2009: RMB18,850,000) during the period.

## 12. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PREPAID LAND LEASE PAYMENTS (CONTINUED)

The Group pledged certain of its buildings, investment properties to secure the Group's banking facilities. The carrying amounts of these buildings and investment properties as at 30 June 2010 are approximately RMB833,989,000 (31 December 2009: RMB877,673,000).

The Group pledged certain of land use rights to secure the Group's banking facilities. The carrying amounts of these land use rights as at 30 June 2010 are approximately RMB512,588,000 (31 December 2009: RMB515,419,000).

## 13. PROPERTY UNDER DEVELOPMENT

| | **30 June 2010 (Unaudited)** *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| At beginning of period | **–** | – |
| Additions | **113,951** | – |
| At end of period | **113,951** | – |

The Group's property under development were located in Mainland China.

## 14. INTERESTS IN ASSOCIATES

(a) The Group disposed of 11,021,384 shares (2.93%) of Baida Group Co., Ltd. ("Baida") during the six months ended 30 June 2010.

(b) Pursuant to a joint venture agreement with Xi'an Qujiang Datang Culture and Commerce Co., Ltd. ("Xi'an Qujiang"), Hangzhou Intime North Hill Enterprise Management Co., Ltd. ("Hangzhou North Hill") and Xi'an Qujiang established a joint venture in the PRC with registered capital of RMB175,000,000 to operate a department store in Mainland China. Hangzhou North Hill made capital injection of RMB50,000,000 in March 2010 to establish Xi'an Qujiang Intime International Shopping Mall Co., Ltd. by holding 28.571% equity interest in it.

## 14. INTERESTS IN ASSOCIATES (CONTINUED)

(c) On 12 March 2010, Hangzhou Intime Outlets Commercial Development Co., Ltd. ("Hanghzou Outlets") established a subsidiary, namely Zhejiang Intime Electronic Commerce Co., Ltd. ("Zhejiang Intime Electronic Commerce") with a paid-in capital of RMB10,600,000. On 15 June, 2010, pursuant to an joint-venture agreement, the paid-up capital of Zhejiang Intime Electronic Commerce was increased to RMB40,000,000 with cash to be injected by another three parties. The percentage of ownership interest attributable to the Group after the injection is 26.5%. As at 30 June, 2010, the additional paid-in capital of RMB29,400,000 was not yet paid up and subsequently injected.

## 15. LONG-TERM PREPAYMENTS

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 ("Chevalier International"), 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 a loan amounted to HK$150,960,000 owed by Anhui Huaqiao Hotel to Chevalier International at its par value.

On the same date, Intime Department Store Co., Ltd. ("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.

As at 30 June 2010, Intime HK paid 30% equity considerations amounting to HK$73,800,000 (RMB64,750,000 in equivalent) to Chevalier Development. Shanghai Intime paid i) 10% equity consideration amounting to RMB12,997,000 related to the 19% equity interest held by Anhui Travel Group; ii) 10% equity consideration amounting to RMB20,521,000 related to the 30% equity interest held by Anxing Development; iii) RMB1,041,000 related to the transaction cost to Anhui Assets and Equity Exchange. The remaining considerations were included in capital commitment (note 27).

In addition, Intime HK paid HK$45,288,000 (RMB39,719,000 in equivalent) to acquire the loan owed by Anhui Huaqiao Hotel. The amounts were included in prepayments, deposits and other receivables as advance to Anhui Huaqiao Hotel. The remaining considerations were included in capital commitment (note 27).

## 16. INVENTORIES

| | 30 June 2010 (Unaudited) *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| Store merchandise, at cost | **112,218** | 116,435 |
| Low value consumables | **830** | 1,869 |
| | **113,048** | 118,304 |



## 17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 30 June 2010 (Unaudited) *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| Intention money paid for potential investments | **5,590** | 10,590 |
| Rental deposits | **55,000** | 61,000 |
| Prepaid rental | **28,029** | 26,961 |
| Advances to suppliers | **56,205** | 33,394 |
| Advances to third parties | **158,919** | 62,200 |
| VAT recoverable | **78,882** | – |
| Others | **59,975** | 68,520 |
| | **442,600** | 262,665 |

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

## 18. CASH IN TRANSIT

| | 30 June 2010 (Unaudited) *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| Cash in transit | **66,992** | 48,387 |

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.

## 19. CASH AND CASH EQUIVALENTS

| | 30 June 2010 (Unaudited) *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| Cash and bank balances | **615,827** | 1,002,665 |
| Less: Restricted cash | **62,026** | 12,034 |
| Cash and cash equivalent | **553,801** | 990,631 |

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. The carrying amounts of the cash and cash equivalents approximate to their fair values.

## 20. TRADE AND BILLS PAYABLES

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:

| | 30 June 2010 (Unaudited) *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| Within 1 month | **491,147** | 666,420 |
| 1 to 2 months | **352,947** | 358,517 |
| 2 to 3 months | **46,321** | 42,633 |
| over 3 months | **46,710** | 26,924 |
| | **937,125** | 1,094,494 |

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

## 21. OTHER PAYABLES AND ACCRUALS

| | 30 June 2010 (Unaudited) *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| Payables for purchase of property, plant and equipment and prepaid land lease payments | **71,632** | 140,292 |
| Advance from customers | **527,971** | 276,082 |
| Other liabilities to local government | **23,686** | 21,446 |
| Other tax payables | **105,201** | 100,478 |
| Bonus and welfare payables | **38,356** | 47,000 |
| Deposits received from suppliers/concessionaires | **80,367** | 64,914 |
| Deposits received from building contractors | **20,000** | – |
| Accruals | **146,002** | 115,469 |
| Payables for purchase of equity interests | **100,000** | 277,115 |
| Deferred revenue | **20,824** | 15,826 |
| Deferred government subsidy | **4,034** | 3,798 |
| Payables to ex-shareholders of a subsidiary | **14,504** | 29,750 |
| Intention money received for disposal of subsidiaries | **10,000** | – |
| Others | **64,247** | 75,135 |
| | **1,226,824** | 1,167,305 |

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

## 22. INTEREST-BEARING BANK BORROWINGS

| | 30 June 2010 (Unaudited) | | | 31 December 2009 (Audited) | | |
|---|---|---|---|---|---|---|
| | Effective interest rate (%) | Maturity | *RMB'000* | Effective interest rate (%) | Maturity | *RMB'000* |
| **Current:** | | | | | | |
| Bank loans – unsecured | 4.374-5.31 | 2010-2011 | 475,000 | 4.374-5.31 | 2010 | 140,000 |
| Bank loans – secured (a) | 4.374-5.31 | 2010-2011 | 110,000 | 4.374-5.31 | 2010 | 308,000 |
| Current portion of long term bank loans – secured (a) | 5.184 | 2011 | 50,000 | 5.184 | 2010 | 20,000 |
| | | | 635,000 | | | 468,000 |
| **Non-current:** | | | | | | |
| Secured bank loans (a) | 5.184-6.336 | 2012-2015 | 340,000 | 5.184-6.534 | 2011-2015 | 530,000 |
| | | | 975,000 | | | 998,000 |

| | **30 June 2010 (Unaudited)** *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| Analysed into: | | |
| Within one year or on demand | **635,000** | 468,000 |
| In the second year | **50,000** | 70,000 |
| In the third to fifth years, inclusive | **290,000** | 435,000 |
| Beyond five years | **–** | 25,000 |
| | **975,000** | 998,000 |

## 22. INTEREST-BEARING BANK BORROWINGS (CONTINUED)

Notes:

(a) Secured bank loans of RMB500,000,000 as at 30 June 2010 were secured by certain of the Group's buildings, investment properties and prepaid land lease payments, the total carrying amount of which at 30 June 2010 was RMB1,346,577,000 (31 December 2009: RMB1,393,092,000).

(b) The carrying amounts of the Group's current bank loans as at 30 June 2010 and 31 December 2009 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 | |
|---|---|---|---|---|
| | **30 June 2010 (Unaudited)** | 31 December 2009 (Audited) | **30 June 2010 (Unaudited)** | 31 December 2009 (Audited) |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Secured bank loans | **340,000** | 530,000 | **335,175** | 526,297 |

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

| | **30 June 2010 (Unaudited)** | 31 December 2009 (Audited) |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At floating rate: | | |
| Expiring within 1 year | **40,500** | – |
| Expiring within 2 to 4 years, inclusive | **1,824,050** | 1,266,550 |
| Expiring after 5 years | **–** | 300,000 |
| | **1,864,550** | 1,566,550 |

The Group's banking facilities were secured by certain buildings, investment properties and prepaid land lease payments (note 12) of the Group.

## 23. SHARE CAPITAL

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

The subscription rights attaching to 4,233,500 share options were exercised at the subscription price of HK$1.88, HK$3.56 and HK$5.64 per share, resulting in the issue of 4,233,500 shares of US$0.00001 each for a total cash consideration, before expenses, of HK$16,863,100.

## 24. SHARE OPTION SCHEME

On 26 May 2010, 19,450,000 share options were granted to certain management in respect of their services to the Group, under the share option schemes of the Company. 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.

During the period ended 30 June 2010, the expense recognized in the income statement for the share option scheme amounted to RMB8,977,000 (six months ended 30 June 2009: RMB6,950,000).

## 25. CONTINGENT LIABILITIES

On 8 November 2007, Jiaxing Intime Investment and Management Co., Ltd. ("Jiaxing Intime") and Intime Department Store Co., Ltd. ("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 Intime Meiwan Xintiandi Investment and Management Co., Ltd. ("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 represent 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 represent 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

## 25. CONTINGENT LIABILITIES (CONTINUED)

(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.

## 26. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its investment properties 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 30 June 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

| | **30 June 2010 (Unaudited)** *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| Within one year | **109,936** | 103,278 |
| In the second to fifth years, inclusive | **338,155** | 340,035 |
| After five years | **312,226** | 352,195 |
| | **760,317** | 795,508 |

The amounts above include future minimum sublease payments expected to be received under non-cancellable subleases amounting to RMB163,357,000 (31 December 2009: RMB197,004,000) as at 30 June 2010.

## 26. OPERATING LEASE ARRANGEMENTS (CONTINUED)

### (b) As lessee

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

At 30 June 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | 30 June 2010 (Unaudited) *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| Within one year | **197,352** | 197,032 |
| In the second to fifth years, inclusive | **1,151,806** | 948,113 |
| After five years | **3,570,747** | 2,996,876 |
| | **4,919,905** | 4,142,021 |

## 27. COMMITMENTS

In addition to the operating lease commitments detailed in note 26(b) above, the Group had the following capital commitments at the end of the reporting period:

| | 30 June 2010 (Unaudited) *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| Contracted, but not provided for: | | |
| Land and buildings | **11,670** | 35,239 |
| Equity interests (note 15) | **451,890** | – |
| Shareholder's loan (note 15) | **92,187** | – |
| | **555,747** | 35,239 |

## 27. COMMITMENTS (CONTINUED)

| | 30 June 2010 (Unaudited) *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| Authorised, but not contracted for: | | |
| Land and buildings | **639,530** | 657,000 |

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:

| | 30 June 2010 (Unaudited) *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| Authorised, but not contracted for | **35,000** | 36,000 |

## 28. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to 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.

## 28. RELATED PARTY TRANSACTIONS (CONTINUED)

### (a) Name and relationship of related parties

| Name | Relationship |
| --- | --- |
| Mr. Shen Guojun | Shareholder of the Company |
| Beijing Yintai Property Co., Ltd. ("Yintai Property") | Controlled by the Mr. Shen Guojun |
| China Yintai Holding Co., Ltd. ("China Yintai") | Controlled by the Mr. Shen Guojun |
| Beijing Guojun Investment Co., Ltd. ("Beijing Guojun") | Controlled by the Mr. Shen Guojun |
| Metro Land Corporation Ltd. ("Metro Land") | 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 Company Limited ("Hiwell Real Estate") | Associate of China Yintai |
| Baida | Associate of the Group |
| Zhejiang Intime Electronic Commerce | Associate of the Group |
| Beijing Intime Lotte Department Store Co., Ltd. ("Intime Lotte") | Jointly-controlled entity of China Yintai |
| Hangzhou Xin Hubin Commercial Development Co., Ltd. ("Xin Hubin") | Jointly-controlled entity |
| Hangzhou Hubin International Commercial Development Co., Ltd. ("Hubin International") | Jointly-controlled entity of Beijing Guojun |
| Ningbo Yintai Department Store Co., Ltd. ("Ningbo Yintai") | Subsidiary of Metro Land |
| Beijing Metro Land Property Co., Ltd. ("Beijing Metro Land Property") | Subsidiary of Metro Land |

## 28. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Transactions with related parties

The following transactions were carried out with related parties:

| | For the six months ended 30 June | |
|---|---|---|
| | 2010 (Unaudited) *RMB'000* | 2009 (Unaudited) *RMB'000* |
| Renal expense and management fee: | | |
| Yintai Property (note (i)) | **1,816** | 1,816 |
| Metro Land (note (ii)) | **21,166** | 19,537 |
| | **22,982** | 21,353 |
| Advances to related parties: | | |
| Xin Hubin | **–** | 41,021 |
| Hubin International | **–** | 31,000 |
| Zhejiang Intime Electronic Commerce | **3,903** | – |
| | **3,903** | 72,021 |
| Advance to jointly-controlled entities: | | |
| Xin Hubin | **5,743** | – |
| Advance from related parties: | | |
| Zhejiang Intime Electronic Commerce | **10,000** | – |
| Management fee from a related party | | |
| Baida (note (iii)) | **18,336** | 15,961 |
| Loans made to a related party: | | |
| Intime Lotte (note (iv)) | **–** | 55,000 |
| Repayment of loans and receivables from related parties: | | |
| Beijing Guojun | **151,920** | – |
| Xin Hubin | **60,000** | – |
| Intime Lotte | **20,379** | 26,708 |
| | **232,299** | 26,708 |
| Interest income from related parties: | | |
| Beijing Guojun | **8,069** | – |
| China Yintai | **3,452** | – |
| Intime Lotte | **3,007** | 7,384 |
| Xin Hubin | **178** | – |
| Hiwell Real Estate | **–** | 3,451 |
| | **14,706** | 10,835 |

## 28. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Transactions with related parties (Continued)

The following transactions were carried out with related parties: (continued)

| | For the six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Purchases from a related party: | | |
| Ningbo Yintai | **8,530** | – |
| Customers' consumptions in related parties with the Group's prepaid cards (net-off with Baida's prepaid card used in the Group's department stores): | | |
| Baida | **55,037** | – |
| Intime Lotte | **2,609** | – |
| | **57,646** | – |

## 28. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Transactions with related parties (Continued)

Notes:

(i) In 2008, Zhejiang Intime Department Store Co., Ltd. ("Zhejiang Intime") entered into an agreement with Yintai Property, to lease certain floors of an office building for its operation and renewed the agreement on 25 June 2010.

(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.

(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 the six months ended 30 June 2010, Zhejiang Intime recognised management fee income of RMB18,336,000 from managing the operation of the Operating Entities of Baida.

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.

## 28. RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Due from related parties

The Group had the following significant balances due from related parties at the end of the reporting period:

| | 30 June 2010 (Unaudited) *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| Due from related parties: | | |
| Hubin International | **658** | 658 |
| Metro Land (note (i)) | **6,500** | 6,500 |
| Beijing Metro Land Property (note (ii)) | **4,000** | – |
| Yintai Property (note (iii)) | **2,008** | – |
| Baida | **3,932** | 2,339 |
| Xin Hubin | **38,191** | 92,270 |
| Zhejiang Intime Electronic Commerce | **3,903** | – |
| | **59,192** | 101,767 |

Notes:

(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.

(ii) The amount due from Beijing Metro Land Property represents a deposit of RMB4,000,000 in connection with a lease agreement between Zhejiang Intime and Metro Land Property entered into on 18 January 2010.

(iii) The amount due from Yintai Property represents a deposit of RMB2,080,000 in connection with a renewal lease agreement between Zhejiang Intime and Yintai property entered into on 25 June 2010.

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

## 28. RELATED PARTY TRANSACTIONS (CONTINUED)

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

| | 30 June 2010 (Unaudited) *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| Intime Lotte | **47,718** | 68,511 |
| China Yintai | **133,868** | 130,416 |
| Beijing Guojun | **151,920** | 303,840 |
| | **333,506** | 502,767 |



### (e) Due to related parties

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

| | 30 June 2010 (Unaudited) *RMB'000* | 31 December 2009 (Audited) *RMB'000* |
|---|---|---|
| Due to related parties: | | |
| Zhejiang Intime Electronic Commerce | **10,000** | – |
| Ningbo Yintai | **8,530** | – |
| Baida | **10,565** | – |
| Metro Land | **1,666** | 1,682 |
| Yintai Property | **303** | 303 |
| Intime Lotte | **42** | – |
| | **31,106** | 1,985 |

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

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

## 28. RELATED PARTY TRANSACTIONS (CONTINUED)

### (f) Key management compensation

| | For the six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| | **(Unaudited)** | (Unaudited) |
| | ***RMB'000*** | *RMB'000* |
| Salaries, allowances and other benefits | **2,679** | 2,595 |
| Discretionary bonuses | **3,242** | 2,806 |
| Contributions to a retirement plan | **232** | 187 |
| Share option scheme | **5,518** | 4,494 |
| | **11,671** | 10,082 |

## 29. EVENTS AFTER THE REPORTING PERIOD

On 6 July 2010, the Bureau of Commerce of Anhui Province approved equity transactions of the 19% equity interest in Anhui Huaqiao Hotel from Anhui Travel Group to Shanghai Intime and 30% equity interest in Anhui Huaqiao Hotel from Anxing Development to Shanghai Intime.

# Management Discussion and Analysis

## INDUSTRY OVERVIEW

China's economy generally performed well in the first half of 2010 with the national GDP grew at a steady rate of 11.1% year-on-year. Domestic demand was still the major growth driver of the economy with the total retail sales of consumer goods reached RMB7,266.9 billion, representing a year-on-year rise of 18.2%. In the first half of this year, the per capita disposable income of urban households gained 10.2% to RMB9,757.

The economy of Zhejiang province, where most of the Group's sales and profit was generated, is back to a more sustainable growth path. In the first half of this year, the GDP of Zhejiang province increased by 13% year-on-year to RMB1,190 billion. Retail consumption remained buoyant under the solid income growth of the past few quarters. The total retail sales of consumer goods in Zhejiang province rose by 19% to RMB476.3 billion. The per capita disposable income of urban households in Zhejiang province also increased by 11.6% to RMB14,919.



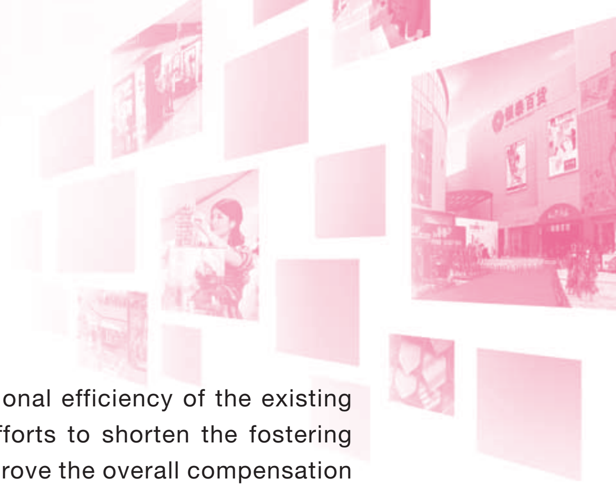


The economy of Hubei province, where the Group currently operates five stores, continued to grow rapidly with a GDP growth of 15.7% over the same period of last year. The total retail sales of consumer goods in Hubei province rose to RMB313.2 billion in the first half of 2010, representing year-on-year growth of 18.5%. The per capita disposable income of urban households in Hubei province also increased by 11.8% to RMB8,352.

## OPERATIONAL OVERVIEW

In the first half of the year, the Group achieved strong and stable business growth of its operations. For the six months ended 30 June 2010, total gross sales proceeds of the Group increased to RMB4,006.4 million, representing an increase of 39.4% compared with the same period last year. The Group's department store achieved same store sales growth of 17.2% during the period under review. Total revenue reached RMB1,094.5 million, representing an increase of 51.6% compared with the same period in 2009. Profit attributable to owners of the parent was RMB300.4 million, representing an increase of 42.8% compared with the same period in 2009.

During the period under review, the Group further strengthened its position as the leading department store operator in Zhejiang province by opening Intime Fuyang Store in April 2010. Intime Fuyang Store is the Group's first county-level store in the northern region of Zhejiang province with a GFA of 26,000 square meters. By leveraging on its leading position in Zhejiang province, the Group aims to achieve greater synergy in regional merchandising, marketing, storefront management, cost and staff's training and development. As at 30 June 2010, the Group operated and managed a total of 22 stores with a total GFA of 850,939 square meters, including 16 department stores located in the principal cities within Zhejiang province, 5 department store located in Hubei province and 1 store located in Shaanxi province.



During the first half of 2010, the Group focused on improving operational efficiency of the existing stores by enhancing their profit contribution and made concerted efforts to shorten the fostering period of the new stores. Even though the Group took initiatives to improve the overall compensation levels of its staff under the background of widespread national wage increase, the staff cost and operating expenses as a percentage of total revenue are still lower than the corresponding period of last year. The Group's department stores focus on the young and trendy segment of the market while providing comprehensive range of products and services to its customers. Various promotional activities were hold during the period to draw existing and new customers into its stores and to further increase our brand recognition.

In order to enhance return on capital investment, the Group disposed of its 90% equity interest in Zhongqinglv Group Wuhan Hankou Hotel Co., Ltd ("Hankou Hotel") and the shareholder's loan of Hankou Hotel for a total consideration of RMB320 million in June 2010. Due to recent changes in the local city planning, the Hankou Plaza Project, which is being developed by Hankou Hotel in Wuhan, can no longer be pursued in a manner consistent with the Group's strategy as originally contemplated. The unaudited gain of approximately RMB50 million upon the completion of disposal of the above equity interest will be booked into the second half of 2010.

In the 2010 Suppliers Conference held in June, the Group further strengthened its collaborations with suppliers by signing strategic cooperation agreements with 188 leading and popular brand names, up from 149 brands name signed in 2009 Suppliers Conference. 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 latest fashion product.

In the first half of 2010, the Group continued with its "regional predominance" strategy to further expand its store network in cities or regions where the Group has established a leadership position and to look for new sites in prime locations of cities with good growth prospect.

In January 2010, the Group established a formal long-term strategic cooperation relationship with Metro Land Corporation Ltd. ("Metro Land") and become a preferred partner in operating commercial complexes on top of subway exits developed by Metro Land in Beijing. 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. 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 believe that the strategic cooperation with Metro Land offers great potential and strategic opportunity for the Group to grow its business in the Beijing market.

On 3 April 2010, the Group entered into agreement with Chevalier Development China Limited to acquire the 100% equity interests in Smartco Holdings Limited ("Smartco") which holds a 51% equity interest in Anhui Province Huaqiao Hotel Company Limited ("Anhui Huaqiao Hotel") at a consideration of HK$246.0 million and the loan amounted to HK$151 million owed by Smartco and its subsidiaries to Chevalier International Holdings Limited at its par value. On the same day, the Group entered into agreement with Anhui Province Travel Group Company Limited to acquire a 19% equity interest in Anhui Huaqiao Hotel at a consideration RMB130 million and entered into agreement with Anhui Anxing Development Joint-Stock Company Limited to acquire a 30% equity interest in Anhui Huaqiao Hotel at a consideration of RMB205.2 million. Upon the completion of the above acquisitions, Anhui Huaqiao Hotel will be owned as to 100% by the Group.

Anhui Huaqiao Hotel owns the entire interest in the Huaqiao Plaza Project which is located at a prime commercial area in Hefei, Anhui province. The Company plans to utilize the Huaqiao Plaza Project primarily to operate a large, modern, shopping-mall style department store with GFA of approximately 100,000 square meters. Strategically, Anhui province is located right between Zhejiang province and Hubei province, where the Group has established strong presence and competitive market position. Entering Anhui department store market plays an important role in the Group's overall strategy of connecting its business operation in the two adjacent provinces and enhancing the management efficiency of its current operations.

Hubei Xiantao store, which was acquired by the Group in December 2009 in Xiantao, Hubei province, contributes 8.2% of gross sales proceeds and 17% of revenue to the Group's financials in the first half of 2010. In order to enhance its leading position in Xiantao consumer market and improve the Group's market share in Hubei province, the Group signed a purchase contract with a total consideration of RMB68 million in July 2010 to acquire a property with floor area of approximately 9,500 square meters which had been leased by Hubei Xiantao store to conduct retail business. Such acquisition will enhance the security of Hubei Xiantao store's business status.

In the first half of 2010, the Group continued to strengthen its financial position and to improve its asset quality. The Group reduced part of the shareholdings in an associated company, Baida. This disposal generated total cash proceeds of RMB115.8 million. As of the period end, the Group holds a 11.64% equity interest in Baida. In addition, on 5 July 2010, the Group signed a supplemental agreement to the entrusted management contract, which was initially signed in January 2008, with Baida, to increase an additional area under management of around 7,000 square meters. The increase of operating areas under management offers the Group an opportunity to increase Baida store's future sales and the Group's future management fee income, and is a rewarding outcome resulting from the Group's smooth execution of its management contract with Baida.

## OUTLOOK

Looking into second half of 2010, the PRC economy is expected to maintain its steady growth. The Group believes that the demand in the department store retailing market in the PRC is significant and is growing strongly, but this give rise to a more intense competition. Going forward, the Group will continue to enhance its core competitive edge, expand store footprint and further secure its leadership position in Zhejiang province, and explore opportunities to achieve broader nationwide business coverage. With the concerted efforts from our employers, we believe that the Group's core competence will be further strengthened and the Group will deliver more value to our shareholders and customers.

## FINANCIAL REVIEW

### Total gross sales proceeds and revenue

During the first half year under review, total gross sales proceeds of the Group (that is, aggregate proceeds from direct sales, gross revenue from concessionaire sales, rental income and management fee income) was RMB4,006.4 million, representing an increase of 39.4% from RMB2,873.2 million recorded in the corresponding period in 2009. This increase was primarily attributable to the same store sales growth of approximately 17.2%, the inclusion of the full six months' sales performance of the six new stores opened in the year 2009 and the growth in rental income from investment properties.

The commission rate of concessionaire sales for the first half of year 2010 was about 18.2%, which is slightly below the rate of 18.8% for the same period last year. Such decrease was mainly due to the change of fee collection method from suppliers since the second half of 2009. Approximately RMB30 million income was charged on suppliers as advertisement and promotion administration income instead of commissions of concessionaire sales. If the influence of such factor is excluded, the comparable commission rate for the first half of year 2010 would be 19.1%, which is slightly higher than that of the same period last year. Direct sales margin was 21.5% in the first half of this year, maintained at similar level as the same period of last year. The Group will conduct regular reviews on the performance of the Group's suppliers and concessionaires, with the aim to enhance and strengthen product portfolios and provide better shopping choices to its customers.

The Group's revenue for the six months ended 30 June 2010 amounted to RMB1,094.5 million, representing a remarkable growth of 51.6% as compared with RMB722.2 million for the six months ended 30 June 2009. Such increase reflects the strong underlying growth trend of the retail consumption in Zhejiang province and Hubei province, and the increase of direct sales in the sales mix.

### Other income and gains

For the period ended 30 June 2010, the Group's other income were RMB107.1 million, representing an increase of 116% from RMB49.6 million recorded in the corresponding period of last year. The growth was largely due to significant increase in advertisement and promotion administration, which increased by RMB44.9 million to RMB68.5 million for the six months ended 30 June 2010.

Other gains of the Group amounted to RMB65.4 million for the six months ended 30 June 2010, which is the gain on disposal of shares of Baida. The other gains for the period ended 30 June 2010 were slightly below the other gains of RMB77.1 million recorded in the corresponding period of last year.





### Purchase of goods and change in inventories

The purchase of goods and changes in inventories refer to the cost of the direct sales. In line with the growth of direct sales, the cost of sales increased to RMB282.6 million for the period ended 30 June 2010, representing an increase of 115.6% from RMB131.1 million recorded in the corresponding period in 2009.

### Staff costs

For the six months ended 30 June 2010, Group's staff costs increased to RMB137.5 million, representing an increase of 41.8% from RMB97.0 million recorded in the corresponding period in 2009. The increase was primarily attributable to the inclusion of the full six months' staff cost of the new stores opened in 2009 and the inclusion of the staff costs for new store opened in the first half of 2010. In addition, the Group has increased the general compensation level and benefit package for all staff not only to reward them for their contribution to the Group's operating performance for the passing year, but also in line with the national government policy of employee benefit improvement. However, notwithstanding such staff costs increase, staff costs as a percentage of total revenue for the period was 12.6%, which was actually 0.8% lower than the 13.4% recorded for the corresponding period of last year.

### Depreciation and amortization

For the six months ended 30 June 2010, Group's depreciation and amortization increased to RMB116.8 million, representing an increase of 43.7% from RMB81.3 million recorded in the corresponding period in 2009. The increase was primarily attributable to the inclusion of depreciation and amortization costs for new stores and retail properties opened in the year of 2009 and the first half year of 2010.

## Other expenses

Other expenses, which mainly consisted of utility expenses, store rental expenses, advertising expenses, credit card charges and other tax expenses, amounted to RMB338.6 million for the six months ended 30 June 2010, representing an increase of 29.2% from RMB262.0 million recorded in the same period last year. The increase was mainly due to the inclusion of the full six months' store rental expenses of the new stores opened in the year 2009 and the start-up expenses for the new store opened in the first half of year 2010. Other expenses as a percentage to total revenue for the period were 30.9%, which is lower than the 36.3% recorded in the corresponding period of last year, indicating that improvement was made in the overall operating efficiency of the Group during the period.

## Finance costs

During the period under review, the Group achieved a substantial saving in interest expenses. The Group's finance costs decreased to RMB25.3 million for the first six months of 2010, representing a decrease of 26.5% from RMB34.4 million recorded in the first six months of 2009, The total bank borrowing of the Group decreased from RMB998 million as at 31 December 2009 to RMB975 million as at 30 June 2010.

## Share of losses of jointly-controlled entities

The share of losses of jointly-controlled entities for the six months ended 30 June 2010 amounted to RMB0.76 million, which is substantially lower than the losses of RMB28.6 million recorded in the corresponding period of last year. Such decrease was the result of the disposal of the Group's stake of the unprofitable joint venture stakes in Hangzhou Hubin International Commercial Development Co. Ltd. and Beijing Intime Lotte Department Store Co. Ltd in 2009.

## Share of profits of associates

The share of profit of associates for the six months ended 30 June 2010 amounted to RMB42.6 million, representing an increase of 0.5% from RMB42.4 million recorded in the corresponding period of last year. As at 30 June 2010, the Group maintained a 22.62% equity interest in Wushang and a 11.64% equity interest in Baida.

## Income tax expense

The Group's income tax expense for the six months ended 30 June 2010 amounted to RMB92.7 million, representing an increase of 85.0% from RMB50.1 million recorded in the first half of 2009. Effective tax rate of the Group for the six months ended 30 June 2010 was 22.7%, slightly higher than that of the same period of last year.

# Management Discussion and Analysis

## Profit for the period

As a result of the reasons mentioned above, profit for the six months ended 30 June 2010 was RMB315.3 million, representing an increase of 52.5% from RMB206.8 million recorded in the same period in 2009.

## Profit attributable to owners of the parent

Profit attributable to owners of the parent for the six months ended 30 June 2010 was RMB300.4 million, representing an increase of 42.8% from RMB210.4 million recorded in the same period of 2009.



## Liquidity and financial resources

Cash and cash equivalents of the Group as at 30 June 2010 amounted to RMB615.8 million, while it was RMB1,002.7 million as at 31 December 2009. During the period, the Group's net cash inflow from operating activities amounted to RMB292.3 million, the net cash outflow from financing activities amounted to RMB64.3 million and the net cash outflow from investment activities was RMB656.7 million.

As at 30 June 2010, total bank borrowings of the Group were RMB975 million, which represented a decrease of 2.3% from RMB998 million as at the end of December 2009. All borrowings are denominated in RMB. 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 12.4% as at 30 June 2010, which is 0.9% lower than the 13.3% recorded as at 31 December 2009. In general, the Group's liquidity position remained stable and healthy.

## Net current liabilities and net assets

The net current liabilities of the Group as at 30 June 2010 amounted to RMB1,197.2 million, while it was RMB913.7 million as at 31 December 2009. Net assets of the Group as at 30 June 2010 was RMB4,164.5 million, an increase of 7.0% from RMB3,893.7 million as at 31 December 2009.

## Pledge of assets

Certain buildings, investment properties, construction in progress and land use rights with carrying amount of RMB1,346.6 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 RMB2,277.1 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 30 June 2010, the total outstanding balance of interest-bearing bank loans was RMB975 million. The Group currently has not used any derivatives to hedge the interest rate risk.

## Foreign exchange risk

The operations of the Group are mainly carried out in the PRC with most transactions settled in RMB. 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 30 June 2010, the Group had about 5,068 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 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 25 to the Interim Condensed Consolidated Financial Statements.

# Other Information

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

As at 30 June 2010, 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 | 44.11% |
| Mr. Ching Siu Leung | Beneficial owner[3] | L1,100,000 | 0.06% |
| Mr. Chen Xiaodong | Beneficial owner[4] | L15,900,000 | 0.91% |

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 of the Company ("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 1,100,000 Shares in the Company as at 30 June 2010.

(4) Mr. Chen Xiaodong, the Chief Executive of the Company, held options in respect of a total of 15,900,000 Shares as at 30 June 2010.

Save as disclosed above, as at 30 June 2010, 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 30 June 2010, 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 | 44.11% |
| Glory Bless Limited[2] | Interest of controlled corporation | L774,316,255 | 44.11% |
| Intime International Holdings Limited[2] | Beneficial owner | L774,316,255 | 44.11% |
| Warburg Pincus & Co.[3] | Interest of controlled corporations | L277,845,000 | 15.83% |
| Warburg Pincus Partners LLC[3] | Interest of controlled corporations | L277,845,000 | 15.83% |
| Warburg Pincus IX, LLC[3] | Interest of controlled corporation | L138,922,500 | 7.91% |
| Warburg Pincus Private Equity IX, L.P.[3] | Beneficial owner | L138,922,500 | 7.91% |
| Warburg Pincus International Partners, L.P.[3] | Beneficial owner | L130,982,296 | 7.46% |

# Other Information

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 30 June 2010, 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 disclosed in the Company’s prospectus dated 7 March 2007.

The Scheme will remain valid for a period of ten years commencing on 20 March 2007, after which no further share options will be granted but the provisions of the Scheme shall remain in full force and effect in other respects. Share options complying with the provisions of the Listing Rules which are granted during the duration of the Scheme and remain unexercised immediately prior to the end of the 10-year period shall continue to be exercisable in accordance with their terms of grant within the share option period for which share options are granted, notwithstanding the expiry of the Scheme. The maximum number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of listing of shares of the Company (such 10% representing 180,000,000 shares), without prior approval from the Company's shareholders. No option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of the Options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time, unless the approval of our shareholders is obtained. Options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates in the 12-month period in excess of 0.1% of the Company's issued share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

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

# Other Information

The movements in share options granted under the share option scheme adopted by the Company for the six months ended 30 June 2010 are shown below:

| Name or category of participant | Date of Grant | Exercise Price per share *HK$* | Number of share options: As at 1 Jan 2010 | Granted during the period | Exercised during the period | Lapsed during the period | Forfeited during the period | As at 30 Jun 2010 | Exercise Period | Closing price immediately before the date of grant *HK$* | Weighted Average closing price immediately before the date of exercise *HK$* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Director** | | | | | | | | | | | |
| Ching Siu Leung | 21/3/2007 | 6.44 | 1,650,000 | - | - | 550,000 | - | 1,100,000 | 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 | 900,000 | - | - | - | - | 900,000 | 19/9/09-18/9/14 | 3.20 | |
| | 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 | |
| | 26/5/2010 | 6.49 | - | 3,000,000 | - | - | - | 3,000,000 | 27/5/11-26/5/16 | 6.24 | |
| **Other employees in aggregate** | 11/4/2008 | 5.64 | 10,666,00 | - | 2,083,500 | - | - | 8,582,500 | 12/4/09-11/4/14 | 5.60 | 7.79 |
| | 18/9/2008 | 3.56 | 7,420,000 | - | 637,000 | - | - | 6,783,000 | 19/9/09-18/9/14 | 3.20 | 7.65 |
| | 4/3/2009 | 1.88 | 15,440,000 | - | 1,513,000 | - | 525,000 | 13,402,000 | 5/3/10-4/3/15 | 1.83 | 7.64 |
| | 20/10/2009 | 5.50 | 1,000,000 | - | - | - | - | 1,000,000 | 21/10/10-20/10/15 | 5.35 | |
| | 26/5/2010 | 6.49 | - | 16,450,000 | - | - | - | 16,450,000 | 27/5/11-26/5/16 | 6.24 | |
| Total | | | 49,076,000 | 19,450,000 | 4,233,500 | 550,000 | 525,000 | 63,217,500 | | | |

## PURCHASE, SALE AND REDEMPTION OF COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2010.

## INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of RMB0.10 per share for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB0.10 per share) to shareholders whose names appear on the register of members of the Company on 8 October 2010. The interim dividend are expected to be paid on or around 8 November 2010.

## CLOSURE OF REGISTERS OF MEMBERS

The Company's register of members will be closed from 5 October 2010 to 8 October 2010 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the declared interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 4 October 2010.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the period from the date of listing of shares to 30 June 2010.

## THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the six months ended 30 June 2010.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules ("Model Code") as its own code of conduct regarding Directors' securities dealing.

The Board is pleased to confirm, after making specific enquiries with the Directors, that all Directors have fully complied with the code provisions of Model Code during the six months ended 30 June 2010.

# Other Information

## AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal control and financial reporting with the management, including the review of the unaudited interim condensed accounts for the period ended 30 June 2010 of the Group. The Audit Committee considered that the interim financial results for the six months ended 30 June 2010 is in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Audit Committee has three members comprising two independent non-executive directors, namely, Mr. Chow Joseph and Mr. Yu Ning, and one non-executive director, namely, Mr. Li Hui, David, with terms of reference in compliance with the Listing Rules.

## APPRECIATION

The Board would like to express its sincere appreciation to the shareholders, customers, suppliers and staff for their continued support to the Group.

By Order of the Board
**Intime Department Store (Group) Company Limited**
**Shen Guojun**
*Chairman*

Beijing, 23 August 2010