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

ANNUAL REPORT 2010

Contents

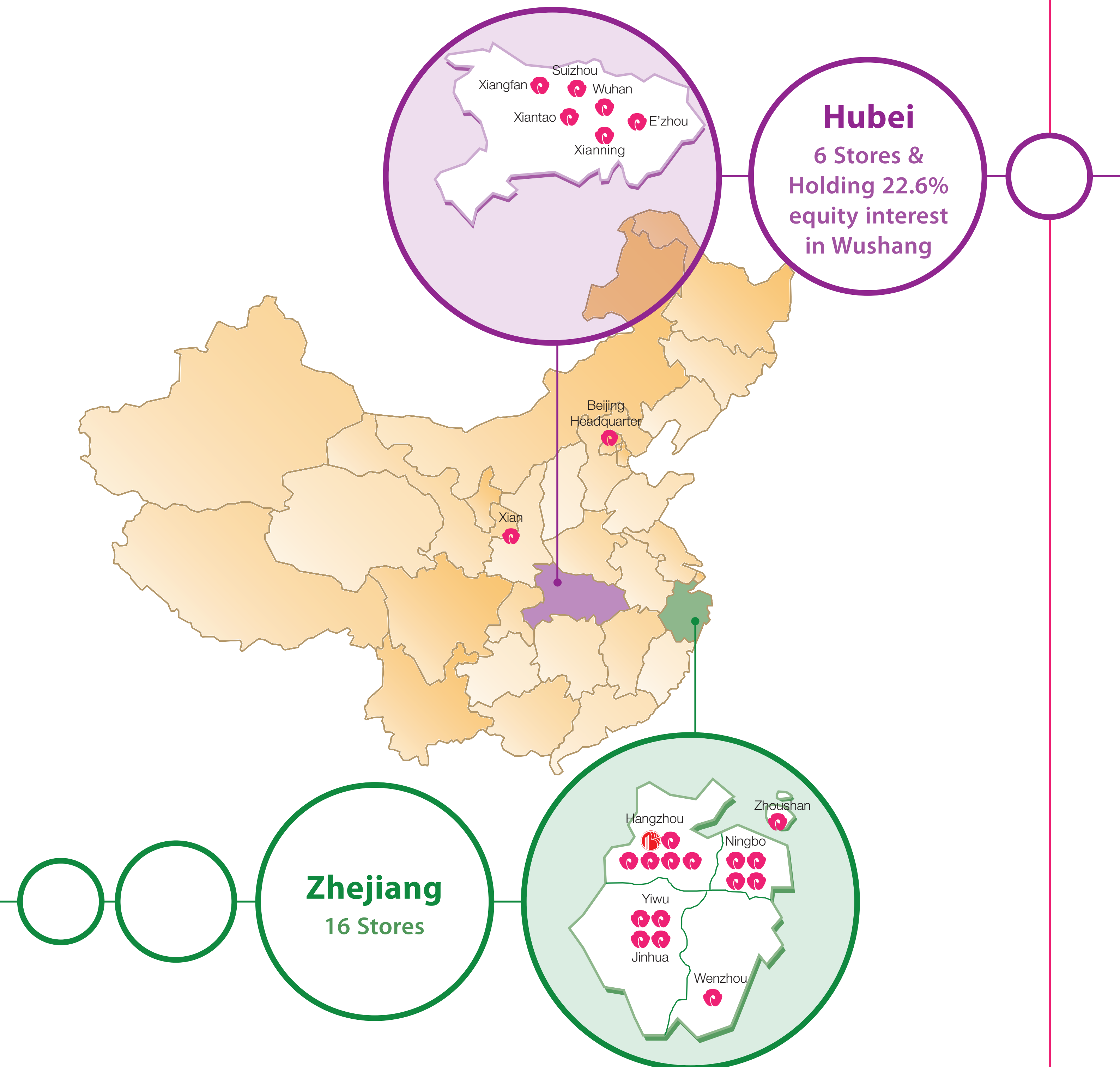
Corporate Profile

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

Intime Department Store (Group) Company Limited (the "Company") was incorporated in the Cayman Islands with limited liability on 8 November 2006. The Company and its subsidiaries (the "Group") are principally engaged in the operation and management of department stores in the People's Republic of China (the "PRC"). The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 March 2007.

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 established a leading position in Zhejiang province and a strong presence in Hubei province. The Group holds equity interests in two domestically listed department store companies – Baida Group Co., Ltd. ("Baida") and Wuhan Department Store Group Co., Ltd. ("Wushang"). Currently, the Group operates and manages a total of 23 department stores with a total gross floor area ("GFA") of 898,939 square meters ("sq.m."), including 16 department stores located in the major cities of Zhejiang province, 6 department stores located in Hubei province and 1 store located in Shaanxi province.

The Group adopts "Bring you a new lifestyle" as its motto and has traditionally targeted young and modern families as its major customers. The Group focuses on operating trendy department stores while also actively developing comprehensive shopping malls. 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.


Xiangfan
Suizhou
Wuhan
Xiantao
E'zhou
Xianning
Hubei
6 Stores &
Holding 22.6%
equity interest
in Wushang
Beijing
Headquarter
Xian
Zhejiang
16 Stores
Hangzhou
Zhoushan
Ningbo
Yiwu
Jinhua
Wenzhou

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

SHEN Guojun *(Chairman)*
CHING Siu Leung

Non-Executive Directors

XIN Xiangdong
LI Hui, David
LEE Ka Kit, JP (appointed on 18 January 2011)

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

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Email: info@intime.com.cn

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1703, 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

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

Hong Kong

Bank of China (Hong Kong) Limited
JPMorgan Chase Bank N.A.

PRC

Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
Shanghai Pudong Development Bank

AUDITORS

Ernst & Young
Certified Public Accountants

STOCK CODE

1833

COMPANY WEBSITE

www.intime.com.cn

Financial Highlights

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

	Year ended 31 December				
	2006#	2007#	2008# (Restated)	2009	**2010**
	RMB'000	RMB'000	RMB'000	RMB'000	***RMB'000***
Operating Results					
Revenue	676,342	884,059	1,224,546	1,572,095	**2,288,753**
Profit before income tax	300,623	512,469	475,809	572,752	**926,141**
Profit for the year	219,509	374,856	362,649	449,367	**701,339**
Profit attributable to:					
– Owners of the parent	206,406	378,368	377,586	462,609	**685,189**
– Non-controlling interests	13,103	(3,512)	(14,937)	(13,242)	**16,150**
Full year dividends per share (RMB)	N/A*	0.064	0.066	0.132	**0.15**
Basic earnings per share (RMB)	0.15	0.22	0.21	0.26	**0.39**
Diluted earnings per share (RMB)	N/A**	0.22	0.21	0.26	**0.36**

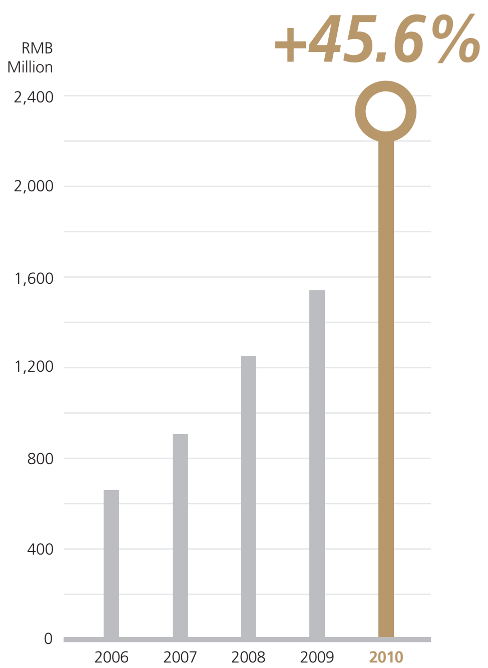
	Year ended 31 December				
	2006#	2007#	2008# (Restated)	2009	**2010**
	RMB'000	RMB'000	RMB'000	RMB'000	***RMB'000***
Assets and Liabilities					
Total assets	2,246,099	6,195,272	7,190,507	7,485,511	**12,289,483**
Total liabilities	(1,337,691)	(2,152,106)	(3,481,960)	(3,591,858)	**(6,574,449)**
Total equity	908,408	4,043,166	3,708,547	3,893,653	**5,715,034**
– Owners' equity	908,408	3,873,557	3,270,882	3,448,194	**5,310,654**
– Non-controlling interests	–	169,609	437,665	445,459	**404,380**

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

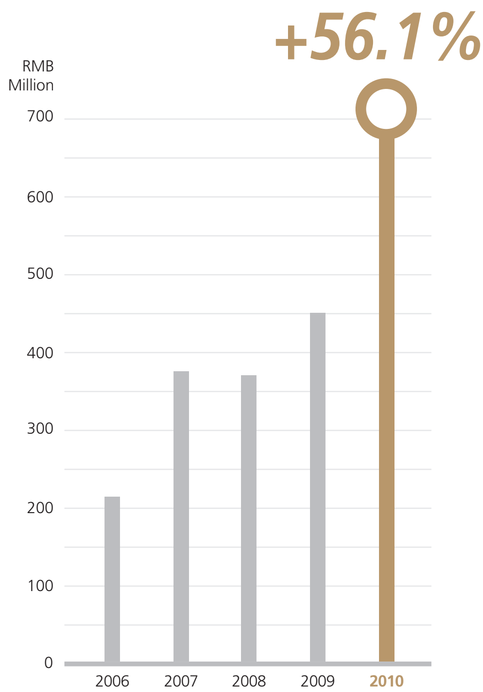
** No diluted earnings per share for year 2006 is presented since no diluting events existed during that year.

\# The Group has adopted HK(IFRIC) – Int 13 Customer Loyalty Programmes ("Int 13") to prepare the consolidated financial statements for the year ended 31 December 2009 and has retrospectively restated comparatives of the consolidated financial statements for the year ended 31 December 2008 accordingly. The management of the Company is of the view that the adoption of Int 13 has no significant impact on the financial information for the period from 2006 to 2007, therefore such financial information have not been restated.

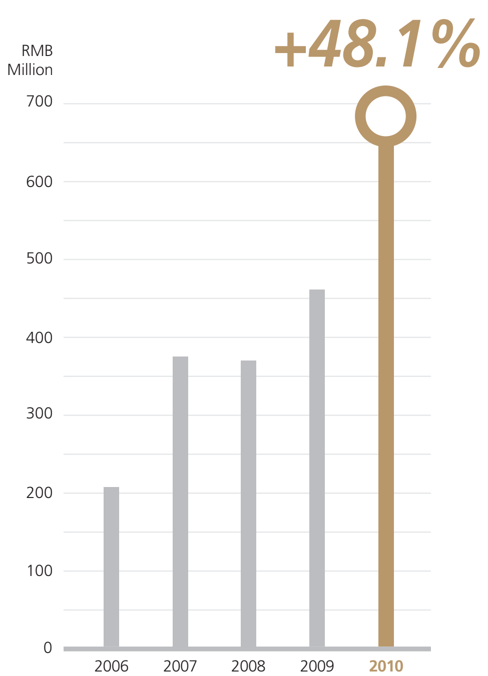
REVENUE



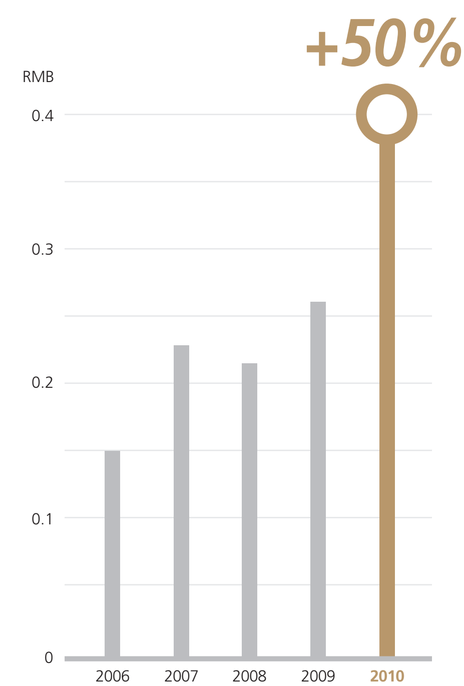
PROFIT FOR THE YEAR



PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT



BASIC EARNINGS PER SHARE



Chairman's Statement

We have maintained strong business momentum through the year to deliver another good set of results with total revenue up 45.6% to RMB2,288.8 million in 2010. The profit attributable to owners of the parent reached RMB685.2 million in 2010, representing an increase of 48.1% over the previous year. Basic earnings per share increased by 50% to RMB0.39.

The Group's vision is to become a nation-wide leading department store chain. In achieving this we aim to be a great place for our customers to shop; a great place for our people to work; and to generate good returns for our shareholders. I am very pleased to be able to report significant progress on our journey towards achieving this vision during 2010.

We have maintained strong business momentum through the year to deliver another good set of results with total revenue up 45.6% to RMB2,288.8 million in 2010. The profit attributable to owners of the parent reached RMB685.2 million in 2010, representing an increase of 48.1% over the previous year. Basic earnings per share increased by 50% to RMB0.39.

In view of the Group's strong financial performance, the Board has proposed the payment of a final dividend of RMB0.05 per share for the year ended 31 December 2010. Together with the interim dividend of RMB0.10 per share, the full year dividend per share for 2010 will amount to RMB0.15 per share.

IMPROVED PRC ECONOMY

In 2010, China has consolidated and boosted its recovery from the global economic crisis, and the national economy generally performed well with the GDP growing at a steady rate of 10.3%, up from 9.2% in 2009. The rapid urbanization together with the Chinese government's policy initiatives on boosting domestic consumption have led to robust growth of China's retail sales. The total retail sales of consumer goods reached RMB15,455.4 billion in 2010, representing a strong growth of 18.4%. The per capita disposable income of urban households gained 11.5% to RMB21,033.

The economy of Zhejiang province, where most of the Group's sales and profit were generated, is back to a more sustainable growth path. In 2010, the GDP of Zhejiang province increased by 11.8% to RMB2,722.7 billion. Retail consumption remained buoyant under the solid income growth of the rising middle-class population. The total retail sales of consumer goods in Zhejiang province rose by 19% to RMB1,016.3 billion. The per capita disposable income of urban households in Zhejiang province also increased by 11.2% to RMB27,359.

The economy of Hubei province, where the Group currently operates six stores, continued to grow rapidly in 2010 with its GDP increased to RMB1,580.6 billion, representing an increase of 14.8%. The total retail sales of consumer goods in Hubei province rose to RMB671.9 billion in 2010, representing an increase of 19%. The per capita disposable income of urban households in Hubei province also increased by 11.8% to RMB16,058.

COMPANY DEVELOPMENT

In line with our sharpened strategic focus, we have stepped up our expansion efforts in 2010 that not only strengthen our leading position in Zhejiang province but also enhance our presence in Hubei province. In particular, we have acquired two pieces of prime lands in Zhejiang province, acquired 100% equity interest in Hubei Wuluo Innovation Park Development Co., Ltd. ("Hubei Wuluo"), and entered into an agreement to acquire 84.5% equity interest in Hubei New Century Shopping Centre Co., Ltd. ("Hubei New Century"). In addition, the Group entered into the new and promising market of Anhui in 2010 by the acquisition of 100% equity interest in Anhui Province Huaqiao Hotel Company Limited ("Anhui Huaqiao Hotel") and the signing of strategic cooperation agreement with Anhui Xinhua Distribution Group Holding Company Limited ("Anhui Xinhua Distribution Group"). The Dahongmen Project in Beijing has also been making good progress and will continue to drive the Group's growth as it comes on steam. Towards the end of 2010, we have completed the acquisition of 50% equity interest in Beijing Youyi Lufthansa Shopping City Co. Ltd. Beijing Lufthansa Centre which will provide the Group with greater leverage in the Beijing market.

During the year, in order to improve its asset qualities, the Group divested certain low performing assets such as the equity interests in Henan Longyu Real Estate Development Limited ("Henan Longyu") and Zhongqinglv Group Wuhan Hankou Hotel Co., Ltd. ("Hankou Hotel") at a profit. In addition, the Group also reduced its equity interest in Baida. These divestments, together with the successful completion of the HK$1,941 million convertible bond offering in October 2010, have strengthened the Group's financial position and supported the business expansion during the year.

Chairman's Statement

BOARD CHANGES

I was delighted to welcome Mr. Lee Ka Kit, J.P., who join the Board as a non-executive director of the Company in January 2011. I believe his appointment will significantly strengthen the Board's expertise and experience.

Mr. Ching Siu Leung, who has been a member of the Board since the listing of the Company, has decided to retire from the Company and will not be seeking re-election at the forthcoming annual general meeting. Mr. Ching gave years of dedicated and very valuable service during the period when the Group grew dramatically and the issues it faced became increasingly complex. Another much valued director, Mr. Li Hui, David, has also decided to retire from the Company and will not be seeking re-election at the forthcoming annual general meeting. On behalf of the Board, I sincerely thank them both for the significant contribution they have made to the Group throughout the years.

Mr. Chen Xiaodong, who is currently the Chief Executive Officer and President of the Company, will be standing for election as an executive director of the Company at the forthcoming annual general meeting and brings with him considerable business and financial experience.

A BRIGHT OUTLOOK

Looking ahead to 2011, the PRC economy is expected to maintain its stable and steady growth rate. From a macroscopic perspective, while the economy is growing, such growth is not without concerns. The excessive liquidity has aroused the public fear of high inflation and asset bubble, which in turn will lead to policy fine-tuning by the government. Meanwhile, competition in the department store industry has also been intensifying. However, the Group is confident in the promising outlook of the department store industry. In the 12th Five-Year Plan, the Chinese government is committed to the ongoing process of steering its economy away from export-led growth to domestic consumption-led growth. The Chinese government is also implementing policy initiatives to raise Chinese residents' disposable income and to improve the social safety network. All these will bode well for the department store industry in mainland China.

I believe that the Group is in a strong and unique position to further develop as one of the leading national department store chains in China. We are committed to creating excellent shopping experience, delivering good services and quality and continuously adapting to changing customers expectation and market conditions. In its newly entered markets, the Group will continue to focus on improving the operations of the existing stores and explore opportunities of further business penetration by leveraging on the established foundation. The Group's strategic projects in a few provincial cities were well-chosen and laid solid foundations for the Group's long-term growth prospects. With its pool of talented management staff and its well-thought business plan, the Group is on track to fulfill its commitments.

On behalf of the Board, I would like to express my deepest appreciation to the management and staff for their dedication, commitment and untiring contributions, and to our business partners and customers for their continued support to the Group. I also wish to put on record my sincere gratitude to my fellow directors for their counsel and support. I look forward to reporting on our progress in 2011.

Shen Guojun
Chairman

CEO's Statement

I am delighted to report that 2010 was another very successful year for the Group and one in which we undertook significant corporate activities consistent with our strategy, which will provide us with a platform to deliver continued growth. As well as overcoming some challenging issues to deliver strong financial performance, we have expanded into regions and areas where we can see significant opportunities.

OPERATIONAL REVIEW

The Group's department stores achieved total gross sales proceeds of RMB8,743.0 million in 2010, representing an increase of 36.4% compared with the same period last year. Total revenue surged to RMB2,288.8 million, representing an increase of 45.6% compared with the same period last year. Profit attributable to owners of the parent was RMB685.2 million, representing an increase of 48.1% compared with the same period last year. The Group's same store sales growth achieved a high rate of 18.2%.

New Stores Expansion

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 with a GFA of 26,000 sq.m. in April 2010. Intime Fuyang store is the Group's first county-level store in the northern region of Zhejiang province with substantial growth prospect. 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 training and development.

In addition, the Group continued to strengthen its competitive position in Hubei province by entering into equity transfer agreements to acquire 84.5% equity interest in Hubei New Century for a total consideration of RMB248.09 million in November 2010. The transaction was completed in January 2011. Hubei New Century is the biggest general retail operator in Suizhou, Hubei province, with 15 years of track record. It has two core businesses, namely: department store, chain supermarkets and convenience stores. Hubei New Century owns two shopping centres with an aggregate floor area of more than 37,000 sq.m., both located in the prime commercial areas of Suizhou. Its chain supermarkets and convenience stores have more than 30 outlets.

Currently, the Group operates and manages a total of 23 stores with a total GFA of 898,939 sq.m., including 16 department stores located in the principal cities of Zhejiang province, 6 department stores located in Hubei province and one store located in Shaanxi province.

Improvement in Operational Management

During the period under review, 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. The Group improved various operation systems to enhance the department stores' operation management. Even though the Group took initiatives to improve the overall compensation levels of its staff under the background of widespread national wage increase in 2010, the staff cost and operating expenses as a percentage of total revenue are still lower than that of the same period last year.

CEO's Statement

In addition, better guidelines and measures have been implemented to effectively integrate the merchandise resources and to strengthen the merchandise management of the Group as a whole. In the 2010 Suppliers Conference, the Group reinforced its collaborations with suppliers by signing strategic cooperation agreements with 188 leading and popular brand names, up from 149 brand names signed in the 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 new merchandise.

During the year, the Group has further enhanced its information system capabilities. Nationwide high resolution video conference network and internet-based teleconference system have been installed in all regional offices to improve communication and reduce travel expenses. More advanced payment infrastructure was tested during the year to increase the efficiency of department store' payment process. The Group has also developed the software for enhancing multi-store sales promotion activities.

New Attempts in Marketing

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 held during the period to draw existing and new customers into its stores and to further increase our brand recognition. For instance, the sponsorship of "Searching for Du Lala", an event organized by CZTV, was carried out with great success and stimulated active consumption. In addition, a completely new website for the Company was launched in 2010. This, together with the launching of e-commerce business platform, www.yintai.com, has laid down a solid foundation for capturing the growth in online shopping and advertising.

In line with our strategy of reinforcing customer loyalty and expanding customer base, the Group's department stores continued to grow their VIP customers base through various shopping benefits, gift offers and exclusive activities. As at 31 December 2010, the Group had approximately 750,000 VIP customers, representing a year-on-year growth of 35.3%. Sales attributable to VIP customers contributed about 40.8% of the Group's total sales proceeds, representing an increase of 8.5% from 32.3% in 2009.

Human Resources Development

During the year, the Group continued with progressive development of the corporate university, Intime Department Store University. Various training courses for the senior and middle level managers were organized as scheduled, and as a result, providing an increasing number of well-trained managers for the Group's future expansion. In addition, the Group initiated campus recruitment programs to expand the recruitment channels with a view to securing talents for the Group's business development.

STRATEGIC BUSINESS DEVELOPMENT

In 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.

Beijing Market

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 six floors of a subway-connected commercial property with GFA of 49,500 sq.m. 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 October 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 three 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.

In October 2010, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Sin Cheng Holdings Pte. Ltd. ("Sin Cheng"). The acquisition was completed on 22 December 2010 by the issue of 147,664,835 shares of the Company. Beijing Youyi Lufthansa Shopping City Co. Ltd. Beijing Lufthansa Centre, in which Sin Cheng owns 50% equity interest, currently operates three department stores in Beijing, a prominent retail market in China and one department store in Taiyuan, Shanxi province, a relatively new market which has significant growth potential. This acquisition will strengthen the influence and business development of the Group in the Beijing region and further enhance the market position of the Group in Northern China.

Anhui Province

Strategically, Anhui province is located right between Zhejiang province and Hubei province, where the Group has established strong presence and competitive market position. Entering the Anhui department store market in 2010 was an important step in the Group's overall strategy of connecting its business operation in the two adjacent provinces and enhancing management efficiency of its current operations.

On 3 April 2010, the Group entered into agreements to acquire 100% equity interest in Anhui Huaqiao Hotel at a consideration of approximately RMB551 million. 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 (which is now renamed as Hefei Yintai Centre) primarily to operate a large, modern, shopping mall style department store with GFA of approximately 100,000 sq.m. estimated to open around the fourth quarter of 2011.

On 6 August 2010, the Group entered into an agreement with Anhui Zheshang Investment Group Co., Ltd. ("Anhui Zheshang Investment") to acquire a 15% equity stake of Anhui Hualun Gangwan Culture Investment Co., Ltd. ("Anhui Hualun") at a consideration of RMB3 million. Anhui Hualun is developing Wuhu Hualun International Cultural Square, a large residential and shopping centre project in Wuhu city, Anhui. In addition, on 16 August 2010, the Group signed a strategic cooperation agreement with Anhui Xinhua Distribution Group which held 65% equity stake in Anhui Hualun. Anhui Xinhua Distribution Group is a large-scale cultural enterprise with its core business, Anhui Xinhua Media Company Limited, listed on the Shanghai Stock Exchange. Based on the principle of "Complementary Advantages & Win-win Cooperation", both parties will work together to develop the land owned by Anhui Xinhua Distribution Group in Anhui province.

On 26 October 2010, the Group signed a 20-year lease agreement with Huatai Group to open a first class shopping centre in the Huabang Shimao City. Huabang Shimao City is located at Hefei Municipal District with a commercial area of about 100,000 sq.m. for the Group's shopping center operation, including a department store, international brands centers, supermarkets, cinema as well as international food court, offering an one-stop shopping convenience. Hefei Municipal District is an area where a large number of high-end communities cluster and with the municipal administrative center sitting on the other side of the street. Huabang Shimao City enjoys convenient traffic and superior commercial value in Hefei.

Hubei Province

Hubei Xiantao store, which was acquired by the Group in December 2009 in Xiantao, Hubei province, contributed 6.8% of gross sales proceeds and 14.4% of revenue to the Group's financials in the year 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 in July 2010 to acquire a property

CEO's Statement

with floor area of approximately 9,500 sq.m. which had been leased by Hubei Xiantao store to conduct retail business. Such acquisition will enhance the competitive leadership of Hubei Xiantao store in the local market.

On 30 November 2010, the Group entered into an equity transfer agreement to acquire the entire equity interest in Hubei Wuluo for a total consideration of approximately RMB56.5 million. Hubei Wuluo is principally engaged in the development and operation of the Luojia Innovation Park, which is located at a prime commercial district in Wuhan, Hubei province and primarily houses a large shopping mall under development. Upon completion of the development of the Luojia Innovation Park, the Group will be entitled to utilise approximately 110,000 sq.m. of floor area to operate a large and modern shopping mall. This acquisition can further strengthen the Group's market position in Wuhan and continue to enhance its overall strategy in Hubei province and Central China.

Zhejiang Province

On 25 August 2010, the Group acquired a piece of land located in Wenling, Zhejiang province, with an area of 134,567 sq.m., through an auction held by the local government at a consideration of RMB645.6 million. The Group paid 70% land premium in the amount of RMB451.9 million as the prepaid land lease payments and 70% deed tax in the amount of RMB14 million. Wenling is located at the south-eastern part of Zhejiang province, at the south of Taizhou with a population of approximately 1.19 million as at the end of 2010 and is one of the counties with the highest population density in the PRC. At present, there is no major department store operating in Wenling. The Group plans to build on the land the most advanced shopping mall in Wenling.

In November 2010, the Group also acquired the land use right of a piece of prime land located in Haining, Zhejiang province, with an area of 96,698 sq.m., through an auction held by the local government. The total consideration for the acquisition of such land use right is approximately RMB362 million. The Group plans to build on the land the most modern and influential commercial and shopping complexes in Haining.

On 10 November 2010, the Group entered into a framework agreement to acquire 40% equity interest in Hangzhou Zhongda Shengma Realty Co. Ltd ("Hangzhou Zhongda") for a consideration of RMB20 million. Hangzhou Zhongda is engaged in the construction, development and operation of the large scale complex comprising retail, commercial and residential components at the north side of Hangzhou. With an increasing population and a lack of department stores in surrounding areas, the acquisition will be of strategic importance in the overall set up of the Company's department store network in Hangzhou. This acquisition will enhance the influence and business development of the Group in the Hangzhou market and further strengthen its dominating presence in the department store retail industry in Zhejiang province.

Disposal of Non-Core Assets

In order to enhance return on capital investment, on 21 June 2010, the Group entered into an agreement to dispose of its 90% equity interest in Hankou Hotel and the shareholder's loan made to Hankou Hotel for a total consideration of RMB320 million. Due to recent changes in the local city planning, the Hankou Plaza Project, which is being developed by Hankou Hotel, could no longer be pursued in a manner consistent with the Group's strategy as originally contemplated. This disposal generated before-tax gain of approximately RMB59.5 million in 2010.

On 7 December 2010, the Group entered into an equity transfer and debt repayment agreement to dispose of its 70% equity interest in Henan Longyu and the shareholder's loan made to Henan Longyu for a total consideration of approximately RMB226.0 million. Due to the latest changes of city planning and the restriction on land usage recently imposed by the local government, the land held by Henan Longyu can no longer be pursued in a manner fully consistent with the Group's strategy as originally contemplated. The before-tax gain on disposal of this equity interest amounted to approximately RMB66.4 million in 2010.

In 2010, the Group strengthened its financial position by disposing part of its equity interest in Baida. This disposal generated total cash proceeds of RMB174.8 million and before-tax disposal gain of approximately RMB95.7 million. As at 31 December 2010, the Group holds 10% equity interest in Baida.

Deepen Cooperation with Wushang and Baida

Cooperation with Wushang has achieved new progress. In December 2010, the Group appointed three new directors to the board of directors of Wushang and obtained the corresponding approval of the shareholders at the general meeting of Wushang. The board of directors of Wushang now comprises a total of 11 directors, among which five directors were nominated by the largest shareholder, five directors were nominated by the Group and one director was nominated by workers union. This increase of the Group's representation on the board of Wushang will further enhance the close working relationship between the Group and Wushang and enable the Group to exercise greater influence on Wushang.

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 sq.m.. The increase of operating area 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.

STRATEGIES

The competitive landscape for department store industry in China is still highly fragmented which provides a valuable opportunity for the Group to develop its store network. In 2011, the Group will continue to adhere to its "regional predominance" strategy to develop itself into a leading department store chain with presence in various regions in China. The Group will focus on operating trendy department stores while also actively developing multi-functional, lifestyle-driven shopping malls. The Group will strive to enhance the quality of store operations management and put more efforts in regional expansion to achieve higher success rate in expansion. The Group will also closely monitor and systematically analyze the implementation status of various projects, and make timely decisions to optimize the return on assets.

In 2011, the Group will continue to develop online stores and leverage on the existing physical stores to enhance its online-offline interaction. The three-tier (the Group, regions and stores) management structure will be further rationalized in order to enhance the management efficiency. We will also follow our scheduled plan for chain store expansion and make every effort to shorten the fostering period of new stores. Moreover, the Group will make continuous efforts to improve merchandise management, marketing, human resources, cost control and customer services to capitalize on the retail boom brought by China's growing middle class, rapid urbanization and rising disposable income of urban residents.

With its clear vision, strong determination and well defined strategic direction, the Group is well set to pursue its business goals and meet new challenges in 2011.

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

Chen Xiaodong
CEO & President

Management Discussion and Analysis

TOTAL GROSS SALES PROCEEDS AND REVENUE

For the year ended 31 December 2010, total gross sales proceeds of the Group (that is, the aggregate proceeds from direct sales, gross revenue from concessionaire sales, rental income and management fee income) was RMB8,743.0 million, representing an increase of 36.4% from RMB6,409.9 million in 2009. This increase was primarily attributable to the same store sales growth of approximately 18.2% and the inclusion of full year sales performance of the new stores opened in the year 2009. Among the total sales proceeds of the Group in the year of 2010, total sales proceeds from concessionaire sales accounted for 89.8% (2009: 92.1%) and those derived from direct sales accounted for 8.3% (2009: 6.0%).

The Hangzhou Wulin store (the flagship store of the Group) maintained satisfactory double digit same store sales growth of approximately 11. 9% for the year 2010. Ningbo Dongmen store, which underwent renovation in 2009, generated remarkable same store sales growth of approximately 31.8%. In addition, younger stores like Ningbo Wanda store, E'zhou Guomao store, Hangzhou Linping store, Xiangfan Jiefang store, Xianning Xian'an store and Jihua Futailong store recorded strong same store sales growth of approximately 34.9%, 64.5%, 24.3%, 28.7%, 115.7% and 35.9%, respectively, for the year 2010.

The commission rate of concessionaires was about 17.8% for the year 2010, which is slightly below the rate of 18.0% for the year 2009. Such decrease was mainly due to the change of fee collection method from suppliers since the second half of 2009. Approximately RMB55.8 million income was charged on suppliers as advertisement and promotion administration income instead of commission of concessionaire sales. If the influence of such factor is excluded, the comparable commission rate for the year of 2010 would be 18.5%. Total gross revenue from concessionaire sales increased to RMB7,847.4 million, representing an increase of 33.0% as compared to the same period last year.

Direct sales margin declined slightly from 21.7% in 2009 to 20.0% in 2010, mainly due to the expansion of merchandise mix and increase of promotional activities as the Group strives to enlarge the proportion of direct-sales goods. Total sales proceeds from direct sales increased to RMB724.2 million, representing an increase of 87.7% as compared to the same period last year. The Group will conduct regular reviews on the performance of the Group's suppliers with an aim to enhance and strengthen product portfolios and provide better shopping choices to its customers.

Rental income increased to RMB145.3 million, representing an increase of 41.8% as compared to same period last year. The increase was mainly due to increased leasing area from new stores opened in 2009 and increased rental income from store tenants. Management fee income increased by 23.7% to RMB26.2 million in 2010, reflecting the growing contribution from Baida store.

The Group's revenue for the year ended 31 December 2010 amounted to RMB2,288.8 million, representing a remarkable growth of 45.6% as compared to the same period last year. The growth was contributed from all sources of revenue. Such increase reflects the strong underlying growth trend of the retail consumption in Zhejiang province and Hubei province.

OTHER INCOME AND GAINS

Other income of the Group in 2010 amounted to RMB267.3 million, representing an increase of 69.3% as compared with RMB157.9 million in 2009. The increase was primarily due to the significant increase in advertisement and promotion administration income, which increased by RMB59.3 million to RMB139.1 million in 2010. In addition, interest income increased by RMB44.2 million to RMB78.7 million in 2010.

Other gains of the Group increased from RMB155.8 million in 2009 to RMB230.1 million in 2010. The increase was mainly resulted from the gain on disposal of equity interests in Baida, Hankou Hotel and Henan Longyu which amounted to RMB95.7 million, RMB59.5 million and RMB66.4 million, respectively. The above disposals improved asset quality of the Group.

PURCHASES OF GOODS AND CHANGES IN INVENTORIES

The purchases of goods and changes in inventories represent the cost of the direct sales. In line with the growth of direct sales, cost of sales increased by 91.9% from RMB301.9 million in 2009 to RMB579.2 million in 2010.

STAFF COSTS

The Group's staff costs increased by 38.7% from RMB216.8 million in 2009 to RMB300.7 million in 2010. The increase was primarily attributable to the inclusion of the full year staff costs of the new stores opened in 2009 and the inclusion of staff costs for new store opened in 2010. During the year under review, the Group has increased the general compensation level and remuneration package for all staff not only to reward them for their contribution to the Group's operating performance, 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 year 2010 was 13.1%, which was 0.7% lower than the 13.8% recorded in the year of 2009.

Management Discussion and Analysis

DEPRECIATION AND AMORTIZATION

The Group's depreciation and amortization increased by 28.9% from RMB185.3 million in 2009 to RMB238.9 million in 2010. The increase was primarily attributable to the inclusion of depreciation and amortization costs for new stores and retail properties acquired and opened in the year of 2009 and 2010. Depreciation and amortization as a percentage to total revenue decreased from 11.8% in 2009 to 10.4% in 2010.

OTHER OPERATING EXPENSES

Other operating expenses, which mainly consisted of utility expenses, store rental expenses, advertising expenses, credit card charges, maintenance and repair expenses and other tax expenses, increased by 20.8% from RMB596.3 million in 2009 to RMB720.5 million in 2010. The increase was mainly due to the inclusion of the full year store rental expenses of the new stores opened in the year 2009. Other operating expenses as a percentage to total revenue were 31.5% in 2010, which was lower than the 37.9% recorded in 2009, indicating that improvement had been made in the overall operating efficiency of the Group.

FINANCE COSTS

For the year ended 31 December 2010, finance cost of the Group amounted to RMB80.5 million, representing an increase of 47.7% from RMB54.5 million recorded in 2009. This was mainly due to the increase in average balance of bank loans as compared to the same period last year and the issuance of convertible bonds in October 2010.

SHARE OF LOSSES OF JOINTLY-CONTROLLED ENTITIES

The share of losses of jointly-controlled entities for the year ended 31 December 2010 amounted to RMB1.7 million, which was significantly reduced from the losses of RMB27.8 million recorded in the year of 2009. Such decrease was the result of the disposal of the Group's stake of the unprofitable joint venture interests in Beijing Intime Lotte Department Store Co., Ltd. and Hangzhou Hubin International Commercial Development Co. Ltd. in July 2009 and August 2009, respectively.

SHARE OF PROFITS AND LOSSES OF ASSOCIATES

The share of net profits of associates for the year ended 31 December 2010 amounted to RMB61.5 million, representing a decrease of 11.5% from RMB69.5 million recorded in the year of 2009. The decrease was mainly due to cessation of equity method of accounting for the Group's investment in Baida in September 2010. As at 31 December 2010, the Group held 10% in Baida which was classified as an associate held for sale. The Group maintained 22.62% equity interest in Wushang, an associated company of the Group, as at 31 December 2010.

INCOME TAX EXPENSE

The Group's income tax expense increased by 82.2% from RMB123.4 million in 2009 to RMB224.8 million in 2010. Effective tax rate of the Group was 24.3% in 2010, which was increased from the 21.5% recorded in 2009.

PROFIT FOR THE YEAR

As a result of the reasons mentioned above, profit for the year increased to RMB701.3 million in 2010, representing an increase of 56.1% from RMB449.4 million in 2009.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

Profit attributable to owners of the parent increased to RMB685.2 million in 2010, representing an increase of 48.1% from RMB462.6 million in 2009.

LIQUIDITY AND FINANCIAL RESOURCES

In October 2010, the Company issued HK$1,941 million convertible bonds which will due on 27 October 2013 with 1.75% interest per annum, raising net proceeds of approximately HK$1,912 million. The net proceeds are all intended to be used by the Group to fund future expansion, general corporate development and repayment of existing debt obligations. The convertible bond issue has improved the Group's liquidity position and will potentially enhance its equity base.

The Group's cash and bank balances amounted to RMB1,366.1 million as at 31 December 2010, representing an increase of RMB363.4 million from the balance of RMB1,002.7 million as at 31 December 2009. For the year ended 31 December 2010, the Group's net cash inflow from operating activities amounted to RMB1,449.10 million (2009: net cash inflow of RMB732.7 million), the Group's net cash outflow from investing activities amounted to RMB2,610.80 million (2009: net cash inflow of RMB250.2 million), and the Group's net cash inflow from financing activities amounted to RMB1,507.4 million (2009: net cash outflow of RMB724.6 million).

As at 31 December 2010, the Group's borrowings, including bank borrowings and outstanding convertible bonds amounted to RMB2,817.9 million (31 December 2009: RMB998 million). The gearing ratio, calculated by total interest-bearing bank borrowings and convertible bonds over the total assets of the Group, was increased to 22.9% as at 31 December 2010 (31 December 2009: 13.3%). The Group believes that the increased gearing ratio is still within a very healthy range.

NET CURRENT LIABILITIES AND NET ASSETS

The net current liabilities position of RMB913.7 million as at 31 December 2009 decreased to RMB465.8 million as at 31 December 2010, representing a decrease of 49.0%. Net assets of the Group as at 31 December 2010 was RMB5,715.0 million, representing an increase of 46.8% from RMB3,893.7 million as at the end of 2009.

PLEDGE OF ASSETS

Certain buildings, investment properties, construction in progress and land use rights with carrying amount of RMB2,534 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 RMB3,029 million.

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. The convertible bonds are denominated in Hong Kong dollars. In addition, the Company pays dividends 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. Nevertheless, the Group will from time to time review and adjust the Group's investment and financing strategies based on the RMB, United States dollars and Hong Kong dollars exchange rate movement.

STAFF AND REMUNERATION POLICY

As at 31 December 2010, the total number of employees for the Group was 5,377. The Group strives to offer a good working environment, a diversified range of training programs as well as attractive remuneration packages to its employees. The Group endeavours to motivate its staff with performance based remuneration. On top of the basic salary, staff with outstanding performance will be rewarded by way of bonuses, share options, honorary awards or a combination of all the above to further align the interests of its employees and the Group, 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 42 to the financial statements.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Shen Guojun, 48, was appointed as the Chairman and executive Director of the Company in November 2006, is responsible for major decision making of the Group and coordination and management of the Board in general. Mr. Shen is a National Committee Member of the Chinese People's Political Consultative Conference, the People's Republic of China. Mr. Shen has served as chairman of the board of directors of Intime International Holdings Limited since February 2006, and as chairman of Zhejiang Intime and Shanghai Intime since their establishment in 1997 and 2005, respectively. Also, Mr. Shen has in the past, during the period between 1998 and 2006, held indirect investments in department store businesses in Dalian, Chongqing and Shenyang. From June 2003 to June 2007, Mr. Shen also acted as an independent director of Shanghai Tongda Venture Capital Co. Ltd, which is listed on the Shanghai Stock Exchange. He has extensive experience in the department store industry, real estate industry and capital markets. Since December 1996, Mr. Shen has served as chairman of China Yintai Holdings Company Limited. From July 1988 to November 1996, he worked for China Construction Bank group in various management roles. Mr. Shen obtained a Master's degree in Economics from Zhongnan University of Finance and Economics.

Mr. Ching Siu Leung, 48, was appointed as the Vice Chairman and executive Director of the Company in February 2007. He has extensive experience in the department store industry, real estate industry and capital markets. He was appointed as the vice chairman and executive director of Intime International Holdings Limited in February 2006. He has served as the director of strategy and investment at Zhejiang Intime since 2000, and was appointed as a director of Zhejiang Intime in May 2005. Mr. Ching assumed the position of director of China Yintai Holdings Company Limited in October 1999, and has served as its President from 2003 to 2006. He was the General Manager of Hong Kong Grand Rise Investment Limited from April 1993 to September 1999.

NON-EXECUTIVE DIRECTORS

Mr. Xin Xiangdong, 54, was appointed as a non-executive Director of the Company in February 2007. Mr. Xin has many years of experience in investment and capital markets. He has been a director and vice chairman of Zhejiang Insigma Technology (Group) Co., Ltd since May 2005. From October 2004 to November 2008, he was the chairman of the Board of Science City Development Public Co., Ltd., which is listed on the Shenzhen Stock Exchange. From May 2001 to April 2004, Mr. Xin was the Vice General Manager of Minsheng Investment Credit Assurance Co., Ltd. and Shanghai Shenhua Holdings Co., Ltd.. From June 2000 to May 2001, he was the Senior Vice General Manager of Beijing Langxin Information System Co., Ltd.. Mr. Xin received his Master's degree in Economics from Huadong Normal University.

Mr. Li Hui, David, 42, was appointed as a non-executive Director of the Company in September 2008. Mr. Li is currently a managing director of Warburg Pincus Asia LLC, a leading private equity and venture capital firm and a wholly-owned subsidiary of Warburg Pincus LLC. Warburg Pincus LLC is the manager of certain private equity funds, including Warburg Pincus Private Equity IX, L.P. and Warburg Pincus International Partners, L.P.. Mr. Li has been with Warburg Pincus since 2002. Before joining Warburg Pincus, Mr. Li was an executive director of the investment banking division of Goldman Sachs (Asia) LLC and a vice president and an associate of Morgan Stanley's investment banking division in Hong Kong and New York. Mr. Li obtained his B.S. degree in Economics from Renmin University of China and a MBA from Yale University's School of Management.

Mr. Lee Ka Kit, JP, 47, was appointed as a non-executive Director of the Company in January 2011. Mr. Lee is a National Committee Member of the Chinese People's Political Consultative Conference, the People's Republic of China. He was educated in the United Kingdom. Mr. Lee is an executive director and the vice chairman of Henderson Land Development Company Limited and Henderson Investment Limited as well as a director of The Hong Kong and China Gas Company Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region and awarded an Honorary University Fellowship by The University of Hong Kong in 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Shi Chungui, 70, was appointed as an independent non-executive Director of the Company in May 2008. Mr. Shi is currently a non-executive director of Aluminum Corporation of China Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 02600) and an independent non-executive director of China National Materials Company Limited, a company listed on the Hong Kong Stock Exchange (Stock Code: 01893). Mr. Shi has intensive experience in accounting, government and business administration. Mr. Shi was previously the Vice Director of Commerce Bureau of Qinhuangdao City, Hebei Province; the Deputy Mayor and Standing Deputy Mayor of Qinhuangdao City, Hebei Province; the President of Hebei Branch of China Construction Bank, the President of Beijing Branch of China Construction Bank and the Deputy President of the Head Office of China Construction Bank; the Deputy President of China Cinda Asset Management Corporation and the Vice Chairman of Tianjin Pipe Co. Ltd. He graduated from the Finance Faculty of Dongbei University of Finance and Economics in 1964. Mr. Shi is a senior economist.

Mr. Yu Ning, 57, was appointed as an independent non-executive Director of the Company in June 2009. Mr. Yu is a member of the Chinese People's Political Consultative Conference. He is also an independent director of Huaneng Power International, Inc. (Hong Kong Stock Exchange Stock Code: 902), an independent director of Bank of Beijing Co., Ltd. (Shanghai Stock Exchange Stock Code: 601169), an independent director of AEGON-INDUSTRIAL Fund Management Co., Ltd. (formerly "Industrial Fund Management Co., Ltd."), an independent director of Sino link Securities Co., Ltd. (Shanghai Stock Exchange Stock Code: 600109) and an independent director of Zhejiang Haina Science and Technology Co., Ltd. (Shenzhen Stock Exchange Stock Code: 000925). Mr. Yu is currently the President of All China Lawyers Association. Mr. Yu served as Deputy Director and Director of Central Disciplinary Inspection Commission of the Chinese Communist Party, practising lawyer at Beijing Times Highland Law Firm (currently Jurisino Law Group), part-time professor at Peking University and mentor of master postgraduates at the Law School of Tsinghua University. He was an independent director of Jiangsu Lianyungang Port Co., Ltd. (Shanghai Stock Exchange Stock Code: 601008) and the Vice President of All China Lawyers Association. He graduated from the law department of Peking University with a LLB degree in 1983 and obtained a LLM degree specializing in economic law from the law department of Peking University in 1996. He is a qualified PRC lawyer.

Directors and Senior Management

Mr. Chow Joseph, 47, was appointed as an independent non-executive Director of the Company in February 2007. Mr. Chow is also an independent non-executive director of Kasen International Holdings Limited (Hong Kong Stock Exchange Stock Code: 496). Mr. Chow has accumulated ample experience and knowledge in formulating and monitoring investment strategies through his roles as chief financial officer of various companies and his senior managerial roles in various financial institutions' investment related functions. Mr. Chow was a managing director of Goldman Sachs (Asia) LLP from 2008 to 2009. Mr. Chow was the Chief Financial Officer of China Netcom (Holdings) Company Limited ("China Netcom") for three years from October 2001, director of strategic planning with Bombardier Capital Inc. ("Bombardier Capital"), and vice president of international operations with Citigroup. China Netcom is one of China's largest telecommunication service providers, and Mr. Chow participated in substantially all of its strategic decision making process during that period. Mr. Chow also headed China Netcom's strategic equity investment operations and was involved in investments in ten joint ventures by China Netcom. While he was the head of Bombardier Capital's strategic planning division, Mr. Chow oversaw its strategic planning and expansion. In his role as Vice President of Citi Capital, now part of Citigroup, Mr. Chow led his team to evaluate potential acquisition opportunities and executed over US$10 billion worth of mergers and acquisitions transactions in North America, Europe and Asia. While at Citigroup, Mr. Chow was also involved in monitoring the quality and performance of a US$12 billion international loan portfolio. Mr. Chow obtained a Bachelor of Arts degree in political science from Nanjing Institute of International Relations, and a Master of Business Administration from the University of Maryland at College Park.

SENIOR MANAGEMENT

Mr. Chen Xiaodong, 42, President and Chief Executive Officer of the Company since January 2009, is responsible for the overall management of the Group. Mr. Chen joined the Company as Vice President in February 2007 and served as the Chief Operating Officer of the Company from July 2007 to January 2009. Mr. Chen has extensive experience in department store industry, financial management and capital markets. He held various managerial positions in both public listed and private companies prior to his appointment to the Company. Notably, he was the Vice Chairman and President of Science City Development Public Co., Ltd, a company listed on the Shenzhen Stock Exchange. He was also the Assistant General Manager of the Investment Management Department of China Everbright Holdings Company Limited, from May 2001 to August 2004. Mr. Chen obtained a Bachelor degree in Economics from Zhongshan University and a Master degree in Business Administration from Murdoch University, Australia.

Mr. Ma Qihua, 47, Vice President of the Company since March 2008. He is responsible for branding, merchandizing and products management, marketing and sales planning, and the Group's business in northern region of Zhejiang province. Mr. Ma is a veteran of the department store industry. He started his career with Hangzhou Tower in 1989 and has worked as general manager at multiple divisions. Since 1999, he has worked as Deputy General Manager, Deputy Director and General Manager at various organizations including Intime Department Store, Hangzhou Hubin Commerical & Tourism Cultural District Agency and Hangzhou Hubin International. He graduated with a Master degree in Regional Economics from Zhejiang Normal University in 2000.

Mr. Zou Minggui, 47, Vice President of the Company since October 2009. He is responsible for department store operation and the Group's business in northern region of China. Before joining the Company, he was the Executive Director of the Maoye International Holdings Limited (Stock Code: 848) ("Maoye") and was responsible for the overall operational management and business development in China. Mr. Zou has over ten years of experience in the retail industry, and has worked as the manager of the Finance Department of the Maoye Group, deputy general manager and general manager of the Maoye Group. He obtained a Master's degree in business administration from China Europe International Business School in 2007.

Mr. Wang Liyong, 51, Vice President of the Company since July 2007. Mr. Wang is responsible for construction development of the Group. He joined Zhejiang Intime in 1997 and held the position of Deputy General Manager of Zhejiang Intime from 1997 to 2003. Mr. Wang graduated from Zhejiang Jiaotong College.

Mr. Wang Chun, 51, Vice President of the Company since July 2007. He is responsible for the Group's corporate administration and business in central region of China. Before joining the Company, he was the General Manager of Hubei Xinyijia Supermarket, Vice General Manager of Wuhan Zhongbai Group Co., Ltd., General Manager of Zhongbai Group Department Stores, Vice General Manager of Zhongxin Department Store, Manager of Wuhan Industrial Product Eastern Group Ltd.. He holds a Master degree from Huazhong University of Science and Technology. He is also a senior economist.

Mr. Yuan Fei, 40, Vice President of the Company since July 2007 and Chief Financial Officer of the Company since November 2007. He is responsible for the Group's financial management and capital market transactions. Before joining the Company, he was Senior Vice President of Capital Markets at Panva Gas Holdings Ltd. (now renamed as Towngas China Company Limited, Stock Code: 1083) from 2004 to 2007, and before that, he has been working in multinational conglomerate and consulting companies in the U.S. for six years, specializing in strategy and corporate finance. He holds a Bachelor degree in Material Science from Tsinghua University and a MBA degree from Yale School of Management. He is also a CFA Charterholder.

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chow Hok Lim, 44, was appointed as the Company Secretary and Qualified Accountant of the Company in February 2007. Mr. Chow was a manager in the Finance Department of China Everbright Holdings Co., Ltd. from April 1998 to July 2005. Mr. Chow holds a MBA degree from University of Manchester, England and is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants, England. He is also a CFA Charterholder.

Corporate Governance Report

The Company is committed to maintaining and promoting good corporate governance practices in order to fulfill its mission of creating value for and maximizing returns to the shareholders.

The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Throughout the year ended 31 December 2010, the Company has complied with all code provisions of the Code.

BOARD OF DIRECTORS

As at 31 December 2010, the Board comprised of seven Directors, including two executive Directors, namely Mr. Shen Guojun and Mr. Ching Siu Leung; two non-executive Directors, namely Mr. Xin Xiangdong and Mr. Li Hui, David; and three independent non-executive Directors, namely Mr. Shi Chungui, Mr. Yu Ning and Mr. Chow Joseph. Mr. Shen Guojun is the Chairman of the Board. Biographical details of the Directors are set out on pages 20 to 23 of this annual report. None of the members of the Board is related to one another. The composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operations and development of the Group.

The Board is responsible for the overall management and control of the Company. Key responsibilities of the Board include formulation and approval of the Group's strategic directions and policies, evaluation of the Group's performance and supervision of management's performance and approval of material transactions. The Board delegates the authority and responsibility for implementing day-to-day operations and management of the Group's businesses to the Chief Executive Officer and the management.

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

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

In compliance with Rules 3.10(1) of the Listing Rules, the Company has appointed three independent non-executive Directors. One of the independent non-executive Directors has the appropriate professional qualifications in accounting or relating financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Company has received annual confirmation of independence from the three independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are independent within the definition of the Listing Rules.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The non-executive Directors and independent non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, upon making request to the chairman of the Board.

In accordance with the articles of association of the Company (the "Articles"), no less than one-third in number of the Directors shall retire from office by rotation at each annual general meeting of the Company and may offer themselves for re-election at the annual general meeting. Any new director appointed by the Board is subject to election by the shareholders at the first general meeting after his or her appointment.

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

During the year under review, the Board held 15 meetings and attendance of each Director at the meeting is set out below:

Board of Directors	No. of meetings attended/held
Executive Directors	
Shen Guojun	12/15
Ching Siu Leung	10/15
Non-Executive Directors	
Xin Xiangdong	15/15
Li Hui, David	15/15
Lee Ka Kit, JP (appointed on 18 January 2011)	–/–
Independent Non-executive Directors	
Shi Chungui	15/15
Yu Ning	15/15
Chow Joseph	15/15

AUDIT COMMITTEE

The Audit Committee currently comprises of three members, including two independent non-executive Directors, namely Mr. Yu Ning and Mr. Chow Joseph; and one non-executive Director, namely Mr. Li Hui, David. The Committee is chaired by Mr. Chow Joseph, an independent non-executive Director, who possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

Under the terms of reference of the Audit Committee, the principal responsibilities of the Audit Committee include review of the Group's financial statements and the effectiveness of the internal control system. The Audit Committee also oversees the engagement of the external auditor and reviews its independence as well as the effectiveness of the audit process. The terms of reference of the Audit Committee follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and are in compliance with the Code.

The Audit Committee shall meet at least twice a year. During the year under review, there were 2 meetings held by the Audit Committee and the attendances are listed out below:

Name of The Audit Committee Member	No. of meetings attended/held
Chow Joseph *(Chairman)*	2/2
Yu Ning	2/2
Li Hui, David	2/2

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

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises of three members, including two independent non-executive Directors, namely Mr. Yu Ning and Mr. Shi Chungui; and one non-executive Director, namely Mr. Li Hui, David. The Committee is chaired by Mr. Li Hui, David, a non-executive Director.

The main duties of the Remuneration Committee include review of and recommendation to the Board on the remuneration policy and structure for Directors and senior management of the Group. The Remuneration Committee has adopted the terms of reference as outlined under the Code.

Corporate Governance Report

The Remuneration Committee shall meet at least once a year. During the year under review, the Remuneration Committee held 2 meetings and the attendances are listed below:

Name of The Remuneration Committee Member	No. of meetings attended/held
Li Hui, David *(Chairman)*	2/2
Yu Ning	2/2
Shi Chungui	2/2

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

The principal elements of the executive remuneration package include basic salary, allowances, discretionary bonus and share options. The emoluments received by every executive director and senior executive are based on time commitment and responsibilities to be undertaken, and are determined with reference to corporate and individual performance as well as remuneration benchmark in the industry and the prevailing market conditions. The primary goal of the remuneration policy on executive remuneration packages is to enable the Company to retain and maintain a stable, motivated and high caliber management team by linking their remuneration with performance as measured against corporate objectives.

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

The emoluments of each Director for the year ended 31 December 2010 are set out in note 9 to the financial statements.

NOMINATION COMMITTEE

The Nomination Committee currently comprises of three members, including two independent non-executive Directors, namely Mr. Chow Joseph and Mr. Shi Chungui; and one non-executive Director, namely Mr. Li Hui, David. The Committee is chaired by Mr. Li Hui, David, a non-executive Director.

The responsibilities of the Nomination Committee are to review the structure, size and composition, including the skills, knowledge and experiences of the Board and make recommendations to the Board regarding any proposed changes. The Nomination Committee is also responsible to identify and nominate suitable candidates qualified to become Board members and makes recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors if necessary, in particular, to identify and nominate candidates who can add value to the management through their contributions in the relevant strategic business areas and which appointments will result in the constitution of a stronger and more diverse Board. The Nomination Committee adopts the recommended terms of reference set out in the Code. In the selection process, the Nomination Committee makes reference to criteria including, inter alia, reputation for integrity, accomplishment and experience in the department store industry, professional and educational background, and commitment in respect of available time. A candidate to be appointed as an independent non-executive Director must also meet the independence requirement set out in Rule 3.13 of the Listing Rules.

The Nomination Committee shall meet at least twice a year. During the year under review, the Nomination Committee held 2 meetings and the attendances are listed below:

Name of The Nomination Committee Member	No. of meetings attended/held
Li Hui, David *(Chairman)*	2/2
Chow Joseph	2/2
Shi Chungui	2/2

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

STRATEGIC DEVELOPMENT COMMITTEE

The Strategic Development Committee currently comprises of two members, namely Mr. Shen Guojun, an executive Director, and Mr. Li Hui, David, a non-executive Director. The Committee is chaired by Mr. Shen Guojun, an executive Director.

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

(i) strategic development plans;

(ii) capital allocation plans;

(iii) organic expansion plans;

(iv) merger and acquisition plans; and

(v) significant investment and financing plans.

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

RESPONSIBILITIES FOR ACCOUNTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group for the year ended 31 December 2010, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

EXTERNAL AUDITORS

The Group's independent external auditors are Ernst & Young. The report of the auditors of the Company on their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 37 to 38.

For the year ended 31 December 2010, the remuneration paid by the Company to the external auditors for the performance of audit services was approximately RMB2,980,000. No non-audit service was provided by Ernst & Young for the year ended 31 December 2010.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, reappointment and removal of the external auditors, which is subject to the approval by the Board of Directors and at the general meetings of the Company by its shareholders. Certain factors the Audit Committee will take account of when assessing the external auditors include the audit performance, quality, objectivity and independence of the auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issues (the "Model Code") as set out in the Appendix 10 to the Listing Rules as the code of conduct to regulate securities transactions by Directors of the Company. Having made specific enquiries of all Directors, all of them confirmed that they have strictly complied with the Model Code throughout the year ended 31 December 2010.

The Company has also established written guidelines no less exacting terms than the Model Code for dealings in the Company's securities by relevant employees who are likely to be in possession of unpublished price-sensitive information of the Company or the Company's securities.

Corporate Governance Report

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems for the Group in order to safeguard the Group's assets and shareholders' interests. Procedures have been designed for safeguarding assets against unauthorized use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. The Internal Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Group's daily operations, is responsible for conducting regular audit on the major activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively.

During the year ended 31 December 2010, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's system of internal control over financial, operational and compliance issues, risk management process, information systems security and effectiveness of financial reporting and compliance with Listing Rules, and is satisfied that such systems are effective and adequate.

INVESTOR RELATIONS

The Group places high regard on investor relations and dedicates to promote effective communication with investors. This is done by using different channels to disseminate information and receive feedbacks in a timely, accurate and comprehensive manner.

During the year under review, the Group regularly participated in various investor conferences, meetings and teleconferences to exchange ideas with investors and respond to their enquiries. Briefings for analysts are arranged on a regular basis to provide information on the Group's final and interim results announcements and recent business developments. Besides providing extensive information about the Group to investors and analysts, these meetings also enable the senior management to understand investors' expectations and concerns.

To ensure all investors have equal and timely access to its information, the Group disseminates corporate information such as final and interim results announcements and press releases on its website www.intime.com.cn promptly and in compliance with the relevant requirements. Comprehensive information on the Group's background and its projects are also available on the corporate website.

Looking ahead, the Group will continue to provide adequate information disclosure and maintain a high standard of corporate governance. By doing so, this will help build up investors' confidence in the Group. The Group will also continue to pursue a proactive approach in investor relations, with the ultimate goal of enhancing shareholder value.

Report of the Directors

The directors have pleasure in submitting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are operations and management of department stores in the PRC. The activities of its principal subsidiaries, jointly controlled entities and associates are shown on pages 91 to 99 of this annual report.

RESULTS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 39 of this annual report.

PROPOSED FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.05 per share (2009: RMB0.032 per share) for the year ended 31 December 2010 to shareholders whose name appear on the register of members of the Company at close of business on 7 June 2011. The proposed final dividend will be paid in Hong Kong dollars.

Together with the interim dividend of RMB0.10 per share (six months ended 30 June 2009: RMB0.10 per share), the total dividend for the year ended 31 December 2010 will amount to RMB0.15 per share (2009: RMB0.132 per share).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

RESERVES

As at 31 December 2010, distributable reserves of the Company included the Company's retained profits amounted to RMB6,044,000 (2009: RMB7,138,000) and the Company's share premium amounted to RMB3,599,823,000 (2009: RMB2,230,876,000). By passing an ordinary resolution of the Company, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law of the Cayman Islands. Details of the movements in reserves of the Company and the Group during the year are set out in note 37 to the financial statements and in the consolidated statement of changes in equity, respectively.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB856,022 (2009: RMB206,445).

BANK BORROWINGS

Bank borrowings of the Group as at 31 December 2010 amounted to RMB1,200 million (31 December 2009: RMB998 million). Particulars of the borrowings are set out in note 34 to the financial statements.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

Mr. Xin Xiangdong
Mr. Li Hui, David
Mr. Lee Ka Kit, JP
(appointed with effect from 18 January 2011)

Independent Non-executive Directors:

Mr. Shi Chungui
Mr. Yu Ning
Mr. Chow Joseph

Report of the Directors

In accordance with the Article 114 of Company's Articles of Association, Mr. Lee Ka Kit, JP who was appointed by the Board as non-executive Director on 18 January 2011, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with the Article 130 of Company's Articles of Association, Mr. Ching Siu Leung, Mr. Li Hui, David, and Mr. Shi Chungui shall retire from office by rotation. Mr. Ching Siu Leung and Mr. Li Hui, David will not offer themselves for re-election whereas Mr. Shi Chungui, being eligible, offers himself for re-election at the forthcoming annual general meeting. Mr. Chen Xiaodong will offer himself for election as an executive director at the forthcoming annual general meeting.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographies of Directors and senior management of the Group are set out on pages 20 to 23 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Other than as disclosed under the "Connected Transactions and Continuing Connected Transactions" section below, no contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Saved as disclosed under the "Connected Transactions and Continuing Connected Transactions" section below, no contract of significance in relation to the Company's business entered into between the Company or any of its subsidiaries and the controlling shareholders subsisted during the year ended 31 December 2010.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2010, save as disclosed below, none of the Directors or their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

China Yintai holds 50% equity interest in Beijing Intime Lotte Department Store Co., Ltd. ("Intime Lotte"). China Yintai is owned as to 75% by Beijing Guojun, and Beijing Guojun in turn is wholly beneficially owned by Mr. Shen Guojun, an executive Director and the Chairman of the Company. Details of this transaction been set out in the announcement and the circular of the Company dated 3 July 2009 and 24 July 2009 respectively. Such interests in Intime Lotte, China Yintai and Beijing Guojun held by Mr. Shen Guojun were in compliance with a non-competition deed with Mr. Shen Guojun, Fortune Achieve Group Ltd., Glory Bess Limited and Intime International Holdings Limited, the details of which are set out in the section headed "Compliance with the Non-competition Deed" below.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected transactions disclosed in accordance with the Listing Rules are as follows:

DISPOSAL OF EQUITY INTEREST IN HENAN LONGYU AND PROVISION OF LOAN

On 7 December 2010, Intime Department Store Co., Ltd. ("Shanghai Intime") entered into an equity transfer and debt repayment agreement with Xuchang Hengda Real Estate Group Limited ("Xuchang Hengda") pursuant to which (i) Shanghai Intime shall dispose of and Xuchang Hengda shall acquire the equity interest, being a 70% equity interest in Henan Longyu, for a consideration of approximately RMB198,393,000; and (ii) Xuchang Hengda shall procure and provide funds to Henan Longyu for settlement of the shareholder's loan, being the principal amount of loans owed by Henan Longyu to Shanghai Intime with an outstanding principal amount of RMB20,276,000 with accrued interest of RMB7,331,000 in aggregate. The aggregate consideration for the above equity interest and settlement of the shareholder's loan is RMB226,000,000. Henan Longyu is principally engaged in the development of a real estate project on a parcel of land of approximately 21,776.5 sq.m. located in Zhengzhou, Henan province, the PRC.

In addition, on 7 December 2010, Shanghai Intime entered into a loan agreement with Xuchang Hengda, pursuant to which Shanghai Intime will lend RMB220,000,000 by way of entrusted loans arranged through a commercial bank to Xuchang Hengda with an interest rate of 15% per annum, payable quarterly, for a term of one year, for the purpose of financing the payment of the consideration.

Henan Longyu is an indirect non-wholly owned subsidiary of the Company held as to 70% by Shanghai Intime and 30% by Xuchang Hengda. Being a substantial shareholder of Henan Longyu, Xuchang Hengda is a connected person of the Company pursuant to the Listing Rules.

ACQUISITION OF HUBEI WULUO

On 30 November 2010, Zhejiang Intime Investment Co., Ltd. ("Zhejiang Intime Investment"), an indirect wholly owned subsidiary of the Company, entered into an equity transfer agreement with China Yintai and Beijing Guojun to acquire the entire equity interest in Hubei Wuluo, for a consideration of RMB56,498,438 in aggregate. Hubei Wuluo is principally engaged in the development and operation of a large shopping mall at Luojia Innovation Park in Wuhan, Hubei Province, the PRC.

Mr. Shen owns the entire equity interest in Beijing Guojun, which owns 75% equity interest in China Yintai. As Mr. Shen is an executive Director and Chairman of the Company, pursuant to the Listing Rules, each of China Yintai and Beijing Guojun is a connected person of the Company.

Continuing connected transactions disclosed in accordance with the Listing Rules are as follows:

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

On 25 June 2010, the Beijing branch of Zhejiang Intime and Beijing Yintai entered into the Renewal Agreement to extend the lease of the Beijing Property under the Beijing Yintai Centre Office Lease for one year with effect from 1 June 2010 to 31 May 2011 at a monthly rental of RMB302,630.40 for use as office premises.

On 31 January 2011, the Beijing branch of Zhejiang Intime and Beijing Yintai entered into the New Lease Agreement pursuant to which the Beijing branch of Zhejiang Intime will lease Units 601 and 602 on 6/F, Tower C, Beijing Yintai Centre, No. 2, Jianguomenwai Avenue, Chaoyang District, Beijing, China with a floor area of 1,050.80 sq.m (the "New Property") under the Beijing Yintai Centre Office Lease from Beijing Yintai for a term of three years with effect from 1 December 2010 to 30 November 2013 at a monthly rental of RMB304,732.00 per month in substitution of the Renewal Agreement dated 25 June 2010.

For the year ended 31 December 2010, the rental amount paid by Beijing branch of Zhejiang Intime to Beijing Yintai amounted to RMB3,631,564.80. The independent non-executive Directors of the Company have reviewed the above transactions and confirmed that the transactions have been entered into in the ordinary and usual course of business of the Company, are on normal commercial terms and in accordance with the relevant agreement and are fair and reasonable and in the interest of the shareholders of the Company as a whole. Based on the work performed, the auditors of the Company have provided a letter and confirmed that the aforesaid continuing connected transactions (1) have been approved by the board of directors of the Company; (2) are in accordance with the pricing policies of the Group; (3) have been entered into in accordance with the terms of the relevant agreements

Report of the Directors

governing the transaction; and (4) have not exceeded the annual cap of RMB3,631,564.80 as disclosed in the Company's announcement dated 28 June 2010.

Related Party Transactions:

Details of the significant related party transactions undertaken in the normal course of business are provided under note 46 to the financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules, except for those described in the section of "Connected Transactions and Continuing Connected Transactions", in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

RETIREMENT SCHEMES

Employees of the Group's subsidiaries in Mainland China are required to participate in defined contribution retirement schemes administered and operated by the local municipal government. Particulars of these retirement plans are set out in note 6 to the financial statements.

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 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)	L699,316,255	36.62%
Mr. Ching Siu Leung	Beneficial owner (3)	L1,100,000	0.06%
Mr. Chen Xiaodong	Beneficial owner (4)	L15,000,000	0.79%

Notes:

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

(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 699,316,255 shares of the Company. 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 31 December 2010.

(4) Mr. Chen Xiaodong, the Chief Executive of the Company, held options in respect of a total of 15,000,000 shares in the Company as at 31 December 2010.

Save as disclosed above, as at 31 December 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 31 December 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.	Interest of controlled corporation[2]	L699,316,255	36.62%
Glory Bless Limited	Interest of controlled corporation[2]	L699,316,255	36.62%
Intime International Holdings Limited	Beneficial owner[2]	L699,316,255	36.62%
Warburg Pincus & Co.	Interest of controlled corporation[3]	L157,845,000	8.27%
Warburg Pincus Partners LLC	Interest of controlled corporation[3]	L157,845,000	8.27%
JPMorgan Chase & Co	Interest of controlled corporation[4]	L140,378,897	7.35%
		S9,987,200	0.52%
		P20,694,000	1.08%
Comax Investment Limited	Beneficial owner[5]	L147,664,835	7.73%
Henderson Development Limited	Interest of controlled corporation[5][6]	L147,664,835	7.73%
Henderson Land Development Company Limited	Interest of controlled corporation[5]	L147,664,835	7.73%
Hopkins (Cayman) Limited	Interest of controlled corporation[5]	L147,664,835	7.73%
Lee Shau Kee	Interest of controlled corporation[5]	L147,664,835	7.73%
Riddick (Cayman) Limited	Trustee[6]	L147,664,835	7.73%
Rimmer (Cayman) Limited	Trustee[6]	L147,664,835	7.73%
Artio Global Management LLC	Investment manager	L88,591,000	4.64%

Notes:

1. The letter "L" denotes the person's long position in such shares of the Company; the letter "S" denotes the person's short position in such shares of the Company; the letter "P" denotes the person's lending pool in such shares of the Company.

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 699,316,255 shares of the Company. 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

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shares of the Company 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.

4. JPMorgan Chase & Co. is interested in the Shares via various entities which it directly or indirectly controls and has interests in the Shares, including (i) JPMorgan Chase Bank, N.A. which is 100% controlled by JPMorgan Chase & Co.; (ii) JF Asset Management Limited, which is 100% controlled by JPMorgan Asset Management (Asia) Inc., which in turn is 100% controlled by JPMorgan Asset Management Holdings Inc., which in turn is 100% controlled by it; (iii) JPMorgan Asset Management (Taiwan) Limited, which in turn is 100% controlled by JPMorgan Asset Management (Asia) Inc.; (iv) JF International Management Inc., which is 100% controlled by JPMorgan Asset Management (Asia) Inc.; (v) JPMorgan Asset Management (Singapore) Limited, which is 100% controlled by JPMorgan Asset Management (Asia) Inc.; (vi) J.P. Morgan Securities Ltd., which was 98.95% controlled by J.P. Morgan Chase International Holdings, which in turn is 100% controlled by J.P. Morgan Chase (UK) Holdings Limited, which in turn is 100% controlled by J.P. Morgan Capital Holdings Limited, which in turn is 100% controlled by J.P. Morgan International Finance Limited, which in turn is 100% controlled by Bank One International Holdings Corporation, which in turn is 100% controlled by J.P. Morgan International Inc., which is 100% controlled by JPMorgan Chase Bank, N.A.; (vii) China International Fund Management Co. Ltd., which is 49% owned by JPMorgan Asset Management (UK) Limited, which in turn is 100% controlled by JPMorgan Asset Management Holdings (UK) Limited, which in turn is 100% controlled by JPMorgan Asset Management International Limited, which in turn is 100% controlled by JPMorgan Asset Management Holdings Inc.; (viii) J.P. Morgan Whitefriars Inc., which is 100% controlled by J.P. Morgan Overseas Capital Corporation, which is 100% controlled by J.P. Morgan International Finance Limited; (ix) JPMorgan Asset Management (UK) Limited, which is 100% controlled by JPMorgan Asset Management Holdings (UK) Limited.

5. Lee Shau Kee is the beneficial owner of the entire issued share capital of Hopkins (Cayman) Limited, which in turn is the beneficial owner of the entire issued share capital of Henderson Development Limited. Henderson Development Limited is the beneficial owner of 64.86% of the entire issued share capital of Henderson Land Development Company Limited, which in turn is the beneficial owner of the entire issued share capital of Jetrich Global Limited. Jetrich Global Limited is the beneficial owner of the entire issued share capital of Comax Investment Limited, which holds 147,664,835 shares of the Company. Therefore, each of Lee Shau Kee, Hopkins (Cayman) Limited, Henderson Development Limited and Henderson Land Development Company Limited is deemed to be interested in the shares held by Comax Investment Limited.

6. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, hold units in a unit trust in which Hopkins (Cayman) Limited act as a trustee. Accordingly, Rimmer and Riddick are deemed to be interested in the shares held by Comax Investment Limited.

Save as disclosed above, as at 31 December 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 incentivize them to remain within the Group and to give effect to the Group's customer-focused corporate culture, and to motivate them to strive for the Group's future development and expansion, by providing them with the opportunity to acquire equity interests in the Company. The amount payable on acceptance of an option is HK$1.00. Details of the Scheme were provided in the Company's prospectus dated 7 March 2007. The Scheme will remain valid for a period of ten years commencing on 20 March 2007, after which no further share options will be granted but the provisions of the Scheme shall remain in full force and effect in other respects. Share options complying with the provisions of the Listing Rules which are granted during the duration of the Scheme and remain unexercised immediately prior to the end of the 10-year period shall continue to be exercisable in accordance with their terms of grant within the share option period for which share options are granted, notwithstanding the expiry of the Scheme. The maximum number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of listing of shares of the Company (such 10% representing 180,000,000 shares), without prior approval from the Company's shareholders. No option maybe granted to any one person such that the total number of shares issued and to be issued upon the exercise of the Options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time, unless the approval of our shareholders is obtained. Options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates in the 12-month period in excess of 0.1% of the Company's issued share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

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

The movements in share options granted under the Share Option Scheme adopted by the Company for the year ended 31 December 2010 are shown below:

			Number of share options								
Name or category of participant	**Date of Grant**	**Exercise Price per share** *HK$*	**As at 1 Jan 2010**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Forfeited during the period**	**As at 31 Dec 2010**	**Exercise Period**	**Closing price immediately before the date of grant** *HK$*	**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	–	600,000	–	–	600,000	12/4/09-11/4/14	5.60	9.64
	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	–	300,000	–	–	1,500,000	5/3/10-4/3/15	1.83	11.50
	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	10,666,000	–	5,025,500	–	–	5,640,500	12/4/09-11/4/14	5.60	8.65
	18/9/2008	3.56	7,420,000	–	1,767,000	–	–	5,653,000	19/9/09-18/9/14	3.20	9.03
	4/3/2009	1.88	15,440,000	–	3,006,000	–	646,000	11,788,000	5/3/10-4/3/15	1.83	8.37
	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	–	–	40,000	16,410,000	27/5/11-26/5/16	6.24	
	26/8/2010	9.00	–	1,600,000	–	–	–	1,600,000	27/8/11-26/8/16	8.93	
Total			49,076,000	21,050,000	10,698,500	550,000	686,000	58,191,500			

Report of the Directors

COMPLIANCE WITH THE NON-COMPETITION DEED

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

Pursuant to the Non-competition Deed, Mr. Shen Guojun confirmed that, as of 31 December 2010, he has the following interests:

(a) Beijing Guojun, which is 100% owned by Mr. Shen Guojun, has a 50% interest in Huzhou Jialefu Commercial City Co., Ltd. ("Huzhou Jialefu"), which owns a commercial complex with a commercial floor area of approximately 48,000 sq.m. located at Huzhou, Zhejiang province ("Huzhou Complex"). The Huzhou Complex has been leased to independent third parties for operation of shopping arcade. Beijing Guojun has granted the Company the preferential right to lease the Huzhou Complex or acquire its 50% interest in Huzhou Jialefu should the lease with the existing tenant(s) of the Huzhou Complex terminate.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors at the latest practicable date prior to this annual report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2010 and at any time up to the latest practicable date.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 6 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2010, the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total value of purchases, and the aggregate amount of sales attributable to the Group' s five largest customers represented less than 30% of the Group's total value of sales.

CORPORATE GOVERNANCE REPORT

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

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period of the Group are set out in note 49 to the financial statements.

AUDITORS

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

On behalf of the Board
Shen Guojun
Chairman

30 March 2011

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

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

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

We have audited the consolidated financial statements of Intime Department Store (Group) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 136, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

30 March 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Revenue	5	**2,288,753**	1,572,095
Other income and gains	5	**497,420**	313,721
Purchases of goods and changes in inventories	6	**(579,202)**	(301,931)
Staff costs	6	**(300,702)**	(216,784)
Depreciation and amortization	6	**(238,934)**	(185,275)
Other expenses		**(720,467)**	(596,261)
Finance costs	7	**(80,478)**	(54,454)
Share of profits and losses of:			
Jointly-controlled entities		**(1,710)**	(27,844)
Associates		**61,461**	69,485
Profit before tax		**926,141**	572,752
Income tax expense	8	**(224,802)**	(123,385)
Profit for the year		**701,339**	449,367
Attributable to:			
Owners of the parent	11	**685,189**	462,609
Non-controlling interests		**16,150**	(13,242)
		701,339	449,367
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)	13		
Basic			
– For profit for the year		**0.39**	0.26
Diluted			
– For profit for the year		**0.36**	0.26

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	**2010** *RMB'000*	2009 *RMB'000*
Profit for the year		**701,339**	449,367
Other comprehensive income			
Available-for-sale investments:			
Change in fair value		**–**	99,545
Reclassification adjustments for gains included in the consolidated income statement			
– gain on disposal	*5*	**–**	(55,749)
Income tax effect		**–**	(10,949)
		–	32,847
Share of other comprehensive income/(loss) of associates		**(107)**	232
Exchange differences on translation of foreign operations		**7,729**	(8,194)
Other comprehensive income for the year, net of tax		**7,622**	24,885
Total comprehensive income for the year		**708,961**	474,252
Attributable to:			
Owners of the parent	*11*	**692,811**	487,494
Non-controlling interests		**16,150**	(13,242)
		708,961	474,252

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**1,819,236**	1,344,721
Investment properties	*15*	**1,235,299**	1,101,187
Prepaid land lease payments	*16*	**2,305,203**	1,453,898
Properties under development	*17*	**108,182**	–
Goodwill	*18*	**426,737**	327,377
Other intangible assets	*19*	**4,473**	3,902
Prepaid rental	*20*	**52,849**	104,410
Investments in jointly-controlled entities	*22*	**302,699**	304,409
Investments in associates	*23*	**1,886,981**	769,452
Loans and receivables	*28*	**340,000**	126,549
Investment deposits	*24*	**268,129**	–
Deferred tax assets	*25*	**48,233**	30,915
Total non-current assets		**8,798,021**	5,566,820
CURRENT ASSETS			
Inventories	*26*	**155,749**	118,304
Properties under development	*17*	**172,513**	–
Prepayments, deposits and other receivables	*27*	**587,722**	262,665
Loans and receivables	*28*	**776,822**	376,218
Due from related parties	*46(c)*	**145,865**	101,767
Trade receivables	*29*	**16,040**	8,685
Cash in transit	*30*	**95,711**	48,387
Cash and bank balances	*31*	**1,366,110**	1,002,665
		3,316,532	1,918,691
Associate held for sale	*23*	**174,930**	–
Total current assets		**3,491,462**	1,918,691
CURRENT LIABILITIES			
Trade and bills payables	*32*	**1,206,251**	1,094,494
Other payables and accruals	*33*	**2,063,728**	1,167,305
Interest-bearing bank borrowings	*34*	**492,000**	468,000
Due to related parties	*46(e)*	**15,474**	1,985
Tax payable		**179,771**	100,649
Total current liabilities		**3,957,224**	2,832,433
NET CURRENT LIABILITIES		**(465,762)**	(913,742)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,332,259**	4,653,078
NON-CURRENT LIABILITIES			
Convertible bonds	35	**1,617,947**	–
Interest-bearing bank borrowings	34	**708,000**	530,000
Deferred tax liabilities	25	**284,648**	219,452
Deferred subsidy income		**6,630**	9,973
Total non-current liabilities		**2,617,225**	759,425
NET ASSETS		**5,715,034**	3,893,653
EQUITY			
Equity attributable to owners of the parent			
Issued capital	36	**148**	137
Equity component of convertible bonds	35	**23,607**	–
Reserves	37	**5,191,423**	3,392,020
Proposed final dividend	12	**95,476**	56,037
		5,310,654	3,448,194
Non-controlling interests		**404,380**	445,459
Total equity		**5,715,034**	3,893,653

Shen Guojun
Chairman

Ching Siu Leung
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Notes	Issued capital RMB'000 (note 36)	Share premium RMB'000 (note 36)	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 (note 37)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000 (note 38)	Proposed final dividend RMB'000 (note 12)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent												
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 for the year		–	–	–	–	–	–	462,609	–	–	–	462,609	(13,242)	449,367
Other comprehensive income for the year:														
Change in fair value of available-for-sale investments, net of tax		–	–	–	–	33,079	–	–	–	–	–	33,079	–	33,079
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(8,194)	–	–	(8,194)	–	(8,194)
Total comprehensive income for the year		–	–	–	–	33,079	–	462,609	(8,194)	–	–	487,494	(13,242)	474,252
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	36,527	36,527
Purchase of non-controlling interests		–	–	–	(36,212)	–	–	–	–	–	–	(36,212)	(15,491)	(51,703)
Final 2008 dividend declared		–	–	–	–	–	–	–	–	–	(115,513)	(115,513)	–	(115,513)
Exercise of share options	36	1	4,424	–	–	–	–	–	–	(968)	–	3,457	–	3,457
Equity-settled share option arrangements	38	–	–	–	–	–	–	–	–	13,106	–	13,106	–	13,106
Interim 2009 dividend	12	–	–	–	–	–	–	(175,020)	–	–	–	(175,020)	–	(175,020)
Proposed final 2009 dividend	12	–	–	–	–	–	–	(56,037)	–	–	56,037	–	–	–
Transfer from retained profits		–	–	–	–	–	37,470	(37,470)	–	–	–	–	–	–
At 31 December 2009		137	2,230,876	4	368,661	532	152,039	720,328	(110,158)	29,738	56,037	3,448,194	445,459	3,893,653

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

		Attributable to owners of the parent													
	Notes	Issued capital RMB'000 (note 36)	Share premium RMB'000 (note 36)	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 (note 37)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Equity component of convertible bonds RMB'000 (note 35)	Share option reserve RMB'000 (note 38)	Proposed final dividend RMB'000 (note 12)	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 year		-	-	-	-	-	-	685,189	-	-	-	-	685,189	16,150	701,339
Other comprehensive income for the year:															
Change in fair value of available-for-sale investments, net of tax		-	-	-	-	(107)	-	-	-	-	-	-	(107)	-	(107)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	7,729	-	-	-	7,729	-	7,729
Total comprehensive income for the year		-	-	-	-	(107)	-	685,189	7,729	-	-	-	692,811	16,150	708,961
Disposal of subsidiaries	40	-	-	-	-	-	-	-	-	-	-	-	-	(57,229)	(57,229)
Issuance of shares	36	10	1,320,397	-	-	-	-	-	-	-	-	-	1,320,407	-	1,320,407
Issuance of convertible bonds	35	-	-	-	-	-	-	-	-	23,607	-	-	23,607	-	23,607
Final 2009 dividend declared	12	-	-	-	-	-	-	-	-	-	-	(56,037)	(56,037)	-	(56,037)
Exercise of share options	36	1	48,550	-	-	-	-	-	-	-	(10,149)	-	38,402	-	38,402
Transfer of share option reserve upon the forfeiture or expiry of share options		-	-	-	-	-	-	5,472	-	-	(5,472)	-	-	-	-
Equity-settled share option arrangements	38	-	-	-	-	-	-	-	-	-	18,810	-	18,810	-	18,810
Interim 2010 dividend	12	-	-	-	-	-	-	(175,540)	-	-	-	-	(175,540)	-	(175,540)
Proposed final 2010 dividend	12	-	-	-	-	-	-	(95,476)	-	-	-	95,476	-	-	-
Transfer from retained profits		-	-	-	-	-	64,717	(64,717)	-	-	-	-	-	-	-
At 31 December 2010		148	3,599,823*	4*	368,661*	425*	216,756*	1,075,256*	(102,429)*	23,607	32,927*	95,476	5,310,654	404,380	5,715,034

* These reserve accounts comprise the consolidated reserves of RMB5,191,423,000 (2009: RMB3,392,020,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**926,141**	572,752
Adjustments for:			
Finance costs	7	**80,478**	54,454
Share of losses of jointly-controlled entities		**1,710**	27,844
Share of profits and losses of associates		**(61,461)**	(69,485)
Interest income	5	**(78,692)**	(34,541)
Dividend income from available-for-sale investments		**–**	(1,832)
Loss on disposal of items of property, plant and equipment		**135**	121
Fair value gains, net:			
Available-for-sale investments (transferred from equity on disposal)		**–**	(55,749)
Gain on disposal of subsidiaries		**(125,960)**	–
Gain on disposal of shares of an associate		**(95,686)**	(117,952)
Loss on disposal of a jointly-controlled entity		**–**	2,438
Loss on disposal of prepaid land lease payment		**–**	13,053
Loss on liquidation of a subsidiary		**–**	2,297
Equity-settled share option expense	38	**18,810**	13,106
Depreciation of property, plant and equipment	14	**172,469**	129,799
Depreciation of investment properties	15	**39,393**	33,090
Amortization of prepaid land lease payments	14,16	**25,311**	20,876
Amortization of other intangible assets	19	**1,761**	1,512
Amortization of prepaid rental	20	**18,194**	28,088
		922,603	619,871
Increase in restricted cash		**(31,474)**	(7,491)
Decrease in prepayments, deposits and other receivables		**2,026**	7,724
Increase in trade receivables		**(285)**	(3,102)
(Increase)/decrease in cash in transit		**(47,324)**	2,682
Increase in inventories		**(37,442)**	(9,758)
Increase in trade and bills payables		**111,693**	145,227
Increase in advances from customers		**703,762**	102,425
(Increase)/decrease in amounts due from related parties		**(42,761)**	1,712
Increase/(decrease) in amounts due to related parties		**13,489**	(8,809)
Increase in other payables and accruals		**88,374**	78,106
Cash generated from operations		**1,682,661**	928,587
Interest paid		**(69,020)**	(69,183)
Income tax paid		**(164,541)**	(126,724)
Net cash flows from operating activities		**1,449,100**	732,680

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**79,318**	38,654
Purchases of items of property, plant and equipment and investment properties		**(321,806)**	(401,097)
Purchases of property under development		**(23,424)**	–
Purchases of other intangible assets		**(2,348)**	(1,701)
Acquisition of subsidiaries, net of cash acquired	39	**(873,467)**	54,655
Payment of consideration for purchasing of equity interests		**(177,115)**	(100,000)
Acquisition of non-controlling interests		**–**	(54,000)
Acquisition of prepaid land lease payments	16	**(828,038)**	(265,146)
Repayment of other long term payable		**–**	(96,000)
Disposal of subsidiaries	40	**438,107**	–
Payment of investment deposits		**(268,129)**	–
Establishment of associates	23	**(60,600)**	–
Acquisition of an associate	23	**(3,000)**	–
Disposal of a jointly-controlled entity		**–**	210,170
Disposal of prepaid land lease payments		**–**	212,300
Disposal of other intangible assets		**40**	19
Proceeds from disposal of non-current assets held for sale		**–**	20,000
Dividend received from listed investments		**–**	1,832
Dividend received from associates		**–**	28,967
Proceeds from disposal of property, plant and equipment		**1,919**	1,754
Proceeds from disposal of shares of an associate		**174,800**	289,902
Proceeds from disposal of available-for-sale investments		**–**	288,149
Advances to third parties		**(177,698)**	(59,200)
Repayment of advances from third parties		**42,200**	136,000
Loans and receivables made to third parties		**(974,410)**	–
Repayment of loans and receivables from third parties		**–**	30,000
Repayment of loans and receivables from related parties		**360,859**	196,748
Loans made to jointly-controlled entities		**–**	(229,000)
Advances to related parties		**–**	(52,780)
Repayment from jointly-controlled entities		**2,033**	–
Net cash flows from/(used in) investing activities		**(2,610,759)**	250,226
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options	36	**38,402**	3,457
Proceeds from issue of convertible bonds	35	**1,648,580**	–
Proceeds from interest-bearing bank borrowings		**2,316,737**	2,530,866
Repayments of interest-bearing bank borrowings		**(2,264,737)**	(2,968,366)
Dividends paid		**(231,577)**	(290,533)
Net cash flows from/(used in) financing activities		**1,507,405**	(724,576)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**345,746**	258,330
Cash and cash equivalents at beginning of year		**990,631**	740,496
Effect of foreign exchange rate changes, net		**(13,775)**	(8,195)
CASH AND CASH EQUIVALENTS AT END OF YEAR	31	**1,322,602**	990,631

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Investments in subsidiaries	21	**909,284**	908,408
Due from subsidiaries	21	**5,193,618**	2,260,839
Total non-current assets		**6,102,902**	3,169,247
CURRENT ASSETS			
Prepayments, deposits and other receivables	27	**1,104**	1,138
Cash and cash equivalents	31	**282,814**	4,319
Total current assets		**283,918**	5,457
CURRENT LIABILITIES			
Other payables and accruals	33	**11,648**	650
NET CURRENT ASSETS		**272,270**	4,807
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,375,172**	3,174,054
NON-CURRENT LIABILITIES			
Convertible bonds	35	**1,617,947**	–
Due to subsidiaries	21	**156,392**	19,805
		1,774,339	19,805
NET ASSETS		**4,600,833**	3,154,249
EQUITY			
Issued capital	36	**148**	137
Equity component of convertible bonds	35	**23,607**	–
Reserves	37	**4,481,602**	3,098,075
Proposed final dividend	12	**95,476**	56,037
Total equity		**4,600,833**	3,154,249

Shen Guojun
Chairman

Ching Siu Leung
Executive Director

NOTES TO FINANCIAL STATEMENTS

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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 Mainland China.

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise stated.

As at 31 December 2010, the Group had net current liabilities of approximately RMB465,762,000 (2009: RMB913,742,000). The directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the financial statements are prepared on a going concern basis.

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Basis of consolidation from 1 January 2010 (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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*
HKFRS 5 Amendments 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*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

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2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in Improvements to HKFRSs 2009 and HK *Interpretation* 4 (Revised in December 2009), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

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

(a) HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) Improvements to *HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

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

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

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*[2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First – time Adoption of Hong Kong Financial Reporting Standards – severe Hyperinflation and Removal of Fixed Dates for First – time Adopters*[4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[2]
HKFRS 9	*Financial Instruments*[6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
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*[2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

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

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

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other requirements in HKAS 39 in respect of liabilities are carried forward into HKFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of these Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations:* Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the scope of the measurement choices of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

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

(b) HKAS 1 *Presentation of Financial Statements:* Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

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

Jointly-controlled entities

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

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investment in the associates and is not individually tested for impairment.

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

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations from 1 January 2010 (continued)

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

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

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

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquire were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

Related parties

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

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

(b) the party is an associate;

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

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

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

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight – line basis over the expected useful life of 20 to 40 years.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes. If an item of property, plant and equipment becomes an investment property because its use has changed, the carrying amount of this item at the date of transfer is recognized as the cost of an investment property for accounting purposes. Property being constructed or developed for future as an investment property is classified as an investment property.

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 and disposal groups held for sale

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of the acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases.

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognized in the income statement. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interests earned on these financial assets, which are recognized in accordance with the policies set out for "Revenue recognition" below.

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments

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

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

Financials assets carried at amortized cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financials assets carried at amortized cost (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Inventories

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

Cash and cash equivalents

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

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

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

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

Deferred revenue

Coupon liabilities is recognised based on the fair value of credit awards granted to customers in accordance with the credit award programme and the Group's past experience on the level of redemption of credit awards and are recorded in other payables. The revenue of the Group is deducted when the credit awards are recognised.

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Where the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary assets and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Coupon liabilities

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

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

(a) Sale of goods – retail

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

(b) Commission revenue

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

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

(c) Operating lease rental income and display space leasing income

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

(d) Other service incomes

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

(e) Management fee income

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

(f) Promotion income

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

(g) Interest income

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

(h) Dividend income

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in note 37 to the financial statements.

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension obligations

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

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

Housing benefits

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the Company and certain subsidiaries is the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these companies are translated into the presentation currency of the Group (RMB) at the exchange rates ruling at the end of the reporting period, and their income statements are translated at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Associate

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

NOTES TO FINANCIAL STATEMENTS

31 December 2010

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Certain equity investment in which the Group holds less than 20% of their voting power and over which the Group is able to exercise significant influence is classified by management as an investment in an associate. When determining whether the Group has significant influence over these companies, management takes into consideration whether:

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

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

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

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

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

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

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2010 was RMB426,737,000 (2009: RMB327,377,000). More details are given in note 18.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognized tax losses at 31 December 2010 was RMB26,553,000 (2009: RMB13,394,000). The amount of unrecognized tax losses at 31 December 2010 was RMB186,432,000 (2009: RMB173,908,000). Further details are contained in note 25 to the financial statements.

Useful lives of property, plant and equipment

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

Net realizable value of inventories

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2010

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred revenue

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

Income taxes

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

4. SEGMENT INFORMATION

For management purposes, the Group has a single operating and reportable segment – the operation and management of department stores in Mainland China. All the Group's operations are carried out in Mainland China. All revenues from external customers are generated from business relating to the operation and management of department stores and no revenue from operations amounted to 10 percent or more of the Group's revenue was derived from sales to a single customer for the years ended 31 December 2010 and 2009. All non-current assets of the Group are located in Mainland China.

5. REVENUE, OTHER INCOME AND GAINS

	2010 ***RMB'000***	2009 *RMB'000*
Sale of goods – direct sale	**724,196**	385,842
Commissions from concessionaire sales	**1,393,077**	1,062,609
Rental income	**145,275**	102,454
Rental income from investment properties	**82,049**	58,631
Sublease rental income	**55,600**	38,942
Contingent rental income	**7,626**	4,881
Management fee income from operation of department stores *(note 46(b))*	**26,205**	21,190
	2,288,753	1,572,095

5. REVENUE, OTHER INCOME AND GAINS (continued)

The commissions from concessionaire sales are analyzed as follows:

	2010 RMB'000	2009 RMB'000
Gross revenue from concessionaire sales	**7,847,363**	5,900,425
Commissions from concessionaire sales	**1,393,077**	1,062,609

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.

	2010 RMB'000	2009 RMB'000
Other income		
Interest income	**78,692**	34,541
Interest income from bank deposits	**7,720**	3,390
Interest income from loans and receivables	**50,448**	26,789
Interest income from jointly-controlled entities	**1,186**	4,043
Other interest income	**19,338**	319
Advertisement, promotion and administration income	**139,106**	79,841
Credit card handling income	**2,279**	4,191
Dividend income from available-for-sale investments	**–**	1,832
Subsidy income	**17,316**	29,425
Others	**29,922**	8,099
	267,315	157,929
Gains/(losses)		
Loss on disposal of items of property, plant and equipment	**(135)**	(121)
Fair value gain, net:		
Available-for-sale investments (transferred from equity on disposal)	**–**	55,749
Gain on disposal of subsidiaries *(note 40)*	**125,960**	–
Gain on disposal of shares of an associate	**95,686**	117,952
Loss on disposal of a jointly-controlled entity	**–**	(2,438)
Loss on disposal of prepaid land lease payment	**–**	(13,053)
Others	**8,594**	(2,297)
	230,105	155,792
	497,420	313,721

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6. PROFIT BEFORE TAX

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

	2010 RMB'000	2009 RMB'000
Purchases of goods and changes in inventories	**579,202**	301,931
Depreciation and amortization	**238,934**	185,275
Staff costs (including directors' remuneration *(note 9)*):	**300,702**	216,784
Wages, salaries and bonuses	**227,777**	165,607
Pension costs – defined contribution schemes *(note (a))*	**35,039**	26,813
Welfare, medical and other benefits	**19,076**	11,258
Equity-settled share option expense *(note 38)*	**18,810**	13,106
Utility expenses	**119,212**	87,183
Store rental expenses	**299,913**	242,069
Credit card charges	**58,837**	52,125
Advertising expenses	**73,470**	67,389
Auditors' remuneration	**2,980**	2,800
Professional service charges	**8,089**	1,544
Other tax expenses	**53,724**	54,453
Direct operating expenses (including repairs and maintenance, but excluding depreciation and amortisation) arising on rental-earning investment properties	**28,672**	20,996
Rental income on investment properties less direct operating expenses of RMB28,672,000 (2009: RMB20,996,000)	**(53,377)**	(39,696)

Note:

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2010 RMB'000	2009 RMB'000
Interest expenses on bank loans wholly repayable within five years	**69,020**	69,183
Interest on convertible bonds	**14,478**	–
Less: Interest capitalised	**(3,020)**	(14,729)
	80,478	54,454

8. INCOME TAX

	2010 RMB'000	2009 RMB'000
Group:		
Current income tax – Mainland China	**243,663**	125,136
Deferred taxation *(note 25)*	**(18,861)**	(1,751)
	224,802	123,385

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 the Cayman Islands income tax. The Company's wholly-owned subsidiaries North Hill Holdings Limited ("North Hill") and River Three Holdings Limited ("River Three") were incorporated in the British Virgin Islands (the "BVI") as exempted companies with limited liability under the Company Law of the BVI and are exempted from the payment of the BVI income tax. The Company's wholly-owned subsidiary Intime Department Store (Hong Kong) Company Limited ("Intime HK") that was incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% (2009: 16.5%). The Company's wholly-owned subsidiary Sin Cheng Holdings Pte Ltd. ("Sin Cheng") that was incorporated in Singapore is subject to Singapore Income tax.

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

NOTES TO FINANCIAL STATEMENTS

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8. INCOME TAX (continued)

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

Group:

	2010 *RMB'000*	2009 *RMB'000*
Profit before tax	**926,141**	572,752
Tax at the statutory tax rate of 25% (2009: 25%)	**231,535**	143,188
Lower tax rates for specific provinces or enacted by local authority	**(36,633)**	(33,362)
Tax losses utilized from previous periods	**(5,057)**	(3,878)
Profits and losses attributable to associates and jointly-controlled entities	**(14,938)**	(10,410)
Losses on disposal of jointly-controlled entities	**–**	(20,986)
Income not subject to tax	**(1,916)**	(458)
Adjustments in respect of current tax of previous periods	**1,785**	–
Effect of withholding tax at 10% on the distributable profits of a PRC subsidiary	**–**	5,357
Tax losses not recognized	**46,608**	43,477
Expenses not deductible for tax	**3,418**	457
Tax charge at the Group's effective rate	**224,802**	123,385

The share of tax attributable to associates and jointly-controlled entities amounting to RMB19,917,000 (2009: RMB13,880,000) is included in "Share of profits and losses of jointly-controlled entities and associates" on the face of the consolidated income statement.

9. DIRECTORS' REMUNERATION

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

	Group	
	2010	2009
	RMB'000	*RMB'000*
Fees	**510**	542
Other emoluments:		
Salaries, allowances and benefits in kind	**3,466**	3,522
Equity-settled share option expense	**468**	482
	3,934	4,004
	4,444	4,546

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

(a) Independent non-executive directors

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

	2010	2009
	RMB'000	*RMB'000*
Mr. SHI Chungui	**170**	176
Mr. YU Ning	**170**	102
Mr. LEE Lawrence	**–**	88
Mr. CHOW Joseph	**170**	176
	510	542

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

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31 December 2010

9. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Salaries, allowances and benefits in kind *RMB'000*	Equity-settled share option expense *RMB'000*	Total remuneration *RMB'000*
2010			
Executive directors:			
Mr. SHEN Guojun	**2,615**	**–**	**2,615**
Mr. CHING Siu Leung	**426**	**468**	**894**
	3,041	**468**	**3,509**
Non-executive directors:			
Mr. LI Hui	**–**	**–**	**–**
Mr. XIN Xiangdong	**425**	**–**	**425**
	425	**–**	**425**
	3,466	**468**	**3,934**
2009			
Executive directors:			
Mr. SHEN Guojun	2,642	–	2,642
Mr. CHING Siu Leung	440	482	922
	3,082	482	3,564
Non-executive directors:			
Mr. LI Hui	–	–	–
Mr. XIN Xiangdong	440	–	440
	440	–	440
	3,522	482	4,004

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2009: one director) director, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2009: four) non-directors, highest paid employees for the year are as follows:

	Group	
	2010	2009
	RMB'000	*RMB'000*
Salary, allowances and benefits in kind	**2,112**	2,317
Discretionary bonus	**3,528**	2,443
Contribution to retirement benefit plan	**262**	198
Equity-settled share option expense	**8,813**	5,637
	14,715	10,595

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

	Number of employees	
	2010	2009
RMB1,500,001 to RMB2,000,000	**1**	2
RMB2,000,001 to RMB2,500,000	**2**	1
RMB4,500,001 to RMB5,000,000	**–**	1
RMB8,000,001 to RMB8,500,000	**1**	–
	4	4

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

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11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a profit of RMB264,450,000 (2009 profit: RMB217,060,000) which has been dealt with in the financial statements of the Company (note 37).

12. DIVIDENDS

	2010	2009
	RMB'000	*RMB'000*
Interim – RMB0.10 (2009: RMB0.10) per ordinary share	**175,540**	175,020
Proposed final – RMB0.05 (2009: RMB0.032) per ordinary share	**95,476**	56,037
	271,016	231,057

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

All dividends declared for the year ended 31 December 2009 totalling RMB231,057,000 and interim dividend of RMB175,540,000 had been paid prior to 31 December 2010.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary share of 1,759,684,356 (2009: 1,750,213,751) in issue during the year.

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

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

	2010	2009
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**685,189**	462,609
Interest on convertible bonds	**14,478**	–
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**699,667**	462,609

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,759,684,356**	1,750,213,751
Effect of dilution – weighted average number of ordinary shares:		
Share options	**20,403,901**	6,518,006
Convertible bonds	**145,830,203**	–
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**1,925,918,460**	1,756,731,757

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14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings *RMB'000*	Decorations *RMB'000*	Machinery *RMB'000*	Vehicles *RMB'000*	Furniture, fittings and equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2010								
At 31 December 2009 and at 1 January 2010:								
Cost	979,756	149,731	117,408	14,022	50,337	371,385	70,622	1,753,261
Accumulated depreciation	(150,032)	(41,841)	(58,623)	(5,749)	(17,554)	(134,741)	–	(408,540)
Net carrying amount	829,724	107,890	58,785	8,273	32,783	236,644	70,622	1,344,721
At 1 January 2010, net of accumulated deprecation	829,724	107,890	58,785	8,273	32,783	236,644	70,622	1,344,721
Additions	68,255	11,702	5,195	7,490	9,634	73,881	185,537	361,694
Acquisition of subsidiaries *(note 39)*	–	–	210	410	47	–	310,346	311,013
Depreciation provided during the year	(51,395)	(32,868)	(7,000)	(3,200)	(9,718)	(68,288)	–	(172,469)
Transfer to investment properties *(note 15)*	(31,352)	–	1,740	–	–	–	–	(29,612)
Transfer from prepaid rental *(note 20)*	46,733	–	–	–	–	–	–	46,733
Disposal of subsidiaries *(note 40)*	–	–	–	(284)	–	–	(40,506)	(40,790)
Disposals	–	–	(186)	(904)	(585)	(379)	–	(2,054)
At 31 December 2010, net of accumulated depreciation	861,965	86,724	58,744	11,785	32,161	241,858	525,999	1,819,236
At 31 December 2010:								
Cost	1,059,889	161,433	123,966	20,539	56,424	444,266	525,999	2,392,516
Accumulated depreciation	(197,924)	(74,709)	(65,222)	(8,754)	(24,263)	(202,408)	–	(573,280)
Net carrying amount	861,965	86,724	58,744	11,785	32,161	241,858	525,999	1,819,236

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Buildings *RMB'000*	Decorations *RMB'000*	Machinery *RMB'000*	Vehicles *RMB'000*	Furniture, fittings and equipment *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2009								
At 31 December 2008 and at 1 January 2009:								
Cost	938,365	67,824	133,533	13,224	40,844	196,584	241,718	1,632,092
Accumulated depreciation	(107,839)	(9,043)	(43,655)	(4,435)	(10,445)	(82,275)	–	(257,692)
Net carrying amount	830,526	58,781	89,878	8,789	30,399	114,309	241,718	1,374,400
At 1 January 2009, net of accumulated deprecation	830,526	58,781	89,878	8,789	30,399	114,309	241,718	1,374,400
Additions	26,968	9,752	12,403	724	10,119	165,487	243,811	469,264
Acquisition of subsidiaries	51,324	–	4,158	896	114	–	34,433	90,925
Depreciation provided during the year	(32,434)	(28,451)	(4,100)	(2,075)	(6,904)	(55,835)	–	(129,799)
Transfer	193,210	67,808	(43,537)	–	755	12,771	(231,007)	–
Transfer to investment properties *(note 15)*	(239,861)	–	–	–	–	–	(218,333)	(458,194)
Disposals	(9)	–	(17)	(61)	(1,700)	(88)	–	(1,875)
At 31 December 2009, net of accumulated depreciation	829,724	107,890	58,785	8,273	32,783	236,644	70,622	1,344,721
At 31 December 2009:								
Cost	979,756	149,731	117,408	14,022	50,337	371,385	70,622	1,753,261
Accumulated depreciation	(150,032)	(41,841)	(58,623)	(5,749)	(17,554)	(134,741)	–	(408,540)
Net carrying amount	829,724	107,890	58,785	8,273	32,783	236,644	70,622	1,344,721

Amortisation of land lease payment of approximately RMB12,854,000 (2009: RMB19,541,000) during the construction period was capitalised as part of the construction cost of the stores in Xiantao, Hubei Province and Hefei, Anhui Province and included in the above addition of construction in progress.

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group pledged certain of its buildings and construction in progress to secure the Group's banking facilities (note 34(b)). The net carrying amounts of these pledged buildings and construction in progress as at 31 December 2010 were approximately RMB470,854,000 (2009: RMB522,410,000) and RMB206,033,000 (2009: Nil) respectively.

The application for the ownership certificates of certain buildings located in Jinhua of Zhejiang Province and Xiantao of Hubei Province, the PRC, with a carrying amount of RMB236,033,000 as at 31 December 2010 (2009: RMB659,400,000), was in process.

The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2010.

15. INVESTMENT PROPERTIES

Group

	2010	2009
	RMB'000	*RMB'000*
Carrying amount at 1 January	**1,101,187**	548,689
Additions	**7,098**	–
Acquisition of subsidiaries *(note 39)*	**145,000**	–
Depreciation for the year	**(39,393)**	(33,090)
Transfer from construction in progress *(note 14)*	**–**	218,333
Transfer from owner-occupied property *(note 14)*	**29,612**	239,861
Transfer from/(to) prepaid land lease payments *(note 16)*	**(8,205)**	127,394
Carrying amount at 31 December	**1,235,299**	1,101,187
Fair value	**1,777,295**	1,525,438

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

	RMB'000
Medium term leases	634,415
Short term leases	600,884
	1,235,299

15. INVESTMENT PROPERTIES (continued)

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

The Group pledged certain of its investment properties to secure the Group's banking facilities (note 34(b)). The carrying amounts of these pledged investment properties as at 31 December 2010 was approximately RMB488,196,000 (2009: RMB355,263,000).

The application for the ownership certificates of certain investment properties located in Jinhua, Zhejiang Province, the PRC, with a carrying amount of RMB280,183,000 as at 31 December 2010 (2009: RMB475,926,000), was in process.

The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned investment properties. The directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2010.

16. PREPAID LAND LEASE PAYMENTS

Group

	2010 ***RMB'000***	2009 *RMB'000*
Carrying amount at 1 January	**1,453,898**	1,481,110
Additions *(note (i))*	**828,038**	265,146
Acquisition of subsidiaries *(note 39)*	**576,394**	100,804
Transferred from/(to) investment properties *(note 15)*	**8,205**	(127,394)
Transferred to properties under development *(note 17)*	**(90,271)**	–
Disposal of subsidiaries *(note 40)*	**(432,896)**	–
Disposals	**–**	(225,353)
Amortization for the year	**(38,165)**	(40,415)
Carrying amount at 31 December	**2,305,203**	1,453,898

Note:

(i) Included in the additions during the year, the Group acquired a piece of land located in Wenling, Zhejiang Province through an auction held by the local government at a consideration of RMB645.6 million. The Group paid 70% land premium of RMB451.9 million for the prepaid land lease prepayments and 70% deed tax of RMB14 million.

The Group's leasehold land is located in Hangzhou, Haining, Wenling, Jinhua and Cixi, Zhejiang Province, Hefei, Anhui Province, and Xiantao, Hubei Province, the PRC, with lease periods from 32 to 40 years.

The transfer of the ownership certificates of the land located in Haining and Wenling, Zhejiang Province, the PRC, with a carrying amount of RMB828,038,000 at 31 December 2010 (31 December 2009: RMB124,276,000), was in process.

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16. PREPAID LAND LEASE PAYMENTS (continued)

The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned leasehold land. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at 31 December 2010.

Included in the amortization provided during the year is an amount of approximately RMB12,854,000 (2009: RMB19,541,000), which was capitalised as part of the construction cost of the stores in Cixi, Zhejiang Province and Hefei, Anhui Province. Further details of capitalisation are included in note 14.

The Group pledged its prepaid land lease payments to secure the Group's banking facilities (note 34(b)). The carrying amounts of these pledged prepaid land lease payments as at 31 December 2010 was approximately RMB1,196,001,000 (2009: RMB515,419,000).

17. PROPERTIES UNDER DEVELOPMENT

Group

	2010 ***RMB'000***	2009 *RMB'000*
At beginning of year	**–**	–
Additions	**23,424**	–
Acquisition of subsidiaries *(note 39)*	**167,000**	–
Transferred from prepaid land lease payments *(note 16)*	**90,271**	–
At end of year	**280,695**	–
Current assets	**172,513**	–
Non-current assets	**108,182**	–
	280,695	–

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

The carrying amounts of the properties under development situated on the leasehold land in Mainland China are as follows:

	2010 ***RMB'000***	2009 *RMB'000*
Leases of over 50 years	**157,536**	–
Leases of between 20 and 50 years	**123,159**	–
	280,695	–

The Group pledged certain of its properties under development to secure the Group's banking facilities (note 34(b)). The carrying amount of these pledged properties under development as at 31 December 2010 was RMB172,513,000 (2009: Nil).

18. GOODWILL

Group

	2010 RMB'000	2009 *RMB'000*
Cost at 1 January	**327,377**	220,536
Acquisition of subsidiaries *(note 39)*	**154,769**	106,841
Disposal of subsidiaries *(note 40)*	**(55,409)**	–
Impairment during the year	**–**	–
Cost and net carrying amount at 31 December	**426,737**	327,377

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the relevant department stores from which the goodwill was resulted. These individual department stores are treated as a cash-generating unit for impairment testing:

Department store cash-generating unit

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

The carrying amount of goodwill allocated to each cash-generating unit of operation of department stores is:

	2010 RMB'000	2009 *RMB'000*
Carrying amount of goodwill	**426,737**	327,377

Key assumptions were used in the value in use calculation of the department store cash-generating unit for 31 December 2010. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

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19. OTHER INTANGIBLE ASSETS

Group

	Computer software
	RMB'000
31 December 2010	
Cost at 1 January 2010, net of accumulated amortization	**3,902**
Additions	**2,348**
Acquisition of subsidiaries *(note 39)*	**33**
Disposal	**(40)**
Disposal of subsidiaries *(note 40)*	**(9)**
Amortization provided during the year	**(1,761)**
At 31 December 2010	**4,473**
At 31 December 2010:	
Cost	**8,963**
Accumulated amortization	**(4,490)**
Net carrying amount	**4,473**
31 December 2009	
Cost at 1 January 2009, net of accumulated amortization	3,732
Additions	1,701
Disposal	(19)
Amortization provided during the year	(1,512)
At 31 December 2009	3,902
At 31 December 2009:	
Cost	6,638
Accumulated amortization	(2,736)
Net carrying amount	3,902

20. PREPAID RENTAL

Group

	RMB'000
31 December 2010	
Carrying amount at 1 January 2010,	**122,443**
Recognised during the year	**(18,194)**
Transferred to owner-occupied property *(note 14)*	**(46,733)**
At 31 December 2010	**57,516**
Less: Current portion	**(4,667)**
Non-current portion of prepaid rental	**52,849**
31 December 2009	
Carrying amount at 1 January 2009,	150,531
Recognised during the year	(28,088)
At 31 December 2009	122,443
Less: Current portion	(18,033)
Non-current portion of prepaid rental	104,410

21. INVESTMENTS IN SUBSIDIARIES

Company

	2010 **RMB'000**	2009 RMB'000
Unlisted shares, at cost	**909,284**	908,408

The amounts due from and to subsidiaries included in the Company's non-current assets and non-current liabilities of RMB5,193,618,000 (2009:RMB2,260,839,000) and RMB156,392,000 (2009: RMB19,805,000), respectively, are unsecured and interest-free, and have no fixed repayment terms. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

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21. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and kind of legal entity	Nominal value of issued ordinary/ registered and share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
North Hill	BVI, limited liability company	United States dollars ("US$")1	100%	–	Investment holding
River Three	BVI, limited liability company	US$1	100%	–	Investment holding and trademark management
Hangzhou Intime North Hill Enterprise Management Co., Ltd. ("Hangzhou North Hill")	Mainland China, wholly-foreign-owned enterprise	US$55,000,000	–	100%	Investment holding
Zhejiang Intime Department Store Co., Ltd. ("Zhejiang Intime")	Mainland China, wholly-foreign-owned enterprise	RMB800,000,000	–	100%	Operation and management of department stores and investment holding
Intime Department Store Co., Ltd. ("Shanghai Intime")	Mainland China, wholly-foreign-owned enterprise	RMB300,000,000	–	100%	Operation and management of department stores and investment holding
Zhejiang Wenzhou Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB30,000,000	–	100%	Operation and management of department stores
Hangzhou Intime Outlets Commercial Development Co., Ltd. (Hangzhou Intime Outlets")	Mainland China, limited liability company	RMB20,000,000	–	100%	Investment holding
Zhejiang Intime Department Store (Jinhua) Co., Ltd.	Mainland China, limited liability company	RMB30,000,000	–	100%	Operation and management of department stores
Jiaxing Intime Meiwan Xintiandi Investment and Management Co., Ltd. ("Jiaxing Meiwan")	Mainland China, limited liability company	RMB400,000,000	–	60%	Investment and business management and property letting
Intime Department Store (Ningbo Yinzhou) Co., Ltd.	Mainland China, limited liability company	RMB20,000,000	–	100%	Operation and management of department stores
Zhejiang Zhelian Investment and Management Co., Ltd.	Mainland China, limited liability company	RMB10,000,000	–	50%*	Investment holding and property development

21. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and kind of legal entity	Nominal value of issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Hangzhou Yinxi Department Store Co., Ltd.	Mainland China, limited liability company	RMB36,000,000	–	50%*	Operation and management of department stores
Ezhou Intime Department Store & Trade Company Limited	Mainland China, limited liability company	RMB10,000,000	–	100%	Operation and management of department stores
Hubei Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB50,000,000	–	100%	Operation and management of department stores
Hangzhou Linping Intime Shopping Center Co., Ltd.	Mainland China, limited liability company	RMB10,000,000	–	100%	Operation and management of department stores
Jinhua Intime Shopping Center Co., Ltd.	Mainland China, limited liability company	RMB30,000,000	–	100%	Operation and management of department stores
Shenyang North Intime Real Estate Co., Ltd.	Mainland China, limited liability company	RMB6,800,000	–	100%	Lease of real estate and equipment; property management
Xi'an Central Intime Commercial Management Co., Ltd.	Mainland China, limited liability company	RMB30,000,000	–	60%	Operation and management of department stores
Yiwu Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB15,000,000	–	52%	Operation and management of department stores
Hubei Intime Xiantao Shangcheng Building Co., ltd.	Mainland China, limited liability company	RMB36,925,000	–	65.8%	Operation and management of department stores
Intime Department Store (Hong Kong) Company Limited ("Intime HK")	Hong Kong, limited liability company	Hong Kong dollars ("HK$") 1,000,000	100%	–	Investment holding
Zhejiang Intime Investment Co., Ltd. ("Zhejiang Intime Investment")	Mainland China, wholly-foreign-owned enterprise	RMB510,000,000	–	100%	Investment holding
Fuyang Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB10,000,000	–	100%	Operation and management of department stores

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21. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and kind of legal entity	Nominal value of issued ordinary/ registered and share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Anhui Province Huaqiao Hotel Company Limited ("Anhui Huaqiao Hotel")	Mainland China, limited liability company	RMB260,000,000	–	100%	Property development
Cixi Intime Property Co., Ltd.	Mainland China, limited liability company	RMB100,000,000	–	100%	Property development
Cixi Intime Commercial Management Co., Ltd.	Mainland China, limited liability company	RMB150,600,000	–	100%	Property development
Sin Cheng	Singapore, private limited company	Singapore dollars ("SG$") 1,200,000	–	100%	Investment and business management
Hubei Wuluo Innovation Park Development Co., Ltd. ("Hubei Wuluo")	Mainland China, limited liability company	RMB60,000,000	–	100%	Property development
Hangzhou Intime Century Department Store Co., Ltd.	Mainland China, wholly-foreign-owned enterprise	US$20,000,000	–	100%	Operation and management of department stores
Intime Department Store (Ningbo Haishu) Co., Ltd.	Mainland China, limited liability company	RMB50,000,000	–	100%	Operation and management of department stores
Intime Department Store (Ningbo Jiangdong) Co., Ltd.	Mainland China, limited liability company	RMB50,000,000	–	100%	Operation and management of department stores
Zhoushan Intime Department Store Co., Ltd.	Mainland China, limited liability company	RMB10,000,000	–	100%	Operation and management of department stores

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

Details of the acquisitions and disposals of subsidiaries of Group during the year are included in notes 39 and 40 to the financial statements.

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

22. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

Group

	2010	2009
	RMB'000	*RMB'000*
Share of net assets	**166,180**	167,890
Goodwill on acquisition	**136,519**	136,519
	302,699	304,409

The movements of the investments in jointly-controlled entities during years 2010 and 2009 are as follows:

	2010	2009
	RMB'000	*RMB'000*
At 1 January	**304,409**	544,861
Share of losses	**(1,710)**	(27,844)
Disposal of jointly-controlled entities	**–**	(212,608)
At 31 December	**302,699**	304,409

Particulars of the jointly-controlled entity is as follows:

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

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

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22. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

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

	2010 *RMB'000*	2009 *RMB'000*
Share of the jointly-controlled entities' assets and liabilities:		
Current assets	**2,576**	5,555
Non-current assets	**925,887**	854,220
Current liabilities	**103,463**	31,815
Non-current liabilities	**658,820**	660,070
Net assets	**166,180**	167,890
Share of the jointly-controlled entities' results:		
Revenue	**–**	24,510
Other income	**–**	682
		25,192
Total expenses	**(1,710)**	(53,036)
Tax	**–**	–
Loss after tax	**(1,710)**	(27,844)

23. INVESTMENTS IN ASSOCIATES

Group

	2010	2009
	RMB'000	*RMB'000*
Unlisted		
Share of net assets	**326,977**	–
Goodwill on acquisition	**972,791**	–
	1,299,768	–
Listed in Mainland China		
Share of net assets	**878,197**	806,392
Goodwill on acquisition	**178,280**	178,280
	1,056,477	984,672
Disposal of shares in an associate *(note (a))*	**(294,334)**	(215,220)
Transfer to an associate held for sale	**(174,930)**	–
	587,213	769,452
	1,886,981	769,452
Market value of listed shares	**2,110,011**	2,264,033

Note:

a) The Group disposed of 17,184,129 shares (4.56%) of Baida Group Co., Ltd. ("Baida") in 2010.

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23. INVESTMENTS IN ASSOCIATES (continued)

The movements of the investments in associates during the years 2010 and 2009 are as follows:

	2010 RMB'000	2009 RMB'000
At 1 January	**769,452**	900,650
Share of profits and losses	**61,461**	69,485
Establishment of associates *(note (b) and (c))*	**60,600**	–
Acquisition of associates *(note (d) and note 39(b))*	**1,249,619**	–
Disposal of shares of an associate	**(79,114)**	(171,948)
Transfer to an associate held for sale	**(174,930)**	–
Dividends received from associates	**–**	(28,967)
Share of other comprehensive income/(loss) of associates	**(107)**	232
At 31 December	**1,886,981**	769,452

Note:

b) Pursuant to a joint venture agreement with Xi'an Qujiang Datang Culture and Commerce Co., Ltd. ("Xi'an Qujiang Datang"), Hangzhou North Hill and Xi'an Qujiang Datang 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. ("Xi'an Qujiang Intime") and held 28.571% of its equity interest.

c) On 12 March 2010, Hangzhou Intime Outlets established a subsidiary, namely Zhejiang Intime Electronic Commerce Co., Ltd. ("Zhejiang Intime Electronic Commerce") with paid-in capital of RMB10,600,000. On 15 June 2010, pursuant to a 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 two parties. The percentage of ownership interest attributable to the Group after the injection of the additional paid-in capital is 26.5%. There was no significant profit or loss during the period between the date of establishment of Zhejiang Intime Electronic Commerce and the Group's share was decreased to 26.5%.

d) On 6 August 2010, Anhui Huaqiao Hotel entered into an agreement with Anhui Zheshang Investment Group Co., Ltd. ("Anhui Zheshang Investment") to acquire a 15% equity interest in Anhui Hualun Gangwan Culture Investment Co., Ltd. ("Anhui Hualun") with registered capital of RMB20,000,000 at a consideration of RMB3,000,000.

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Registered and share capital	Place of registration	Percentage of ownership interest attributable to the Group	Principal activities
Baida *	37,624,032 ordinary shares of RMB1 each	N/A	Mainland China	10%	Operation and management of department stores
Wuhan Department. Store Group Co., Ltd	114,736,865 ordinary shares of RMB1 each	N/A	Mainland China	22.62%	Operation and management of supermarkets and department stores

23. INVESTMENTS IN ASSOCIATES (continued)

Name	Particulars of issued shares held	Registered and share capital	Place of registration	Percentage of ownership interest attributable to the Group	Principal activities
Xi'an Qujiang Intime	N/A	RMB175,000,000	Mainland China	28.571%	Operation and management of department stores
Zhejiang Intime Electronic Commerce	N/A	RMB40,000,000	Mainland China	26.5%	Operation and management of on-line shopping moll
Anhui Hualun **	N/A	RMB20,000,000	Mainland China	15%	Operation and management of department stores and property development
Beijing Youyi Lufthansa Shopping City Co. Ltd. Beijing Lufthansa Centre ("Beijing Youyi Lufthansa")	N/A	RMB60,000,000	Mainland China	50%	Operation and management of department stores

* The Directors are of the view that the Group plans to dispose all of its entire shares in Baida in year 2011 and recorded the investment in Baida as an associate held for sale.

** The Group has significant influence over Anhui Hualun as the Company had one representative in the board of directors of Anhui Hualun.

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

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

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

	2010	2009
	RMB'000	*RMB'000*
Assets	**10,553,165**	9,040,718
Liabilities	**7,762,040**	5,355,213
Gross revenue from concessionaire sales and other revenues	**11,341,204**	9,048,151
Profit	**292,444**	318,203

^ Anhui Hualun's financial information for the period from 1 September 2010 to 31 December 2010 was included in the above summarised financial information.

^^ The acquisition of Beijing Youyi Lufthansa was completed on 22 December 2010. The above financial information did not include Beijing Youyi Lufthansa's gross revenue from concessionaire sales and other revenues and profit for the period from 22 December 2010 to 31 December 2010 as it is not significant to the Group's consolidated income statement for the year ended 31 December 2010.

Baida ceased to be accounted under the equity method of accounting since 30 September 2010. The above financial information included Baida's financial performance for the nine months ended 30 September 2010.

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24. INVESTMENT DEPOSITS

Group

a) On 15 November 2010, Zhejiang Intime Investment entered into equity transfer agreements with certain individuals to acquire 84.5% equity interest in Hubei New Century Shopping Centre Co., Ltd. ("Hubei New Century") for an aggregate consideration of approximately RMB248,100,000. As at 31 December 2010, Zhejiang Intime Investment paid approximately RMB248,100,000 investment deposit for the transaction.

b) On 10 November 2010, Hangzhou Intime Outlets entered into agreement with Zhejiang Zhongda Real Estate Group Co., Ltd. ("Zhejiang Zhongda") to acquire 40% equity interest in Hangzhou Zhongda Shengma Property Co., Ltd. for a consideration of RMB20 million. As at 31 December 2010, Hangzhou Intime Outlets paid RMB20,000,000 investment deposit for the transaction.

25. DEFERRED TAX

Group

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

Deferred tax assets

	Accruals	Available-for-sale investments	Losses available for offsetting against future taxable profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	14,248	10,949	8,364	33,561
Recognized in the income statement *(note 8)*	3,273	–	5,030	8,303
Charged to equity	–	(10,949)	–	(10,949)
At 31 December 2009	17,521	–	13,394	30,915
At 1 January 2010	17,521	–	13,394	30,915
Recognized in the income statement *(note 8)*	4,159	–	13,159	17,318
At 31 December 2010	21,680	–	26,553	48,233

The Group has tax losses arising in Mainland China of RMB186,432,000 (2009: RMB173,908,000) that will expire in one to five years for offsetting against future taxable profits for which no deferred tax assets have been recognized, as they have arisen in subsidiaries that have been loss-making for some time and it is uncertain that taxable profits will be available against which the tax losses can be utilized.

25. DEFERRED TAX (continued)

Deferred tax liabilities

	Available-for-sale investments	Fair value adjustment arising from acquisition of subsidiaries	Withholding tax at 10% on the distributable profit of the Group's PRC subsidiary and associate	Temporary difference of gain arising from disposal of shares in an associate	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	–	195,276	–	–	195,276
Recognized in the income statement *(note 8)*	–	(4,958)	5,357	6,153	6,552
Charged to equity	4,465	–	–	–	4,465
Acquisition of subsidiaries	–	17,624	–	–	17,624
Reversal upon disposal	(4,465)	–	–	–	(4,465)
At 31 December 2009	–	207,942	5,357	6,153	219,452
Recognized in the income statement *(note 8)*	–	(5,708)	–	4,165	(1,543)
Transfer to tax payable during the year	–	–	(5,357)	–	(5,357)
Acquisition of subsidiaries *(notes 39)*	–	91,957	29,879	–	121,836
Disposal of subsidiaries *(note 40)*	–	(49,740)	–	–	(49,740)
At 31 December 2010	–	244,451	29,879	10,318	284,648

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

At 31 December 2010, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities arising from the withholding tax have not been recognised totalled approximately RMB1,502,752,000 at 31 December 2010 (2009: RMB848,587,000).

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

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26. INVENTORIES

Group

	2010 RMB'000	2009 RMB'000
Store merchandises, at cost	**154,629**	116,435
Low value consumables	**1,120**	1,869
	155,749	118,304

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Intention money paid for potential investments	**–**	10,590	**–**	–
Receivable from disposal of a loan made to a subsidiary *(note 40 (b))*	**27,606**	–	**–**	–
Receivable from disposal of a subsidiary *(note 40 (b))*	**78,394**	–	**–**	–
Rental deposits	**37,800**	61,000	**–**	–
Prepaid rental	**4,667**	26,961	**–**	–
Advances to suppliers	**55,440**	33,394	**–**	–
Advances to third parties *(note (a))*	**197,698**	62,200	**–**	–
Dividend receivable from an associate	**100,000**	–	**–**	–
Others	**86,117**	68,520	**1,104**	1,138
	587,722	262,665	**1,104**	1,138

Note:

(a) The advances to third parties as at 31 December 2010 include an advance deposit amounting to RMB100,000,000 to South City Holdings Co., Ltd. to settle the outstanding payables of RMB100,000,000 for the purchase of 100% equity interest in Million Energy Holdings Limited.

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

28. LOANS AND RECEIVABLES

Group

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

	2010 **RMB'000**	2009 *RMB'000*
Principal due from:		
Third parties *(note (i))*	**974,410**	–
Related parties:		
– Beijing Intime Lotte Department Store Co., Ltd. ("Intime Lotte") *(note (ii) and note 46 (d))*	**19,095**	61,114
– China Yintai Holding Co., Ltd. ("China Yintai") *(note 46 (d))*	**115,000**	130,000
– Beijing Guojun Investment Co., Ltd. ("Beijing Guojun")	**–**	303,840
	134,095	494,954
	1,108,505	494,954
Less: non-current portion	**(340,000)**	(126,549)
	768,505	368,405
Interest receivable due from:		
Third parties	**1,755**	–
Related parties:		
– Intime Lotte *(note 46 (d))*	**3,507**	7,397
– China Yintai *(note 46 (d))*	**3,055**	416
	6,562	7,813
	8,317	7,813
	776,822	376,218

Notes:

(i) During the year, the Group granted entrusted loans or other types of loans to certain third parties with principle amounts of RMB974,410,000 which bear interest rates ranging from 7% to 20% per annum with maturity periods of one to two years. All the loans were guaranteed or pledged.

(ii) Pursuant to the loan agreement between Zhejiang Intime and Intime Lotte, Zhejiang Intime granted Intime Lotte certain loan of RMB107,012,000 in the year 2008, which bear an interest rate at 12% (2009:12%). The outstanding loan of RMB19,095,000 will be repaid in year 2011 and the repayment is guaranteed by China Yintai.

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29. TRADE RECEIVABLES

Group

	2010 RMB'000	2009 RMB'000
Trade receivables	16,040	8,685
Impairment	–	–
	16,040	8,685

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

The trade receivables are neither past due or impaired.

30. CASH IN TRANSIT

Group

	2010 RMB'000	2009 RMB'000
Cash in transit	95,711	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.

31. CASH AND BANK BALANCES

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Cash and bank balances	1,366,110	1,002,665	282,814	4,319
Less: Restricted cash	43,508	12,034	–	–
Cash and cash equivalents	1,322,602	990,631	282,814	4,319

31. CASH AND BANK BALANCES (continued)

At 31 December 2010 and 2009, the cash at banks and on hand were denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**1,067,516**	988,502	**–**	–
US$	**55**	68	**–**	–
HK$	**298,486**	14,095	**282,814**	4,319
SG$	**53**	–	**–**	–
	1,366,110	1,002,665	**282,814**	4,319

At the end of the reporting period, the cash and bank balances of the Group denominated in US$, HK$ and SG$ amounted to RMB55,000, RMB298,486,000 and RMB53,000 (2009: RMB68,000, RMB14,095,000 and Nil), respectively.

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

32. TRADE AND BILLS PAYABLES

Group

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

	2010	2009
	RMB'000	*RMB'000*
Within 1 month	**754,226**	666,420
1 to 2 months	**365,530**	358,517
2 to 3 months	**59,090**	42,633
over 3 months	**27,405**	26,924
	1,206,251	1,094,494

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

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33. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Payables for purchase of property, plant and equipment and properties under development	**171,404**	140,292	**–**	–
Advances from customers	**834,823**	276,082	**–**	–
Advances from pre-sale of properties under development	**145,021**	–	**–**	–
Other liabilities to local government	**21,446**	21,446	**–**	–
Other tax payables	**199,095**	100,478	**11,589**	–
Bonus and welfare payables	**63,116**	47,000	**–**	–
Deposits received from suppliers/concessionaires	**91,187**	64,914	**–**	–
Deposits received from building contractors	**9,000**	–	**–**	
Accruals	**157,140**	115,469	**–**	–
Payables for purchase of equity interests	**249,743**	277,115	**–**	–
Payables for purchase of a shareholder's loan in respect of acquisition of a subsidiary	**19,818**	–	**–**	–
Deferred revenue	**28,276**	15,826	**–**	–
Deferred government subsidy	**3,798**	3,798	**–**	–
Payables to ex-shareholders of a subsidiary	**14,492**	29,750	**–**	–
Others	**55,369**	75,135	**59**	650
	2,063,728	1,167,305	**11,648**	650

34. INTEREST-BEARING BANK BORROWINGS

	2010 Effective interest rate (%)	2010 Maturity	2010 RMB'000	2009 Effective interest rate (%)	2009 Maturity	2009 RMB'000
Group:						
Current:						
Bank loans – unsecured	**4.455-5.56**	**2011**	**289,000**	4.374-5.31	2010	140,000
Bank loans – secured *(a)*	**5.31**	**2011**	**78,000**	4.374-5.31	2010	308,000
Current portion of long term bank loans – secured *(a)*	**5.94**	**2011**	**125,000**	5.184	2010	20,000
			492,000			468,000
Non-current:						
Secured bank loans *(a)*	**5.184-6.556**	**2012-2015**	**645,000**	5.184-6.534	2011 – 2015	530,000
Unsecured bank loans	**5.85**	**2012-2013**	**63,000**	–	–	–
			708,000			530,000
Convertible bonds *(note 35)*	**Weighted average of 5.13**	**2013**	**1,617,947**	–	–	–
			2,325,947			530,000
			2,817,947			998,000

	2010 RMB'000	2009 RMB'000
Analysed into:		
Within one year or on demand	**492,000**	468,000
In the second year	**190,000**	70,000
In the third to fifth years, inclusive	**2,135,947**	435,000
Beyond five years	**–**	25,000
	2,817,947	998,000

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34. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

(a) Secured bank loans of RMB848,000,000 as at 31 December 2010 were secured by certain of the Group's buildings, construction in progress, investment properties, prepaid land lease payments and properties under development, the total carrying amount of which at 31 December 2010 was RMB2,533,597,000 (2009: RMB1,393,092,000) (notes 14, 15, 16 and 17).

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

	2010 *RMB'000*	2009 *RMB'000*
At floating rate:		
Expiring within 1 year	**–**	–
Expiring within 2 to 5 years, inclusive	**1,886,050**	1,266,550
Expiring after 5 years	**370,000**	300,000
	2,256,050	1,566,550

The Group's banking facilities were secured by certain buildings (note 14), construction in progress (note 14), investment properties (note 15), prepaid land lease payments (note 16) and properties under development of the Group (note 17).

	2010			2009		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Company						
Non-current:						
Convertible bonds *(note 35)*	**Weighted average of 5.13**	**2013**	**1,617,947**	–	–	–

35. CONVERTIBLE BONDS

On 27 October 2010, the Company issued 1.75% convertible bonds with a nominal value of HK$1,941,000,000. There was no movement in the number of these convertible bonds during the year. The bonds are convertible at the option of the bondholders into ordinary shares on or after 7 December 2010 up to 20 October 2013 at a conversion price of HK$13.31. The bonds are redeemable at the option of the bondholders at 100% of its principal amount together with interest accrued and unpaid to such date on 20 October 2013. The bonds are redeemable at the option of the Company at any time prior to 20 October 2013 in whole, but not in part, of the convertible bonds for the time being outstanding at their principal amount together with interest accrued to the date fixed for redemption provided that prior to the date of notice of such redemption at least 90% in principal amount of the convertible bonds originally issued has already been converted, redeemed or purchased and cancelled. The bonds carry interest at a rate of 1.75% per annum, which is payable half-yearly in arrears on 27 April and 27 October.

35. CONVERTIBLE BONDS (continued)

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during the year have been split as to the liability and equity components, as follows:

	2010 *RMB'000*	2009 *RMB'000*
Nominal value of convertible bonds issued during the year	**1,673,685**	–
Equity component	**(23,607)**	–
Direct transaction costs attributable to the liability component	**(25,105)**	–
	1,624,973	–
Liability component at the issuance date	**1,624,973**	–
Interest expense	**14,478**	–
Exchange realignment	**(21,504)**	–
Interest paid	**–**	–
Liability component at 31 December *(note 34)*	**1,617,947**	–

36. SHARE CAPITAL

Group and Company

	Authorized		
	Number of shares	*US$*	*RMB*
At 31 December 2010 and 2009	5,000,000,000	50,000	393,500

	Issued and fully paid up		
	Number of shares	*US$*	*RMB'000*
As at 31 December 2009	1,751,164,000	17,512	137
Share options exercised (i)	10,698,500	107	1
Issue of shares (ii)	147,664,835	1,476	10
As at 31 December 2010	1,909,527,335	19,095	148

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36. SHARE CAPITAL (continued)

During the year, the movements in share capital were as follows:

(i) The subscription rights attaching to 10,698,500 share options were exercised at subscription prices of HK$3.56, HK$5.64 and HK$1.88 per share (note 38), resulting in the issue of 10,698,500 shares of US$0.00001 each for a total cash consideration, before expenses, of HK$44,141,060 (RMB38,402,000 equivalent). An amount of RMB10,149,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(ii) On 22 December 2010, the Company issued 147,664,835 new shares to Comax Investment Limited ("Comax Investment") to acquire 100% equity interest in Sin Cheng (Note 39 (b)).

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

	Number of shares	Issued capital	Share premium
		US$	*RMB'000*
At 1 January 2009	1,750,200,000	17,502	2,226,452
Share options exercised	964,000	10	4,424
At 31 December 2009 and 1 January 2010	1,751,164,000	17,512	2,230,876
Share options exercised	10,698,500	107	48,550
Issue of shares	147,664,835	1,476	1,320,397
At 31 December 2010	1,909,527,335	19,095	3,599,823

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 38 to the financial statements.

37. RESERVES

Group

(i) Statutory reserves

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

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

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

(ii) Exchange fluctuation reserve

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

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37. RESERVES (continued)

Company

	Share premium RMB'000	Equity component of convertible bonds RMB'000	Capital redemption reserve RMB'000	Contributed surplus RMB'000	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Share option reserve RMB'000	Total RMB'000
At 31 December 2008	2,226,452	–	4	908,303	21,135	(65,025)	17,600	3,108,469
Total comprehensive income for the year	–	–	–	–	217,060	(12,959)	–	204,101
Equity-settled share option arrangements *(note 38)*	–	–	–	–	–	–	13,106	13,106
Exercise of share options	4,424	–	–	–	–	–	(968)	3,456
Interim 2009 dividend	–	–	–	–	(175,020)	–	–	(175,020)
Proposed final 2009 dividend	–	–	–	–	(56,037)	–	–	(56,037)
At 31 December 2009	2,230,876	–	4	908,303	7,138	(77,984)	29,738	3,098,075
Total comprehensive income for the year	–	–	–	–	264,450	12,485	–	276,935
Issue of shares	1,320,397	–	–	–	–	–	–	1,320,397
Issuance of convertible bonds	–	23,607	–	–	–	–	–	23,607
Equity-settled share option arrangements *(note 38)*	–	–	–	–	–	–	18,810	18,810
Transfer of share option reserve upon the forfeiture or expiry of share options	–	–	–	–	5,472	–	(5,472)	–
Exercise of share options	48,550	–	–	–	–	–	(10,149)	38,401
Interim 2010 dividend	–	–	–	–	(175,540)	–	–	(175,540)
Proposed final 2010 dividend	–	–	–	–	(95,476)	–	–	(95,476)
At 31 December 2010	3,599,823	23,607	4	908,303	6,044	(65,499)	32,927	4,505,209

38. SHARE OPTION SCHEME

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

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

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

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

	2010		2009	
	Weighted average exercise price *HK$ per share*	**Number of options** *'000*	Weighted average exercise price *HK$ per share*	Number of options *'000*
At 1 January	**4.29**	**49,076**	4.89	29,760
Granted during the year	**6.68**	**21,050**	3.55	27,780
Forfeited during the year	**2.11**	**(686)**	4.58	(6,950)
Exercised during the year	**4.13**	**(10,698)**	4.06	(964)
Expired during the year	**6.44**	**(550)**	6.44	(550)
At 31 December	**5.20**	**58,192**	4.17	49,076

The weighted average share price at the date of exercise for share options exercised during the year was HK$8.92 per share (2009: HK$7.18 per share).

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38. SHARE OPTION SCHEME (continued)

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

2010 Number of options *'000*	**Exercise price** *HK$ per share*	**Exercise period**
1,100	**6.44**	**22 March 2010 to 21 March 2012**
6,509	**3.56**	**19 September 2009 to 18 September 2014**
6,285	**5.64**	**12 April 2009 to 11 April 2014**
13,288	**1.88**	**5 March 2010 to 4 March 2015**
9,000	**6.63**	**29 August 2010 to 28 August 2015**
1,000	**5.50**	**21 October 2010 to 20 October 2015**
19,410	**6.49**	**27 May 2011 to 26 May 2016**
1,600	**9.00**	**27 August 2011 to 26 August 2016**
58,192		

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

The fair value of the options granted during the year was approximately RMB34,615,000 (2009: RMB23,116,000), of which the Group recognized a share option expense of RMB7,252,000 (2009: RMB5,649,000) during the year ended 31 December 2010. The Group recognized a total share option expenses of RMB18,810,000 (2009: RMB13,106,000) for the year ended 31 December 2010 (note 6).

38. SHARE OPTION SCHEME (continued)

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

	2010	2009
Dividend yield (%)	**2.09% – 2.99%**	2.91% – 3.89%
Expected volatility (%)	**49.47% – 50.85%**	53.15% – 54.37%
Risk-free interest rate (%)	**0.929% – 1.393%**	0.996% – 1.986%
Expected life of options (year)	**3 – 6**	3 – 6
Weighted average exercise price (HK$)	**4.13**	3.55

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

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

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

The 10,698,500 share options exercised during the year resulted in the issue of 10,698,500 ordinary shares of the Company and new share capital of RMB1,000 and share premium of RMB48,550,000 (before issue expenses), as further detailed in note 36 to the financial statements.

At the end of reporting date, the Company had 58,192,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 58,192,000 additional ordinary shares of the Company and additional share capital of approximately RMB3,854 and share premium of approximately RMB239,809,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 57,501,500 share options outstanding under the Scheme, which represented approximately 3.01% of the Company's shares in issue as at that date.

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39. BUSINESS COMBINATIONS

During the year, the Group made the following acquisitions:

a) On 3 April 2010, 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 Anhui Huaqiao Hotel at a consideration of HK$246,000,000 (RMB216,194,000 equivalent), and the loan amounted to HK$150,960,000 (RMB132,120,000 equivalent) owed by Anhui Huaqiao Hotel to Chevalier International at its carrying amount.

On the same date, Shanghai Intime, an indirect wholly-owned subsidiary of the Company, entered into i) an agreement with 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 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. Shanghai Intime also provided a loan of RMB226,469,000 to Anhui Huaqiao Hotel to repay the loans owed by Anhui Huaqiao Hotel to Anhui Travel Group, Anxing Development and Chevalier Chengdu Investment Management Co., Ltd.

The transaction was completed by the end of July 2010.

The fair values of the identifiable assets and liabilities of Anhui Huaqiao Hotel as at the date of acquisition were as follows:

	Notes	**Fair value recognized on acquisition** *RMB'000*
Property, plant and equipment	*14*	183,229
Investment properties	*15*	145,000
Prepaid land lease payments	*16*	576,394
Properties under development	*17*	167,000
Intangible assets	*19*	17
Other receivables		3,565
Cash and cash equivalents		5,217
Other payables and accruals		(441,857)
Deferred tax liabilities	*25*	(91,957)
Interest-bearing bank borrowings		(150,000)
Total identifiable net assets at fair value		396,608
Goodwill on acquisition	*18*	154,769
Satisfied by cash		551,377

39. BUSINESS COMBINATIONS (continued)

a) The Group incurred transaction costs of RMB1,039,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated income statement.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(551,377)
Cash consideration to be paid	149,743
Cash consideration paid	(401,634)
Cash and cash equivalents acquired	5,217
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(396,417)
Cash consideration paid for acquisition of a shareholder's loan included in cash flows used in investing activities	(338,771)
	(735,188)
Transaction costs of the acquisition included in cash flows used in operating activities	(1,039)
	(736,227)

b) Intime HK acquired 100% equity interest of Sin Cheng, which holds a 50% equity interest in Beijing Youyi Lufthansa, an associate company of Sin Cheng from Keson International Limited ("Keson International"). The Company issued 147,664,835 shares (the "Consideration Shares") to Comax Investment as consideration for the purchase. Comax Investment is a wholly-owned subsidiary of Henderson Land Development Company Limited, which indirectly owns 100% equity interest in Keson International. The fair value of the Consideration Shares at the acquisition date on 22 December 2010 was HK$1,535,714,000 (RMB1,320,407,000 equivalent).

The fair values of the identifiable assets and liabilities of Sin Cheng as at the date of acquisition were as follows:

	Notes	**Fair value recognized on acquisition** *RMB'000*
Investment in an associate	*23*	1,246,619
Other receivables		104,500
Cash and cash equivalents		54
Other payables		(887)
Deferred tax liabilities	*25*	(29,879)
Total identifiable net assets at fair value		1,320,407
Satisfied by consideration issue *(note 41)*		1,320,407

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39. BUSINESS COMBINATIONS (continued)

b) An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	–
Cash and cash equivalents acquired	54
Net inflow of cash and cash equivalents included in cash flows from investing activities	54

Had the combination taken place at the beginning of the year, the profit of the Group for the year would have been RMB771,184,000, based on the management accounts provided by Sin Cheng.

c) In December 2010, Zhejiang Intime Investment, an indirect wholly-owned subsidiary of the Company, acquired an 83.33% equity interest of Hubei Wuluo from China Yintai for a consideration of RMB47,082,000 and a loan amounted to RMB35,000,000 owed by Hubei Wuluo to China Yintai at its carrying amounts (note 46 (b)).

On the same date, Zhejiang Intime Investment acquired a 16.67% equity interest of Hubei Wuluo from Beijing Guojun for a consideration of RMB9,416,000, and loan amounted to RMB32,540,000 owed by Hubei Wuluo to Beijing Guojun at its carrying amounts (note 46 (b)).

The transaction was completed in December 2010.

The fair values of the identifiable assets and liabilities of Hubei Wuluo as at the date of acquisition were as follows:

	Notes	**Fair value recognized on acquisition** *RMB'000*
Property, plant and equipment	*14*	127,784
Prepayments and other receivables		148
Intangible assets	*19*	16
Cash and cash equivalents		2,622
Other payables and accruals		(74,072)
Total identifiable net assets at fair value		56,498
Satisfied by cash		56,498

39. BUSINESS COMBINATIONS (continued)

c) An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	(56,498)
Cash and cash equivalents acquired	2,622
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(53,876)
Cash consideration paid for acquisition of a shareholder's loan included in cash flows used in investing activities	(67,540)
	(121,416)

d) Shanghai Intime acquired a 90% equity interest of Ningbo Intime Department Store ("Ningbo Store") from Metro Land Corporation Ltd. ("Metro Land"), a related party of the Group for a consideration of RMB15,230,000 (note 46(b)), and 10% equity interest of Ningbo Store from Ningbo Hualian Property Development Co., Ltd. ("Ningbo Hualian Property"), a related party of the Group for a consideration of RMB1,692,000 (note 46(b)). The transaction was completed by the end of July 2010.

The fair values of the identifiable assets and liabilities of Ningbo Store as at the date of acquisition were as follows:

	Notes	**Fair value recognized on acquisition** *RMB'000*
Inventories		3
Prepayments and other receivables		10,756
Trade receivables		7,070
Cash and cash equivalents		5
Trade and bills payables		(64)
Other payables and accruals		(848)
Total identifiable net assets at fair value		16,922
Satisfied by cash		16,922

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid	(16,922)
Cash and cash equivalents acquired	5
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(16,917)

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40. DISPOSAL OF SUBSIDIARIES

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

a) On 23 June 2010, the Group entered into an equity transfer agreement with Wuhan Junyu Investment Co., Ltd., to dispose of a 90% equity interest in Zhongqinglv Group Wuhan Hankou Hotel Co., Ltd. ("Hankou Hotel") at a consideration of approximately RMB78,324,000. Pursuant to the equity transfer agreement, the Group disposed of the shareholder's loan made to Hankou Hotel with a carrying amount of RMB241,676,000 for a consideration of RMB241,676,000. The transaction was completed on 30 November 2010.

	Notes	**2010** **RMB'000**
Net assets disposed of:		
Property, plant and equipment	*14*	**17,407**
Prepaid land lease payments	*16*	**217,729**
Other receivables		**843**
Cash and cash equivalents		**1,674**
Other payables and accruals		**(243,499)**
Deferred tax liabilities	*25*	**(12,180)**
Non-controlling interests		**(4,134)**
		(22,160)
Goodwill	*18*	**40,964**
		18,804
Gain on disposal of a subsidiary	*5*	**59,520**
Satisfied by cash		**78,324**

An analysis of the cash flows in respect of the disposal of a subsidiary is as follows:

	2010 **RMB'000**
Cash consideration	**78,324**
Cash and bank balances disposed of	**(1,674)**
Net inflow of cash and cash equivalents included in cash flows used in investing activities	**76,650**
Cash consideration received for disposal of a shareholder's loan included in cash flows from investing activities	**241,676**
	318,326

40. DISPOSAL OF SUBSIDIARIES (continued)

b) On 26 December 2010, the Group disposed of a 70% equity interest in Henan Longyu Real Estate Development Limited ("Henan Longyu") to Xuchang Hengda Real Estate Group Limited ("Xuchang Hengda") for a consideration of RMB198,394,000 of which RMB120,000,000 had been received as at 31 December 2010 and the remaining RMB78,394,000 (note 27) was received in January 2011. In addition, the Group disposed of the shareholder's loan made to Henan Longyu together with the unpaid interest with a total carrying amount of RMB27,606,000 to Xuchang Hengda for a consideration of RMB27,606,000 and the consideration was received in January 2011 (note 27).

	Notes	2010 RMB'000
Net assets disposed of:		
Property, plant and equipment	14	23,383
Prepaid land lease payments	16	215,167
Intangible assets	19	9
Other receivables		7
Cash and cash equivalents		219
Other payables and accruals		(30,621)
Deferred tax liabilities	25	(37,560)
Non-controlling interests		(53,095)
		117,509
Goodwill	18	14,445
		131,954
Gain on disposal of a subsidiary	5	66,440
Satisfied by cash		198,394

An analysis of the cash flows in respect of the disposal of a subsidiary is as follows:

	2010 RMB'000
Cash consideration	198,394
Cash consideration to be received	(78,394)
Cash consideration received	120,000
Cash and bank balances disposed of	(219)
Net inflow of cash and cash equivalents included in cash flows used in investing activities	119,781

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41. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the year, Intime HK acquired 100% equity interest of Sin Cheng, which holds a 50% equity interest in Beijing Youyi Lufthansa from Keson International. The consideration was satisfied by the issuance of 147,664,835 shares by the Company (note 39 (b)).

42. CONTINGENT LIABILITIES

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

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

Pursuant to the joint venture contract, upon the liquidation of Jiaxing Meiwan or Jiaxing Culture transferred the 40% equity interest it held in Jiaxing Meiwan, Jiaxing Intime and Shanghai Intime shall guarantee a return to 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.

43. PLEDGE OF ASSETS

Details of the Group's bank loans and facilities, which are secured by the assets of the Group, are included in notes 14, 15, 16 and 17.

44. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) and subleases its leased assets under operating lease arrangements for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2010 ***RMB'000***	2009 *RMB'000*
Within one year	**115,330**	103,278
In the second to fifth years, inclusive	**356,125**	340,035
After five years	**331,475**	352,195
	802,930	795,508

The amounts above include future minimum sublease payments expected to be received under non-cancellable subleases amounting to RMB221,856,000 (2009: RMB197,004,000) as at 31 December 2010.

(b) As lessee

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

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010 ***RMB'000***	2009 *RMB'000*
Within one year	**220,816**	197,032
In the second to fifth years, inclusive	**1,370,093**	948,113
After five years	**4,133,998**	2,996,876
	5,724,907	4,142,021

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45. COMMITMENTS

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

	2010 RMB'000	2009 RMB'000
Contracted, but not provided for:		
Land and buildings	**638,869**	35,239
Leasehold improvements	**4,250**	–
Loan to a third party	**239,688**	–
	882,807	35,239
Authorised, but not contracted for:		
Land and buildings	**474,000**	657,000
Leasehold improvements	**67,700**	–
	541,700	657,000
	1,424,507	692,239

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:

	2010 RMB'000	2009 RMB'000
Contracted, but not provided for	**68,929**	–
Authorised, but not contracted for	**100,000**	36,000
	168,929	36,000

46. RELATED PARTY TRANSACTIONS

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

(a) Name and relationship of related parties

Name	Relationship
Mr. Shen Guojun	Shareholder of the Company
Beijing Yintai Property Co., Ltd. ("Beijing Yintai")	Controlled by Mr. Shen Guojun
China Yintai	Controlled by Mr. Shen Guojun
Beijing Guojun	Controlled by Mr. Shen Guojun
Metro Land	24.83% of its shares were held by China Yintai
Hiwell Real Estate Company Limited ("Hiwell Real Estate")	Associate of China Yintai
Baida	Associate of the Group
Anhui Hualun	Associate of the Group
Zhejiang Intime Electronic Commerce	Associate of the Group
Beijing Youyi Lufthansa	Associate of the Group
Hangzhou Xin Hubin Commercial Development Co., Ltd. ("Xin Hubin")	Jointly-controlled entity
Intime Lotte	Jointly-controlled entity of China Yintai
Hangzhou Hubin International Commercial Development Co., Ltd. ("Hubin International")	Jointly-controlled entity of Beijing Guojun
Beijing Metro Land Property Co., Ltd. ("Beijing Metro Land Property")	Subsidiary of Metro Land
Ningbo Hualian Property	Subsidiary of Metro Land
Ningbo Yintai Property Management Co., Ltd. ("Ningbo Yintai Property Management")	Subsidiary of Metro Land

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46. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

The following transactions were carried out with related parties:

	2010 *RMB'000*	2009 *RMB'000*
Rental expense and management fee expenses:		
Beijing Yintai *(Note (i))*	**3,632**	3,632
Metro Land *(Note (ii))*	**46,479**	37,408
	50,111	41,040
Rental income:		
Metro Land *(Note (ii))*	**–**	2,000
Advances to a jointly-controlled entity:		
Xin Hubin	**–**	52,778
Repayment of advances from a jointly-controlled entity:		
Xin Hubin	**2,033**	–
Payments from a related party for purchase of a subsidiary:		
China Yintai	**–**	20,000
Advances to related parties:		
Anhui Hualun	**3,075**	–
Zhejiang Intime Electronic Commerce	**22,211**	–
	25,286	–
Repayment of loans and receivables from related parties:		
Intime Lotte	**48,699**	45,898
China Yintai	**18,451**	15,000
Hiwell Real Estate	**–**	135,850
Beijing Guojun	**316,287**	–
	383,437	196,748
Management fee from a related party:		
Baida *(note (iii))*	**26,205**	21,190
Purchase of subsidiaries from related parties:		
China Yintai *(note 39(c))*	**82,082**	–
Beijing Guojun *(note 39(c))*	**41,956**	–
Metro Land *(note 39(d))*	**15,230**	–
Ningbo Hualian Property *(note 39(d))*	**1,692**	–
	140,960	–

46. RELATED PARTY TRANSACTIONS (continued)

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

	2010 *RMB'000*	2009 *RMB'000*
Loans made to jointly-controlled entities:		
Intime Lotte	–	75,000
Hubin International	–	154,660
	–	229,660
Interest income from related parties:		
Hiwell Real Estate	–	5,191
Intime Lotte *(note 28(ii))*	2,790	15,737
Beijing Guojun	12,447	5,658
China Yintai	6,090	416
Xin Hubin	1,130	3,385
Hubin International	–	658
	22,457	31,045
Customer's consumptions in related parties with the Group's prepaid cards (nets-off with Baida's prepaid card used in the Group's department stores):		
Baida	143,254	–
Intime Lotte	3,444	–
	146,698	–
Payment of rental deposits:		
Beijing Metro Land Property	4,000	–
Beijing Yintai	1,816	–
Ningbo Hualian Property	70	–
	5,886	–
Payment of utility expenses on behalf of related parties:		
Ningbo Yintai Property Management	2,752	–
Ningbo Hualian Property	32	–
	2,784	–

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46. RELATED PARTY TRANSACTIONS (continued)

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

Notes:

(i) In 2008, Zhejiang Intime entered into an agreement with Beijing Yintai, to lease certain floors of an office building for its operation and renewed the agreement on 25 June 2010. As Zhejiang Intime changed areas of the building to lease, both parties signed a new agreement on 30 November 2010 and the monthly rental expense increased to RMB305,000 started from January 2011.

(ii) Pursuant to an agreement between Shanghai Intime and Metro Land signed on 31 March 2005 and a supplementary agreement dated on 18 January 2010, Shanghai Intime leased certain floors of a building from Metro Land for its operations and subleased back to Metro Land certain areas in year 2009. Metro land ceased to lease areas from Shanghai Intime since January 2010.

(iii) Zhejiang Intime entered into a management agreement (the "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 (the "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.

On 5 July 2010, Zhejiang Intime signed a supplemental agreement with Baida in relation to the Management Agreement to increase an additional area under management.

According to the Management Agreement and the supplemental agreement, Zhejiang Intime is entitled to an annual management fee computed on the basis stipulated in the Management Agreement. During year 2010, Zhejiang Intime recognised management fee income of RMB26,205,000 from managing the operation of the Operating Entities of Baida.

(c) *Due from related parties*

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

	2010	2009
	RMB'000	*RMB'000*
Due from related parties:		
Hubin International	**658**	658
Metro Land *(note (i))*	**6,500**	6,500
Baida	**8,884**	2,339
Xin Hubin	**91,367**	92,270
Ningbo Hualian Property	**102**	–
Ningbo Yintai Property Management	**2,752**	–
Beijing Metro Land Property *(note (ii))*	**4,000**	–
Beijing Yintai *(note (iii))*	**1,816**	–
Anhui Hualun	**3,075**	–
Beijing Youyi Lufthansa	**4,500**	–
Zhejiang Intime Electronic Commerce	**22,211**	–
	145,865	101,767

46. RELATED PARTY TRANSACTIONS (continued)

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

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 and a supplementary agreement signed on 18 January 2010.

(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 Beijing Metro Land Property entered into on 18 January 2010.

(iii) The amount due from Beijing Yintai represents a deposit of RMB1,816,000 in connection with a renewal lease agreement between Zhejiang Intime and Beijing Yintai entered into on 30 November 2010.

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

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

	2010 ***RMB'000***	2009 *RMB'000*
Intime Lotte *(note 28)*	**22,602**	68,511
China Yintai *(note 28)*	**118,055**	130,416
Beijing Guojun	**–**	303,840
	140,657	502,767

(e) *Due to related parties*

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

	2010 ***RMB'000***	2009 *RMB'000*
Due to related parties:		
Metro Land *(note (b)(ii))*	**13,579**	1,682
Beijing Yintai	**303**	303
Intime Lotte	**1,592**	–
	15,474	1,985

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

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46. RELATED PARTY TRANSACTIONS (continued)

(f) Key management compensation

	2010 RMB'000	2009 RMB'000
Salaries, allowances and other benefits	**4,429**	4,121
Discretionary bonuses	**4,940**	4,453
Contributions to a retirement plan	**373**	405
Equity-settled share option expense	**10,774**	7,734
	20,516	16,713

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

47. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

2010

Financial assets

	Loans and receivables RMB'000
Financial assets included in prepayments, deposits and other receivables	522,894
Trade receivables	16,040
Loans and receivables	1,116,822
Due from related parties	145,865
Cash in transit	95,711
Cash and bank balances	1,366,110
	3,263,442

Financial liabilities

	Financial liabilities at amortized cost RMB'000
Trade and bills payables	1,206,251
Financial liabilities included in other payables and accruals	790,072
Due to related parties	15,474
Interest-bearing bank borrowings	1,200,000
Convertible bonds	1,617,947
	4,829,744

47. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Group

2009

Financial assets

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

Financial liabilities

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

NOTES TO FINANCIAL STATEMENTS

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47. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Company

2010

Financial assets

	Loans and receivables *RMB'000*
Financial assets included in prepayments, deposits and other receivables	1,104
Due from subsidiaries	5,193,618
Cash and bank balances	282,814
	5,477,536

Financial liabilities

	Financial liabilities at amortized cost *RMB'000*
Financial liabilities included in other payables and accruals	11,648
Due to subsidiaries	156,392
Convertible bonds	1,617,947
	1,785,987

2009

Financial assets

	Loans and receivables *RMB'000*
Financial assets included in prepayments, deposits and other receivables	1,138
Due from subsidiaries	2,260,839
Cash and bank balances	4,319
	2,266,296

Financial liabilities

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

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group has no significant interest-bearing assets other than cash at banks (note 31) and loans and receivables (note 28).

The Group's interest rate risk arises from its borrowings, details of which are set out in note 34. Borrowings at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk.

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact of floating rate borrowings) during the year.

Group	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in profit before tax** *RMB'000*
31 December 2010		
RMB	100	(7,030)
RMB	(100)	7,030
31 December 2009		
RMB	100	(7,400)
RMB	(100)	7,400

Foreign currency risk

During the year ended 31 December 2010, the Group has cash at banks denominated in foreign currencies, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

Details of the Group's cash and cash equivalents denominated in foreign currencies as at 31 December 2010 and 2009 are disclosed in note 31.

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

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

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

Liquidity risk

Prudent liquidity risk management implies sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group's treasury function aims to maintain flexibility in funding by keeping committed credit lines available. In addition, the directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due.

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

Group

	2010					
	On demand *RMB'000*	Less than 6 months *RMB'000*	6 to less than 12 months *RMB'000*	1 to 2 years *RMB'000*	Over 2 years *RMB'000*	Total *RMB'000*
Interest-bearing bank borrowings	–	441,701	98,966	225,896	571,807	1,338,370
Trade and bills payables	–	1,206,251	–	–	–	1,206,251
Other payables and accruals	45,234	205,406	539,432	–	–	790,072
Due to related parties	–	4,080	11,394	–	–	15,474
Convertible bonds	–	–	–	–	1,617,947	1,617,947
	45,234	1,857,438	649,792	225,896	2,189,754	4,968,114

Group

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

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	2010					
	On demand	Less than 6 months	6 to less than 12 months	1 to 2 years	Over 2 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals	–	11,648	–	–	–	11,648
Due to subsidiaries	156,392	–	–	–	–	156,392
Convertible bonds	–	–	–	–	1,617,947	1,617,947
	156,392	11,648	–	–	1,617,947	1,785,987

Company

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

Capital management

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

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 2009.

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

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48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Group

	2010 **RMB'000**	2009 *RMB'000*
Interest-bearing bank borrowings	**1,200,000**	998,000
Trade and bills payables	**1,206,251**	1,094,494
Other payables and accruals *(note 33)*	**2,063,728**	1,167,305
Due to related parties *(note 46(e))*	**15,474**	1,985
Less: Cash and bank balances	**(1,366,110)**	(1,002,665)
Net debt	**3,119,343**	2,259,119
Convertible bonds	**1,617,947**	–
Equity attributable to owners of the parent	**5,310,654**	3,448,194
Net unrealized gains reserve	**(425)**	(532)
Total adjusted capital	**6,928,176**	3,447,662
Total capital and net debt	**10,047,519**	5,706,781
Gearing ratio	**31%**	40%

49. EVENTS AFTER THE REPORTING PERIOD

a) As described in note 24, the acquisition of an 84.5% equity interest in Hubei New Century was completed in January 2011.

b) In January 2011, Anhui Huaqiao Hotel, an indirect wholly-owned subsidiary of the Company, entered into i) an agreement with Anhui Zheshang Investment, to acquire a 20% equity interest in Anhui Hualun at a consideration of RMB95,770,000, and the loan amounted to RMB7,723,000 owed by Anhui Hualun to Anhui Zheshang Investment at its carrying amount; ii) an agreement with Anhui Xinhua Distribution Group Holding Co., Ltd. ("Anhui Xinhua"), to acquire an 8% equity interest in Anhui Hualun at a consideration of RMB38,303,000.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 30 March 2011.