

Report of the Directors

The Board is pleased to present its first annual report, together with the audited financial statements of the Group for the year ended 31 December 2006 set out in the Auditor's Report contained in this annual report (the "Financial Statements").

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Group is principally engaged in the operation and management of department stores in the PRC. The Company is a holding company and the Group's business operations and activities are carried out by its principal operating subsidiaries, namely Zhejiang Intime and Intime Department Store Co., Ltd. ("Shanghai Intime").

The Group's revenue and net profits attributable to the shareholders during the year are set out on page 58 and Note 26 to the Financial Statements and the consolidated income statement.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2006 are set out in the Financial Statements included in the Auditor's Report. The Board did not recommend a dividend payment for the financial year ended 31 December 2006.

FIXED ASSETS

Details of the fixed assets of the Group are set out in Note 6 to the Financial Statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 59 and Note 21 to the Financial Statements.

SHARE CAPITAL

The Company issued an aggregate 1,350,000,000 shares on 31 December 2006 as part of the Group's Reorganization.

Changes in the share capital of the Company are set out in Note 20 to the Financial Statements.

DONATIONS

Donations made by the Company during the financial year ended 31 December 2006 consisted of amounted to approximately RMB90,000.

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DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

From 8 November 2006, the date of incorporation of the Company, to 31 December 2006, Mr. Shen Guojun was the sole director of the Company.

The Directors of the Company as of the date of this annual report are:

Executive Directors:

Mr. Shen Guojun (*Chairman*)

Mr. Ching Siu Leung

Non-executive Director:

Mr. Xin Xiangdong

Independent non-executive Directors:

Mr. Chen Dagang

Mr. Lawrence Lee

Mr. Joseph Chow

All of the Directors were appointed for a term of three years with effect from 24 February 2007. In accordance to the Articles of Association of the Company, one third in number of the total number of Directors shall retire from office by rotation at the conclusion of each annual general meeting of the Company and, being eligible, shall offer themselves for re-election at that annual general meeting.

The Company has received from each of its independent non-executive Directors the confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Board considers the independent non-executive Directors to be independent.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out in the section headed "Directors and Senior Management" in this annual report.

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INTERESTS AND SHORT POSITIONS OF THE DIRECTORS OF THE COMPANY IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of 31 December 2006, being the date as of which the balance sheet of the Group was made up for the financial year ended 31 December 2006, the sole shareholder of the Company was Intime International Holdings Limited.

As at 24 April 2007, being the latest practicable date for determining certain information to be included in this annual report, the interests of each Director and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Number and class of securities ⁽²⁾	Approximate percentage of interest in such corporation
Mr. Shen Guojun	Corporate Interest ⁽¹⁾	L769,652,255	42.76%
Mr. Ching Siu Leung	Beneficial ⁽³⁾	L2,200,000	0.12%
Mr. Xin Xiandong	Nil	Nil	Nil
Mr. Chen Dagang	Nil	Nil	Nil
Mr. Lawrence Lee	Nil	Nil	Nil
Mr. Joseph Chow	Nil	Nil	Nil

Notes:

- (1) Mr. Shen 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 as at 24 April 2007 had interest in 769,652,255 Shares.
- (2) The letters "L" denotes the person's long position in such Shares, respectively.
- (3) Mr. Ching was granted options under the Company's Share Option Scheme on 21 March 2007 exercisable in respect of a total of 2,200,000 shares in the Company over a vesting period.

As at 31 December 2006, none of the Directors and the chief executive, or any other person had any short positions in the shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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SUBSTANTIAL SHAREHOLDERS

As at 24 April 2007, being the latest practicable date for determining certain information to be included in this annual report, the interests and short positions in 5% or more in the shares, underlying shares and debentures of the Company required to be recorded in the register of interests and short positions required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholder	Nature of interest	Number and class of securities⁽¹⁾	Approximate percentage of interest in the Company
Mr. Shen Guojun ⁽²⁾	Corporate Interest	L769,652,255	42.76%
Fortune Achieve Group Ltd. ⁽²⁾	Corporate Interest	L769,652,255	42.76%
Glory Bless Limited ⁽²⁾	Corporate Interest	L769,652,255	42.76%
Intime International Holdings Limited ⁽²⁾	Beneficial Interest	L769,652,255	42.76%
Warburg Pincus & Co. ⁽³⁾⁽⁴⁾	Corporate Interest	L405,000,000	22.50%
Warburg Pincus Partners LLC ⁽³⁾⁽⁴⁾	Corporate Interest	L405,000,000	22.50%
Warburg Pincus IX, LLC ⁽³⁾⁽⁴⁾	Corporate Interest	L202,500,000	11.25%
Warburg Pincus Private Equity IX, L.P. ⁽³⁾⁽⁴⁾	Beneficial Interest	L202,500,000	11.25%
Warburg Pincus International Partners, L.P. ⁽³⁾⁽⁴⁾	Beneficial Interest	L194,100,300	10.78%

Notes:

- (1) The letters "L" denotes the person's long position in such Shares, respectively.
- (2) Mr. Shen Guojun is the beneficial owner of the entire issued share capital of Fortune Achieve, which in turn is the beneficial owner of the entire issued share capital of Glory Bless, which in turn is the beneficial owner of the entire issued share capital of Intime International, which holds 769,652,255 Shares.

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

CONNECTED TRANSACTIONS

The Group has not entered into any connected transactions (as defined under the Listing Rules) which are not exempt from the reporting, announcement and independent shareholders' requirements under Chapter 14A of the Listing Rules. The related party transactions of the Company set out in Note 38 to the Financial Statements do not constitute connected transactions or continuing connected transactions within the meaning of Chapter 14A of the Listing Rules.

SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme, approved by a resolution of the Company's shareholders passed on 24 February 2007 and adopted by a resolution of the Board on 24 February 2007. Since the Share Option Scheme was not effective until 20 March 2007, no options were granted during the financial year ended 31 December 2006. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

(A) Purpose of Share Option Scheme

The purpose of the Share Option Scheme is to attract skilled and experienced personnel, to incentivise them to remain with 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.

(B) Who may join:

- (a) The Board may, at its absolute discretion, offer any employee, management member or Director of our Company, or any of the Company's subsidiaries and third party service providers options (**Options**) to subscribe for shares on the terms set out in the Share Option Scheme.

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(b) Options granted to Directors or substantial shareholders:

- (i) Any Options to be granted to a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) shall be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the Options).
- (ii) Without prejudice to the generality of sub-paragraph (b)(i) above, if any Options to be granted to a substantial shareholder or independent non-executive Director of the Company, or any of their respective associates, would result in the total number of shares issued and to be issued upon exercise of all the Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the period of 12 months up to and including the date of the grant:
 - representing in aggregate over 0.1% of the shares in issue; and
 - having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000,

the further grant of Options must be approved by the Company's shareholders in general meeting. We must send a circular to our shareholders containing such information as required under Rule 17.04 of the Listing Rules. All our connected persons shall abstain from voting in favor at such general meeting, and any vote taken at such meeting must be taken on a poll.

(C) Maximum number of shares

- (a) 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 may be granted under any other scheme involving the issue or grant of options over shares or other securities by the Company or any of its subsidiaries (the **Maximum Number of shares**) shall not exceed 10% of our issued share capital on the date on which the Company's shares are listed on the Stock Exchange (such 10% limit 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.

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- (b) The maximum number of shares may, with the approval of the Company's shareholders, be "refreshed" from time to time as required up to a maximum of 10% of the Company's issued share capital as at the date of the shareholders' approval. Options previously granted under the Share Option Scheme or any other scheme, including options outstanding, cancelled or lapsed in accordance with the relevant scheme or exercised options, shall not be counted for the purpose of calculating the limit to be refreshed.
- (c) The Company may obtain a separate approval from its shareholders to grant Options which will result in the number of shares in respect of all the Options granted under the Share Option Scheme and all the options granted under any other scheme exceeding 10% of our issued share capital, provided that such Options are granted only to employees and third party service providers specifically identified by the Company before the separate approval of its shareholders is sought.
- (d) The maximum number of shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other scheme shall not exceed 30% of the Company's issued share capital from time to time.
- (e) No Option may be granted to any one person such that the total number of shares issued and to be issued upon the exercise of 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 its shareholders is obtained.

(D) Grant of Options

- (a) The period within 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 Option (being the date on which the board makes a written offer of grant of the Option to the relevant proposed beneficiary) unless the Company obtains separate shareholder approval in relation to such grant.
- (b) An offer of grant of an Option shall be made by letter to the proposed beneficiary, who may appoint a nominee to hold any Options granted on his or her behalf, specifying the number of Options comprised in the Option proposed to be granted and the applicable terms and conditions relating to the Options. These terms and conditions may include provisions as to the performance conditions which must be satisfied before the Option can be exercised, the minimum period for which an Option must be held before it can be exercised, vesting conditions (if any), lapse conditions and such other provisions as the board may determine. The proposed beneficiary is required to accept the offer and

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undertake (for itself and, if applicable, on behalf of any nominee of the proposed beneficiary) to hold the Option on the terms and conditions of the grant and, upon receipt by our board of such acceptance, together with the payment of HK\$1.00 by way of consideration, the Option shall be deemed to have been granted, to and accepted by, the proposed beneficiary (an **Option holder**) and to have taken effect.

- (c) The Board shall not grant any Option under the Share Option Scheme after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period and the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period, and ending on the date of the results announcements.

(E) Minimum holding period and vesting

- (a) The Share Option Scheme does not contain any minimum period(s) for which an Share Option must be held before it can be exercised. However, at the time of grant of the Options, the Company may specify any such minimum period(s).
- (b) The Options granted will be subject to vesting periods of up to five years, which will vary from Option holder to Option holder. Upon the expiry of the vesting period, the shares will become vested and the Option holders will become entitled to exercise the Options in accordance with the terms of the Share Option Scheme.

(F) Performance targets

The Share Option Scheme does not contain any performance target(s) which must be achieved before the Options can be exercised in whole or in part. At the time of grant of the Options, the Company may specify any performance target(s).

(G) Amount payable for Options

The amount payable on acceptance of an option is HK\$1.00.

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(H) Exercise price

The amount payable for each share to be subscribed for under an Option upon exercise shall be determined by the Board and notified to a proposed beneficiary at the time of offer of the Option and shall be not less than the higher of:

- (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day;
- (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and
- (c) the nominal value of the shares.

(I) Voting and other rights

No voting rights shall be exercisable and no dividends shall be payable in respect of Options that have not been exercised.

(J) Rights on death

If an Option holder dies and none of the events which would be a ground for termination of his employment or his services engagement under sub-paragraph (Q)(c) or Q(f) respectively below has occurred, the legal personal representative(s) of the Option holder shall be entitled within a period of 12 months from the date of death (or such longer period as the board may determine) to exercise the Option up to his entitlement (to the extent not already exercised).

(K) Rights on ceasing to be an employee

- (a) If the Option holder ceases to be an employee for any reason other than his death or the termination of his employment on one or more of the grounds specified in sub-paragraph (K)(b) or (Q)(c) below, the Option holder (or, if applicable, the Option holder's nominee on the Option holder's behalf) may exercise the Option up to the Option holder's entitlement at the date of cessation of his employment (to the extent not already exercised) within the period of three months following the date of such cessation, which date shall be the last actual working day with the Company or any of its relevant subsidiary, whether salary is paid in lieu of notice or not.

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- (b) If the Option holder ceases to be an employee by reason of ill-health, injury or disability not attributable to his own misconduct or redundancy (as defined in the Employment Ordinance (Chapter 57 of the Laws of Hong Kong)), retirement, agreement with the Board or transfer of business in relation to which the employee was engaged to a company outside the Group and none of the events which would be a ground for termination of his employment under subparagraph (Q)(c) below has occurred, the Option holder (or, if applicable, the Option holder's nominee on the Option holder's behalf) may exercise the Option up to his entitlement at the date of cessation of his employment (to the extent not already exercised) within the period of six months following the date of such cessation, which date shall be the last actual working day with the Company or its relevant subsidiary, whether salary is paid in lieu of notice or not.

(L) Rights on ceasing to be a third party service provider

- (a) If the Option holder ceases to be a third party service provider under a fixed term contract by reason of termination or expiry of the term of the relevant fixed term contract without any extension or renewal by the Company or its relevant subsidiary for reasons other than (1) on one or more of the grounds specified in sub-paragraph Q(f) or (2) on his death, the Option holder (or, if applicable, the Option holder's nominee on the Option holder's behalf) may exercise the Option up to his entitlement at the date of cessation (to the extent not already exercised) within the period of nine months (or such longer period as the board may determine) following the date of such cessation, which date shall be the date of expiry of the relevant fixed term contract.
- (b) If the Option holder ceases to be a third party service provider not under any fixed term contract, by reason of the Option holder ceasing to provide any further advisory or consultancy or other kind of services, support, assistance or contribution to the Company or its relevant subsidiary as may be determined by the Board and notified to such third party service provider in writing within three months after the provision of its last services, support, assistance or contribution to the Company or its relevant subsidiary for reasons other than (1) on one or more of the grounds specified in sub-paragraph Q(f), or (2) on his death, the Option holder (or, if applicable, the Option holder's nominee on the Option holder's behalf) may exercise the Option up to his entitlement at the date of cessation (to the extent not already exercised) within the period of nine months (or such other period as the board may determine) following the date of such cessation, which date shall be the date of the written notification to the third party service provider.

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(M) Rights on general offer

If a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror) the Company shall use its best endeavors to procure that such offer is extended to all the Option holders (or, if applicable, the Option holder's nominee on the option holder's behalf, or his legal personal representative(s)) on the same terms mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, shareholders of the Company. If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes effective, or becomes or is declared unconditional, the Option holder (or, if applicable, the Option holder's nominee on the Option holder's behalf, or his legal personal representative(s)) shall be entitled to exercise the Option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes effective, or becomes or is declared unconditional.

(N) Rights on a voluntary winding-up

In the event of an effective resolution being passed for the voluntary winding-up of the Company or an order of the court is made for the winding-up of the Company, the Company shall give notice thereof (**winding-up notice**) to all Option holders (or, if applicable, the Option holder's nominee on the Option holder's behalf, or his legal personal representative(s)) on the same day as such resolution is passed or order is made. The Option holder (or, if applicable, the Option holder's nominee on the Option holder's behalf, or his legal personal representative(s)) may by notice in writing to the Company within 30 days after the date of the winding-up notice elect to be treated as if the Option (to the extent not already exercised) had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the Option holder's notice, such notice to be accompanied by a remittance of the aggregate subscription price for the shares in respect of which the notice is for the full amount in the option holder (or, if applicable, the option holder's nominee on the option given, whereupon or his legal personal representative(s)) will be entitled to receive out of the assets holder's behalf, liquidation pari passu with the holders of shares such sum as would have been received in respect of the shares the subject of such election.

(O) Rights on schemes of compromise or arrangement

If, pursuant to the Hong Kong Companies Ordinance, a compromise or arrangement between the Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any

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other company or companies, the Company shall give notice thereof to all Option holders (or, if applicable, the Option holder's nominee on the Option holder's behalf, or his legal personal representative(s)), together with a notice of the existence of the provisions of this paragraph (O), on the same date as it despatches to each member or creditor of our Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Option holder (or, if applicable, the Option holder's nominee on the Option holder's behalf, or his legal personal representative(s)) shall be entitled to exercise all or any of his Options in whole or in part at any time prior to 12:00 noon on the day immediately preceding the date of the meeting directed to be convened by the Court for the purposes of considering such compromise or arrangement. With effect from the date of such meeting, the rights of all Option holders (or, if applicable, the Option holder's nominee on the Option holder's behalf or his legal personal representative(s)) to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and terminate. The Directors shall endeavour to procure that the shares issued as a result of the exercise of Options under this paragraph (O) shall for the purposes of such compromise or arrangement form part of the Company's issued share capital on the effective date thereof and that such shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the Court (whether upon the terms presented to the Court or upon any other terms as may be approved by such Court) the rights of Option holders (or, if applicable, the Option holder's nominee on the Option holder's behalf, or his legal personal representative(s)) to exercise their respective Options shall with effect from the date of the making of the order by the Court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Option holder as a result of the aforesaid suspension.

(P) Life of Share Option Scheme

Unless otherwise terminated by the Board or the shareholders of the Company in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional in accordance with paragraph (X) below, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting Option granted prior to the expiry of this 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

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(Q) Lapse of Share Option Scheme

An option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

- (a) the expiry of the period for exercise of the Option;
- (b) 12 months (or such longer period as the Board may determine) after the death of the Option holder;
- (c) an Option holder ceasing to be an employee of the Company or any of its subsidiaries on the ground of:
 - the Option holder's misconduct;
 - the Option holder being convicted of any criminal offence involving his integrity or honesty; or
 - the Option holder's employer being entitled to summarily terminate his employment at common law or pursuant to his contract of employment;
- (d) six months after the Option holder ceases to be an employee of the Company or any of its subsidiaries by reason of:
 - retirement;
 - redundancy;
 - ill health or disability; or
 - a transfer of business and the employee is transferred to a company outside the Group;
- (e) three months after the termination of the Option holder's employment with the Company or any of its subsidiaries for reasons other than the reasons specified in sub-paragraphs (Q)(c) and (Q)(d) above;
- (f) the date on which:
 - the contract between the third party service provider and the Company or its relevant subsidiary is terminated, where such contract is terminated by reason of breach of contract on the part of the third party service provider; or

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- the third party service Provider appears either unable to pay or have no reasonable prospect to be able to pay debts, or had become insolvent, or has made any arrangement (including a voluntary arrangement) or composition with his creditors generally, or ceases or threatens to cease to carry on his business, or is bankrupted or has been convicted of any criminal offence involving integrity or honesty,

provided that whether any one or more of the events specified above occur in relation to a third party service provider shall, in its reasonable opinion, be solely and conclusively determined by the Board;

- (g) nine months (or such longer period as the board may determine) after the Option holder ceases to be a third party service provider by reason of:
- for a third party service provider under a fixed term contract, termination or expiry of the term of the relevant fixed term contract without any extension or renewal by the Company or its relevant subsidiary for reasons other than those specified in sub-paragraph (Q)(f) above or on his death; or
 - for a third party service provider not under any fixed term contract, ceasing to provide any further advisory or consultancy or other kind of services, support, assistance or contribution to us or our relevant subsidiary as may be determined by the board and notified to such third party service provider in writing within three months after the provision of its last service, support, assistance or contribution to the Company or its relevant subsidiary for reasons other than those specified in sub-paragraph (Q)(f) above or on his death;
- (h) in the case of any takeover, scheme of compromise or arrangement or voluntary winding up, the expiry of the periods of notice as specified in the Share Option Scheme, provided that in the case of a scheme of compromise or arrangement, the proposed compromise or arrangement becomes effective;
- (i) save as otherwise provided in paragraph (M) above, the date of commencement of the winding-up of the Company; or
- (j) any breach of the provision described in paragraph (V) below.

(R) Adjustment

In the event of a capitalization issue, rights issue, subdivision or consolidation of shares or reduction of the share capital of the Company while any Option remains exercisable, but excluding, for the avoidance of doubt, any alteration in the capital structure of the Company

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as a result of an issue of shares as consideration in a transaction to which the Company is a party, the Company's auditors or the financial adviser engaged by the Company for such purpose shall determine what adjustment is required to be made to the subscription price, the number of shares to be issued on exercise of the Options (or any combination of the foregoing), provided that any such adjustments give the Option holder the same proportion of the Company's equity capital and no adjustment may be made to the extent that shares would be issued at less than their nominal value. Any adjustment made to the exercise price of and/or the number of shares subject to options to be granted under the Share Option Scheme will be made in compliance with applicable requirements under Chapter 17 of the Listing Rules and any applicable guidance and/or interpretation thereof issued by the Stock Exchange from time to time. In particular, the Company will comply with applicable requirements set out in the Supplemental Guidance on Listing Rule 17.03(13) and the Note immediately thereafter issued by the Stock Exchange on 5 September 2005.

(S) Cancellation of options not exercised

Any options granted but not exercised may be cancelled if the Option holder (or, if applicable, the option holder's nominee on the option holder's behalf or his legal personal representative(s)) so agrees and new options may be granted to the same Option holder (or, if applicable, the Option holder's nominee on the Option holder's behalf or his legal personal representative(s)) provided such Options fall within the limits specified in paragraph (C) above and are otherwise granted in accordance with the terms of the Share Option Scheme.

(T) Ranking of shares

The shares to be allotted and issued to an Option holder upon the exercise of an option shall be subject to all the provisions of the Company's articles of association for the time being in force and will rank *pari passu* with the fully paid shares in issue on the date the name of the option holder (or the Option holder's nominee, if applicable) is registered on the Company's register of members. Prior to the Option holder (or the Option holder's nominee, if applicable) being registered on the Company's register of members, the Option holder shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company), in respect of the shares to be issued upon the exercise of the Option.

(U) Termination

The Company, by ordinary resolution of its shareholders, or the Board, may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered or granted, but in all other respects the Share Option Scheme shall remain in full

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force and effect. Any granted but unexercised and unexpired Options shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

(V) Transferability

The Options are personal to the Option holders and are not transferable, except for the transmission of an Option on the death of an Option holder to his personal representative(s) on the terms of the Share Option Scheme. This does not prevent a grantee from nominating an entity to hold his Options on his behalf, provided that the grantee shall undertake to ensure that such nominee shall hold the Options on the terms on which they are granted and to be bound by the provisions of the Share Option Scheme.

(W) Amendment

Subject to the terms set out in the paragraph below, the Board may amend any of the provisions of the Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Option holder at that date).

Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Option holders, and no changes to the authority of the Directors or administrator of the Share Option Scheme in relation to any alteration of the terms herein shall be made, without the prior approval of the Company's shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by the Company's shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

PRE-EMPTIVE RIGHT

There is no provision 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.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

None of the customers of the Group accounted for over 5% of the turnover of the Group for the year ended 31 December 2006, as the Group is mainly engaged in retail business. In addition, none of the Directors, shareholders or their respective associates who owns more than 5% of the issued share capital of the Company, has any interest in any of the Group's five largest customers and suppliers for the year ended 31 December 2006.

For the financial year ended 31 December 2006, gross revenue from concessionaire sales from the five largest concessionaires in the aggregate accounted for approximately 7.97%, and from the five largest direct sales suppliers in the aggregate accounted for approximately 4.95%, of our total sales proceeds.

CONTINGENT LIABILITIES AND COMMITMENTS

Details of the commitments and contingent liabilities of the Group are set out in Notes 37 and 39, respectively, to the Financial Statements.

SUBSEQUENT EVENTS

Details of the subsequent events of the Group are set out in Note 40 to the Financial Statements.

Report of the Directors

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and assets, liabilities and minority interests of the Group for the last four financial years, as extracted from the audited financial statements of the Group disclosed in the Company's prospectus dated 7 March 2007, is set below.

	Year ended 31 December			
	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Results				
Profit attributable to:				
— Equity holders of the Company	206,406	85,970	50,506	30,705
— Minority interests	13,103	50,186	43,022	26,156
Assets and liabilities				
Total assets	2,246,099	1,481,507	913,388	838,106
Total liabilities	(1,337,691)	(1,003,645)	(700,298)	(670,019)
Total equity	908,408	477,862	213,090	168,087

INVESTORS RELATIONSHIP AND COMMUNICATION

The Company met regularly with institutional investors and financial analysts in promoting investors relationship and communication, to ensure a mutual communication on the performance and development of the Company.

AUDITORS

The Financial Statements have been audited by PricewaterhouseCoopers. PricewaterhouseCoopers retire and a resolution for their re-appointment will be proposed at the Company's forthcoming annual general meeting.

By order of the Board
Shen Guojun
Chairman

China, 25 April 2007