

Consolidated Income Statement

Year ended 31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
Revenues	4	2,726,983	1,942,005
Other operating revenues	4	332,703	242,029
Total operating revenues		3,059,686	2,184,034
Operating expenses			
Purchases of goods and changes in inventories		(865,721)	(632,325)
Staff costs		(268,163)	(196,566)
Depreciation and amortisation		(113,812)	(88,737)
Rental expenses		(324,759)	(227,054)
Other operating expenses		(470,709)	(331,439)
Total operating expenses		(2,043,164)	(1,476,121)
Profit from operations	5	1,016,522	707,913
Finance income	6	253,161	75,047
Finance costs	6	(326,966)	(51,509)
Share of profit of an associate		535	538
Profit from operations before income tax		943,252	731,989
Income tax	9	(215,451)	(218,835)
Profit for the year		727,801	513,154
Attributable to:			
Equity holders of the parent		676,000	460,761
Minority interests		51,801	52,393
		727,801	513,154

	Notes	2007 RMB'000	2006 RMB'000
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Basic	10	<u>RMB1.22</u>	<u>RMB0.83</u>
Diluted		<u>RMB1.22</u>	<u>N/A</u>
DIVIDENDS	40		
Interim		121,582	82,800
Proposed final		<u>211,000</u>	<u>149,040</u>
		<u>332,582</u>	<u>231,840</u>
DIVIDEND PER SHARE	40		
Interim		RMB0.22	RMB0.15
Proposed final		<u>RMB0.38</u>	<u>RMB0.27</u>
		<u>RMB0.60</u>	<u>RMB0.42</u>

Consolidated Balance Sheet

31 December 2007

	Notes	2007 RMB'000	2006 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	818,705	749,923
Investment properties	12	222,104	227,368
Lease prepayments	13	420,470	431,550
Intangible assets	14	1,562,040	689,565
Investment in an associate	17	2,346	2,214
Other assets	18	248,477	107,408
Held-to-maturity investments, unlisted	19	1,460,920	1,561,740
Investment deposits	20	40,000	—
Deferred tax assets	21	34,971	45,460
Total non-current assets		4,810,033	3,815,228
CURRENT ASSETS			
Inventories	23	143,940	109,904
Trade receivables	24	18,974	18,489
Prepayments, deposits and other receivables	25	374,852	259,492
Investment deposits	20	781,450	—
Cash and short-term deposits	26	2,860,216	3,271,366
Total current assets		4,179,432	3,659,251
CURRENT LIABILITIES			
Interest-bearing bank loans	27	—	(83,886)
Trade payables	28	(1,144,716)	(871,618)
Customers' deposits, other payables and accruals	29	(735,720)	(611,097)
Tax payable		(123,129)	(113,518)
Total current liabilities		(2,003,565)	(1,680,119)
NET CURRENT ASSETS		2,175,867	1,979,132
TOTAL ASSETS LESS CURRENT LIABILITIES		6,985,900	5,794,360

	Notes	2007 RMB'000	2006 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	27	(1,417,000)	(1,607,027)
Long term payables	30	(95,628)	(93,994)
Deferred tax liabilities	21	(184,711)	(247,050)
Senior guaranteed notes	31	(1,435,118)	(1,526,806)
Senior notes	31	(897,179)	—
Derivative financial instruments designated as hedging instruments	35	(88,189)	—
Total non-current liabilities		(4,117,825)	(3,474,877)
NET ASSETS		2,868,075	2,319,483
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	37	57,925	57,436
Reserves	39(a)	2,731,126	2,170,151
		2,789,051	2,227,587
Minority interests		79,024	91,896
TOTAL EQUITY		2,868,075	2,319,483

4. REVENUES AND OTHER OPERATING REVENUES

Revenues

Revenues, which are also the Group's turnover, represent the net amount received and receivable for the goods sold by the Group to outside customers, less returns and allowances, commissions from concessionaire sales, consultancy and management service fees, and rental income. An analysis of revenues is presented below:

	2007 RMB'000	2006 RMB'000
Sale of goods – direct sales	1,044,130	758,049
Commissions from concessionaire sales (note)	1,511,498	1,027,122
Consultancy and management service fees	32,558	41,681
Rental income	138,797	115,153
	<u>2,726,983</u>	<u>1,942,005</u>

Note:

The commissions from concessionaire sales are analysed as follows:

	2007 RMB'000	2006 RMB'000
Gross revenue from concessionaire sales	<u>7,455,218</u>	<u>5,011,806</u>
Commissions from concessionaire sales	<u>1,511,498</u>	<u>1,027,122</u>

Over 90% of the Group's turnover and contribution to the operating profit is attributable to the operation and management of department stores and over 90% of the Group's turnover and contribution to the operating profit is attributable to customers in the PRC and over 90% of the Group's operating assets are located in the PRC. Accordingly, no analysis of segment information is presented.

37. SHARE CAPITAL

	Number of ordinary shares '000	Nominal value	
		HK\$'000	RMB'000
Authorised:			
Ordinary shares of HK 0.1 each	1,500,000	150,000	156,000
Issued and fully paid:			
At 1 January 2007	552,000	55,200	57,436
Share options exercised (note)	5,219	522	489
At 31 December 2007	557,219	55,722	57,925

Note:

During the year, 5,218,900 share options were exercised for the same amount of shares at HK\$36.75 per share. This gives rise to net proceeds from issue of shares amounting to approximately HK\$192 million (equivalent to approximately RMB185,803,000). The share options were granted under an employee share option scheme disclosed in note 38 to the financial statements.

38. EMPLOYEE SHARE-BASED ARRANGEMENTS

On 10 January 2007, a total of 8,188,950 share options were granted to 482 eligible employees, including directors and the chief executive, of the Company at nil consideration and with an exercise price of HK\$36.75 per share pursuant to an employee share option scheme (the "Scheme").

The fair value of the share options granted during the year was RMB25,442,000 and the Group recognised share option expenses of RMB25,442,000 during the year ended 31 December 2007.

The fair value of the options granted is estimated at the date of grant using a Black-Scholes-Merton option pricing model, taking into account the terms and conditions upon which the options were granted. The 5,955,600 share options granted under Lot 1 are exercisable from 24 January 2007 to 23 January 2010 and have no other vesting conditions. The 2,233,350 share options granted under Lot 2 are exercisable from 2 January 2008 to 1 January 2011 and required an employee service period until 2 January 2008.



Gross Sales Proceeds rose to RMB
銷售所得款項總額上升至人民幣

14,106
MILLION 百萬元

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balance of approximately 7.7% came from the Groceries and Perishables category.

The merchandise gross margin (a combination of the concessionaire commission and the direct sales margin) was flat at 19.0% due to lower merchandise margin for new stores opened in the past 15 months. However on a same store basis, the merchandise gross margin improved by 0.1% as the improved market condition and consumer sentiment enable the Group to continue scaling down its discount activities.

Total operating revenues for the year grew by RMB491.4 million or 12.6% to RMB4,400.1 million. The growth rate of operating revenues was lower than the growth rate of the total gross sales proceeds due to the lower growth rate of direct sales and rental incomes as well as the negative growth of the management and consultancy fees in line with the reduction on the number of managed stores.

器類別亦佔約7.2%，餘下約7.7%則是食品與鮮貨類別。

因過往15個月開設的新店，銷售毛利率較低，導致商品銷售總額利潤率（綜合特許專櫃銷售傭金及直接銷售的利潤率）持平於19.0%。但伴隨經濟及消費者信心的逐漸恢復，本集團繼續縮減其折扣活動，因此同店對比下，商品銷售總額利潤率取得0.1%的增長。

本集團的經營收益總額較去年同期增加人民幣491,400,000元或12.6%至人民幣4,400,100,000元。這是由於較低特許專櫃銷售傭金率及因管理店的減少而消滅的諮詢及管理費，導致經營收益總額增長率低於合計銷售所得款項總額的增長率。