Annual Report 2010 年報

SPRINGLAND

Incorporated in the Cayman Islands
with limited liability
Stock Code: 1700

華地國際控股有限公司
Springland International Holdings Limited

CONTENTS

CORPORATE PROFILE

Springland International Holdings Limited (the "Company") and its subsidiaries (the "Group") are principally engaged in the operation and management of department stores and supermarkets in PRC. The Group is a geographically focused and dual-format retail chain operator in the Greater Yangtze River Delta.

Extensive Store Network Focus on Greater Yangtze River Delta

We operate and manage 10 Department Stores and 20 Supermarkets.

Regional focus

The Group is a dual-format retail chain operator on both department stores and supermarkets in Greater Yantze River Delta. The Group's footprint covers focused cities including Yixing, Liyang, Danyang, Changshu, Jiangyin, Wuxi, Nantong, Zhenjiang of Jinagsu Province and Ma'anshan of Anhui Province. Currently, the Group operate and manage 10 department stores and 20 supermarkets.

CORPORATE PROFILE

Department Store	Gross Floor Area (sq. m)		
	Owned	Leased	Total
Yixing Springland	23,079	5,500	28,579
Liyang Springland	12,259	15,269	27,528
Danyang Springland	35,124	–	35,124
Yixing Springland (Hexin Branch)	30,251	–	30,251
Changshu Springland	–	26,625	26,625
Jiangyin Springland	37,930	–	37,930
Wuxi Yaohan	74,155	–	74,155
Nantong Yaohan	58,522	–	58,522
Ma'anshan Yaohan	32,359	–	32,359
Zhenjiang Yaohan	70,741	–	70,741
Total	**374,420**	**47,394**	**421,814**
Percentage	**88.8%**	**11.2%**	**100%**

Supermarket	Gross Floor Area (sq. m)		
	Owned	Leased	Total
City centre Stores			
YixingDatonghua	12,233	–	12,233
LiyangDatonghua	–	15,822	15,822
JintanDatonghua	–	14,833	14,833
DanyangDatonghua	7,800	–	7,800
JiangyinDatonghua	7,984	–	7,984
Wuxi Datonghua	1,045	–	1,045
Zhenjiang Datonghua	13,249	–	13,249
Nanjing Datonghua	–	1,900	1,900
Ma'anshanDatonghua	3,822	–	3,822
Sub-total	*46,133*	*32,555*	*78,688*
Community Stores			
Yixing (2 branches)	–	20,891	20,891
Danyang (3 branches)	–	16,537	16,537
Wuxi branch	–	14,402	14,402
Jiangyin (4 branches)	7,732	26,800	34,532
Liyang branch	–	8,912	8,912
Sub-total	*7,732*	*87,542*	*95,274*
Total	**53,865**	**120,097**	**173,962**
Percentage	**31.0%**	**69.0%**	**100%**

Leading market strategy

The stores in Yixing, Jiangyin, Liying, Danyang, Changshu and Jintan were ranked as the highest grossing sales (department stores and/or supermarkets) in 2009 in their respective regions. This leading position empowers the Group competitive advantages over existing competitors or even potential business runners who intend to get share from the market. The Group's are hence ensured a powerful bargaining ability to the suppliers and retails partners and on inspiration of customer's preferences. As an experienced operator with foresight planning in the local retail market, the Group have achieved fruitful gain through years of successful operations and support from loyal customers as a result of the Group's deep insights and extensive experience.

Stores situated on prime sites, many of which are owned by us

The prime locations of the stores occupied are absolute advantage for the success of the Group's retail business. All of the department stores and city centre supermarkets, which are own premises or blinded by a long-term leasing contract, are located in prime retail space and shopping districts of the cities with high population density. The community centre supermarkets are located in encircling communities with dense population and convenient logistics. The Group obtain a maximum exposure and direct access to customers' attention. The strengthen ables the Group's strategic advantage over the competitors and guarantees the leading position on market.

The total gross floor area of the properties occupied by the Group was 595,776 sq. meters among which, 428,285 sq. meter were owned by the Group. The Group's department stores and supermarkets are sited in self-owned properties, with their proportion reaching 88.8% and 31.0% respectively. This arrangement benefits the Group being immunefrom any affection of rental increase and minimizes the risks of relocation and disruption of business operation in future as well. Other premises are secured through long-term leases that typically have a long-term lease of 20 years

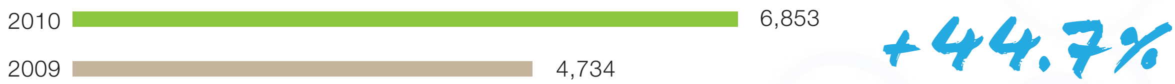
Dual-format retail operator

The business on department store and supermarket benefits each other complementary. This dual-format retail business creates "one-stop" shopping experience for the customers and caters for a vase diversity of client-tail in order to well serve their needs and preferences from daily necessities to valuable goods and accessories. The Group's department store and city centre supermarkets are in distance close to each other, either in adjacent sites or the same building. It forms a retail hub that offers consumers a more convenient and comfortable shopping environment and experience.

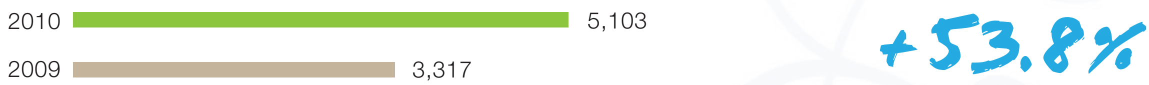
This retail business model generate diversified revenue sources while lowering the operational risks, creating synergies between department store and supermarket businesses and enjoying greater economic of sales. The Group's solid experience in the retail business, in-depth knowledge of the retail industry and the prime retail locations of the stores have enabled each store in the Group's retail network to enjoy advantages over competitors in the respective regions.

FINANCIAL HIGHLIGHTS

TOTAL SALES PROCEEDS – GROUP (RMB million)



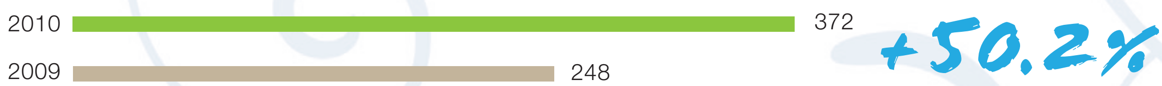
TOTAL SALES PROCEEDS – DEPARTMENT STORE BUSINESS (RMB million)



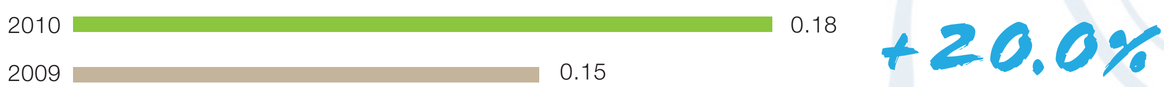
TOTAL SALES PROCEEDS – SUPERMARKET BUSINESS (RMB million)

REVENUE (RMB million)

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT (RMB million)



BASIC EARNINGS PER SHARE (RMB)



	Notes	2007 RMB million	2008 RMB million	2009 RMB million	**2010 RMB million**	**2010 vs. 2009 growth rate**
		Year ended 31 December				
FINANCIAL RESULTS						
Total Sales Proceeds	1	3,744	4,245	4,734	**6,853**	**+44.7%**
Revenue		2,001	2,246	2,286	**2,990**	**+30.8%**
Profit before tax		266	304	347	**520**	**+49.7%**
Profit for the year		219	220	249	**375**	**+50.9%**
Attributable to:						
Owners of the parent		219	220	248	**372**	**+50.2%**
Non-controlling interest		–	–	1	**3**	**2 times**
Basic earnings per share (RMB)	2	0.14	0.13	0.15	**0.18**	**+20.0%**

	2007 RMB million	2008 RMB million	2009 RMB million	**2010 RMB million**
	As at 31 December			
SUMMARY OF FINANCIAL POSITION				
Non-current assets	2,608	3,028	4,150	**4,507**
Current assets	907	1,068	1,873	**2,203**
Total assets	3,515	4,096	6,023	**6,710**
Current liabilities	2,205	2,564	3,394	**2,178**
Non-current liabilities	309	339	1,573	**716**
Total liabilities	2,514	2,903	4,967	**2,894**
Net assets	1,001	1,193	1,056	**3,816**
Owners' equity	1,001	1,193	1,024	**3,786**
Non-controlling interests	–	–	32	**30**
Total equity	1,001	1,193	1,056	**3,816**

Notes:

(1) Total sales proceeds represents the sum of gross revenue from concessionaire sales, revenue from direct sales and rental income.

(2) The calculation of the basic earnings per share for the three years ended 31 December 2007, 2008 and 2009 is based on the profit attributable to the ordinary equity holders of the parent for the three years ended 31 December 2007, 2008 and 2009, adjusted for the after-tax amounts of preference dividends of preference shares classified as equity and the weight average number of ordinary shares in issue during each of the three years ended 31 December 2007, 2008 and 2009 as if 1,985,336,000 shares in issue on the assumption that the capitalisation issue, described more fully in note 35(a) of the financial statement, had occurred at the beginning of the years.

CHAIRMAN'S STATEMENT

The Chinese economy made steady progress in 2010 as a result of sustainable urbanization, an increase in national income and growth in the retail market. According to preliminary economic statistics issued by the National Bureau of Statistics, China's gross domestic product in 2010 posted a year-on-year rise of 10.3% while household consumption in urban and rural areas increased steadily. As the blooming of domestic consumption recorded, total retail sales of consumer goods grew 18.4% last year. Under these favorable market conditions, the Group's total gross sales proceeds enjoyed remarkable growth while the rate at which operating margins increased remained stable. We are pleased to report that total gross sales proceeds of the Group recorded RMB6.85 billion, representing a year-on-year increase of 44.7%; profit for the year recorded RMB375.4 million, representing a year-on-year increase of 50.9% last year.

October 21, 2010 was a milestone for our Group as we successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited, allowing the Group to raise over HK$ 2.85 billion in capital. This paved the way for us to grow our market share in the department store and supermarket retail sectors in the Great Yangtze River Delta region. The Group will strive to maximize the mutual benefits derived from both department store and supermarket businesses for establishing foundations as a leading pioneer in mid-to-high end department stores and modern supermarkets in the future. We will also explore every opportunity to make new business propositions or acquisition in order to empower our own strength and growth. By our prolonged experience and solid capabilities, we are on the right track for success under the sustainable growth of household consumption in China.

BUSINESS REVIEW

Adhering to our strategy of actively pursuing development at the regional level and exploring possibilities in a practical manner, the Group performed well and boasting both the effectiveness and efficiency of our operations and products. During the year under review, the Group opened seven new stores. These included one department store and six supermarkets. The sound performance of the new store was in line with management expectations and enhanced our lead in the Greater Yangtze River Delta region. The Group also actively explored promising opportunities in keeping with our plan to grow further. In 2010, the Group entered sales and purchase agreements, lease agreements and framework agreements with independent third parties for the new stores in Jintan and Taixing city, Changzhou of Jiangsu Province, Changxing city of Zhejiiang Province and other locations. It is expected to increase gross floor area by 250,000 square meters in the coming 3 years.

In 2010, the Group's same store sales posted year-on-year growth of 21.2% while our flagship Wuxi Yaohan Department Store had an outstanding same store sales growth of 42.6%. Effective management and in-depth understanding of issues related to the merchandise and brand mix, marketing strategy, client loyalty and business assessment systems, helped to improve the quality of the operations in each store. In order to serve the needs of target customers in specific regions better, the Group optimized on its merchandise mix and brand portfolio, improved stores' layouts, integrated suppliers, enhanced cooperation with qualified suppliers and retail partners and introduced key brands to core merchandise categories. Based on respective market and merchandise resources, we adopted effective promotion events such as "Brand Label Private Sale" and "Privilege Sales for Members". These proved to be a suitable platform for displaying selected brand names and categories of merchandise to the benefit of customers and suppliers. This was accompanied by a member-oriented marketing strategy. The Group continued to place great emphasis on the operation of its membership programs. Value added services were enhanced and made available exclusively to members to gain optimum levels of satisfaction and loyalty.

Our goal is to be "the most professional retail operator in China". Besides getting the mix of merchandise right and ensuring we have effective marketing strategies and excellent service, the Group is consistently making our operation more efficient. We are optimizing core company procedures and building up the company's integrated sales, operations management and business assessment system. In addition, the Group is not only strengthening the financial monitoring and vertical management procedures, but also copes with administrative management and risks control. Furthermore, we are also improving the way we manage customer relations and harness information technology within the Group.

The Group deeply understands that staff training and promotion are vital to its development. We continuously provide career development opportunities for our employees so that the Company and the staff can grow together. The Group organizes regular professional training sessions and on-the-job rotations to inspire potential talents and provides fair chances for internal recruitment and promotion. It is expected to cultivate more competent and high caliber staffing for the Group's future expansion and development.

STRATEGY

The Group will keep close tabs on trends associated with China's macro-economic conditions, changes in the competitive landscape and demands of customers to further strengthen our leading position in the regions where our stores are located. The Group will grow market share in Greater Yangtze River Delta region in a selective location through both external expansion and internal growth to realize the goal of being the most effective dual-format retail chain operator in that region.

Opening new stores is a tool for us to pursue our expansion plans. Over the coming year, the Group will keep expanding the scale of our retail chain in the Greater Yangtze River Delta region. We cover the region with our footprint by opening more new stores, upgrading brand image and reinforcing consumer's recognition of the Group in the region. Meanwhile, strategic development plans will also be employed in nearby districts such as Anhui and Zhejiang Province. We will continue to explore new development opportunities that fit with our strategy and requirements on selected location and returns of capital.

In order to enhance internal growth, we need to make greater profitability within existing stores a priority. The Group will focus on operational efficiency such as strengthening budget and expenses control and managing operations in a more innovative way. Individual stores will adopt their own policies according to different market demands and the amount of time the store has been in operation. Furthermore, to maximize the benefits of synergy within the same region, a compact and co-operative relationship between department store and supermarket businesses and among stores in the same region will enable promising performance, have a significant market impact, enhance capability on retail enterprise and reinforce the advantage of chain stores.

PROSPECT

In 2011, we foresee keener market competition in the retail sector and Springland's home region will become a key battlefield as local competitors expand rapidly or large international conglomerates enter the market. Pressure on operational costs will arise as a result of forthcoming inflation and strengthened regulations and control policies applied to the retail market will have a further impact on the performance of the Group's management. However, the Group remains optimistic and expects the long-term development of the business to remain positive. The main market driver will be the government's policy of stimulating domestic consumption in the medium to long run. According to the "Twelve Five-Year Plan", which begins in 2011, the focus will be on shifting the emphasis from "national wealth" to "the wealth of citizen". This transition of economy will be characterized by greater level of domestic consumption and expansion of consumption mechanisms. This could contribute to a surge in sales volumes for the commodities business nationwide. It is also believed that changes in the structure of the population, derived from the nation's one child policy will allow China to enter the third peak period of consumption, acting as a powerful stimulus for the retail market. In the meantime, rising product prices are expected to boost retail sales growth during the year.

The Group is confident that it can benefit from its existing operation of business and its leading position in the retail industry thanks to favorable economic prospects in the region in which we operate. As regards new regional markets, we will centralize and enhance internal management and make use of our expertise in retail operations to explore new room for further growth. The new strategic projects of the Group are being scheduled precisely and thoroughly to ensure us a solid ground for establishment of successful domain in retail industry.

I would like to thank all our shareholders, staff members, business partners and customers for their ongoing and long-lasting support.

Chen Jianqiang
Chairman

16 March 2011

BUSINESS REVIEW

In order to adapt to evolving client demands, the Group is constantly upgrading its mix of merchandise based on the requirements of target customers and concessionaires' performance. In keeping with previous years, the Group has modified and re-defined its mix of merchandise brands within its department stores to enhance the sales performance over the year. The Group believes that its market position and brand image play an important role in the success of its department store business. These factors depend largely on the reputation and market positioning of the Group and its relationship with retail partners.

In addition to promotion campaigns carried out at its department stores during traditional festivals including New Year, Chinese Lunar New Year, National Day, Christmas, etc, the Group carried out four other major promotion campaigns in 2010. These campaigns included "Brand Label Private Sale", "Privilege Sales for Members", "Anniversary" and "Staff Day". These initiatives generated tremendous sales performance in 2010. Wuxi Yaohan Department Store daily sales proceeds hit RMB47 million on 24 July during the "Brand Label Private Sale" campaign posting a new record high for single day sales within the Group. Ma'anshan Yaohan Department Store generated approximately RMB26 million from sales on its 18 November anniversary, smashing its daily regional sales record. For supermarket business, the Group put great emphasis on "Fresh Products" enabling profitable returns both for sale proceeds and earning. This move also strengthened our appeal to the public and our stores became a must-stop-and-shop fixture for many going about their daily lives.

The Group has made efforts to boost customer loyalty and enhance value-added services for its members. Its membership programs have allowed customers to use their membership cards and pre-paid gift cards in both department stores and supermarkets. The Group is proud of fostering a sound reputation among its numerous loyal and frequent shoppers. Joint venture was formed with bank alliance to share high-quality clients and an event to honour exclusive members of its loyalty programs was launched. As at 31 December 2010, the Group had a record number of VIP customers totaling around 1.60 million. Spending by such VIP members accounted for approximately 48% and 55% of total sales proceeds of the Group's department store and supermarket businesses respectively. VIP members enjoy access to an exclusive range of value-added services and the Group gives full attention to enhancing its offering. By enhancing the benefits accorded to VIP members, sales to this segment are expected to increase in the future.

NEW STORE OPENINGS AND NETWORK EXPANSION

In January 2010, the Group opened the Zhenjiang Yaohan Department Store together with the Zhenjiang Datonghua City Centre Supermarket. As the first modern department store and supermarket in Zhenjiang City, with a total gross floor area of over 80,000 square meters, they are located in the core business district of Zhenjiang City. Zhenjiang Yaohan Department Store is positioned as a mid-to-high-end department store which leads and shapes customer preferences in that region. The store has showcased several new domestic and international brands and introduced an optimum mix of brands and merchandise to the Zhenjiang market. In 2010, Zhenjiang Yaohan Department Store was one of the Group's five largest stores in term of sales proceeds, generating bumper sales takings worth over RMB500 million. The opening of Zhenjiang Yaohan Department Store further strengthened the Group's reputation and influence over customers and suppliers in the southern of Jiangsu Province.

The Group launched six new supermarkets with a total gross floor area of over 43,000 square meters, three of which are city centre stores (Zhenjiang Datonghua City Centre Supermarket, Ma'anshan Datonghua City Centre Supermarket and Nanjing Datonghua City Centre Supermarket), they are situated in the same building with the department stores. The others are community centre stores located in densely populated residential communities in Hangqiao District, Xiake District of Jiangyin City and Houxiang District of Danyang City. The Group intends to continue its strategy of reinforcing the leading position of its city centre supermarkets and community centre supermarkets. The Group believes that by allowing community centre supermarkets to bring more convenience to local communities, the Group will continue to enhance the profile of the "Datonghua" supermarket brand, further strengthen customer loyalty and increase market share. In addition, city centre supermarkets act as administrative, operational and logistic hubs and support surrounding community centre supermarkets, resulting in better operating leverage. The six new supermarkets generated RMB170.1 million, representing 9.7% of total sales proceeds of the supermarket business in 2010. The opening of those new stores has been consistent with plans to expand the supermarket network in Greater Yangtze River Delta region.

As at 31 December 2010, the Group has ten department stores and twenty supermarkets operating in the Greater Yangtze River Delta region. The gross floor area of the Group's department stores increased by 18.9% to over 421,800 square meters while that of its supermarkets increased by 33.5% to approximately 174,000 square meters. Moreover, the Group has three department stores and thirteen supermarkets under construction which are expected to open at various time between 2011 and 2012, except for one community centre supermarket in Wuxi City will be open by the end of 2013. The estimated gross floor area of the department stores under construction stands at approximately 85,000 square meters, of which 50,000 square meters will be reserved for operations which commence in 2011. With regards to supermarkets, the estimated gross floor area under construction stands at 126,000 square meters, of which over 76,000 square meters will be operational in 2011. The development and the construction of these new department stores and supermarkets are expected to be funded by the proceeds from the Company's initial public offering and its internal resources.

With over 15 years of operational experience in department stores and over 10 years of operation in the supermarket business, the Group has developed specific standardized operational management systems for both kinds of stores. The Group has kept in mind the need to further improve the online operational management system in order to provide operational and financial data to its management. The system enables the Group to monitor the operational status of any store effectively and provides real time data, allowing management to develop strategies needed to cope with a changing market environment. The Group will continue to strike a balance between seeking opportunities to expand, pursuing its development strategy, and respecting requirements on capital returns.

FINANCIAL REVIEW

TOTAL SALES PROCEEDS

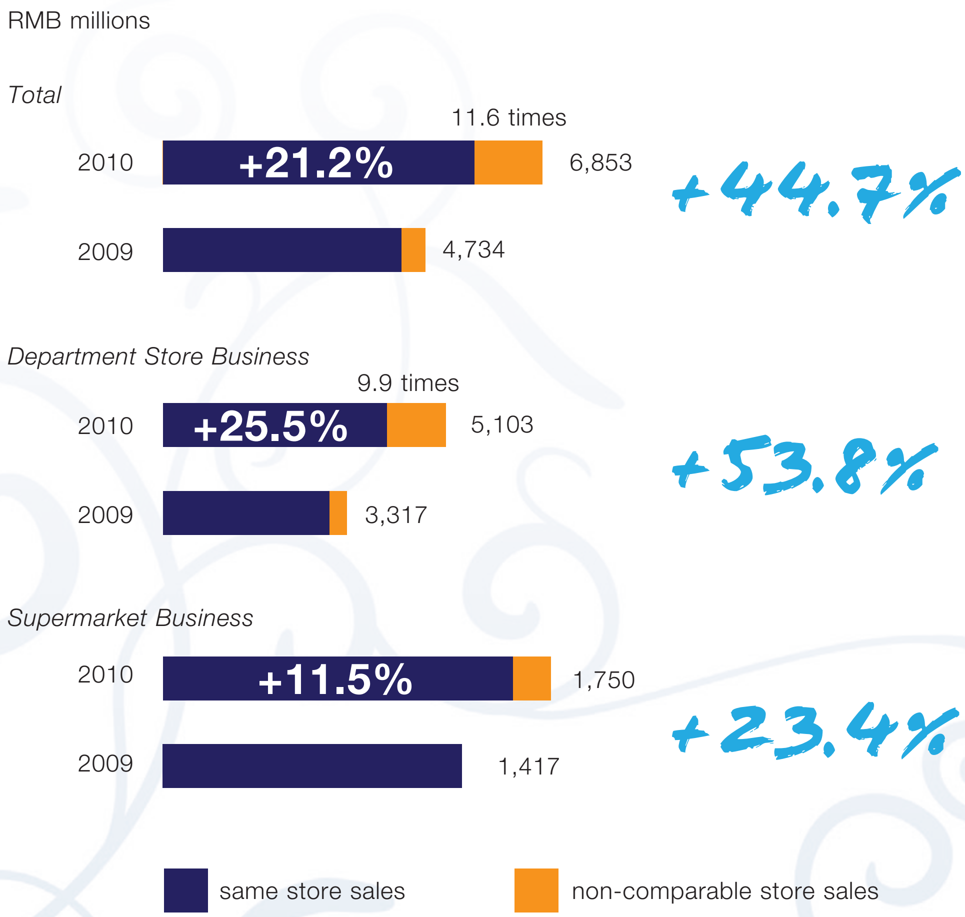
	Year ended 31 December					
	2010			2009		
	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total
			(RMB millions)			
Total revenue (as reported)	**1,351.8**	**1,638.2**	**2,990.0**	945.2	1,340.9	2,286.1
Add/(less)						
Provision of food and beverage services	**–**	**(14.6)**	**(14.6)**	–	(12.9)	(12.9)
Commission income from concessionaire sales	**(823.8)**	**(20.3)**	**(844.1)**	(525.2)	(11.2)	(536.4)
Gross revenue of concessionaire sales	**4,575.1**	**146.2**	**4,721.3**	2,897.1	100.5	2,997.6
Total Sales Proceeds[1]	**5,103.1**	**1,749.5**	**6,852.6**	3,317.1	1,417.3	4,734.4
Representing:						
Direct sales	**490.5**	**1,582.3**	**2,072.8**	397.3	1,299.8	1,697.1
Gross revenue of concessionaire sales	**4,575.1**	**146.2**	**4,721.3**	2,897.1	100.5	2,997.6
Rental income	**37.5**	**21.0**	**58.5**	22.7	17.0	39.7
Total Sales Proceeds	**5,103.1**	**1,749.5**	**6,852.6**	3,317.1	1,417.3	4,734.4
Same Store sales growth[2]	**25.5%**	**11.5%**	**21.2%**			

Total Sales Proceeds[1] of the Group increased to approximately RMB6,852.6 million representing an increase of 44.7% from 2009. Growth was mainly attributable to same store sales growth[2] of approximately 21.2%. Total sales proceeds are generated from both the department store and supermarket business. Total sales proceeds of the department store and supermarket businesses increased to RMB5,103.1 million and RMB1,749.5 million, representing an increase of approximately 53.8% and 23.4% respectively from 2009.

1 Total sales proceeds represent the sum of gross revenue from concessionaire sales, revenue from direct sales and rental income.

2 Same store sales growth represents the change in total sales proceeds for stores with operations through the comparable period.

GROWTH IN TOTAL SALES PROCEEDS

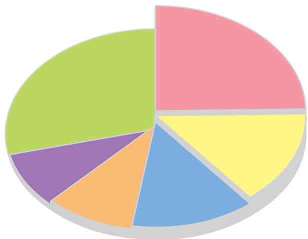


Total sales proceeds from the department store business grew to RMB5,103.1 million was mainly attributable to same store sales growth of approximately 25.5%; the inclusion of the full year sales performance of Nantong Yaohan and Ma'anshan Yaohan (the new stores acquired/opened at the end of 2009); and the sales performance of Zhenjiang Yaohan, opened in January 2010. In addition, a full year of operations following the completion of renovations in 2009 of Wuxi Yaohan (the Group's flagship store), allowed Wuxi Yaohan to achieve remarkable same store sales growth of approximately 42.6% in 2010, maintaining its role as a driving force for the Group's sales growth.

Growth in total sales proceeds of the supermarket business was mainly derived from same store sales growth of around 11.5% and the inclusion of the proceeds from six supermarkets which were opened in 2010.

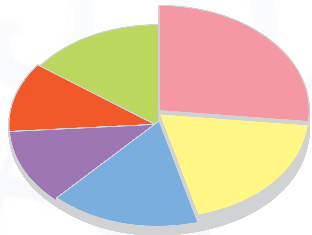
CONTRIBUTION OF TOTAL SALES PROCEEDS BY TOP FIVE STORES

Department Store – 2010



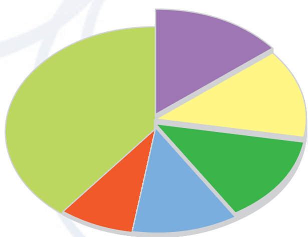
Wuxi Yaohan	**24.8%**
Yixing Springland	**14.4%**
Jiangyin Springland	**13.3%**
Zhenjiang Yaohan	**9.8%**
Liyang Springland	**9.0%**
Others	**28.7%**

Department Store – 2009



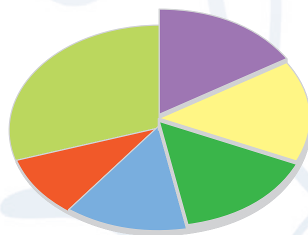
Wuxi Yaohan	26.7%
Yixing Springland	19.3%
Jiangyin Springland	16.2%
Liyang Springland	11.9%
Danyang Springland	11.1%
Others	14.8%

Supermarket – 2010



Liyang City Centre	**14.3%**
Yixing City Centre	**13.5%**
Jintan City Centre	**13.4%**
Jiangyin City Centre	**11.5%**
Danyang City Centre	**7.9%**
Others	**39.4%**

Supermarket – 2009



Liyang City Centre	16.3%
Yixing City Centre	15.5%
Jintan City Centre	15.4%
Jiangyin City Centre	13.3%
Danyang City Centre	9.7%
Others	29.8%

Department store business:

Total sales proceeds derived from Wuxi Yaohan Department Store as a percentage of total sales proceeds of the department store business decreased from approximately 26.7% to 24.8% for the year 2010. This resulted from an increase in the contribution from total sales proceeds from three new stores that opened at the end of 2009 and early 2010 (Nantong Yaohan, Ma'anshan Yaohan and Zhenjiang Yaohan), from approximately 1.6% to 20.3% for the year 2010. The aggregate contribution to total sales proceeds from the five largest stores decreased from approximately 85.2% to 71.3% for the year 2010. The above mentioned three new stores are expected to become a new driving force for the department store business and the Group's sales growth.

During the year 2010, concessionaire sales contributed approximately 89.7% (2009: 87.3%) to total sales proceeds within the department store business. In absolute terms, the amount increased from approximately RMB2,897.1 million to RMB4,575.1 million representing a year-on-year increase of 57.9%. Direct sales accounted for approximately 9.6% (2009: 12.0%) of total sales proceeds of the department store business, amounting to an increase from approximately RMB397.3 million to RMB490.5 million, representing a year-on-year increase of approximately 23.5%.

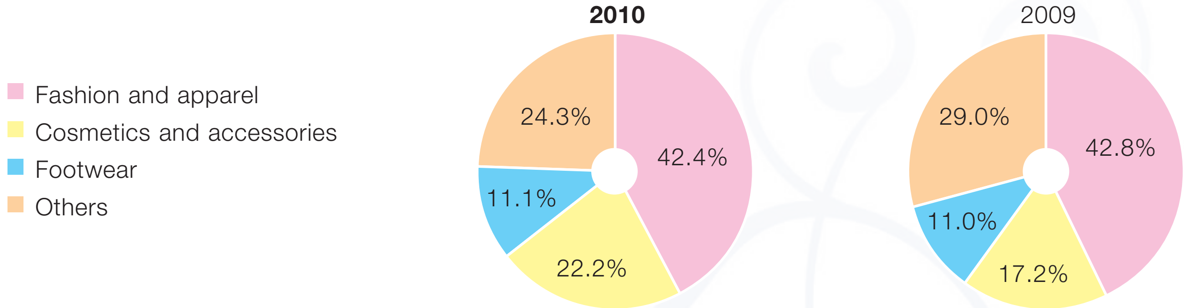
Supermarket business:

The aggregate contribution to total sales proceeds generated from the supermarket business from the five largest stores decreased from approximately 70.2% to 60.6% for the year 2010. Thanks to the opening of six new supermarkets in 2010 and the fact that the new supermarkets accounted for 9.7% of total sales proceeds for the supermarket business during that year, these stores are expected to become a new driving force for the supermarket business.

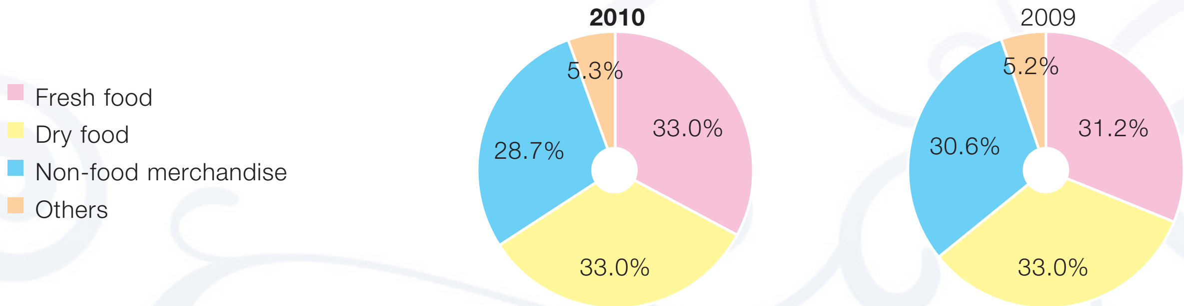
During the year 2010, direct sales contributed approximately 90.4% (2009: 91.7%) and concessionaires sales accounted for around 8.4% (2009: 7.1%) of total sales proceeds of the supermarket business. In absolute terms, direct sales and concessionaires sales increased from approximately RMB1,299.8 million to RMB1,582.3 million and RMB100.5 million to RMB146.2 million respectively year-on-year.

PERCENTAGE OF TOTAL SALE PROCEEDS BY MERCHANDISE CATEGORIES

Department Store



Supermarket



Department store business:

The proportion of sales proceeds of department stores from various merchandise categories for 2010 and 2009 are presented in the above charts. Fashion and apparel accounted for approximately 42.4% of total sales proceeds of department stores (an approximate 25.1% increase on a same store basis); merchandise related to cosmetics and accessories accounted for approximately 22.2% (an approximate 55.0% increase on a same store basis), footwear accounted for approximately 11.1% (an approximate 26.3% increase on a same store basis) and the remaining categories including athletic apparel and casual wear, children's and home furnishing, household and electronic appliances, rental income and others accounted for the remaining 24.3% (an approximate 8.8% increase on a same store basis).

Supermarket business:

The proportion of sales proceeds of supermarkets from various merchandise categories for 2010 and 2009 are presented in the above charts. Fresh food accounted for approximately 33.0% of the total sales proceeds of the supermarket business (an approximate 16.6% increase on a same store basis); dry foods accounted for approximately 33.0% (an approximate 11.3% increase on a same store basis), non-food accounted for approximately 28.7% (an approximate 5.6% increase on a same store basis) and the remaining categories including rental income and others accounted for the remaining 5.3% (an approximate 15.5% increase on a same store basis).

TOTAL REVENUE

	Year ended 31 December								
	2010			2009			2010 vs 2009 growth rate		
	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total
	(RMB millions)								
Direct sales	490.5	1,582.3	2,072.8	397.3	1,299.8	1,697.1	23.5%	21.7%	22.1%
Commission income from concessionaire sales	823.8	20.3	844.1	525.2	11.2	536.4	56.9%	81.2%	57.4%
Total turnover	1,314.3	1,602.6	2,916.9	922.5	1,311.0	2,233.5	42.5%	22.2%	30.6%
Rental income	37.5	21.0	58.5	22.7	17.0	39.7	65.2%	23.5%	47.4%
Provision of food and beverage services	-	14.6	14.6	–	12.9	12.9	-	13.2%	13.2%
Total revenue	1,351.8	1,638.2	2,990.0	945.2	1,340.9	2,286.1	43.0%	22.2%	30.8%
% to total revenue									
Direct sales	36.3%	96.6%	69.3%	42.0%	96.9%	74.2%			
Commission income from concessionaire sales	60.9%	1.2%	28.2%	55.6%	0.8%	23.5%			
Rental income	2.8%	1.3%	2.0%	2.4%	1.3%	1.7%			
Provision of food and beverage services	-	0.9%	0.5%	–	1.0%	0.6%			
Total	100%	100%	100%	100%	100%	100%			

Total revenue of the Group increased to RMB2,990.0 million representing a year-on-year increase of 30.8%.

Department store business:
Revenue from the department store business increased to approximately RMB1,351.8 million, representing a year-on-year increase of 43.0% for the year 2010. The rise in revenues was generally in line with the sales proceeds of the department store business.

Revenues from direct sales: Revenue from direct sales in the department store business increased to RMB490.5 million, up 23.5% from 2009. The increase was primarily due to a surge in sales at our stores and the launch of new stores. Revenue from direct sales as a percentage of revenues from the department store business decreased from 42.0% to 36.3% in 2010. This drop was primarily due to a decrease in sales volume of household and electronic appliances, which are mainly sold through direct sales. The gross margin from direct sales was similar to that of 2009.

Commission income from concessionaire sales: Despite the dilution effect on commission rates from concessionaire sales from newly opened stores, including Ma'anshan Yaohan and Zhenjiang Yaohan, (which normally carry a lower commission rate), the commission rate for the year 2010 was 18.0% and remained similar to 2009. As mentioned above, the Comprehensive Gross Margin[3] was approximately 21.0% and was also similar to 2009. The Group intends to maintain the stability of its commission rate by conducting periodic reviews and enhancing its mix of merchandise to reflect changing consumption demands.

Rental income: Rental income in the department store business increased to RMB37.5 million, representing an increase of 65.2% from 2009. The increase was mainly attributable to the opening of new stores, which led to an increase in the gross floor area leased out in the year 2010. As at 31 December 2010, 34,135 square meters of operating floor area had been leased by our department stores to food and beverage, child-education and beauty salon operators, among others.

Supermarket business:

Revenue from direct sales: Revenue from direct sales in the supermarket business increased to RMB1,582.3 million representing a rise of 21.7% from 2009. The increase was primarily due to growing sales and the commencement of operations of six new stores in 2010. Revenues from direct sales as a percentage of revenues from the supermarket store business remained at high levels of 96.6% in 2010 (2009: 96.9%). Gross margin from direct sales remained stable at approximately 13.4% for the year 2010, similar to that of 2009. Comprehensive Gross Margin reached a record high of 22.7% for the year 2010 (2009: 22.6%). The Group intends to keep gross margins from direct sales and its Comprehensive Gross Margin stable by operating on an increasingly self-sufficient basis with regards to fresh food and stepping up direct sourcing of fresh food products from the original production sites throughout China to reduce costs and ensure quality.

Rental income: Rental income from the supermarket business amounted to RMB21.0 million, representing a sharp increase of 23.5% from 2009. The change was mainly due to an increase in operating floor area leased out in 2010 with the commencement of operations of 6 new stores in 2010. Rental income under current lease agreements also increased. As at 31 December 2010, 9,910 meters square in operating floor area had been leased out by our supermarket operations.

	Year ended 31 December		
Other income and gains	**2010**	2009	**2010 vs. 2009 growth rate**
	(RMB millions)		
Other operating income	**285.3**	210.0	**35.8%**
Other non-operating income	**20.4**	26.1	**-21.8%**
Total other income and gains	**305.7**	236.1	**29.5%**

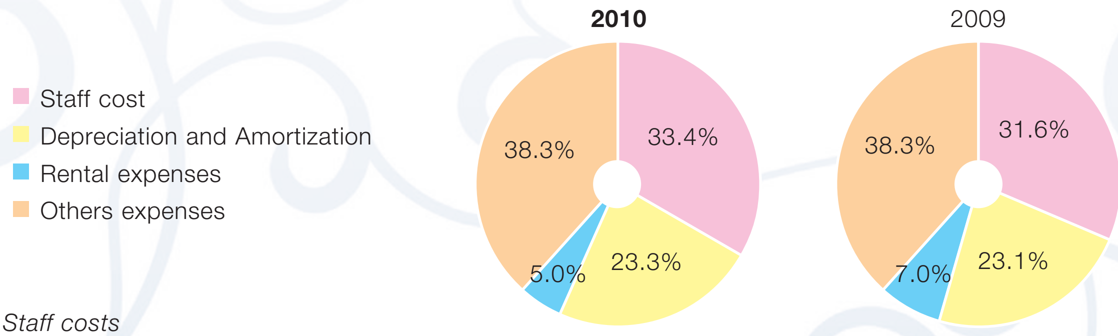
3 Comprehensive Gross Margin is calculated as comprehensive gross profit divided by Total Sales Proceeds. Comprehensive gross profit included the gross profit of direct sales, commission income from concessionaire sales, rental income and other income, mainly derived from the services fee collected from concessionaires and suppliers.

Other income and gains included other operating income and other non-operating income. Other operating income primarily consisted of fee income from suppliers, including promotion fees, management fees paid by suppliers for participating in our promotional activities and display fees, which represent charges paid by suppliers for placing and displaying their merchandise on the shelves and counters of our stores. Other operating income increased to approximately RMB285.3 million, representing a year-on-year rise of 35.8% for the year 2010. Other non-operating income decreased to approximately RMB20.4 million, and it was mainly due to decrease in interest income.

Purchases of and changes in inventories

Purchases of and changes in inventories represented the cost of merchandise that we purchase from suppliers for resale under the direct sales business model. Purchases of and changes in inventories increased to approximately RMB1,806.9 million, representing a year-on-year increase of 22.3%. The increase was generally in line with the increase in direct sales for the year 2010.

Expenses Breakdown



Staff costs

Our concessionaires and direct sales suppliers are responsible for all staff costs related to their employees who operate the sales counters in our stores. Staff costs increased by approximately RMB94.1 million or 47.0% to approximate RMB294.2 million for the year 2010. The increase was mainly attributable to the inclusion of full year staff costs incurred in two department stores opened at the end of 2009, as well as to staff costs incurred by the Zhenjiang Yaohan store and six new supermarkets opened in 2010.

Total staff costs of the Group as a percentage of total sales proceeds increased to approximately 4.3%, representing a rise of 0.1 percentage point as compared with 4.2% for the year 2009. Operating staff costs of the department store business as a percentage of total sales proceeds of the department store business remained stable at approximately 3.1% (2009: 3.1%). Operating staff costs of the supermarket business as a percentage of total sales proceeds of that business remained stable at approximately 5.7% (2009: 5.7%).

Depreciation and amortisation

Depreciation and amortisation of property, plant and equipment primarily consist of the depreciation of property, plant and equipment and amortisation of our prepaid land premium.

Our depreciation and amortisation increased by approximately RMB58.3 million or 39.9% to approximately RMB204.5 million for the year 2010. The increase was primarily due to the inclusion of the full year depreciation and amortisation for two department stores opened at the end of 2009, the depreciation and amortisation charges recognised for Zhenjiang Yaohan and six new supermarkets opened during the year and additional depreciation and amortisation charges for construction, renovation and expansion of the Group's existing department stores during the year 2010.

Total depreciation and amortisation expenses of the Group as a percentage of total sales proceeds decreased to approximately 3.0%, representing a fall of 0.1 percentage point from 3.1% in 2009. Depreciation and amortisation expenses of the department store business as a percentage of total sales proceeds of the department store business decreased to approximately 3.4% (2009: 3.6%) and depreciation and amortisation expenses of the supermarket business as a percentage of total sales proceeds of the supermarket business remained stable at approximately 1.7% (2009: 1.7%).

Rental expenses

Rental expenses primarily consist of rental fees for premises leased for the operation of department stores, supermarkets and office premises. Rental expenses remained stable at RMB44.3 million for the year 2010.

Total rental expenses of the Group as a percentage of total sales proceeds decreased to approximately 0.6%, representing an decrease of 0.3 percentage point from 0.9% in 2009. Rental expenses of the department store business as a percentage to total sales proceeds of the department store business decreased to approximately 0.3% (2009: 0.7%) and rental expenses of the supermarket business as a percentage of total sales proceeds of the supermarket business increased to approximately 1.5% (2009: 1.4%).

Other expenses

Other expenses primarily included other operating costs and non-operating costs. Other operating costs consisted of the costs of utilities, advertising and promotion related expenses, office expenses, decoration and renovation expenses, costs of maintenance and consumables, travelling expenses, bank charges, insurance, property taxes, entertainment expenses, government surcharges and various other costs and expenses. Other non-operating costs consisted of professional fees, loss on disposal of subsidiaries and loss on disposal of property, plant and equipment. Other expenses increased by approximately RMB95.3 million or 39.3% to approximately RMB337.6 million for the year 2010. The increase was primarily due to the inclusion of the full year other operating costs for two department stores opened at the end of 2009, other operating costs for Zhenjiang Yaohan and six new supermarkets opened during the year and an increase in other non-operating costs primarily related to professional fees for the initial public offering in 2010.

	Year ended 31 December		
	2010	2009	**2010 vs 2009 growth rate**
	(RMB millions)		
Other operating costs	**302.0**	224.0	**34.8%**
Other non-operating costs	**35.6**	18.3	**94.5%**
Total other expenses	**337.6**	242.3	**39.0%**

Other expenses as a percentage of total sale proceeds decreased by 0.2 percentage point to approximately 4.9% from 5.1% in 2009. Other operating costs and other non-operating costs as a percentage to total sale proceeds were approximately 4.4% and 0.5% respectively (2009: 4.7% and 0.4%).

Profit from operations

	Year ended 31 December					
	2010			2009		
	Department Store business	**Supermarket business**	**Total**	Department Store business	Supermarket business	Total
			(RMB millions)			
Total sales proceeds	**5,103.1**	**1,749.5**	**6,852.6**	3,317.1	1,417.3	4,734.4
Revenue	**1,351.8**	**1,638.2**	**2,990.0**	945.2	1,340.9	2,286.1
Profit from operation	**491.0**	**167.6**	**658.6**	272.8	152.5	425.3
Head office and non-operating and unallocated expenses						
Interest and dividend income and unallocated gains			**20.4**			26.1
Share of profit of an associate			**–**			1.3
Corporate and other unallocated expenses			**(70.7)**			(39.3)
Finance costs			**(88.6)**			(66.3)
Income tax expenses			**(144.3)**			(98.3)
Profit for the year			**375.4**			248.8

Profit from operations (excluded headquarters' interest income and interest expenses, gains on disposal of investments, and gain or loss on disposal of subsidiaries and assets, unallocated incomes and expenses) increased by approximately RMB233.3 million or 54.9% to approximately RMB658.6 million for the year 2010. Profit from operations for the department store business increased by approximately RMB218.2 million or 80.0% to approximately RMB491.0 million. Operation margin as a percentage of total sales proceeds for department stores increased to approximately 9.6%, representing an increase of 1.4 percentage points from 8.2% in 2009. For the supermarket business, profit from operations increased by approximately RMB15.1 million or 9.9% to approximately RMB167.6 million and operating margin as a percentage of total sales proceeds decreased to approximately 9.6%, representing a drop of 1.2 percentage points from 10.8% in 2009.

Finance costs

Finance costs were made up of interest expenses on bank and other borrowings. Finance costs increased by approximately RMB22.3 million or 33.6% to approximately RMB88.6 million in the year 2010. This increase was due to a decrease in interests capitalised because of the opening of Zhenjiang Yaohan Store.

Profit before tax

Profit before tax hit RMB519.7 million, representing a year-on-year increase of 49.7% year-on-year. The rise in profit before tax was generally in line with the rise in profit from operation.

Income tax expenses

Income tax expenses of the Group increased by approximately RMB46.0 million or 46.8% to approximately RMB144.3 million due mainly to an increase in profit before tax and it included 5% withholding tax provided for the anticipated dividend distribution to the Company by its subsidiaries established in the PRC. The effective tax rate for the year 2010 was 27.8% (2009: 28.3%).

Profit for the year attributable to owners of the parent

Profit attributable to owners of the parent company increased to approximately RMB372.2 million for the year 2010, representing growth of approximately 50.2% or RMB124.5 million year-on-year. The net profit margin increased to approximately 12.4% from 10.8% mainly due to improved operational efficiency. Basic earnings per share were RMB18 cents for the year 2010, representing growth of approximately 20.0% from 2009.

CAPITAL EXPENDITURE

Capital expenditure of the Group during the year amounted to approximately RMB528.1 million (2009: RMB1,289.1 million). The amount represented contractual payments made for the acquisition of land use rights, land and buildings and construction of greenfield projects, department store chain expansion, including acquisitions of subsidiaries and the upgrades to retail space during the year to further enhance the shopping environment.

LIQUIDITY AND FINANCIAL RESOURCES

The Group relies principally on cash flow generated from its operating activities as a primary source of liquidity. The Group has always pursued a prudent treasury management policy and is in a strong liquidity position with sufficient standby banking facilities to cope with daily operations and future development demands for capital.

As at 31 December 2010, the Group's bank balance, cash on hand and near cash instruments (including bank balances and cash, pledged deposit) stood at approximately RMB1,537.6 million (2009: RMB1,355.6 million), whereas the Group had short-term bank loan of RMB10.0 million (2009: RMB1,746.2 million). Details of the exposure of the Group on interest rate and exchange rate fluctuations are set out in note 42 to the financial statements.

Total assets of the Group as at 31 December 2010 amounted to approximately RMB6,710.9 million (2009: RMB6,023.4 million), whereas total liabilities amounted to approximately RMB2,894.5 million (2009: RMB4,967.3 million), resulting in a net asset position of RMB3,816.4 million (2009: RMB1,056.1 million). The increase was mainly derived from the proceeds of the Group's initial public offering ("IPO") in October 2010. The gearing ratio, calculated by net debt (including total bank and other borrowings, trade and bills payables and other payables and accruals minus cash and cash equivalents) divided by the capital plus net debt of the Group decreased to approximately 16% (2009: 78%) at the end of 2010.

The capital commitments of the Group as at 31 December 2010 stood at approximately RMB549.7 million (2009: RMB260.2 million), which were contracted for but not provided in the consolidated financial statement for contractual payments for the acquisition of property, plant and equipment, land use rights and interests in a subsidiary.

CONTINGENT LIABILITIES

A subsidiary of the Group is currently a defendant in a lawsuit brought by a party alleging that the subsidiary breached and repudiated a contract to purchase a property located in Ma'anshan in the PRC and claimed for default penalty of RMB15,000,000. The Directors, based on the advice from the Group's legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

PLEDGE OF ASSETS

As at 31 December 2010, the balance of bank loans was approximately RMB122.5 million (2009: RMB2,635.3 million), which was guaranteed by the pledge of Group's certain property, plant and equipment and prepaid land premiums amounting to RMB185.8 million (2009: RMB2,115.0 million).

FOREIGN EXCHANGE EXPOSURE

The Group conducted its business operations in the PRC and its revenues and expenses were denominated in RMB. Certain of the Group's bank balances, short-term bank loans and deposits, including proceeds from the Group's initial public offering, were denominated in HKD or USD. The Company and some of its overseas subsidiaries selected the USD as their functional currency. Significant fluctuations in exchange rates involving HKD, USD and RMB or against each entity's respective functional currency may have a financial impact on the Group.

As at 31 December 2010, the Directors considered the Group's foreign exchange risk to be insignificant. For the year ended 31 December 2010, the Group recorded net foreign exchange gains of approximately RMB1.0 million (2009: nil). During the year 2010, the Group did not use any financial instruments for hedging purposes.

PROPERTY VALUATION

Jones Lang LaSalle Sallmanns Limited, an independent property valuer, has valued our property interests including land use rights as of 31 July 2010 at RMB6,784 million. The texts of its letter, summary of valuation and the detail of valuation certificates are set out in Appendix IV to the Company's prospectus dated 8 October 2010 (the "Prospectus"). These properties were not stated at such valuation in the financial statements of the Group. Additional depreciation/amortisation of approximately RMB84.8 million would be charged against the income statement of the Group for the year ended 31 December 2010 had it been stated at such valuation.

HUMAN RESOURCES

As at 31 December 2010, the Group employed a total of approximately 6,495 full-time employees, 3,054 who served the department store business and 3,117 who served the supermarket business including (2009: 5,273 full-time employee, of which 2,244 who served department store business and 2,766 who served supermarket business). Employees included management, sales people, workers for the logistics support system and other support staff. Remuneration for the Group (including Directors remuneration in the form of salaries, pension and other allowances) was approximately RMB294.2 million (2009: RMB200.1 million), contributing to 33.4% (2009: 31.6%) of the Group's total expenses. This increase was due mainly to a rise in of headcount to support the operation of new department stores and supermarkets and increase average capita salary. The Group's remuneration policy is primarily based on the duties, performance and length of service of each individual employee with reference to prevailing market conditions.

To attract and retain skilled and experienced personnel and to motivate them to strive for future development and expansion of our business, the Group also offers a share option scheme (Share Option Scheme). As at 31 December 2010, no share option was granted by the Group under the Share Option Scheme.

USE OF PROCEEDS FROM THE IPO

The proceeds from the Company's issue of new shares at the time of its listing on The Stock Exchange of Hong Kong Limited in October 2010, after deduction of related issuance expenses, amounted to approximately HK$2,854.3 million (equivalent to approximately RMB2,451.8 million). A total of HK$1,059.2 million of the aggregate proceeds from the Company's initial public offering was applied during the year ended 31 December 2010 in accordance with the proposed applications set out in the Prospectus in the following ways:

- approximately HK$60.0 million (equivalent to RMB51.5 million) was used to develop the department stores and supermarkets networks currently under construction; refurbishing or expanding existing stores and developing other suitable department store or supermarket opportunities to be implemented in the Greater Yangtze River Delta region;

- approximately HK$714 million (equivalent to RMB612.8 million) was used to repay bank loans;

- approximately HK$1.2 million (equivalent to RMB1.0 million) was used to further develop the management system, enhance the logistics support system and to expand the headquarters of the Group; and

- approximately HK$284 million (equivalent to RMB243.8 million) was applied as additional working capital of the Group.

During the year ended 31 December 2010, the proceeds from the Company's initial public offering was utilised in accordance with the proposed usages and in the respective proportions as set out in the Prospectus. The unutilised portion of the IPO proceeds is currently deposited with banks in Hong Kong and the PRC and the Company plans to utilise the remaining portion of such proceeds in accordance with the proposed usages and in the respective portions as set out in the Prospectus.

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Chen Jianqiang (陳建強), aged 53, is the founder of the Group and has been the Chairman and executive Director of the Company since June 2006. Mr. Chen is responsible for the overall corporate strategies, planning, business development and investment of the Group. Since his joining of the Group in 1996, Mr. Chen has been engaging in retail business and has over 15 years of experience in managing department stores and retail businesses. Mr. Chen has been a director of 江蘇華地國際控股集團有限公司 (Jiangsu Springland Enterprise Investment Holding Group Co., Ltd) ("Jiangsu Springland") since its incorporation in 1996 and has been actively participating in the management and development of the Group's business since then. Mr. Chen is also a director of the major operating subsidiaries of the Group. Mr. Chen has also been the deputy general manager and general manager of 宜興市商業聯合公司 (Yixing City Trade Combination Company), the predecessor company of Jiangsu Springland, from 1985 to 1996. He obtained a degree in Master of Business Administration from The China Europe International Business School in 2002. Mr. Chen became the chairman of honors of the World Chinese Traders General Association (Hong Kong) Ltd. (香港華商世界貿易總會) in 2002. Mr. Chen is also a director and the sole shareholder of Netsales Trading Limited, the controlling shareholder and an associated corporation of the Company. He has not held any directorship in other listed public companies currently and in the last three years.

Mr. Tao Qingrong (陶慶榮), aged 50, is an executive Director and the Chief Executive Officer of the Group. He was appointed as an executive Director in September 2006 and Chief Executive Officer of our Group in January 2011. Mr. Tao is primarily responsible for the day-to-day management of business and operation of the Group. Mr. Tao joined the Group in October 2002 as general manager of 上海華地企業投資有限公司 (Shanghai Springland Enterprise Investment Co., Ltd) ("Shanghia Springland") and has been the general manager of the department store unit of Jiangsu Springland since January 2006. Mr. Tao is a director of the major operating subsidiaries of the Group. Prior to joining the Group, Mr. Tao worked for 上海制皂廠 (Shanghai Soap Factory) as director of information center and deputy manager of foreign trade department from 1988 to 1997, 上海制皂有限公司 (Shanghai Soap Co., Ltd.) as sales and marketing director from 1997 to 2000, and 上海制皂(集團)產品銷售有限公司 (Shanghai Soap (Group) Product Sales Co., Ltd.) as general manager from 2000 to 2002. Mr. Tao obtained a master's degree in system engineering from 上海機械學院 (the Shanghai Institute of Mechanical Technology) (later known as 上海理工大學 (University of Shanghai for Science and Technology)) in 1988, and a degree in Master of Business Administration from The China Europe International Business School in 2002. Mr. Tao is interested in 31.25% of the shareholding of Celestial Spring Limited, being a shareholder holding 1.4% of the Company. He has not held any directorship in other listed public companies currently and in the last three years.

Mr. Fung Hiu Lai (馮曉黎), aged 45, is an executive Director and the vice president of the Group. He was appointed as an executive Director in September 2006 and vice president of our Group in January 2011. Mr. Fung joined the Group in 2004 as general manager of the investment department of Jiangsu Springland. Mr. Fung is primarily responsible for the expansion and business development of the Group. Mr. Fung is a director of the major operating subsidiaries, and is the general director in the business development department unit of the Company. Mr. Fung obtained a bachelor's degree in transportation engineering and management from the National Chiao Tung University in Taiwan in 1991. Mr. Fung is a cousin of Mr. Fung Hiu Chuen, John, a non-executive Director. Mr. Fung is interested in 6.25% of the shareholding of Celestial Spring Limited, being a shareholder holding 1.4% of the Company. He has not held any directorship in other listed public companies currently and in the last three years.

Non-executive Directors

Mr. Wang Lin (王霖), aged 43, is a non-executive Director. Mr. Wang was nominated as a Director by CDH Resource Limited and was appointed as a non-executive Director in September 2006. He is currently a managing director of CDH China Growth Capital Management Company Limited ("CDH China"), and has been working for CDH China since 2002. He had previously worked in the direct investment department of China International Capital Corporation Limited from 1999 to 2002 and for 中國投資擔保有限公司 (China National Investment & Guarantee Co., Ltd.) from 1994 to 1999. Mr. Wang graduated from 華東交通大學 (East China Jiaotong University) with a bachelor's degree in mechanical technology and equipment in 1989 and received a master's degree in economics and a Ph.D. degree from 財政部財政科學研究所 (the Research Institute for Fiscal Science, Ministry of Finance) in 1993 and 2002, respectively. He has not held any directorship in other listed public companies currently and in the last three years.

Mr. Fung Hiu Chuen, John (馮曉邨), aged 43, was appointed as a non-executive Director in July 2010. Mr. Fung is currently the Managing Director of Global Link (CHINA) Company Limited, a company engaged in supply of TV media programmes. He had previously worked as a senior manager of the North Asia division of ESPN ASIA Ltd., a diversified sports, entertainment and media company from 1995 to 1997. Mr. Fung obtained a Bachelor of Science degree from Cornell University in Ithaca, New York in 1991. Mr. Fung is a cousin of Mr. Fung Hiu Lai, an executive Director. He has not held any directorship in other listed public companies currently and in the last three years.

Independent Non-executive Directors

Dr. Lin Zhijun (林志軍), aged 56, was appointed as a independent non-executive Director in February 2008. Dr. Lin graduated from 廈門大學 (Xiamen University) in 1982 with a master's degree in economics and later received a Ph.D. degree in economics (Accounting) from Xiamen University in 1985. He also received a Master of Science degree from the University of Saskatchewan in 1991. He is a member of the American Institute of Certified Public Accountants (AICPA), the Chinese Institute of Certified Public Accountants (CICPA) and the Institute of Certified Management Accountants of Australia (CMA). He is currently a professor and the head of the department of Accountancy and Law in the Hong Kong Baptist University. Dr. Lin was previously an auditing staff at an international accounting firm, Touche Ross & Co. Canada (now known as "Deloitte & Touche") in Toronto from 1982 to 1983, and has previously taught at Xiamen University, the University of Hong Kong and the University of Lethbridge in Canada. Dr. Lin is currently an independent non-executive director of China Everbright Limited and Sinotruk (Hong Kong) Limited, both listed on the Main Board of The Stock Exchange of Hong Kong Limited. Save as disclosed, he has not held any directorship in other listed public companies in the last three years.

Dr. Zhang Weijiong (張維炯), aged 58, was appointed as a independent non-executive Director in February 2008. Dr. Zhang graduated from Shanghai Jiao Tong University in 1982 with a bachelor's degree in power mechanical engineering. He later received a master and Ph.D. degree in business administration from the University of British Columbia in Canada in 1989 and 1997, respectively. He is currently a professor and the vice President of the China Europe International Business School and has been working in the China Europe International Business School since 1997. Dr. Zhang has previously worked in the management school of Shanghai Jiao Tong University from 1988 to 1993. Dr. Zhang is currently an independent director of Huayu Automative Systems Company Ltd and Shanghai Fosun Pharmaceutical (Group) Co., Ltd, both listed on The Shanghai Stock Exchange. Save as disclosed above, he has not held any directorship in other listed public companies in the last three year.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Shuaiting (王帥廷), aged 55, was appointed as an independent non-executive Director in July 2010. Mr. Wang graduated from China Europe International Business School with a master's degree in Business Administration in 2002. He is currently the vice chairman of the board of directors, president and chief executive officer of China Resources Power Holdings Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Wang is also the vice chairman of China Resources (Holdings) Co., Ltd.. Mr. Wang has extensive experience in corporate governance in listed companies in the electricity industry in the PRC. He served as the General Manager of China Resources (Xuzhou) Electric Power Co., Ltd. ("CR Xuzhou") from 1994 to 2010. Prior to his engagement in CR Xuzhou, Mr. Wang worked in the general office of the Government of Jiangsu Province from April 1986 to March 1987 and was subsequently the head of the Industrial and Transportation Office of Xuzhou Municipal Government from April 1987 to August 1987. He was also the Vice General Secretary of Xuzhou Municipal Government from 1991 to 1994. Save as disclosed above, he has not held any directorship in other listed public companies in the past three years.

SENIOR MANAGEMENT

Mr. Xu Zhiqiang (徐志强), aged 36, is primarily responsible for the operation and management of the department store business. Mr. Xu has over 15 years of experience in retail sales since his joining the Group in 1996. Mr. Xu was promoted to the general manager and chief operating supervisor of the Group's department store business department in January 2010. Mr. Xu obtained a bachelor's degree in international trade from 重慶商学院 (Chongqing School of Commerce) in 1996 and a master's degree in business administration from Guanghua School of Management of Peiking University in 2009.

Ms. Xu Ying (許英), aged 36, is responsible for the operation and management of the supermarket business. Ms. Xu has over 15 years of experience in retail sales since her joining the Group in 1996. Ms. Xu was promoted to the general manager and the chief operating supervisor of the Group's supermarket business department in December 2008. Ms. Xu is a director of a subsidiary of the Group and the general manager of the supermarket business of Jiangsu Springland. Ms. Xu graduated from 中央廣播電視大學 (The Open University of China) majoring in business administration in 2009.

Mr. Yu Yaoming (俞堯明), aged 41, is responsible for the accounting and financial reporting of the Group. Mr. Yu has over 11 years of experience in finance and accounting. Mr. Yu joined the Group in October 2007 as a financial director of the Group and Jiangsu Springland. Prior to joining the Group, Mr. Yu worked as an accounting manager of 上海賽科石油化工有限責任公司 (Shanghai SECCO Petrochemical Company Limited) from 2001 to 2007. Prior to that, Mr. Yu worked as a deputy director of the finance department of 中石化上海金山工程公司 (SINOPEC Shanghai Jinshan Engineering Co., Ltd.) from 1999 to 2001 and worked in relevant units under 中國石化上海石油化工股份有限公司 (SINOPEC Shanghai Petrochemical Company Limited) from 1992 to 1999. Mr. Yu obtained a bachelor's degree in accounting from 上海財經大學 (Shanghai University of Finance and Economics) in 1992. Mr. Yu is also a member of the Chinese Institute of Certified Public Accountants.

Mr. Wang Jiaming (王家明), aged 38, is responsible for the human resources planning of the Group. Mr. Wang joined the Group in 2004 as an assistant to the general manager of Shanghai Springland. He was promoted to an assistant to the managing director and later to a chief supervisor of the human resource unit of the Group and Jiangsu Springland. Prior to joining the Group, Mr. Wang worked for 上海華彩咨詢有限公司 (Shanghai Huacai Consultation Co., Ltd.) from 2003 to 2004 and was a project manager of 德隆產業投資管理有限公司 (Delong Property Investment Management Co., Ltd.) from 2001 to 2003. Mr. Wang graduated from 華中理工大學 (Central China Polytechnic University, later known as 華中科技大學 (Huazhong University of Science and Technology)) with a bachelor's degree in mechanical engineering in 1994, and received a master's degree in business administration from 東南大學 (Southeast University) in 2001.

Mr. Zhu Tao (朱滔), aged 40, is responsible for assets management of the Group. Mr. Zhu joined the Group in 1996 and has previously taken up various positions in the Group. Mr. Zhu has over 15 years of experience in department store and retail businesses and is primarily responsible for the business expansion and asset management of the Group. Mr. Zhu is a director of the major operating subsidiaries, and is the chief supervisor of the asset management department of the Group and Jiangsu Springland. Prior to joining the Group, Mr. Zhu worked for 宜興酒廠 (Yixing Wine Factory). Mr. Zhu obtained a diploma in food processing from 上海水產大學 (Shanghai Fisheries University) (later known as 上海海洋大學 (Shanghai Ocean University)) in 1991. Mr. Zhu is a director of and is interested in 25% of the shareholding of Celestial Spring Limited, being a shareholder holding 1.4% interest in the Company.

Mr. Jiang Changlin (蔣長林), aged 38, is the secretary to the Board. Mr. Jiang joined the Group in 1996. He has previously taken up various positions in the Group including director of information department, accounting supervisor and finance manager of 宜興華地百貨有限公司 (Yixing Springland Department Store Co., Ltd) and was later promoted to the finance general manager of Jiangsu Springland. Mr. Jiang has more than 15 years of experience in financial management and is primarily responsible for providing assistance to the Board and the Directors and implementing policies of the Board. Mr. Jiang is also a director of the major operating subsidiaries of the Group. Prior to joining the Group, Mr. Jiang has worked in 江蘇水利工程專科學校 (Jiangsu Hydro Project Training School (later known as 揚州大學水利學院 (University of Yangzhou, college of Water Engineering)) from 1991 to 1993. He is also a holder of the certificate of accounting professional (會計從業資格證書) of the PRC and a member of 註冊稅務師協會 (Institute of Certified Tax Agents) in the PRC. Mr. Jiang is interested in 25% of the shareholding of Celestial Spring Limited, being a Shareholder holding 1.4% interest in the Company.

COMPANY SECRETARY

Ms. Hon Yin Wah (韓燕華), HKICPA, FCCA, aged 40, joined the Group in August 2010 as the Company Secretary of the Company. Ms. Hon graduated from the Hong Kong University of Science and Technology with a bachelor of business administration degree in accounting in 1994. Ms. Hon is a certified public accountant of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a fellow of the Association of Chartered Certified Accountants (ACCA). She has over 15 years' experience in accounting and financial management and corporate governance. Prior to joining the Group, she was an audit manager at PricewaterhouseCoopers (an international accounting firm) and senior executive of several Hong Kong/Nasdaq listed public and private companies.

CORPORATE GOVERNANCE PRACTICES

We are committed to compliance of statutory and regulatory corporate governance standards and adherence to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness. The Board of Directors reviews the corporate governance practices from time to time to ensure alignment of interests and expectations from our shareholders, the investing public and the other stakeholders.

The Directors are in the opinion that the Company has complied with the code provisions set out in the Code on Corporate Governance Practice (the "CG Code") under Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2010 save for the deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

BOARD OF DIRECTORS

The general management of the Company's business is vested in the Board. The Board has established various committees to manage and oversee the specified affairs of the Company. The Board has delegated the day-to-day management power of the Company to the executive Directors and senior management of the Company.

The Board is committed to the Company's mission to creating value for our shareholders. The Board is responsible for developing the strategic directions and strategies for the Company and continuous monitoring of the performance of the general management of the Company. Certain important matters involving finance and shareholders' interest are reserved for approval by the Board, including, for example, annual budget, financial statements against budget, dividend policy, material investments, material acquisitions and disposals; major financing activities and appointment of Director(s) following the recommendation(s) by the Remuneration and Nomination Committees. The Board has to make decision objectively in the best interests of the Company and its shareholders as a whole.

BOARD COMPOSITION

The Board currently comprises three executive Directors and five non-executive Directors. Three of the non-executive Directors are independent, from different business and professional fields. The independent non-executive Directors represent over one-third of the Board. The category, position and brief biographical information of each Director, together with the relationship amongst each other are set out in "Director and Senior Management" section in this report. The Directors including the non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 of the Listing Rules sets out that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Tao Qingrong, Chief Executive Officer of the Group has started to be responsible for the day-to-day management of the Group's business and also fully assumed direct supervisory roles in the entire Group's operation since 1 January, 2011. Mr. Chen Jianqiang is responsible for the strategy development of the Group and focus on its investments. He also supervises the Group's overall performance and development. Mr. Chen remains as the executive Director and Chairman of the Company. The roles of the chairman and chief executive officer of the Company are now clearly defined and separately performed by different individuals.

BOARD PROCEEDINGS

The Board met four times in the year ended 31 December 2010 to mainly discuss and approve the overall business strategies, initial public offer and related matters of the Group, to review and monitor the financial and operation performance of the Group respectively, and to consider and approve the annual budget for the Group. Due notice and Board papers were given to all Directors prior to the meetings in accordance with the Listing Rules and the CG Code.

The attendance record of each of the Directors for the Board meetings and the board committees meetings held during the year ended 31 December 2010 is listed as follows:

	Number of attendance/ Number of meetings			
Name of Director	**Regular Meeting**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Chen Jianqiang *(Chairman)*	4/4	n/a	n/a	n/a
Tao Qingrong *(Chief Executive Officer)*	4/4	n/a	n/a	n/a
Fung Hiu Lai	4/4	n/a	n/a	n/a
Jiang Changlin *(resigned on 30 June 2010)*	0/0	n/a	n/a	n/a
Zhu Tao *(resigned on 30 June 2010)*	0/0	n/a	n/a	n/a
Non-executive Directors				
Wang Lin	4/4	n/a	1/1	1/1
Fung Hiu Chuen, John *(appointed on 19 July 2010)*	4/4	n/a	1/1	1/1
Independent Non-executive Directors				
Lin Zhijun	4/4	1/1	1/1	1/1
Zhang Weijiong	4/4	1/1	1/1	1/1
Wang Shuaiting *(appointed on 19 July 2010)*	4/4	1/1	1/1	1/1

BOARD COMMITTEES

The Board delegates its powers and authorities from time to time to committees in order to ensure the operational efficiency and specific issues are being handled by relevant expertise. There are three Board committees under the Board, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of them has its specific duties and authorities setting out in its own terms of reference.

Audit Committee

The Audit Committee was established on 30 September 2010 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code as set out in Appendix 14 of the Listing Rules. Its members include three independent non-executive Directors, being Dr. Lin Zhijun (Chairman), Dr. Zhang Weijiong and Mr. Wang Shuaiting.

The duties of the Audit Committee include:

- to make recommendation to the Board on the appointment, re-appointment and removal of external auditor and to approve its remuneration and terms of engagement;
- to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with the applicable standard;
- to develop and implement policy on the engagement of external auditor to supply non-audit services;
- to monitor integrity of the financial statements of the Company and its annual reports and accounts, half-year reports and to review significant financial reporting judgments contained in them;
- to review the Company's financial control, internal control and risk management systems;
- to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;
- to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- to review the Group's financial and accounting policies and practices;

- to review the external auditor's management letter, any material queries raised by the auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;

- to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter; and

- to report to the Board on the matters set out in code provision C.3.3 of the CG Code.

The Audit Committee has held one meeting since its establishment to 31 December 2010 to discuss the auditing, internal controls and financial reporting matters of the Company, including the review of the accounting policies adopted by the Group and issues related to accounting practice; review of the nature and scope of audit; discussion with external auditor and the management on the possible accounting risks and the engagement of external auditor.

Remuneration Committee

The Remuneration Committee was established on 30 September 2010 with written terms of reference in compliance with paragraph B.1 of the CG Code. The Remuneration Committee consists of five members, three of whom are independent non-executive Directors, being Dr. Zhang Weijiong (Chairman), Dr. Lin Zhijun and Mr. Wang Shuaiting, and two non-executive Directors being Mr. Wang Lin and Mr. Fung Hiu Chuen, John.

The duties of the Committee mainly are:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration;

- determining the terms of the specific remuneration package of Directors and senior management;

- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; and

- considering and approving the grant of share options to qualified participant pursuant to the Company's share option scheme.

Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman and Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

The Remuneration Committee has held one meeting since its establishment to 31 December 2010 and reviewed the Group's policy on remuneration of all the Directors and senior management.

Nomination Committee

The Nomination Committee was established on 30 September 2010 with written terms of reference in compliance with paragraph A.4.4 of the CG Code. The Nomination Committee consists of five members, three of whom are independent non-executive Directors, being Dr. Zhang Weijiong (Chairman), Dr. Lin Zhijun and Mr. Wang Shuaiting, and two non-executive Directors, being Mr. Wang Lin and Mr. Fung Hiu Chuen, John.

The primary duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed changes, identify individuals;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorship;
- assessing the independence of independent non-executive Directors; and
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and the chief executive officer.

The Nomination Committee has held one meeting since its establishment to 31 December 2010 and it deliberated and approved the transitional arrangement and delineation of the roles and responsibilities of the Chairman and Chief Executive Officer.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors of the Company has entered into a service contract with the Company, and each of the non-executive Director and independent non-executive Directors of the Company has entered into a letter of appointment with our Company, for a term of three years commencing from 21 October 2010. Such term is subject to their re-appointment by the Company at an annual general meeting upon retirement and can be renewed upon expiry. The Company's Articles of Association provide that any Director appointed by the Board, either to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his appointment and any Director approved as an addition to the existing Board, shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

Under the Company's Articles of Association, all Directors are subject to retirement by rotation at least once every three years and one-third (or the number nearest to but not less than one third) of Directors shall retire from office every year at the Company's Annual General Meeting.

RESPONSIBILITIES OF DIRECTORS

Directors acknowledge their responsibilities for preparing the financial statements of the Company. Directors are not aware of any material uncertainties relating to events or conditions that may cost significant doubt upon the Company's ability to continue as a going concern. The financial statements for the year ended 31 December 2010 are prepared on a going-concern basis. All the new accounting standards and policies adopted by the Company have been thoroughly discussed and approved at the Audit Committee before adoption by the Board.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Specific enquiries was made of all Directors and all Directors have confirmed compliance with the required standard set out in the Model Code for the year ended 31 December 2010.

INTERNAL CONTROL

The Board is responsible for ensuring that a sound and effective internal control is maintained, while management ensure the sufficient and effective operational controls over the key business processes are properly implemented with regular review and update.

The Board believes that an effective and efficient internal control system will enable the Company to respond appropriately to significant business, operational, financial, compliance and other risks in achieving its objectives. This includes the safeguard of assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed. Furthermore, it helps to ensure the quality of internal and external reporting within the Group and the compliance with applicable laws and regulations, and also internal policies with respect to the conduct of businesses of the Group. The senior management reviews and evaluated the control process, monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measure to address the variances and identified risks. The Board is of the view that the existing system of internal control is effective and adequate to the Group.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transaction undertaken are provided under note 36 to the financial statements. As all of these related party transactions have been undertaken, discontinued or completed prior to the listing of the Company on the Main Board of the Stock Exchange in October 2010, none of them constitutes connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

MANAGEMENT FUNCTION

The Company's Articles of Association set out matters which are specifically reserved to the Board for its decision. The management team meets together regularly to review and discuss with executive Directors on daily operation issues, financial and operating performance as well as to monitor and ensure the management is carrying out the directions and strategies set by the Board properly.

EXTERNAL AUDITORS

The Audit Committee is responsible for considering the appointment, re-appointment and removal of external auditor subject to endorsement by the Board and final approval and authorization by the shareholders of the Company in general meetings. The existing auditor of the Company, who is also the Group's principal auditor, is Ernst & Young who was first appointed in 2008. The reporting responsibilities of Ernst & Young are stated in the Independent Auditor's Report on page 47 of this report.

Total auditors' remuneration in relation to statutory audit work of the Group amounted to RMB2.3 million (2009: RMB1.2 million), of which a sum of RMB2.0 million was paid to Ernst & Young. The remuneration paid to Ernst & Young and its affiliated firms for services rendered is listed as follows:

	2010	2009
	RMB million	
Statutory audit	**2.0**	1.0
Non-statutory audit	**–**	–

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company continues to enhance communications and relationships with its shareholders and investors through various channels including the Company's annual general meeting, press and analysts conferences following the release of interim and annual results announcements. The Directors and senior management will answer questions raised by the shareholders and investors on the performance and development of the Group.

We maintain a website (www.springlandgroup.com.cn) to keep our shareholders and investing public posted of our latest business developments, final and interim results announcements, financial reports, public announcements and other relevant shareholder information.

The Directors present their report and the audited financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

Springland International Holdings Limited (the "Company") is an investment holding company incorporated in the Cayman Islands with limited liability on 21 June 2006. The Company and its subsidiaries (the "Group") principally engages in the operation of department stores and supermarket in the PRC. There were no significant changes in the nature of the Group's principal activities during the year. The activities of its principal subsidiaries are set out in note 39 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year and the state of the affairs of the Company and the Group as at 31 December 2010 are set out on pages 49 to 50 of this report.

The Board recommend the payment of a final dividend for the year ended 31 December 2010 of HK7 cents in cash per ordinary share. During the year, no interim dividend was paid. This recommendation has been incorporated in the financial statements as an allocation of share premium within the equity section of the statement of financial position. On the assumption that shareholders' approval is obtained at the forthcoming annual general meeting for the payment of the above proposed final dividend and it representing approximately 40% of the year's net profit attributable to owners of the parent.

USE OF PROCEEDS FROM THE IPO

A summary of the use of proceeds from the IPO is set out on page 27 of this report.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 53 of this report and note 35(e) to the financial statements respectively.

DISTRIBUTABLE RESERVES

Under the Cayman Companies Law, the Company may pay dividends out of profit or its share premium account of the Company in accordance with the provisions of the Company's Articles of Association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be able to pay its debts as and when they fall due in the ordinary course of business.

As of 31 December 2010, the Company had a share premium of RMB2,593.1 million, which is available for distribution to our shareholders.

DONATIONS

Donations made by the Group during the year amounted to RMB2.3 million.

FIXED ASSETS

Details of the fixed assets of the Group are set out in note 17 to the financial statements.

BANK BORROWINGS

Bank borrowings of the Group as at 31 December 2010 amounted to RMB122.5 million, details of which are set out in note 29 to the financial statements.

SHARE CAPITAL

A resolution was passed by the shareholders of the Company on 30 September 2010 to allot and issue a total of 1,985,336,000 ordinary shares of nominal value of HK$0.01 each in the capital of the Company (the "Shares") credited as fully paid at par to the holders of Shares on the register of members of the Company in proportion to their respective shareholders by way of capitalisation of the sum of HK$19,853,360 standing to the debit of the share premium account of the Company, and the Shares shall rank pari passu in all respects with the existing issued Shares.

Details of movements in the share capital of the Company during the year are set out in note 35 to the financial statements.

DIRECTORS

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

Executive Directors

Mr. Chen Jianqiang *(Chairman)*
Mr. Tao Qingrong *(Chief Executive Officer)*
Mr. Fung Hiu Lai
Mr. Jiang Changlin (resigned on 30 June 2010)
Mr. Zhu Tao (resigned on 30 June 2010)

Non-executive Directors

Mr. Wang Lin
Mr. Fung Hiu Chuen, John (appointed on 19 July 2010)

Independent Non-executive Directors

Dr. Lin Zhijun
Dr. Zhang Weijiong
Mr. Wang Shuaiting (appointed on 19 July 2010)

Pursuant to Article 83(3) of the Company's articles of association, all existing Directors of the Company, will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. The non-executive Directors and independent non-executive Directors are appointed for periods of three years.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

MANAGEMENT CONTRACTS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36 to the financial statements, no director or controlling shareholder or any of its subsidiaries or any company controlled by the controlling shareholder had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

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 interests in business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group. Please also refer to the paragraph headed "Compliance with the Deed of Non-competition" below.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

Mr. Chen Jianqiang and Netsales Trading Limited ("Netsales") (together, the "Controlling Shareholders") are interested in more than 30% of the issued share capital of the Company and are controlling shareholders of the Company. Netsales is merely an investment holding company and its only assets are the interest in the Company. None of the Controlling Shareholders holds or conducts any business which competes, or is likely to complete, either directly or indirectly, with the Group's business. However, the Controlling Shareholders have entered into a deed of non-competition (the "Deed") in favour of the Company, pursuant to which they have jointly and severally undertaken that he or it shall not, and he or it shall use his or its best endeavours to procure that his or its associates shall not, directly or indirectly, carry on any business which is directly or indirectly in competition or is likely to be in competition, with the business of the Group. The Deed took effect from 21 October 2010, being the Company's listing date on the Main Board of the Stock Exchange and shall continue in force until such time as the Shares cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason) or until the Controlling Shareholder ceases to hold directly or indirectly in aggregate 30% or more of the entire issued share capital of the Company, or otherwise ceases to be a controlling shareholder of the Company.

The independent non-executive Directors have reviewed, for the period from the listing of the Company to 31 December 2010, the compliance by each of the Controlling Shareholders with their non-competition undertakings and, in particular, the right of first refusal in relation to any Business Opportunities as set out in the Deed. In this connection, the Controlling Shareholders have provided all necessary information to the independent non-executive Directors for their annual review in respect of compliance of the Deed by him or it. Each of the Controlling Shareholders has confirmed to the Company of his/its compliance with the Deed for disclosure in this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2010, the interests and short positions of the Directors of the Company in the Shares, underlying Shares and debeutires of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or as recorded in the register required to be kept under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

Long position in the Shares of the Company

Name of director	Nature of Interest	Number of ordinary Shares interested	Approximate percentage of the Company's issued share capital
Mr. Chen Jianqiang	Interest in controlled corporation	1,364,250,000 *(Note (1))*	54.57%

Note:

1. These Shares were held by Netsales. Mr. Chen as the sole shareholder of Netsales, is deemed to be interested in 1,364,250,000 Shares held by Netsales.

Long position in the Shares and underlying shares of associated corporations of the Company

Name of director	Name of associated corporation	Nature of interest	Number and class of shares of the associated corporation held	Approximate percentage of interest in the associated corporation
Mr. Chen Jianqiang	Netsales Trading Limited *(Note (1))*	Beneficial interest	100 ordinary shares	100%

Note:

1 Netsales is interested in approximately 54.57% of interest in the Company and is therefore a holding company of the Company. Mr Chen is the sole shareholder of Netsales.

Save as disclosed above, as at 31 December 2010, none of the Directors and chief executive had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2010, so far as is known to any Directors and chief executives of the Company, the following persons (other than the Directors of the Company or chief executive, whose interests have been disclosed in the above section "Directors' and Chief Executives' Interest and Short positions in Shares and Underlying Shares of the Company and its Associated Corporations") had interests of 5% or more in the Shares and underlying Shares of the Company notified to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Nature of interest	Number of ordinary Shares interested [(1)]	Approximate percentage of the Company's issued share capital
Netsales Trading Limited *(Note (2))*	Beneficial interest	1,364,250,000 L	54.57%
CDH Resource Limited *(Note (3))*	Beneficial interest	382,000,000 L	15.28%
CDH China Growth Capital Fund II, L.P. *(Note (3))*	Interest in controlled corporation	382,000,000 L	15.28%
CDH China Growth Capital Holdings Company Limited *(Note (3))*	Interest in controlled corporation	382,000,000 L	15.28%
China Diamond Holdings II, L.P. *(Note (3))*	Interest in controlled corporation	382,000,000 L	15.28%
China Diamond Holdings Company Limited *(Note (3))*	Interest in controlled corporation	382,000,000 L	15.28%

Notes:

1. The letter "L" denotes the person's long position in such Shares.

2. Netsales Trading Limited is wholly-owned by Mr Chen Jianqiang. Mr Chen, who is the sole shareholder of Netsales Trading Limited, is deemed to be interested in the Shares held by Netsales.

3. CDH Resource Limited, a limited liability company incorporated in the British Virgin Islands, is a wholly-owned subsidiary of CDH China Growth Capital Fund II, L.P., an exempted limited partnership organised and existing under the laws of the Cayman Islands. The general partner of CDH China Growth Capital Fund II, L.P. is CDH China Growth Capital Holdings Company Limited, a limited liability company organised and existing under the laws of the Cayman Islands. China Diamond Holdings II, L.P. is the holding company of CDH China Growth Capital Holdings Company Limited, and China Diamond Holdings Company Limited is the general partner of China Diamond Holdings II, L.P.. Each of CDH China Growth Capital Fund II, L.P., CDH China Growth Capital Holdings Company Limited, China Diamond Holdings II, L.P. and China Diamond Holdings Company Limited is deemed to be interested in the Shares held by CDH Resource Limited.

Save as disclosed above, as at 31 December 2010, the Company had not been notified by any persons, other than the Directors and chief executive of the Company, of other interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted pursuant to the resolutions of the Company's shareholders on 30 September 2010. The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented participants, to strive for future developments and expansion of the Group. The Share Option Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions. The Board may, at its absolute discretion, offer any employee, management member or Director of the Company, or any member of the Group, and third party service providers options to subscribe for Shares on the terms set out in the Share Option Scheme. The amount payable on acceptance of an option is HK$1.00.

Unless otherwise terminated by the Board or the Company's shareholders 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 Listing Date, 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.

An offer of the grant of an option shall be make to a participant by letter ("Offer Letter") and in writing requiring the participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. An option (to the extent that it is vested and/or exercisable pursuant to the terms and conditions set out in the Share Option Scheme in the Offer Letter) may be exercised by the grantee at any time during a period of 10 years commencing on the Listing Date provided that the option has not lapsed for any reason set out in the Share Option Scheme unless the Company obtains separate shareholder approval in relation to such grant.

The price per Share at which a grantee may subscribe for Shares upon exercise of an option shall, be a price determined by the Board but in any event shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the offer date; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the Shares.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of total number of Shares in issue as at the Listing Date which is 250,000,000 Shares.

The limited on the 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 schemes of the Company must not exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No option may be granted if such grant will result in this 30% limit being exceeded.

Unless approved by the Company's shareholders in general meeting, the Board shall not grant options to any one person if the acceptance of those options would result in the total number of Shares issued and to be issued to that person on exercise of his/her options including both exercised and outstanding options during any 12month period exceeding 1% of the total Shares then in issue.

As at the date of this report, no options have been granted under the Share Option Scheme by the Company.

REMUNERATION POLICY

The Group's remuneration policy is primarily based on duties, performance and length of service of each individual employee with reference to the prevailing market conditions.

The Directors' emoluments are determined by the Remuneration Committee, with reference to their duties, responsibilities and performance and the results of the Group and comparable market statistics, including the prevailing market rate for executives of similar position.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 10 to 11 of the financial statements.

RETIREMENT FUND SCHEMES

The Group's employees in the PRC participate in defined contribution retirement schemes administered and operated by the relevant PRC municipal government. The Group's relevant PRC subsidiaries contribute funds to the retirement schemes to fund the retirement benefits of the employees which are calculated based on certain percentage of the average employee salary as stipulated 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 aforesaid contributions.

The Group's contributions to retirement benefit schemes were charged to the consolidated income statement for the year ended 31 December 2010 were RMB27.1 million. Details of the contribution retirement schemes are set out in note 9 of the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Since the Group mainly engages in retail business, for the year ended 31 December 2010, none of its customers or suppliers accounted for more than 5% of the Group's revenue or purchases. In addition, for the year ended 31 December 2010, none of the Directors, shareholders or their respective associates who owned 5% or more of the Company's issued share capital as at 31 December 2010 had any interest in any of the five largest customers and the five largest suppliers of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Shares.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

Based on 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.

COMMITMENTS AND CONTINGENT LIABILITIES

Details of the commitments and contingent liabilities of the Group are set out in note 34 to the financial statements.

SUBSEQUENT EVENTS

Details of the Group's events after the balance sheet date up to the date of this report are set out in note 43 to the financial statements.

AUDITORS

The financial statements have been audited by Ernst & Young. A resolution for the re-appointment of Ernst & Young as the Company's auditor will be proposed at the Company's forthcoming annual general meeting.

By order of the Board
Springland International Holdings Limited
Chen Jianqiang
Chairman

Hong Kong, 16 March, 2011

ERNST & YOUNG
安 永

To the shareholders of Springland International Holdings Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

We have audited the consolidated financial statements of Springland International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 49 to 131, 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 International Financial Reporting Standards issued by the International Accounting Standards Board 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.

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 International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong
16 March 2011

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
REVENUE	5	**2,990,032**	2,286,050
Other income and gains	6	**305,735**	236,099
Purchase of and changes in inventories		**(1,806,915)**	(1,477,285)
Staff costs		**(294,155)**	(200,068)
Depreciation and amortisation		**(204,516)**	(146,203)
Rental expenses		**(44,303)**	(44,217)
Other expenses	7	**(337,569)**	(242,298)
Finance costs	8	**(88,635)**	(66,283)
Share of profit of an associate	20	**–**	1,306
PROFIT BEFORE TAX	9	**519,674**	347,101
Income tax expense	12	**(144,261)**	(98,293)
PROFIT FOR THE YEAR		**375,413**	248,808
Attributable to:			
Owners of the parent	13	**372,193**	247,723
Non-controlling interests		**3,220**	1,085
		375,413	248,808
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	15	**0.18**	0.15
Diluted (RMB)	15	**0.18**	0.12

Details of dividends paid for the year are disclosed in note 14 to these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
PROFIT FOR THE YEAR		**375,413**	248,808
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**(9,249)**	720
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**366,164**	249,528
Attributable to:			
Owners of the parent	*13*	**362,944**	248,443
Non-controlling interests		**3,220**	1,085
		366,164	249,528

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	31 December 2010 RMB'000	31 December 2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*17*	**3,872,919**	3,719,241
Prepaid land premiums	*18*	**395,486**	256,047
Goodwill	*19*	**127,439**	127,439
Investment in an associate	*20*	**–**	–
Available-for-sale investments	*21*	**2,310**	110
Long-term prepayments	*22*	**91,486**	32,093
Deferred tax assets	*23*	**18,039**	15,286
Total non-current assets		**4,507,679**	4,150,216
CURRENT ASSETS			
Inventories	*24*	**412,916**	301,313
Trade receivables	*25*	**10,567**	8,984
Prepayments, deposits and other receivables	*26*	**207,129**	194,716
Investments at fair value through profit or loss	*27*	**35,054**	12,521
Pledged deposits	*28*	**–**	742,790
Cash and cash equivalents	*28*	**1,537,556**	612,813
Total current assets		**2,203,222**	1,873,137
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*29*	**10,000**	1,746,221
Bills payable	*30*	**–**	57,790
Trade payables	*31*	**794,643**	597,545
Other payables and accruals	*32*	**1,332,405**	960,610
Tax payable		**41,067**	32,484
Total current liabilities		**2,178,115**	3,394,650
NET CURRENT ASSETS/(LIABILITIES)		**25,107**	(1,521,513)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,532,786**	2,628,703

31 December 2010

	Notes	31 December 2010 RMB'000	31 December 2009 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*29*	**112,500**	983,000
Long-term payables	*33*	**271,214**	256,523
Deferred tax liabilities	*23*	**332,690**	333,146
Total non-current liabilities		**716,404**	1,572,669
Net assets		**3,816,382**	1,056,034
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*35(a)*	**21,589**	150
Reserves		**3,615,715**	1,023,625
Proposed final dividend	*14*	**148,908**	–
		3,786,212	1,023,775
Non-controlling interests		**30,170**	32,259
Total equity		**3,816,382**	1,056,034

Chen Jianqiang
Director

Tao Qingrong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

		Attributable to owners of the parent											
	Notes	Issued capital *RMB'000* *Note 35(a)*	Share premium *RMB'000*	Contributed surplus *RMB'000* *Note 35(b)*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000* *Note 35(c)*	Discretionary reserve *RMB'000* *Note 35(d)*	Exchange fluctuation reserve *RMB'000*	Retained earnings *RMB'000*	Proposed final dividend *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2009		162	678,321	(1,512)	26,578	95,924	33,710	4,481	355,507	–	1,193,171	–	1,193,171
Profit for the year		–	–	–	–	–	–	–	247,723	–	247,723	1,085	248,808
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	720	–	–	720	–	720
Total comprehensive income for the year		–	–	–	–	–	–	720	247,723	–	248,443	1,085	249,528
Appropriation to statutory surplus reserve		–	–	–	–	49,926	–	–	(49,926)	–	–	–	–
Dividend	14	–	–	–	–	–	–	–	(25,959)	–	(25,959)	–	(25,959)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	–	252,348	252,348
Derecognitions of non-controlling interests and recognition of the difference between the derecognised non-controlling interests and the liability of the put option		–	–	–	(26,775)	–	–	–	–	–	(26,775)	(221,174)	(247,949)
Repurchase and cancellation of shares		(12)	(366,675)	–	–	–	–	–	–	–	(366,687)	–	(366,687)
Liabilities waived by shareholders		–	–	–	1,582	–	–	–	–	–	1,582	–	1,582
As at 31 December 2009 and 1 January 2010		150	311,646*	(1,512)*	1,385*	145,850*	33,710*	5,201*	527,345*	–	1,023,775	32,259	1,056,034
Profit for the year		–	–	–	–	–	–	–	372,193	–	372,193	3,220	375,413
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(9,249)	–	–	(9,249)	–	(9,249)
Total comprehensive income for the year		–	–	–	–	–	–	(9,249)	372,193	–	362,944	3,220	366,164
Re-recognition of non-controlling interests related of the put option		–	–	–	–	–	–	–	–	–	–	221,174	221,174
Appropriation to statutory surplus reserve		–	–	–	–	35,669	–	–	(35,669)	–	–	–	–
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(6,892)	(6,892)
Dividend	14	–	–	–	–	–	–	–	(40,916)	–	(40,916)	–	(40,916)
Capitalisation issue	35(a)	17,144	(17,144)	–	–	–	–	–	–	–	–	–	–
Issue of shares for initial public offering		4,295	2,542,640	–	–	–	–	–	–	–	2,546,935	–	2,546,935
Share issue expenses		–	(95,130)	–	–	–	–	–	–	–	(95,130)	–	(95,130)
Proposed final 2010 dividend	14	–	(148,908)	–	–	–	–	–	–	148,908	–	–	–
Change in interest in a subsidiary		–	–	–	(2,956)	–	–	–	–	–	(2,956)	2,956	–
Derecognitions of non-controlling interests and recognition of the difference between the derecognised non-controlling interests and the liability of the put option		–	–	–	(8,853)	–	–	–	–	–	(8,853)	(222,547)	(231,400)
Liabilities waived by shareholders		–	–	–	413	–	–	–	–	–	413	–	413
At 31 December 2010		21,589	2,593,104*	(1,512)*	(10,011)*	181,519*	33,710*	(4,048)*	822,953*	148,908	3,786,212	30,170	3,816,382

* These reserve accounts comprise the consolidated reserves of RMB3,615,715,000 (2009: RMB1,023,625,000) 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		**519,674**	347,101
Adjustments for:			
Depreciation	9	**196,843**	138,761
Amortisation of prepaid land premiums	9	**7,673**	7,442
Share of profit of an associate		**–**	(1,306)
Loss on disposal of items of property, plant and equipment	9	**929**	1,373
Loss/(gain) on disposal of subsidiaries	9	**(4,002)**	6,628
Fair value gains, net:			
Investments at fair value through profit or loss	9	**(44)**	–
Finance costs	8	**88,635**	66,283
Interest income	6	**(14,034)**	(21,238)
Provision/(write-back of provision) for slow-moving inventories	9	**(1,639)**	939
Dividend income from available-for-sale investments	6	**–**	(1,700)
		794,035	544,283
Decrease/(increase) in inventories		**(109,964)**	8,530
Increase in trade receivables, prepayments, deposits and other receivables		**(18,666)**	(9,913)
Increase in investments at fair value through profit or loss		**(22,489)**	–
Increase in trade payables, bills payable, other payables and accruals		**417,176**	199,066
Increase in long-term payables		**4,465**	1,802
Cash generated from operations		**1,064,557**	743,768
Income tax paid		**(138,887)**	(102,540)
Net cash inflows from operating activities		**925,670**	641,228

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Cash flows from investing activities			
Interest received		**14,034**	21,238
Purchases of items of property, plant and equipment		**(269,812)**	(608,259)
Proceeds from disposal of items of property, plant and equipment		**7,882**	2,173
Payments of prepaid land premiums		**(121,880)**	–
Investment in an associate		**–**	(161,100)
Purchase of available-for-sale investments		**(2,200)**	(110)
Disposal of available-for-sale investments		**–**	20,000
Acquisition of subsidiaries	*37*	**(3,993)**	(202,848)
Disposal of subsidiaries	*38*	**(1,008)**	9,579
Decrease/(increase) in long-term prepayments		**(59,393)**	41,257
Decrease/(increase) in pledged deposits		**742,790**	(572,790)
Increase in time deposits		**(32,230)**	(173,000)
Dividends received from available-for-sale investments		**–**	1,700
Net cash flows from/(used in) investing activities		**274,190**	(1,622,160)
Cash flows from financing activities			
Proceeds from issue of shares		**2,546,935**	–
Share issue expenses		**(95,130)**	–
Repayment of bank and other borrowings		**(4,912,368)**	(2,186,957)
Repurchase of shares of the Company		**–**	(366,687)
New bank and other borrowings		**2,305,647**	3,592,378
A loan from an associate		**–**	100,000
Dividends paid		**(47,808)**	(25,959)
Interest paid		**(95,374)**	(100,576)
Net cash flows from/(used in) financing activities		**(298,098)**	1,012,199
Net increase in cash and cash equivalents		**901,762**	31,267
Cash and cash equivalents at beginning of year		**439,813**	407,826
Effect of foreign exchange rate changes, net		**(9,249)**	720
Cash and cash equivalents at end of year		**1,332,326**	439,813
Analysis of balances of cash and cash equivalents			
Cash and bank balances	*28*	**1,332,326**	439,813

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSET			
Interest in a subsidiary	*39*	**2,636,182**	241,324
Total non-current assets		**2,636,182**	241,324
CURRENT ASSETS			
Prepayments, deposits and other receivables	*26*	**246**	–
Cash and cash equivalents	*28*	**2,334**	–
Total current assets		**2,580**	–
Net assets		**2,638,762**	241,324
EQUITY			
Issued capital	*35(a)*	**21,589**	150
Reserves	*35(e)*	**2,468,265**	241,174
Proposed final dividends	*14*	**148,908**	–
Total equity		**2,638,762**	241,324

Chen Jianqiang
Director

Tao Qingrong
Director

1. CORPORATE INFORMATION

Springland International Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 21 June 2006 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KYI-1111, Cayman Islands. The Company was listed on the Main Board of the Hong Kong Stock Exchange on 21 October 2010.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the operation of department stores and supermarkets in Mainland China. In the opinion of the directors of the Company (the "Directors"), the ultimate holding company of the Group is Netsales Trading Limited, a company incorporated in the British Virgin Islands (the "BVI").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

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.

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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 IFRSs for the first time for the current year's financial statements.

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
Amendments to IFRS 5 included in *Improvements to IFRSs* issued in May 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to IFRSs 2009	Amendments to a number of IFRSs issued in April 2009

Other than as further explained below regarding the impact of IFRS 3 (Revised), IAS 27 (Revised), amendments to IAS 7 and IAS 17 included in Improvements to IFRSs 2009, the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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

(a) IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements.

IFRS 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.

IAS 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 IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 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 IFRSs 2009 issued in April 2009 sets out amendments to a number of IFRSs. 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:

- IAS 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.

- IAS 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 IAS 17.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* [2]
IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
IFRS 7	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
IFRS 9	*Financial Instruments* [6]
IAS 12 Amendment	Amendment to IAS 12 *Income Taxes –Deferred Tax: Recovery of Underlying Assets* [5]
IAS 24 (Revised)	*Related Party Disclosures* [3]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* [3]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, Improvements to IFRSs 2010 has been issued which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34, and IFRIC 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:

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 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 IAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 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. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

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

IAS 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 IAS 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 IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. 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) IFRS 3 Business Combinations: Clarifies that the amendments to IFRS 7, IAS 32 and IAS 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 IFRS 3 (as revised in 2008).

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

(a) (continued)

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 IFRS.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

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 investment in an associate is 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. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in an associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

The results of the associate are included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in the associate is treated as a non-current asset and is stated at cost less any impairment losses.

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 is recognised in accordance with IAS 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations from 1 January 2010 (continued)

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 recognised. An impairment loss recognised 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.

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, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is as 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised 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, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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);

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

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

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 recognises 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 of nil to 5% over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Land and buildings	20 to 40 years
Renovation	2 to 10 years
Machinery	10 years
Motor vehicles	5 years
Furniture and office equipment	3 to 5 years

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 derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents stores and storage facilities under construction, or renovation works in progress. Construction in progress 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 at cost less accumulated depreciation and provision for any impairment in value.

Investment properties are derecognised when either they have been disposed of or they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

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. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

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 operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land premium under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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, trade and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets 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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. 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 interest earned on these financial assets, which are recognised in accordance with the policy 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 or available-for-sale financial assets depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Loans and receivables

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

Available-for-sale financial investments

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

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other expenses 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 to assess 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. The reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or loans and borrowings, 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 bills payable, trade and other payables and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Put options to non-controlling interest shareholders

In connection with an acquisition of a subsidiary by the Group, put options were granted to certain non-controlling interest shareholders of the subsidiary to sell their equity interests to the Group. The Group does not have present ownership interest of the shares held by those non-controlling interest shareholders. The non-controlling interests are recognised at the date of the business combination, and subsequently measured according to the policies described in the basis of consolidation. At each reporting date, the non-controlling interests are then derecognised as if they were acquired at each reporting date. The liability of the put option is then recognised at each reporting date at its fair value, and any difference between the amount of non-controlling interests derecognised and this liability is accounted for in equity.

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.

Convertible preference shares

The component of convertible preference shares that exhibits characteristics of an equity is recognised as equity. The corresponding dividends on those shares are recognised in the statement of changes in equity.

Inventories

Inventories comprise merchandise purchased for resale and are stated at the lower of cost and net realisable value. Cost of merchandise is determined on the weighted average basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to disposal. Consumables are stated at cost less any impairment losses.

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, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised 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 recognised 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.

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 amounts 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 recognised 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 and associates, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised 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 and associates, deferred tax assets are only recognised 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.

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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised 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 realised 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 recognised at their fair values where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised 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 deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bonus point liabilities

The Group operates a loyalty point programme, which allows customers to accumulate points when they purchase products in the Group's department stores and supermarkets. The points can then be redeemed for gifts and coupons, subject to a minimum number of points being obtained. The coupons are cash-equivalent when customers use them to purchase products of the Group.

Consideration received is allocated between the products sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying statistical analyses. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured, on the following basis:

- revenue from direct sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- commission income from concessionaire sales is recognised upon the sale of goods by the relevant stores;
- rental income is recognised on a straight-line basis over the lease terms;
- fee income from suppliers is recognised according to the underlying contract terms with suppliers when these services have been provided in accordance therewith;
- interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- dividend income, when the shareholders' right to receive payment has been established.

Employee retirement benefits

Pursuant to the relevant regulations of the PRC Government, all the subsidiaries of the Group that were established in Mainland China (the "PRC Subsidiaries") have participated in a local municipal government retirement benefit scheme (the "Scheme"), whereby the PRC Subsidiaries are required to contribute a certain percentage of the salaries of their employees to the Scheme to fund their retirement benefits. The only obligation of the Group with respect to the Scheme is to pay the ongoing contributions under the Scheme. Contributions under the Scheme are charged to the income statement as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5% and 7% has been applied to the expenditure on the individual assets.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings 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 recognised 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.

Foreign currencies

The Company and certain subsidiaries incorporated outside Mainland China have Hong Kong dollars ("HK$") or United States dollars ("US$") as their functional currencies, respectively. The functional currency of the PRC Subsidiaries is Renminbi. As the Group mainly operates in Mainland China, Renminbi is used as the presentation currency of the Group. 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 transaction dates. 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 currencies of certain overseas subsidiaries are currencies other than Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Renminbi at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Renminbi 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 Renminbi 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.

Judgments

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

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on as 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 judgment. 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 supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, 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 supply of goods or services or for administrative purposes.

Judgment 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 disclosed 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 unit 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 unit 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 RMB127,439,000 (2009: RMB127,439,000). Further details are contained in note 19 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, 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 recognised tax losses and deductible temporary differences at 31 December 2010 was RMB31,647,000 (2009: RMB26,324,000). The amount of unrecognised tax losses as at 31 December 2010 was RMB1,132,000 (2009: RMB28,639,000). Further details are contained in note 23 to the financial statements.

Bonus point liabilities

The amount of revenue attributable to the credit award earned by the customers of the Group's loyalty point 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. The carrying amount of bonus point liabilities at 31 December 2010 was RMB18,718,000 (2009: RMB12,502,000).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

– Department store segment
– Supermarket segment

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude the Group's investment in an associate, available-for-sale investments, deferred tax assets, tax recoverable, pledged deposits, cash and cash equivalents, investments at fair value through profit or loss and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2010	Department store RMB'000	Super–market RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	1,351,859	1,638,173	2,990,032
Segment results	491,068	167,580	658,648
Reconciliation:			
Interest and dividend income and unallocated gains			20,404
Corporate and other unallocated expenses			(70,743)
Finance costs			(88,635)
Profit before tax			519,674
Segment assets	4,271,407	698,361	4,969,768
Reconciliation:			
Corporate and other unallocated assets			1,741,133
Total assets			6,710,901
Segment liabilities	1,854,721	404,181	2,258,902
Reconciliation:			
Corporate and other unallocated liabilities			635,617
Total liabilities			2,894,519
Other segment information			
Depreciation and amortisation	171,093	30,056	201,149
Corporate and other unallocated amounts			3,367
Total depreciation and amortisation			204,516
Capital expenditure	299,164	127,390	426,554
Corporate and other unallocated amounts			101,533
Total capital expenditure *			528,087
Provision/(write-back of provision) for slow-moving inventories	(2,834)	1,195	(1,639)

* Capital expenditure consists of additions to property, plant and equipment and prepaid land premiums including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2009	Department store RMB'000	Super–market RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	945,183	1,340,867	2,286,050
Segment results	272,814	152,523	425,337
Reconciliation:			
Interest and dividend income and unallocated gains			26,097
Share of profit of an associate			1,306
Corporate and other unallocated expenses			(39,356)
Finance costs			(66,283)
Profit before tax			347,101
Segment assets	4,119,554	456,910	4,576,464
Reconciliation:			
Corporate and other unallocated assets			1,446,889
Total assets			6,023,353
Segment liabilities	1,220,595	305,971	1,526,566
Reconciliation:			
Corporate and other unallocated liabilities			3,440,753
Total liabilities			4,967,319
Other segment information			
Depreciation and amortisation	118,354	23,582	141,936
Corporate and other unallocated amounts			4,267
Total depreciation and amortisation			146,203
Capital expenditure	1,159,313	125,483	1,284,796
Corporate and other unallocated amounts			4,322
Total capital expenditure			1,289,118
Provision for slow-moving inventories	734	205	939

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

All of the Group's revenue is derived from customers based in Mainland China and all of the non-current assets of the Group are located in Mainland China.

Information about a major customer

No sales to a single customer or a group of customers under the common control derived 10% or more of the Group's revenue for the year.

5. REVENUE

Revenue represents the net amount received and receivable for goods sold by the Group to outside customers, less allowances for returns and trade discounts; commission income from concessionaire sales, net of sales taxes and surcharges; and other revenue that arises in the ordinary course of business.

An analysis of revenue is as follows:

	2010 **RMB'000**	2009 RMB'000
Sales of goods – direct sales	**2,072,844**	1,697,117
Commission income from concessionaire sales *(Note)*	**844,110**	536,441
Total turnover	**2,916,954**	2,233,558
Rental income	**58,501**	39,649
Provision of food and beverage service	**14,577**	12,843
Total revenue	**2,990,032**	2,286,050

Note:

The commission income from concessionaire sales is analysed as follows:

	2010 **RMB'000**	2009 RMB'000
Gross revenue from concessionaire sales	**4,721,304**	2,997,632
Commission income from concessionaire sales	**844,110**	536,441

6. OTHER INCOME AND GAINS

	2010 RMB'000	2009 RMB'000
Other income		
Fee income from suppliers	**285,331**	210,002
Interest income	**14,034**	21,238
Dividend income from available-for-sale investments	**–**	1,700
Subsidy income	**245**	624
Others	**5,758**	2,535
	305,368	236,099
Gains		
Gain on disposal of investments at fair value through profit or loss	**323**	–
Fair value gains, net:		
Investments at fair value through profit or loss – held for trading	**44**	–
	367	–
	305,735	236,099

7. OTHER EXPENSES

Other expenses mainly include utility expenses, advertising and promotion expenses, office expenses, maintenance costs, travelling expenses, entertainment expenses, property tax and government surcharges, listing expenses and other miscellaneous expenses.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2010 RMB'000	2009 RMB'000
Interest on bank and other borrowings wholly repayable within five years	**58,322**	100,198
Interest on bank borrowings wholly repayable over five years	**37,465**	1,960
Less: Interest capitalised	**(7,152)**	(35,875)
	88,635	66,283

9. PROFIT BEFORE TAX

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

	Notes	2010 HK$'000	2009 HK$'000
Cost of inventories sold		**1,808,554**	1,476,346
Provision/(write-back of provision) for slow-moving inventories		**(1,639)**	939
Depreciation	*17*	**196,843**	138,761
Amortisation of prepaid land premiums	*18*	**7,673**	7,442
Loss on disposal of items of property, plant and equipment		**929**	1,373
Loss/(gain) on disposal of subsidiaries	*38*	**(4,002)**	6,628
Minimum lease payments under operating leases:			
Land and buildings		**39,839**	41,461
Auditors' remuneration		**2,317**	1,201
Staff costs including Directors' remuneration *(note 10)*:			
Wages, salaries and bonuses		**215,935**	149,261
Pension scheme contributions		**27,113**	19,777
Other social security costs		**51,107**	31,030
Foreign exchange differences, net		**(1,033)**	20
Gain on disposal of investments at fair value through profit or loss	*6*	**(323)**	–
Fair value gains, net:			
Investments at fair value through profit or loss – held for trading	*6*	**(44)**	–

10. DIRECTORS' REMUNERATION

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

	2010 RMB'000	2009 RMB'000
Fees	**451**	159
Other emoluments:		
Salaries, allowances and benefits in kind	**4,699**	4,212
Pension scheme contributions	**44**	51
	4,743	4,263
	5,194	4,422

(a) *Independent non-executive directors*

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

	2010 RMB'000	2009 RMB'000
Mr. Lin Zhijun	**182**	159
Mr. Zhang Weijiong	**182**	–
Mr. Wang Shuaiting [(i)]	**87**	–
	451	159

There were no other emoluments payable to the independent non-executive directors during the year.

(i) Mr. Wang Shuaiting was appointed as an independent non-executive director on 19 July 2010.

10. DIRECTORS' REMUNERATION (continued)

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2010				
Executive directors:				
Mr. Chen Jianqiang	**–**	**2,502**	**–**	**2,502**
Mr. Tao Qingrong	**–**	**1,025**	**30**	**1,055**
Mr. Zhu Tao (i)	**–**	**252**	**7**	**259**
Mr. Fung Hiu Lai	**–**	**494**	**–**	**494**
Mr. Jiang Changlin (i)	**–**	**252**	**7**	**259**
	–	**4,525**	**44**	**4,569**
Non-executive directors:				
Mr. Wang Lin	**–**	**87**	**–**	**87**
Mr. Fung Hiu Chuen, John (i)	**–**	**87**	**–**	**87**
	–	**4,699**	**44**	**4,743**

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2009				
Executive directors:				
Mr. Chen Jianqiang	–	1,897	3	1,900
Mr. Tao Qingrong	–	822	26	848
Mr. Zhu Tao	–	505	11	516
Mr. Fung Hiu Lai	–	490	–	490
Mr. Jiang Changlin	–	498	11	509
	–	4,212	51	4,263
Non-executive director:				
Mr. Wang Lin	–	–	–	–
	–	4,212	51	4,263

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

(i) Mr. Zhu Tao and Mr. Jiang Changlin resigned as executive directors on 30 June 2010. Mr. Fung Hiu Chuen, John was appointed as a non-executive director on 19 July 2010.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during year included two (2009: four) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining three (2009: one) non-director, highest paid employees for the year are as follows:

	2010 **RMB'000**	2009 RMB'000
Salaries, allowances and benefits in kind	**1,775**	868
Pension scheme contributions	**66**	27
	1,841	895

The respective amounts of remuneration of all the non-director, highest paid employees fell within the range of nil to RMB1 million during the year.

12. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group and the Company are not liable for income tax in Hong Kong as they do not have assessable income sourced from Hong Kong during the year.

The Company is a tax-exempted company incorporated in the Cayman Island.

On 16 March 2007, the People's Republic of China (the "PRC") Corporate Income Tax Law (the "New CIT Law") was approved by the National People's Congress and became effective on 1 January 2008. Under the New CIT Law, the income tax rate became 25% starting from 1 January 2008. Therefore, provision for the PRC income tax has been provided at the applicable income tax rate of 25% (2009: 25%) on the assessable profits of the PRC Subsidiaries.

	2010 **RMB'000**	2009 RMB'000
Current – PRC corporate income tax charge for the year	**147,470**	98,764
Deferred *(note 23)*	**(3,209)**	(471)
Total tax charge for the year	**144,261**	98,293

12. INCOME TAX (continued)

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

	2010 RMB'000	2009 RMB'000
Profit before tax	**519,674**	347,101
Tax at the statutory tax rate of 25% (2009: 25%)	**129,919**	86,775
Expenses not deductible for tax	**13,057**	7,097
Tax losses not recognised during the year	**2,923**	3,456
Utilisation of previously unrecognised deductible tax losses	**(8,951)**	–
Income not subject to tax	**–**	(752)
Effect of withholding tax at 5% on the distributable profits of the PRC Subsidiaries	**15,563**	9,967
Additional deduction on business combination granted by tax authorities	**(8,250)**	(8,250)
Tax charge at the Group's effective rate	**144,261**	98,293

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profits attributable to owners of the parent for the year ended 31 December 2010 includes a profit of RMB21,906,000 (2009: RMB25,574,000), which has been dealt with in the financial statements of the Company (note 35 (e)).

14. DIVIDENDS

	2010 RMB'000	2009 RMB'000
Proposed final – HK7 cents (2009: Nil) per ordinary share	**148,908**	–

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

The dividend amounts of RMB25,959,000 and RMB40,916,000 for the years ended 31 December 2009 and 2010, respectively, represented dividends paid to the then shareholders of the Company prior to its initial public offering. The dividend rates are not presented as such information is considered not meaningful for the purpose of this report.

The amount which the PRC Subsidiaries can legally distribute by way of dividend is determined by reference to the distributable profits as reflected in their PRC statutory financial statements prepared in accordance with the accounting rules and regulations in the PRC ("PRC GAAP").

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

The calculation of basic earnings per share is based on the profit attributable to the ordinary equity holders of the parent, adjusted for the after-tax amounts of preference dividends of preference shares classified as equity, and the weighted average number of ordinary shares in issue during each of the years ended 31 December 2009 and 2010 as if the Capitalisation issue, described more fully in note 35(a) of the financial statements, had occurred at the beginning of the years. The calculations of basic earnings per share as based on:

	2010 RMB'000	2009 RMB'000
Earnings		
Profit attributable to owners of the parents	**372,193**	247,723
Less: preference dividends	**–**	(6,075)
Profit attributable to owners of the parent, adjusted for the preference dividends	**372,193**	241,648

	2010 Thousands	2009 Thousands
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**2,098,630**	1,658,595

15. EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculation of diluted earnings per share is based on the profit attributable to the ordinary equity holders of the parent and the number of shares as used in the basic earnings per share calculation, adjusted for the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of all convertible preference shares. The calculations of diluted earnings per share are based on:

	2010	2009
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the parent	**372,193**	247,723

	2010	2009
	Thousands	Thousands
Shares		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**2,098,630**	1,658,595
Effect of dilution - weighted average number of ordinary shares:		
Convertible preference shares	**–**	405,246
	2,098,630	2,063,841

16. EMPLOYEE RETIREMENT BENEFITS

As stipulated by the relevant PRC regulations, the PRC Subsidiaries participate in a defined contribution retirement plan. All employees of the PRC Subsidiaries are entitled to an annual pension equal to a fixed proportion of the average salary amount within the geographical area of their last employment at their retirement date. The Group is required to make contributions to the respective local social security bureaus at rates ranging from 17% to 22% of the standard salaries set by the local authorities annually. The Group has no obligations to pay for any pension benefits beyond the annual contributions to the respective local social security bureaus as set out above. The Group has no right to forfeit the contributions made by the Group on behalf of its employees.

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Renovation RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Furniture and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2010							
At 1 January 2010, net of accumulated depreciation	2,570,423	170,676	176,710	4,913	43,406	753,113	3,719,241
Additions	87,000	33,430	78,880	921	23,854	156,878	380,963
Acquisition of subsidiaries *(note 37)*	–	–	–	–	12	–	12
Depreciation provided for the year	(100,997)	(48,525)	(31,330)	(1,075)	(14,916)	–	(196,843)
Transfers	706,664	42,331	35,573	–	3,627	(788,195)	–
Disposals	(6,524)	(141)	(1,316)	(63)	(767)	–	(8,811)
Disposal of a subsidiary *(note 38(a))*	–	(21,155)	–	(167)	(281)	(40)	(21,643)
At 31 December 2010, net of accumulated depreciation	3,256,566	176,616	258,517	4,529	54,935	121,756	3,872,919
At 31 December 2010:							
Cost	3,584,735	324,767	381,332	8,494	119,754	121,756	4,540,838
Accumulated depreciation	(328,169)	(148,151)	(122,815)	(3,965)	(64,819)	–	(667,919)
Net carrying amount	3,256,566	176,616	258,517	4,529	54,935	121,756	3,872,919
31 December 2009							
At 1 January 2009, net of accumulated depreciation	1,658,355	150,057	177,017	3,179	44,567	539,637	2,572,812
Additions	71,512	55,768	4,426	3,376	7,132	438,974	581,188
Acquisition of subsidiaries	668,113	1,117	22,125	775	909	14,891	707,930
Depreciation provided for the year	(59,895)	(40,181)	(27,186)	(1,867)	(9,632)	–	(138,761)
Transfers	232,338	6,555	908	–	583	(240,384)	–
Disposals	–	(2,320)	(580)	(550)	(91)	(5)	(3,546)
Disposal of a subsidiary	–	(320)	–	–	(62)	–	(382)
At 31 December 2009, net of accumulated depreciation	2,570,423	170,676	176,710	4,913	43,406	753,113	3,719,241
At 31 December 2009:							
Cost	2,799,627	277,901	269,404	8,939	95,691	753,113	4,204,675
Accumulated depreciation	(229,204)	(107,225)	(92,694)	(4,026)	(52,285)	–	(485,434)
Net carrying amount	2,570,423	170,676	176,710	4,913	43,406	753,113	3,719,241

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Certain of the Group's property, plant and equipment have been pledged to banks for bank loans granted to the Group as disclosed in note 29.

At 31 December 2010, the application for or change of property ownership certificate of the Group's land and buildings amounting to RMB1,034,981,000 was still in progress.

18. PREPAID LAND PREMIUMS

	2010 **RMB'000**	2009 RMB'000
Carrying amount at 1 January	**256,047**	263,489
Additions	**147,112**	–
Recognised as expenses during the year	**(7,673)**	(7,442)
Carrying amount at 31 December	**395,486**	256,047

Certain of the Group's prepaid land premiums have been pledged to banks for bank loans granted to the Group as disclosed in note 29.

The leasehold land is situated in Mainland China and is held under a long-term lease.

19. GOODWILL

	RMB'000
At 1 January 2009:	
Cost and net carrying amount	87,122
Cost at 1 January 2009, net of accumulated impairment	87,122
Acquisition of subsidiaries	40,317
Cost and net carrying amount at 31 December 2009	127,439
At 1 January 2010:	
Cost and net carrying amount	127,439
Cost at 31 December 2010, net of accumulated impairment	127,439

19. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the department store cash-generating unit for impairment testing. The recoverable amount of the 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% (2009: 15%).

The growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period from the end of the reporting period is 3% for all years. This growth rate is below the average growth rate of the retail industry for the past 10 years. Senior management of the Company believes that using a lower growth rate is a more conservative and reliable choice for the purpose of this impairment testing.

Key assumptions were used in the value in use calculation of the department store cash-generating unit for 31 December 2010 and 31 December 2009. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Store revenue: the bases used to determine the future earnings potential are average historical sales and expected growth rates of the retail market in Mainland China.

Gross margins: the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Expenses: the basic factors used to determine the values assigned are staff costs, rental expenses and other expenses. Values assigned to the key assumptions reflect past experience and management's commitment to maintain the company's operating expenses at an acceptable level.

Discount rate: the discount rate used is after tax and reflects management's estimate of the risks specific to each unit. In determining an appropriate discount rate for each unit, regard has been given to the applicable borrowing rate of the industry in the current year.

Sensitivity to changes in assumptions

With regard to the assessment of value in use of the department store cash-generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the cash-generating unit to materially exceed the recoverable amount.

20. INVESTMENT IN AN ASSOCIATE

	2010 RMB'000	2009 RMB'000
As at 1 January	–	–
Acquisition	–	161,100
Share of profits and losses	–	1,306
Change into a subsidiary upon further acquisition	–	(162,406)
As at 31 December	–	–

The financial year of the associate is coterminous with that of the Group.

The associate has been accounted for using the equity method in these financial statements.

The associate was Nantong Yaohan Commerce & Trade Joint Stock Company Limited and became a subsidiary of the Group in November 2009 upon further acquisition.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2010 RMB'000	2009 RMB'000
Unlisted equity investments, at cost	2,310	110

The Directors are of the opinion that the underlying values of investments were not less than the carrying values of the investments as at 31 December 2010.

As at 31 December 2010, certain unlisted equity investments with a carrying amount of RMB2,310,000 (2009: RMB110,000) were stated at cost less impairment. The directors are of the opinion that their fair value cannot be measured reliably.

22. LONG-TERM PREPAYMENTS

	2010 RMB'000	2009 RMB'000
Rental prepayments	25,082	21,593
Prepayment for purchases of land and buildings	66,404	10,500
	91,486	32,093

23. DEFERRED TAX

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

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Assets disposal loss RMB'000	Accrued rental expenses RMB'000	Bonus points liabilities RMB'000	Others [i] RMB'000	Total RMB'000
Gross deferred tax assets at 1 January 2009	7,706	8,126	1,455	2,694	5,428	25,409
Deferred tax credited/(charged) to the income statement during the year *(note 12)*	(1,936)	(296)	689	432	2,026	915
Gross deferred tax assets at 31 December 2009 and 1 January 2010	5,770	7,830	2,144	3,126	7,454	26,324
Deferred tax credited/(charged) to the income statement during the year *(note 12)*	(1,949)	6,407	1,116	1,554	(1,805)	5,323
Gross deferred tax assets at 31 December 2010	3,821	14,237	3,260	4,680	5,649	31,647

Note:

(i) Others mainly arise from temporary differences caused by pre-operating expenses and inventory provision.

23. DEFERRED TAX (continued)

Deferred tax assets (continued)

In accordance with the PRC income tax laws and regulations, tax losses of an entity could be carried forward for five years to offset against its future taxable profits. Deferred tax assets relating to unutilised tax losses are recognised to the extent that it is probable that sufficient taxable profit will be available to allow such deferred tax assets to be utilised.

The Group has tax losses arising in Mainland China of RMB1,132,000 (2009: RMB28,639,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	**Withholding taxes**[(i)]	**Others**[(ii)]	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2009	148,806	9,005	40,032	197,843
Acquisition of subsidiaries *(note 38)*	145,897	–	–	145,897
Realisation during the year	–	(9,005)	–	(9,005)
Deferred tax charged/(credited) to the income statement during the year *(note 12)*	(4,566)	9,967	4,048	9,449
Gross deferred tax liabilities at 31 December 2009 and 1 January 2010	290,137	9,967	44,080	344,184
Realisation during the year	–	(9,967)	–	(9,967)
Deferred tax charged/(credited) to the income statement during the year *(note 12)*	(7,795)	15,563	4,313	12,081
Gross deferred tax liabilities at 31 December 2010	282,342	15,563	48,393	346,298

23. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

Notes:

(i) Pursuant to the New CIT 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 Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% according to managements' best estimation. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

(ii) Others mainly arise from temporary differences caused by capitalised interest and accelerated tax deduction of property, plant and equipment.

For presentation purpose, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2010 **RMB'000**	2009 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**18,039**	15,286
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(332,690)**	(333,146)
	(314,651)	(317,860)

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

24. INVENTORIES

	2010 **RMB'000**	2009 RMB'000
Store merchandise, at cost or net realisable value	**411,576**	298,592
Low value consumable	**1,340**	2,721
	412,916	301,313

25. TRADE RECEIVABLES

All of the Group's sales are on a cash basis except for certain bulk sales of merchandize which are credit sales. The credit terms offered to customers are generally one month.

All balances of the trade receivables at each reporting date are neither past due nor impaired.

An aged analysis of the trade receivables at each reporting date, based on the invoice date, is as follows:

	2010 **RMB'000**	2009 RMB'000
Within one month	**10,567**	8,984

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Note	**2010** **RMB'000**	2009 RMB'000
Value-added tax recoverable		**2,920**	2,168
Prepayments to suppliers		**51,012**	78,932
Prepaid rental and deposits		**21,444**	19,673
Due from a related company	*(i)*	**25,301**	24,081
Other deposits and receivables		**106,452**	69,862
		207,129	194,716

Company

	2010 **RMB'000**	2009 RMB'000
Prepared rental and deposits	**246**	–

Note:

(i) The amount due from a related company as at 31 December 2010 represented an amount due from Nanjing Yaohan Commerce & Trade Co., Ltd. ("Nanjing Yaohan"), which was controlled by a relative of a director, Mr. Chen Jianqiang. The amount due from a related company as at 31 December 2009 represented an amount due from Jiangsu Spring Trading Co., Ltd. ("Spring Trading"), which was controlled by a relative of a director, Mr. Chen Jianqiang.

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.

27. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010 RMB'000	2009 RMB'000
Unlisted fund investments, at market value	**35,054**	12,521

The above investments at 31 December 2009 and 2010 were classified as held for trading.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	2010 RMB'000	2009 RMB'000
Cash and bank balances	**1,332,326**	439,813
Time deposits	**205,230**	915,790
	1,537,556	1,355,603
Less:		
Pledged deposits	**–**	(742,790)
Cash and cash equivalents	**1,537,556**	612,813

Company

	2010 RMB'000	2009 RMB'000
Cash and bank balances	**2,334**	–
Cash and cash equivalents	**2,334**	–

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

The Group's cash and bank balances and time deposits at each reporting date are denominated in the following currencies:

	2010 **RMB'000**	2009 RMB'000
RMB	**673,765**	1,332,970
US$	**3,738**	21,796
HK$	**860,053**	837
	1,537,556	1,355,603

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between six months and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents, term deposits and the other pledged approximate to their fair values.

As at 31 December 2009, RMB742,790,000 of the Group's time deposits were pledged to banks for bank loans and bills payable facilities granted to the Group as disclosed in notes 29 and 30, respectively.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2010 RMB'000	2009 RMB'000
Bank loans:		
Secured	**122,500**	2,135,500
Secured and guaranteed	**–**	499,831
	122,500	2,635,331
Other loans:		
Unsecured	**–**	93,890
Bank loans repayable:		
Within one year or on demand	**10,000**	1,652,331
Over one year but within two years	**14,250**	130,000
Over two years but within five years	**48,750**	757,500
Over five years	**49,500**	95,500
	122,500	2,635,331
Other loans repayable:		
Within one year or on demand	**–**	93,890
Total bank and other borrowings	**122,500**	2,729,221
Less: Portion classified as current liabilities	**(10,000)**	(1,746,221)
Long-term portion	**112,500**	983,000

Bank loans bear interest at fixed rates and floating rates and other loans bear interest at fixed rates.

The Group's bank loans bearing interest at rates ranging from 1.9% to 7.83% per annum as at 31 December 2009 and 6.14% per annum as at 31 December 2010, respectively.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Other loans as at 31 December 2009 included:

1) a loan amounting to RMB5,340,000 as at 31 December 2009 granted by a director, which bore interest at a rate of 2% per annum and was repayable on demand; and

2) loans amounting to RMB88,550,000 as at 31 December 2009 granted by individuals who were shareholders of the Company, which bore interest at a rate of 2% per annum and were repayable on demand.

The security and the guarantee of the Group's bank loans and other borrowings are as follows:

(i) As at 31 December 2010, certain of the Group's property, plant and equipment with an aggregate net book value of RMB51,389,000 (2009: RMB1,914,135,000) were pledged for bank loans.

(ii) As at 31 December 2010, certain of the Group's prepaid land premiums with an aggregate net carrying amount of RMB134,413,000 (2009: RMB200,817,000) were pledged for bank loans.

(iii) As at 31 December 2009, certain of the Group's time deposits amounting to RMB685,000,000 were pledged for bank loans.

(iv) Included in the balance of secured and guaranteed bank loans was an amount of RMB225,331,000 as at 31 December 2009, which was secured by the pledge of the 100% equity interest in Cleavebury Limited and was guaranteed by a Director, Mr. Chen Jianqiang.

The carrying amounts of all the Group's borrowings during the years were denominated in RMB, except for a secured and guaranteed bank loan of US$33,000,000 (equivalent to RMB225,331,000) as at 31 December 2009, which was denominated in United States dollars.

30. BILLS PAYABLE

The maturity profile of the Group's bills payable is as follows:

	2010 RMB'000	2009 RMB'000
Within three months	–	45,040
Three months to one year	–	12,750
	–	57,790

As at 31 December 2009, the Group's bills payable were secured by the pledge of certain of the Group's time deposits amounting to RMB57,790,000.

31. TRADE PAYABLES

The trade payable are non-interest-bearing and are normally settled terms up to 60-day.

An aged analysis of the trade payables at each reporting date, based on the invoice date, is as follows:

	2010 RMB'000	2009 RMB'000
Within three months	692,302	517,835
Over three months but within six months	51,903	58,546
Over six months but within one year	33,032	9,818
Over one year	17,406	11,346
	794,643	597,545

Included in the above balances was an amount due to Shanghai Fengziyi Company Limited (上海風姿逸有限公司) ("Shanghai Fengziyi"), which was 50% owned by a relative of a director, Mr. Chen Jianqiang, of RMB499,000 as at 31 December 2010 (2009: RMB581,000).

Included in the above balances was an amount due to Spring Trading, which was controlled by a relative of a director, Mr. Chen Jianqiang, of RMB2,598,000 as at 31 December 2009.

32. OTHER PAYABLES AND ACCRUALS

	2010 RMB'000	2009 RMB'000
Accrued expenses	**288**	5,197
Payables to suppliers' employees	**14,555**	13,521
Deposits from suppliers	**47,553**	31,054
Value-added taxes	**75,000**	28,063
Other tax payable (i)	**20,092**	80,629
Payable for capital expenditure	**208,667**	104,668
Payable for staff costs	**79,919**	64,639
Bonus points liabilities	**18,718**	12,502
Advances from customers	**836,514**	585,232
Due to a related company (ii)	**455**	10,200
Other payables	**30,644**	24,905
	1,332,405	960,610

Notes:

(i) Included in other tax payable were balances amounting to RMB69,358,000 as at 31 December 2009, representing withholding individual income taxes of shareholders of Nantong Yaohan Commerce & Trade Joint Stock Company Limited regarding their share transfer gains arising from the acquisition by the Group. These withholding individual income taxes were fully paid during 2010.

(ii) The amount due to a related company as at 31 December 2010 represents the amount due to Hong Kong Springland International Enterprises (Holdings) Limited ("Hong Kong Springland"), which was controlled by a relative of a director, Mr. Chen Jiangqiang. The amount due to a related company as at 31 December 2009 represents the amount due to Yinian Investment, which was controlled by a relative of a director, Mr. Chen Jianqiang.

The above balances are unsecured, interest-free and repayable on demand.

33. LONG-TERM PAYABLES

	2010 RMB'000	2009 RMB'000
Long-term portion of accrued rental expenses	**13,039**	8,574
Put options to non-controlling interest shareholders [i]	**258,175**	247,949
	271,214	256,523

Note:

(i) Put options were granted to certain non-controlling interest shareholders of a subsidiary to sell their equity interest in the subsidiary to the Group at a pre-determined price in connection with the acquisition of the subsidiary in November 2009. The put option is exercisable from 1 January 2010 and has no expiry date. Holders of the put option need to notify the Group of the exercise of the option in written form before November of a calendar year and the Group has to complete the required transaction and pay the non-controlling interest shareholders before 1 May of the year subsequent to the year in which the notice of the exercise of put options is received. The balance represents the present value of amounts payable by the Group to acquire the non-controlling interests as if such non-controlling interests were fully acquired at each of the reporting date.

34. CONTINGENT LIABILITIES, OPERATING LEASE ARRANGEMENTS AND CAPITAL COMMITMENTS

(a) Contingent liabilities

A subsidiary of the Group is currently a defendant in a lawsuit brought by a party alleging that the subsidiary breached and repudiated a contract to purchase a property located in Ma'anshan in Mainland China and claimed for default penalty of RMB15,000,000. The Directors, based on the advice from the Group's legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

(b) Operating lease arrangements

Group as lessee

The Group leases certain of its land and buildings under operating lease arrangements with lease terms ranging from one to twenty years.

34. CONTINGENT LIABILITIES, OPERATING LEASE ARRANGEMENTS AND CAPITAL COMMITMENTS (continued)

(b) Operating lease arrangements (continued)

Group as lessee (continued)

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

	2010	2009
	RMB'000	RMB'000
Within one year	**34,342**	40,916
In the second to fifth years, inclusive	**191,272**	173,682
After five years	**523,375**	519,725
	748,989	734,323

Group as lessor

The Group leases out certain of its land and buildings under operating lease arrangements with lease terms ranging from one to twenty years.

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	2009
	RMB'000	RMB'000
Within one year	**41,640**	37,845
In the second to fifth years, inclusive	**75,088**	83,627
After five years	**35,216**	43,401
	149,944	164,873

(c) Capital commitments

	2010	2009
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**549,678**	260,171

35. ISSUED CAPITAL AND RESERVES

(a) Issued capital

Authorised

	2010 Thousands HK$0.01 each	2009 Thousands HK$0.01 each
Ordinary shares	**10,000,000**	39,000
	10,000,000	39,000

Ordinary shares issued and fully paid

	Notes	**No. of shares at HK$0.01 each** Thousands	RMB'000
As at 1 January 2009		12,507	127
1,275,130 ordinary shares of HK$0.01 each repurchased at cash of US$53,670,000 in total on 15 May 2009		(1,275)	(12)
3,432,000 convertible preference shares converted into 3,432,000 ordinary shares of HK$0.01 each on 13 November 2009		3,432	35
As at 31 December 2009		14,664	150
Capitalisation issue	*(i)*	1,985,336	17,144
Issue of shares for initial public offering	*(ii)*	500,000	4,295
As at 31 December 2010		2,500,000	21,589

(i) Pursuant to the resolution of shareholder of the Company passed on 30 September 2010, 1,985,336,000 ordinary shares of HK$0.01 each were allotted and issued, converted as fully paid at par, by way of capitalisation of the sum of HK$19,853,360 (equivalent to RMB17,144,000) standing to the credit of the share premium account.

(ii) In connection with the Company's initial public offering, 500,000,000 shares of HK$0.01 each were issued at a price of HK$5.93 per share for a total cash consideration, before expenses, of HK$2,965,000,000 (equivalent to RMB2,546,935,000). Dealings in these shares on the Stock Exchange commenced on 21 October 2010.

35. ISSUED CAPITAL AND RESERVES (continued)

(a) Issued capital (continued)

Convertible preference shares issued and fully paid

	No. of shares at HK$0.01 each Thousands	RMB'000
As at 1 January 2009	3,432	35
3,432,000 convertible preference shares converted into 3,432,000 ordinary shares of HK$0.01 each on 13 November 2009	(3,432)	(35)
As at 31 December 2009 and 2010	–	–

Each convertible preference share may be converted into an ordinary share of the Company at the option of the shareholder from time to time at a conversion ratio of one convertible preference share to one ordinary share. Holders of the convertible preference shares are entitled to cumulative discretionary dividends in preference to ordinary shares and rank in preference to the holders of ordinary shares in the event of a liquidation.

On 13 November 2009, the convertible preference shares were all converted into ordinary shares of the Company.

(b) Contributed surplus

Contributed surplus represents the difference between (i) the Company's cost of investments in the subsidiaries that were acquired before the year via a business combination under common control and (ii) the aggregate of the nominal values of the paid-up capital of such subsidiaries upon the acquisition.

35. ISSUED CAPITAL AND RESERVES (continued)

(c) Statutory surplus reserve

In accordance with the Company Law of the PRC and the respective articles of association of the PRC Subsidiaries, each of the PRC Subsidiaries is required to allocate 10% of its profit after tax, as determined in accordance with PRC GAAP, to the statutory surplus reserve ("SSR") until such reserve reaches 50% of its registered capital.

SSR is non-distributable except in the event of a liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as paid-up capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 25% of the registered capital after such usages.

(d) Discretionary reserve

In accordance with the Company Law of the PRC and the respective articles of association of the PRC Subsidiaries, certain of the PRC Subsidiaries transferred a certain percentage of their profit after tax, at the discretion of the PRC Subsidiaries' boards of directors, to the discretionary reserve. The discretionary reserve can be utilised to offset prior years' losses or to increase the registered capital.

(e) Company

	Share premium	**Exchange fluctuation reserve**	**(Accumulated losses)/ retained earnings**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	678,321	(70,118)	380	608,583
Total comprehensive income for the year	–	(349)	25,574	25,225
Dividends	–	–	(25,959)	(25,959)
Repurchase and cancellation of shares	(366,675)	–	–	(366,675)
At 31 December 2009 and 1 January 2010	311,646	(70,467)	(5)	241,174
Total comprehensive income for the year	–	(35,357)	21,906	(13,451)
Dividends	–	–	(40,916)	(40,916)
Capitalisation issue	(17,144)	–	–	(17,144)
Issue of shares for initial public offering	2,542,640	–	–	2,542,640
Share issue expenses	(95,130)	–	–	(95,130)
Proposed final 2010 dividend	(148,908)	–	–	(148,908)
At 31 December 2010	2,593,104	(105,824)	(19,015)	2,468,265

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2010 RMB'000	2009 RMB'000
Purchase from a related company	**16,843**	–
Commission income from concessionaire sales from related companies	**2,761**	2,101

The purchase from a related company was entered into with Spring Trading, a related company controlled by a relative of Mr. Chen Jianqiang, an executive director of the Company, based on mutually agreed terms.

The concessionaire sale transactions were entered into with Spring Trading and Shanghai Fengziyi. Shanghai Fengziyi is a related company 50% owned by a relative of Mr. Chen Jianqiang, an executive director of the Company, based on mutually agreed terms. The balances due to Shanghai Fengziyi and Spring Trading at each reporting date were disclosed in note 31.

(b) Other transactions and outstanding balances with related parties:

(1) As disclosed in note 29, the Group borrowed money from certain Director which bore interest at a rate of 2% per annum in 2009 and the interest charged for the loans amounted to RMB65,000 and RMB3,000 for the years 2009 and 2010 respectively. These loans were unsecured and were fully repaid in April 2010.

(2) As disclosed in note 29, the Group borrowed money from individuals who were shareholders of the Company, which bore interest at a rate of 2% per annum in 2009 and the interest charged for the loans amounted to RMB1,517,000 and RMB410,000 for the years 2009 and 2010, respectively. These loans were unsecured and were fully repaid in March 2010.

(3) The Group borrowed money from Yinian Investment which was controlled by a relative of a director, Mr. Chen Jianqiang, which bore interest at a rate of 7.5% per annum in 2008 and the interest charged for the loans amounted to RMB4,064,000 for the year 2009. These loans were unsecured and fully repaid in 2009.

(4) The Group had balances due to related companies at each of the reporting date. Further details of the balances are disclosed in notes 26 and 32.

(5) Compensation of key management personnel of the Group who comprises directors and key employees of the Group has been disclosed in notes 10 and 11.

36. RELATED PARTY TRANSACTIONS (continued)

(b) Other transactions and outstanding balances with related parties: (continued)

(6) As disclosed in note 29, the Group's certain bank loans were guaranteed by, Mr. Chen Jianqiang, an executive director of the Company, as at 31 December 2009.

(7) As disclosed in note 37, the Group acquired a 100% equity interest in Wuxi Huixing Gold Store Co., Ltd. ("Wuxi Huixing"), with a total consideration of RMB5,000,000, from Yinian Investment, which was controlled by a relative of a director, Mr. Chen Jianqiang, in March 2010.

(8) As disclosed in note 37, the Group acquired an 85% equity interest in Wuxi Huicheng Clothing & Trading Co., Ltd. ("Wuxi Huicheng"), with a total consideration of RMB1,000,000, from Yinian Investment, which was controlled by a relative of a director, Mr. Chen Jianqiang, and a 15% equity interest from an employee of the Group in April 2010.

(9) The Group disposed of it's a 50% equity interest in Spring Trading for cash consideration of RMB5,000,000 to Yinian Investment, which was controlled by a relative of a director, Mr. Chen Jianqiang, and the other 50% equity interest for cash consideration of RMB5,000,000 to Yixing Huacheng Consulting Co., Ltd., which was controlled by an employee, in 2009. The loss on disposal of Spring Trading was RMB6,628,000.

(10) As disclosed in note 38(a), the Group disposed of its entire equity interest in Nanjing Yaohan for nil consideration to Yinian Investment, which was controlled by a relative of a director, Mr. Chen Jianqiang, in June 2010. The gain on disposal of Nanjing Yaohan was RMB4,803,000. Upon disposal, the Group entered into an agreement with Yinian Investment, which granted the Group a call option to acquire the entire equity interest in Nanjing Yaohan within 5 years from 26 June 2010 at a consideration based on the lower of (i) net assets value on the latest audited financial statements of Nanjing Yaohan or (ii) the market value of Nanjing Yaohan at the time of the exercise of the option.

(11) As disclosed in note 38(b), the Group disposed of its entire equity interest in Hong Kong Springland for a consideration of HK$50,000 to a relative of a director, Mr. Chen Jianqiang, in June 2010. The loss on disposal of Hong Kong Springland was RMB801,000.

(12) The Group disposed of its available-for-sale investments amounting to RMB20,000,000 to Spring Trading, which was controlled by a relative of a director, Mr. Chen Jianqiang, for a consideration of RMB20,000,000 in 2009.

(13) Starting from 18 November 2009, the Group borrowed a loan of RMB100,000,000, which was repayable on demand and bore interest at a rate of 0.36% per annum, from Nantong Yaohan Commerce & Trade Joint Stock Company Limited ("Nantong Yaohan Store") which was an associate of the Group at that time. The interest charged for the loan amounted to RMB12,000 for the year 2009. The loan was eliminated in the consolidated statements of financial position upon the Group's acquisition of Nantong Yaohan Store on 30 November 2009.

37. BUSINESS COMBINATION

The Group acquired Wuxi Huixing from a related party in March 2010 and Wuxi Huicheng from related parties in April 2010 with a total consideration of RMB6,000,000 paid at the acquisition dates.

The fair values of the identifiable assets and liabilities of Wuxi Huixing and Wuxi Huicheng as at the dates of the acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Net assets acquired:	
Property, plant and equipment	12
Prepayments, deposits and other receivables	3,981
Cash and cash equivalents	2,007
Total identifiable net assets at fair value	6,000
Satisfied by cash	6,000

An analysis of the cash flows in respect of the acquisitions of the subsidiaries is as follows:

	As at the acquisition dates RMB'000
Cash consideration paid	(6,000)
Cash and cash equivalents acquired	2,007
Net outflow of cash and cash equivalents included in cash flows from investing activities	(3,993)

Since the acquisitions, Wuxi Huixing and Wuxi Huicheng contributed RMB887,000 and RMB129,000, respectively, to the Group's revenue and RMB154,000 and RMB500,000, respectively, to the consolidated profit for the year ended 31 December 2010.

Had the acquisitions taken place at the beginning of the year ended 31 December 2010, the revenue of the Group and the profit attributable to owners of the parent for the year ended 31 December 2010 would have been RMB2,990,032,000 and RMB372,193,000, respectively.

38. DISPOSAL OF SUBSIDIARIES

(a) In June 2010, the Group disposed of its entire equity interest in Nanjing Yaohan to a related party for nil consideration. Pursuant to the share transfer agreement, the Group agrees to exempt an amount of RMB12,000,000 owed by Nanjing Yaohan to the Group.

Details of the net assets disposed of and the loss on disposal are as follows:

	Notes	RMB'000
Net assets disposed of:		
Property, plant and equipment	*17*	21,643
Inventories		339
Prepayments, deposits and other receivables		7,518
Cash and cash equivalents		1,008
Trade payables		(4,091)
Other payables and accruals		(31,220)
		(4,803)
Gain on disposal of the subsidiary	*9*	4,803
		–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	RMB'000
Cash consideration	–
Cash and cash equivalents disposed of	(1,008)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(1,008)

38. DISPOSAL OF SUBSIDIARIES (continued)

(b) In June 2010, the Group disposed of its entire equity interest in Hong Kong Springland to a related party (the "Acquirer") for a consideration of HK$50,000. Pursuant to the share transfer agreement, the Acquirer agrees to pay an amount of HK$102,500,000 owed by the Group to Hong Kong Springland. The transaction was completed on 29 June 2010.

Details of the net assets disposed of and the loss on disposal are as follows:

	Note	RMB'000
Net assets disposed of:		
Prepayments, deposits and other receivables		90,909
Cash and cash equivalents		44
Other payables and accruals		(90,108)
		845
Loss on disposal of the subsidiary	*9*	(801)
		44
Satisfied by cash		44

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	RMB'000
Cash consideration	44
Cash and cash equivalents disposed of	(44)
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	–

39. INTEREST IN A SUBSIDIARY

Company

	2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	–	–
Loans to a subsidiary	2,636,182	241,324
	2,636,182	241,324

The amounts advanced to the subsidiary included in the interest in a subsidiary above are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries of the Group are as follows:

Name of company	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Springland International Group Company Limited [4]	BVI 12 June 2006	US$1	100%	Investment holding
Cleavebury Limited [4]	Hong Kong 25 January 2006	HK$1	100%	Investment holding
Jiangsu Springland Enterprise Investment Holding (Group) Co., Ltd.[a] [1] 江蘇華地國際控股集團有限公司	PRC/Mainland China 12 February 1996	US$ 160,000,000	100%	Investment holding
Shanghai Springland Enterprise Investment Co., Ltd. [3] 上海華地企業投資有限公司	PRC/Mainland China 6 November 1996	RMB 100,000,000	100%	Investment holding
Changshu Springland Department Store Co., Ltd. [4] 常熟華地百貨有限公司	PRC/Mainland China 29 July 2004	RMB 20,000,000	100%	Operation of department stores

39. INTEREST IN A SUBSIDIARY (continued)

Particulars of the subsidiaries are as follows: (continued)

Name of company	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Danyang Springland Department Store Co., Ltd. (4) 丹陽華地百貨有限公司	PRC/Mainland China 17 March 2004	RMB 60,000,000	100%	Operation of department stores and supermarkets
Jiangsu Datonghua Shopping Center Co., Ltd. (3) 江蘇大統華購物中心有限公司	PRC/Mainland China 14 March 2001	RMB 35,000,000	100%	Operation of supermarkets
Jiangyin Springland Department Store Co., Ltd. (3) 江陰華地百貨有限公司	PRC/Mainland China 5 June 2003	RMB 130,000,000	100%	Operation of department stores and supermarkets
Jintan Datonghua Shopping Center Co., Ltd. (2) 金壇大統華購物中心有限公司	PRC/Mainland China 17 April 2003	RMB 150,000,000	100%	Operation of supermarkets
Liyang Datonghua Shopping Center Co., Ltd. (4) 溧陽大統華購物中心有限公司	PRC/Mainland China 28 June 2002	RMB 10,000,000	100%	Operation of supermarkets
Liyang Springland Department Store Co., Ltd. (4) 溧陽華地百貨有限公司	PRC/Mainland China 29 April 2002	RMB 110,000,000	100%	Operation of department stores
Liyang No.1 Department Store Co., Ltd. (4) 溧陽市中百一店有限公司	PRC/Mainland China 22 May 2001	RMB 1,225,000	100%	Property holding
Ma'anshan Yaohan Trading Center Co., Ltd. (4) 馬鞍山八佰伴商貿有限公司	PRC/Mainland China 22 August 2008	RMB 141,000,000	100%	Operation of department stores and supermarkets

39. INTEREST IN A SUBSIDIARY (continued)

Particulars of the subsidiaries of the Group are as follows: (continued)

Name of company	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Wuxi Springland Investment Management Co., Ltd. [3] 無錫華地投資管理有限公司	PRC/Mainland China 15 April 1980	RMB 490,000,000	100%	Investment holding
Wuxi Angexin Technology Co., Ltd. [3] 無錫安格信科技有限公司	PRC/Mainland China 27 July 2006	RMB 5,000,000	100%	Provision of technology service
Wuxi Datonghua Shopping Co., Ltd. [4] 無錫大統華購物有限公司	PRC/Mainland China 25 September 2006	RMB 20,000,000	100%	Operation of supermarkets
Wuxi Huiquan Logistics Co., Ltd. [3] 無錫滙全物流有限公司	PRC/Mainland China 26 March 2007	RMB 10,000,000	100%	Provision of logistic service
Wuxi Yaohan Commerce & Trade Centre Co., Ltd. [4] 無錫八佰伴商貿中心有限公司	PRC/Mainland China 25 March 1994	RMB 301,911,000	100%	Operation of department stores
Wuxi Yuandongli Consulting Co., Ltd. [3] 無錫源動力諮詢有限公司	PRC/Mainland China 26 April 2006	RMB 2,000,000	100%	Provision of consultation service
Yixing Springland Department Store Co., Ltd. [3] 宜興華地百貨有限公司	PRC/Mainland China 24 May 2000	RMB 80,000,000	100%	Operation of department stores
Yixing Housa Plaza Co., Ltd. [3] 宜興和信廣場有限公司	PRC/Mainland China 13 February 2004	RMB 30,000,000	100%	Operation of department stores
Zhenjiang Yaohan Commerce & Trade Center Co., Ltd. [4] 鎮江市八佰伴商貿有限公司	PRC/Mainland China 28 August 2006	RMB 350,000,000	100%	Operation of department stores and supermarkets

39. INTEREST IN A SUBSIDIARY (continued)

Particulars of the subsidiaries of the Group are as follows: (continued)

Name of company	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Zhenjiang Springland General Merchandize Store Co., Ltd. (4) 鎮江市華地百貨有限公司	PRC/Mainland China 23 January 2008	RMB 700,000	100%	Operation of department stores
Jiangsu Huilian Electronic Limited Company (4) 江蘇滙聯電器有限公司	PRC/Mainland China 20 April 2009	RMB 10,000,000	100%	Sale of household appliances
Wuxi Finest Property Management Co., Ltd. (4) 無錫菲尼斯特物業管理有限公司	PRC/Mainland China 27 April 2009	RMB 2,000,000	100%	Provision of property management services
Nantong Yaohan Commerce & Trade Joint Stock Company Limited (b) (4) 南通八佰伴商貿股份有限公司	PRC/Mainland China 16 September 1993	RMB 31,938,786	57.45%	Operation of department stores
Nantong Baida Household Appliance Installation and Repair Co., Ltd. (4) 南通市百大家電安裝維修有限公司	PRC/Mainland China 13 March 2003	RMB 300,000	51.71%	Installation and repair of household appliances
Nantong Boda Tengfei Advertising Co., Ltd. (4) 南通博大騰飛廣告有限公司	PRC/Mainland China 19 January 2006	RMB 500,000	51.71%	Provision of advertisement service
Wuxi Huixing Gold Store Co., Ltd. (4) 無錫滙興金行有限公司	PRC/Mainland China 9 October 2009	RMB 5,000,000	100%	Trading
Wuxi Huichen Clothing & Trading Co., Ltd. (4) 無錫滙成服裝貿易有限公司	PRC/Mainland China 23 October 2009	RMB 1,000,000	100%	Trading

39. INTEREST IN A SUBSIDIARY (continued)

Particulars of the subsidiaries of the Group are as follows: (continued)

Name of company	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Changxing Springland Real Estate Co., Ltd. (4) 長興華地置業有限公司	PRC/Mainland China 17 November 2009	RMB 75,000,000	100%	Property holding
Taixingshi Datonghua Shopping Center Co., Ltd. (4) 泰興市大統華購物中心有限公司	PRC/Mainland China 2 December 2010	RMB 10,000,000	100%	Operation of supermarkets
Changzhou Yaohan Department Store Co., Ltd. (4) 常州八佰伴百貨有限公司	PRC/Mainland China 17 September 2010	RMB 10,000,000	100%	Operation of department stores and supermarkets
Nanjing Datonghua City-Supermarket Co., Ltd. (4) 南京大統華城市超市有限公司	PRC/Mainland China 14 September 2010	RMB 3,000,000	100%	Operation of supermarkets

(a) On 2 April 2009, the company's name was changed from Jiangsu Springland Enterprise (Group) Co., Ltd. (江蘇華地企業集團有限公司) to Jiangsu Springland Enterprise Investment Holding (Group) Co., Ltd. (江蘇華地國際控股集團有限公司).

(b) On 11 June 2010, the company's name was changed from Nantong General Merchandise Building Co., Ltd. (南通市百貨大樓股份有限公司) to Nantong Yaohan Commerce & Trade Joint Stock Company Limited (南通八佰伴商貿股份有限公司).

(c) Except for Springland International Group Company Limited, which is directly owned by the Company, all of the above Group companies are indirectly owned subsidiaries of the Company.

(d) Types of legal entities:

(1) Wholly-foreign-owned enterprise
(2) Sino-foreign equity joint venture
(3) Limited liability company invested by foreign invested enterprise
(4) Limited liability company

40. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2010 **Group**

Financial assets

	Financial assets at fair value through profit or loss – Held for trading RMB'000	Loans and receivables RMB'000	Available–for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	–	2,310	2,310
Trade receivables	–	10,567	–	10,567
Financial assets included in prepayments, deposits and other receivables	–	131,753	–	131,753
Investments at fair value through profit or loss	35,054	–	–	35,054
Cash and cash equivalents	–	1,537,556	–	1,537,556
	35,054	1,679,876	2,310	1,717,240

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	**794,643**
Financial liabilities included in other payables and accruals	**476,885**
Interest-bearing bank and other borrowings	**122,500**
Financial liabilities included in long-term payables	**258,175**
	1,652,203

31 December 2009 **Group**

Financial assets

	Financial assets at fair value through profit or loss – Held for trading RMB'000	Loans and receivables RMB'000	Available–for-sale financial assets RMB'000	Total RMB'000
Available-for-sale investments	–	–	110	110
Trade receivables	–	8,984	–	8,984
Financial assets included in prepayments, deposits and other receivables	–	93,943	–	93,943
Investments at fair value through profit or loss	12,521	–	–	12,521
Pledged deposits	–	742,790	–	742,790
Cash and cash equivalents	–	612,813	–	612,813
	12,521	1,458,530	110	1,471,161

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	655,335
Financial liabilities included in other payables and accruals	357,679
Interest-bearing bank and other borrowings	2,729,221
Financial liabilities included in long-term payables	247,949
	3,990,184

31 December 2010 **Company**

Financial assets

	Loans receivables RMB'000
Loans to a subsidiary	**2,636,182**
Cash and cash equivalents	**2,334**
	2,638,516

31 December 2009 **Company**

Financial assets

	Loans receivables RMB'000
Loans to a subsidiary	241,324

41. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Cash and cash equivalents	**1,537,556**	612,813	**1,537,556**	612,813
Pledged deposits, current portion	**–**	742,790	**–**	742,790
Trade receivables	**10,567**	8,984	**10,567**	8,984
Financial assets included in prepayments, deposits and other receivables	**131,753**	93,943	**131,753**	93,943
Available-for-sale investments	**2,310**	110	**2,310**	110
Investments at fair value through profit or loss	**35,054**	12,521	**35,054**	12,521
	1,717,240	1,471,161	**1,717,240**	1,471,161
Financial liabilities				
Trade and bills payables	**794,643**	655,335	**794,643**	655,335
Financial liabilities included in other payables and accruals	**476,885**	357,679	**476,885**	357,679
Interest-bearing bank and other borrowings	**122,500**	2,729,221	**122,500**	2,729,221
Financial liabilities included in long-term payables	**258,175**	247,949	**258,175**	247,949
	1,652,203	3,990,184	**1,652,203**	3,990,184

41. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Company

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans to a subsidiary	**2,636,182**	241,324	**2,636,182**	241,324
Cash and cash equivalents	**2,334**	–	**2,334**	–
	2,638,516	241,324	**2,638,516**	241,324

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, the current portion of pledged deposits, trade receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due to a subsidiary approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair values of unlisted available-for-sale equity investments have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the Directors to make estimates about the expected future cash flows including expected future dividends and proceeds on subsequent disposal of the shares, which are discounted at the current rate of 8%. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

41. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value as at 31 December 2010:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investments at fair value through profit or loss	35,054	–	–	35,054

Assets measured at fair value as at 31 December 2009:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investments at fair value through profit or loss	12,521	–	–	12,521

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, convertible preference shares, trade payables, other interest-bearing loans, and cash and short-term deposits. 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 receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group has no significant interest-bearing assets. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates.

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 on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** RMB'000	**Increase/ (decrease) in equity** RMB'000
Year ended 31 December 2010			
RMB	**50**	**(613)**	**(460)**
US$	**50**	**–**	**–**
RMB	**(50)**	**613**	**460**
US$	**(50)**	**–**	**–**
Year ended 31 December 2009			
RMB	50	(2,629)	(1,972)
US$	50	(485)	(485)
RMB	(50)	2,629	1,972
US$	(50)	485	485

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group's businesses are located in Mainland China and all transactions are conducted in RMB. Most of the Group's assets and liabilities were denominated in RMB, except for the certain bank balances denominated in United States dollars and Hong Kong dollars as disclosed in note 28.

A reasonably possible change of 10% in the exchange rates between the United States dollar and RMB and between the Hong Kong dollars and RMB would have no material impact on the Group's profit during the year and there is no impact on the Group's equity as the Group did not have material foreign currency transactions during the year.

Credit risk

The Group has no concentration of credit risk. The Group's cash and cash equivalents are mainly deposits with state-owned banks in Mainland China. The carrying amounts of other receivables and cash and cash equivalents included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, preference shares and other borrowings.

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

2010	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	–	–	16,775	82,031	53,614	152,420
Trade and bills payables	192,905	601,738	–	–	–	794,643
Financial liabilities included in other payables and accruals	476,885	–	–	–	–	476,885
Financial liabilities included in long-term payables	–	–	–	258,175	–	258,175
	669,790	601,738	16,775	340,206	53,614	1,682,123

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

2009	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	319,221	851,140	655,984	1,005,599	105,704	2,937,648
Trade and bills payables	147,350	495,235	12,750	–	–	655,335
Financial liabilities included in other payables and accruals	357,679	–	–	–	–	357,679
Financial liabilities included in long-term payables	–	–	–	247,949	–	247,949
	824,250	1,346,375	668,734	1,253,548	105,704	4,198,611

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

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, other payables and accruals less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios as at the ends of the reporting periods were as follows:

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Group

	2010 RMB'000	2009 RMB'000
Interest-bearing bank and other borrowings	**122,500**	2,729,221
Trade and bills payables	**794,643**	655,335
Other payables and accruals	**1,332,405**	960,610
Less: Cash and cash equivalents	**(1,537,556)**	(612,813)
Net debt	**711,992**	3,732,353
Equity attributable to owners of the parent	**3,786,212**	1,023,775
Equity and net debt	**4,498,204**	4,756,128
Gearing ratio	**16%**	78%

43. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2010.

44. APPROVAL OF THESE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 16 March 2011.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Chen Jianqiang *(Chairman)*
Tao Qingrong *(Chief Executive Officer)*
Fung Hiu Lai

Non-Executive Directors
Wang Lin
Fung Hiu Chuen, John

Independent Non-Executive Directors
Lin Zhijun
Zhang Weijiong
Wang Shuaiting

REGISTERED OFFICE

Cricket Square
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Grand Cayman KY1-111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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HEAD OFFICE

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Wuxi City, Jiangsu, PRC

COMPANY SECRETARY

Hon Yin Wah

AUTHORIZED REPRESENTATIVES

Chen Jianqiang
Hon Yin Wah

AUDIT COMMITTEE

Lin Zhijun *(Chairman)*
Zhang Weijiong
Wang Shuaiting

REMUNERATION COMMITTEE

Zhang Weijiong *(Chairman)*
Lin Zhijun
Wang Shuaiting
Wang Lin
Fung Hiu Chuen, John

NOMINATION COMMITTEE

Zhang Weijiong *(Chairman)*
Lin Zhijun
Wang Shuaiting
Wang Lin
Fung Hiu Chuen, John

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
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Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

DBS Bank Ltd., Hong Kong Branch
China Construction Bank Co. Ltd.,
Wuxi City Northern District Branch
Bank of China Limited, Yixing City Branch

AUDITORS

Ernst & Young
Certified Public Accountant

STOCK CODE

1700

COMPANY WEBSITE

www.springlandgroup.com.cn