SPRINGLAND

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

Incorporated in the Cayman Islands with limited liability

Annual Report 2011

Stock Code：1700

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Jianqiang *(Chairman)*
Mr. Tao Qingrong *(Chief Executive Officer)*
Mr. Fung Hiu Lai
Mr. Yu Yaoming

Non-Executive Directors

Mr. Wang Lin
Mr. Fung Hiu Chuen, John

Independent Non-Executive Directors

Dr. Lin Zhijun
Dr. Zhang Weijiong
Mr. Wang Shuaiting

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite No.2 25/F Sino Plaza
255-257 Gloucester Road
Causeway Bay
Hong Kong

HEAD OFFICE

26/F Wuxi Jinling Hotel
No.1 Xianqian East Street
Wuxi City, Jiangsu, PRC

COMPANY SECRETARY

Ms. Hon Yin Wah, Eva

AUDIT COMMITTEE

Dr. Lin Zhijun (Chairman)
Dr. Zhang Weijiong
Mr. Wang Shuaiting

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square Hutchins Drive P.O. Box 2681
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
China Construction Bank Co. Ltd
Bank of China Limited

AUDITORS

Ernst & Young

STOCK CODE

1700

COMPANY WEBSITE

www.springlandgroup.com.cn

CORPORATE PROFILE

CORPORATE PROFILE

Regional focus

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.

The Group is a dual-format retail chain operator on both department stores and supermarkets in Greater Yangtze River Delta. The Group's footprint covers focused cities including Yixing, Liyang, Danyang, Changshu, Jiangyin, Wuxi, Nantong, Zhenjiang and Changzhou of Jiangsu Province and Ma'anshan of Anhui Province.

Strategically focused on Greater Yangtze River Delta

We operate and manage 14 Department Stores and 22 Supermarkets in 11 cities.

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 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 obtains a maximum exposure and direct access to customers' attention. The strengthen able 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 771,100 sq. meters among which, 504,681 sq. meters were owned by the Group. The Group's department stores and supermarkets are sited in self-owned properties, with their proportion reaching 81.1% and 26.5% respectively. This arrangement benefits the Group being immune from 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 15-20 years.

Department Store	Gross Floor Area (sq. m)		
	Owned	Leased	Total
Yixing Springland	23,079	5,500	28,579
Liyang Yaohan	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	76,300	–	76,300
Nantong Yaohan	58,522	–	58,522
Ma'anshan Yaohan	32,359	–	32,359
Zhenjiang Yaohan	70,741	–	70,741
Changzhou Yaohan	–	23,830	23,830
Jintan Yaohan	24,899	–	24,899
Zhenjiang Commercial Building	44,839	–	44,839
Zhenjiang Hengsheng Shopping Plaza	–	33,000	33,000
Total	**446,303**	**104,224**	**550,527**
Percentage	**81.1%**	**18.9%**	**100%**

Supermarket	Gross Floor Area (sq. m)		
	Owned	Leased	Total
City centre Stores			
Yixing Datonghua	12,233	–	12,233
Liyang Datonghua	–	15,822	15,822
Jintan Datonghua	–	14,833	14,833
Danyang Datonghua	7,800	–	7,800
Jiangyin Datonghua	7,984	–	7,984
Zhenjiang Datonghua	13,249	–	13,249
Nanjing Datonghua	–	1,950	1,950
Taixing Datonghua	–	18,296	18,296
Changzhou Datonghua	–	7,832	7,832
Sub-total	*41,266*	*58,733*	*99,999*
Community Stores			
Yixing (2 branches)	–	20,891	20,891
Danyang (3 branches)	–	16,537	16,537
Wuxi branch	–	14,402	14,402
Jiangyin (5 branches)	7,732	42,720	50,452
Liyang branch	–	8,912	8,912
Jintan branch	9,380	–	9,380
Sub-total	*17,112*	*103,462*	*120,574*
Total	**58,378**	**162,195**	**220,573**
Percentage	**26.5%**	**73.5%**	**100%**

CORPORATE PROFILE

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 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.

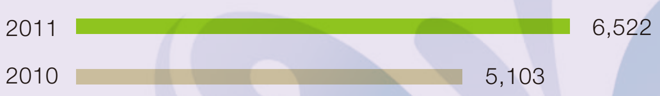
This retail business model generate diversified revenue sources while lowering the operational risks, creating synergies between department store and supermarket businesses and enjoying greater economic of sales. The Group's solid experience in the retail business, in-depth knowledge of the retail industry 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)

26.9%

TOTAL SALES PROCEEDS – DEPARTMENT STORE BUSINESS (RMB MILLION)

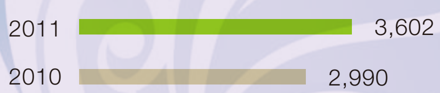


27.8%

TOTAL SALES PROCEEDS – SUPERMARKET BUSINESS (RMB MILLION)

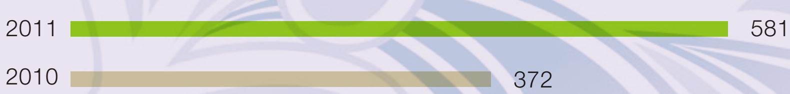
24.3%

REVENUE (RMB MILLION)



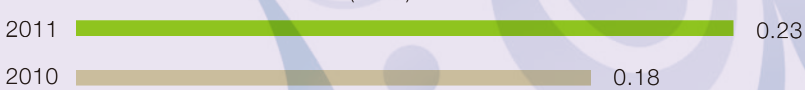
20.5%

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT (RMB MILLION)



56.0%

BASIC EARNING PER SHARE (RMB)



27.8%

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

In 2011, under the changing and complicated domestic and international economic environment, development of the Chinese economy followed the anticipated direction of macro control. The moderate fall in economic growth and preliminarily subdued inflationary pressure were outcomes of the government's policy measures. As a result, China was an outperformer among economies worldwide. Economists forecast an economic growth of around 8% in China in 2012 and that the slowdown of growth will affect sectors across the board, including the retail sector. However, the relatively steady growth of the industry was expected to be sustained in the long-run. Starting from October 2011, retailers were generally affected by a combination of the macro-economic slowdown; slowed sales of winter clothing items due to a warmer-than-usual winter; a "wait and see" approach by investors as a result of falling gold prices as well as declining consumer confidence. Growth rate dropped dramatically, with an emerging picture of retailers showing growth in the first half of the year and sharp decline in the second half. Nevertheless, retailers benefited from the remarkable growth in the first three quarters, and were able to maintain positive growth for the whole year.

BUSINESS REVIEW

In 2011, the Group's total sales proceeds recorded RMB8.7 billion, an increase of 26.9% year-on-year. Profit for the year reached RMB591.5 million, growth of 57.6% year-on-year; earnings per share were RMB23 cents, an increase of 27.8% year-on-year growth. The Group obtained a syndication loan of US$150 million, before expense, which not only marked the strong confidence of financial institutes in our future, but also equipped the Group with abundant capital for future development. We will continue to solidify our presence in the Greater Yangtze River Delta and strengthen our operational efficiency, with a view of generating a sustainable profit growth and becoming the most professional regional retail operator in China.

DEVELOPMENT STRATEGY

The Group will remain committed to the development of its business in the Greater Yangtze River Delta region, with focus on provinces such as Jiangsu Province, Anhui Province, and the northern Zhejiang region. For the business development in Anhui Province, the Group firstly focused on cities with good economic prospects or strong market potential and the Group has also entered the markets in Ma'anshan, Xuancheng and Anqing. Considering the huge market potential of the retail sector in the Greater Yangtze River Delta region, there is in general huge business opportunity in the cities in that region, although the business environment of certain cities was rather competitive. In line with the deepening of distribution channels, the Group will continue to consolidate its position in prosperous county-level cities with development potential. Rising property prices due to rapid economic development and urbanization will exacerbate the already tight supply of quality land, adding to the costs of commercial properties and further fuelling competition.

The Group will benefit from macro-economic measures and related policies expanding domestic consumption and we are aware of the challenges and opportunities ahead. The Group will adopt a prudent investment strategy, continue our sound operations, maintain an optimum debt ratio, and focus on the successful business model and economic efficiency. We plan to open 2 to 3 new department stores each year.

CHAIRMAN'S STATEMENT

PROSPECTS

Amidst an uncertain and unstable global economic outlook of 2012, we will continue with the strategies of "becoming the most professional regional retail operator in China". We will maintain the dual-format of operating both department stores and supermarkets to take advantage of the synergy created, and establish a multi-function retail centre to provide customers a convenient and comfortable shopping environment and experience.

As for new development opportunities, the Group will prudently explore any new business development opportunity by fully utilizing the foundation we have established. We are confident to establish a solid base for the Group's growth in long-term.

The Group will constantly improve the operational efficiency of existing stores by adjusting and upgrading the brand and mix of merchandise and integration of suppliers in order to establish department stores with annual sales proceeds over RMB1 billion, and achieve healthy same store sales growth, and thus driving the growth of the dual-format of the department store and supermarket business.

The Group will actively enhance the supply chain management, strength the structure of suppliers and integrate channel resources to facilitate communication with suppliers in order to build up a stable partnership in the long-term, so that the Group could promptly respond to the needs of customers. Also, the Group will introduce a 5-year scheme to double employees' salaries, to train up a loyal and committed operational team through optimizing the employee structure.

The Group will closely monitor market conditions in an ever-changing global environment and put in place a risk management strategy. The Group believes that outstanding management personnel and their thorough business plans would help the Group overcome difficulties, stride towards success and achieve continuous growth. Last but not least, the Board is full of confidence in the Group's future development. The Board believes that with further expansion of chain store network and the synergy of the dual-format operation of the Group, the Group will be able to achieve both internal and external growth at the same time.

I would like to express my appreciation for the great contribution of the entire Board, senior management and staff members. Meanwhile, I would like to thank our shareholders and business partners for their continuous support.

Chen Jianqiang
Chairman

28 February 2012

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In review of the past year, the Group gained steady growth in sales and achieved total sales proceeds[1] of RMB8.7 billion in 2011, growth of 26.9% year-on-year through the efforts of all of our employees, The department store business grew 27.8% year-on-year and supermarket business grew 24.3% year-on-year. During the period, department stores achieved 25.4% same store sales growth[2]. For supermarkets, 10.9% of same store sales growth was achieved during the period.

The Group will reinforce the leading position and maintain its competitive edge in Jiangsu Province, and further strengthen the store networks in Anhui Province and Northern Zhejiang Province. The Group is committed to improving the operational efficiency of existing stores and enhancing the integration of new stores. The Group will continue to implement the “department stores and supermarkets” dual-format operation concept, and build a multi-function retail center to provide customers with a convenient and comfortable shopping environment and experience.

DEPARTMENT STORE BUSINESS

In 2011, the Group strived to raise the operational efficiency of its department stores and closely followed the latest market trends, optimize the mix of concessionaire sales and direct sales of suppliers, and remained committed to increasing the efficiency of existing stores.

During the year, we opened 2 new department stores in Changzhou and Jintan, Jiangsu Province. In the meantime, the Group carried out store renovation and made layout adjustments in Liyang, Danyang, Nantong and Wuxi to improve image of the stores and shopping experience, to build up high-end department stores in the region, in response to intensive market competition. The Group also aimed to satisfy customers’ demand for quality, as well as to further stabilize the existing market share.

In addition, the Group kept upgrading its product mix with more prominent brand names to drive its results. To strengthen the lineup of international cosmetic brands in its stores, LANCOME was introduced to Jiangyin, Zhenjiang and Nantong stores successfully, while CHANEL was introduced to the Wuxi store, further enhancing the high-end position of the store in the region.

The department store business generated RMB6.5 billion in total sales proceeds, an increase of 27.8% year-on-year, due to customers’ confidence, renovations of the stores and introduction of high-end brands. New stores in Ma’anshan and Zhenjiang also generated same store growth of 59.2% and 55.1% respectively, demonstrating strong growth potential of new stores.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

SUPERMARKET BUSINESS

The Group opened four new supermarkets in 2011. For the existing business, the Group implemented sophisticated operations, regional management, and increased the investment on fresh product operation. The supermarket system employed the intensive distribution strategy of “1+N” and fully implemented regional management. Through the effective integration of resources including management, labor force, sales and marketing, merchandise, the Group lowered various costs and fees during the year in review. The Group also lifted operational efficiency by targeting improvement in stock replenishment and inventory adjustment, unified store image and achieved competitiveness in the region.

During the year in review, the number of new supermarkets opened was smaller than expectation. The continuous climb of the consumer price index led to the sharp increase of labor costs, and resulted in the high investment cost of new stores. Therefore, the Group adjusted its pace of investment and adopted a more discreet investment strategy for projects in its development reserve.

Separately, the comparable sales growth of supermarket stores was satisfactory. In addition to rising food prices, the Group strived to optimize merchandise categories, improve store image and enhance the shopping environment, and provide various value-added services, for the enhancement of customer satisfaction, so as to increase the number of customers of the supermarkets and sales per ticket, in order to increase revenue. The supermarket business generated total sales proceeds of RMB2.2 billion for the year, an increase of 24.3% year-on-year.

HUMAN RESOURCES AND SOCIAL OBLIGATION

The Group believes that human resources are its most vital asset and we focus on the increment of staff salary and benefit. Starting from 2010, the year-on-year growth rate for staff cost was over 20%. We endeavor to provide employees a stimulating and harmonic working environment; we also advocate lifelong learning, offer training and development prospects to broaden their vision – all with the aim of upgrading standards of our employees, and supporting their personal growth and offering promotion opportunities. Based on controlling the headcount in each store, we continuously improve the salary and staff benefit for each individual. The staff cost will continue to raise, however, the growth rate for total staff cost will slow down. The Group upholds the values of social obligation and places emphasis on customer services, and employee benefits. The Group has established a Mutual Assistance Fund to protect and assist employees facing difficulties. Meanwhile, the Group promotes the use of environmental-friendly materials and adopts measures to save energy in its stores, to promote awareness of environmental protection.

NEW STORE OPENINGS AND NETWORK EXPANSION

While striving to improve the operating efficiency of existence stores, the Group opened new department stores in Changzhou and Jintan. The Group continued to focus on expanding store networks in Greater Yangtze River Delta Region, especially in Anhui Province and Northern Zhejiang, and aimed to consolidate its dominant position in the region.

In March 2011, the Group acquired a piece of land with an area of approximately 15,793 square meters located in the junction of Jixian Road and Longhu South Road in Anqing City, Anhui Province. The Group planned to build a shopping complex with a department store and a supermarket with a gross floor area of approximately 99,000 square meters on the land. The department store and supermarket will be operated by the Group.

In April 2011, Changzhou Yaohan department store and Changzhou Datonghua supermarket, commenced operation and have gross floor areas of approximately 23,830 square meters and 7,800 square meters respectively. Since the grand opening, the department store has achieved satisfactory results and has established itself as a key mid-to-high end shopping destination in the local market.

In April 2011, the Group successfully acquired a property with a gross floor area of approximately 53,000 square meters in Xuancheng City, Anhui Province. The property is situated at the prime location on Diezhang Road of Xuancheng City in a thriving business district. The Group planned to open and operate a department store and a supermarket in the property.

In December 2011, Jintan Yaohan department store and Jintan Datonghua supermarket (Ximen branch) commenced operation. The Jintan Yaohan department store together with Jintan Datonghua supermarket inside the same building are located at the core business district of Jintan City, occupying a total gross floor area of approximately 34,300 square meters. The opening of the Jintan Yaohan store further improve the coverage of the store network of the Group in Jiangsu Province and further strengthens the Group's market position in the region.

In December 2011, the Group indirectly acquired a 50% equity interests in Zhenjiang Baisheng Commercial Ltd (鎮江百盛商城有限公司). Zhenjiang Baisheng Commercial Ltd 100% owns and operates Zhenjiang Commercial Building (鎮江商業城) and operates a leased store Zhenjiang Hengsheng Shopping Plaza (鎮江恒盛購物廣場). The gross floor area of Zhenjiang Commercial Building and Zhenjiang Hengsheng Shopping Plaza is respectively approximately 44,839 square meters and 33,000 square meters. Both stores are located at the heart of business center of Zhenjiang City.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The summary of the Group's results for the year ended 31 December 2011 and 2010 is as below:

	Year ended 31 December	
	2011	2010
	(RMB millions)	
Total sales proceeds ("TSP")	**8,696.7**	6,852.6
Revenue	**3,601.8**	2,990.0
Profit from operations	**848.3**	658.6
Profit before tax	**830.7**	519.7
Profit for the year	**591.5**	375.4
Attributable to:		
Owners of the parents	**580.5**	372.2
Non-controlling interest	**11.0**	3.2
Basic earnings per share attributable to ordinary equity holders of the parents (RMB cents)	**23**	18
Proposed final dividend per share (HK cents)	**10**	7

For the year ended 31 December 2011, TSP of the Group increased to RMB8,696.7 million, representing an increase of 26.9% as compared to the same period of 2010. TSP are generated from both the department store and supermarket business. TSP of the department store and supermarket businesses increased to RMB6,522.3 million and RMB2,174.4 million, representing an increase of approximately 27.8% and 24.3% respectively from 2010.

TSP

	Year ended 31 December					
	2011			2010		
	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total
	(RMB millions)					
Revenue (as reported)	1,568.4	2,033.4	3,601.8	1,351.8	1,638.2	2,990.0
Add/(less)						
Provision of food and beverage services	–	(17.5)	(17.5)	–	(14.6)	(14.6)
Commission income from concessionaire sales	(1,050.9)	(28.4)	(1,079.3)	(823.8)	(20.3)	(844.1)
Gross revenue of concessionaire sales	6,004.8	186.9	6,191.7	4,575.1	146.2	4,721.3
TSP	6,522.3	2,174.4	8,696.7	5,103.1	1,749.5	6,852.6
Representing:						
Direct sales	471.1	1,956.1	2,427.2	490.5	1,582.3	2,072.8
Gross revenue of concessionaire sales	6,004.8	186.9	6,191.7	4,575.1	146.2	4,721.3
Rental income	46.4	31.4	77.8	37.5	21.0	58.5
TSP	6,522.3	2,174.4	8,696.7	5,103.1	1,749.5	6,852.6
Same Store sales growth	25.4%	10.9%		25.5%	11.5%	

DEPARTMENT STORE BUSINESS:

TSP from the department store business grew to RMB6,522.3 million was mainly attributable to same store sales growth of approximately 25.4%. The renovation of Liyang Yaohan and Danyang Springland in second half of the year slowed down the growth in TSP from the department store business.

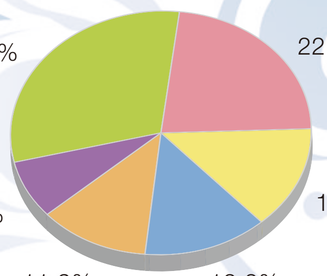
Gross revenue of concessionaire sales as a percentage of TSP from the department store business increased from 89.7% to 92.1% in 2011. Direct sales as a percentage of TSP from the department store business decreased from 9.6% to 7.2% in 2011. The changes were primarily due to an increase in concessionaire sales and a decrease in sales volume of household and electronic appliances, which are mainly sold through direct sales.

MANAGEMENT DISCUSSION AND ANALYSIS

TSP BY TOP FIVE STORES

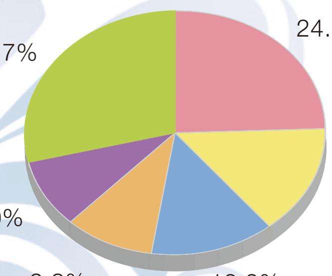
TSP derived from Wuxi Yaohan Department Store as a percentage of TSP of the department store business decreased from approximately 24.8% to 22.9% for 2011. This resulted from an increase in the contribution of TSP from approximately 9.8% to 11.9% from Zhenjiang Yaohan, which opened at the January 2010. The aggregate contribution to TSP from the five largest stores decreased from approximately 71.3% to 69.3% for 2011.

Department Store – 2011



	Contribution of TSP	TSP (RMB millions)
Wuxi Yaohan	**22.9%**	**1,494.8**
Yixing Springland	**13.5%**	**880.6**
Jiangyin Springland	**13.3%**	**867.0**
Zhenjiang Yaohan	**11.9%**	**776.5**
Liyang Yaohan	**7.7%**	**500.2**
Others	**30.7%**	**2,003.2**
	100.0%	**6,522.3**

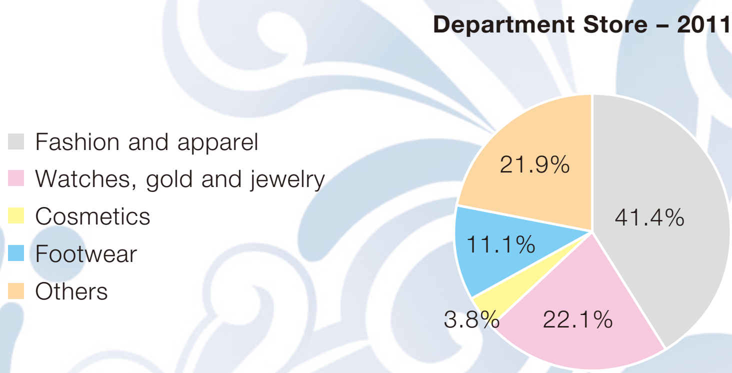
Department Store – 2010

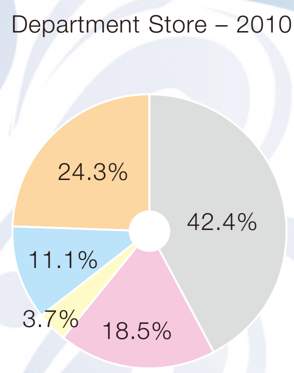


	Contribution of TSP	TSP (RMB millions)
Wuxi Yaohan	24.8%	1,263.7
Yixing Springland	14.4%	733.1
Jiangyin Springland	13.3%	679.7
Zhenjiang Yaohan	9.8%	500.6
Liyang Yaohan	9.0%	461.2
Others	28.7%	1,464.8
	100.0%	5,103.1

TSP BY MERCHANDISE CATEGORIES

The proportion of sales proceeds of department stores from various merchandise categories for 2011 and 2010 are presented in the below charts. Fashion and apparel accounted for approximately 41.1% (2010: 42.4%); merchandise related to cosmetics accounted for approximately 3.8% (2010: 3.7%); watches, gold and jewelry accounting for approximately 22.1% (2010: 18.5%); footwear accounted for approximately 11.1 (2010: 11.1%) 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 21.9% (2010: 24.3%) of TSP of department stores business.





SUPERMARKET BUSINESS:

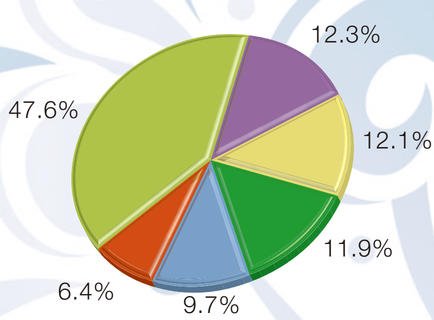
In 2011, TSP of supermarket business reached RMB2,174.4 million. Growth in TSP of the supermarket business was mainly derived from same store sales growth of around 10.9% and the inclusion of the proceeds from the supermarkets which were opened in 2010 and 2011.

During 2011, direct sales contributed approximately 90.0% (2010: 90.4%) and concessionaires sales accounted for around 8.6% (2010: 8.4%) of TSP of the supermarket business. In absolute terms, direct sales and concessionaires sales increased from approximately RMB1,582.3 million to RMB1,956.1 million and RMB146.2 million to RMB186.9 million year–on-year respectively.

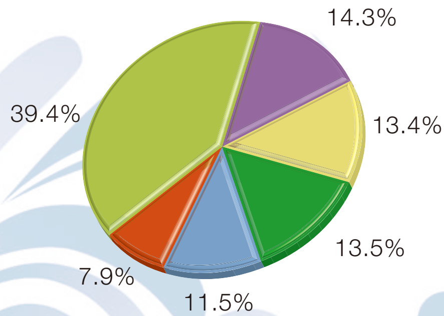
TSP BY TOP FIVE STORES

The aggregate contribution to TSP generated from the supermarket business from the five largest stores decreased from approximately 60.6% to 52.4% for 2011. The new supermarkets opened in 2010 and 2011 accounted for 14.4% of TSP for the supermarket business during 2011, these stores are expected to become a new driving force for the supermarket business of the Group.

Supermarket – 2011



Supermarket – 2010



	Contribution of TSP	**TSP** (RMB millions)
Liyang City Centre	**12.3%**	**266.6**
Jintan City Centre	**12.1%**	**263.2**
Yixing City Centre	**11.9%**	**259.0**
Jiangyin City Centre	**9.7%**	**210.2**
Danyang City Centre	**6.4%**	**138.5**
Others	**47.6%**	**1,036.9**
	100.0%	**2,174.4**

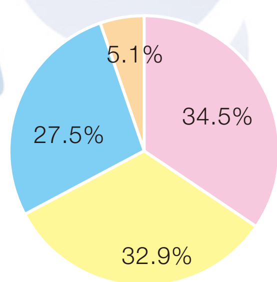
	Contribution of TSP	TSP (RMB millions)
Liyang City Centre	14.3%	250.4
Jintan City Centre	13.4%	234.2
Yixing City Centre	13.5%	236.7
Jiangyin City Centre	11.5%	201.9
Danyang City Centre	7.9%	138.6
Others	39.4%	687.7
	100.0%	1,749.5

TSP BY MERCHANDISE CATEGORIES

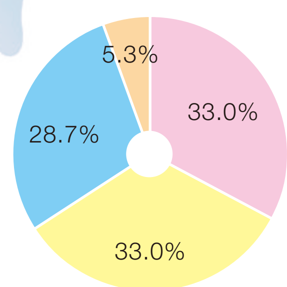
The proportion of sales proceeds of supermarket business from various merchandise categories for 2011 and 2010 are presented in the below charts. Fresh food accounted for approximately 34.5% (2010: 33.0%), dry foods accounted for approximately 32.9% (2010: 33.0%), non-food accounted for approximately 27.5% (2010: 28.7%) and the remaining categories including rental income and others accounted for the remaining 5.1% (2010: 5.3%) of the TSP of the supermarket business.

Fresh food
Dry food
Non-food merchandise
Others

Supermarket – 2011



Supermarket – 2010



REVENUE

Revenue of the Group amounted to RMB3,601.8 million, representing an increase of 20.5% as compared to RMB2,990.0 million in 2010.

REVENUE

	Year ended 31 December					
	2011			2010		
	Department Store business	**Supermarket business**	**Total**	Department Store business	Supermarket business	Total
			(RMB millions)			
Direct sales	**471.1**	**1,956.1**	**2,427.2**	490.5	1,582.3	2,072.8
Commission income from concessionaire sales	**1,050.9**	**28.4**	**1,079.3**	823.8	20.3	844.1
Rental income	**46.4**	**31.4**	**77.8**	37.5	21.0	58.5
Provision of food and beverage services	**–**	**17.5**	**17.5**	–	14.6	14.6
Total revenue	**1,568.4**	**2,033.4**	**3,601.8**	1,351.8	1,638.2	2,990.0

Department Store Business:
Revenue from the department store business increased from RMB1,351.8 million to RMB1,568.4 million, representing a year-on-year increase of 16.0% for 2011. The rise in revenue was generally in line with the rise in the sales proceeds of the department store business.

Commission income from concessionaire sales: In 2011, the commission rate from concessionaire sales was 17.5%, representing a reduction of 0.5 percentage point from 18.0% in 2010. The decrease was mainly due to the increased contribution from low commission rate merchandise related to watches, gold and jewelry from 18.5% to 22.1% of TSP of department store business in 2011 and the increase and dilution effect on commission rates from concessionaire sales from newly-opened stores (which normally carry a lower commission rate). As mentioned above, the Comprehensive Gross Margin[3] was approximately cut 0.5 percentage point from 21.0% to 20.5% in 2011. 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 from RMB37.5 million in 2010 to RMB46.4 million in 2011. The increase was mainly attributable to the opening of new stores, which led to an increase in the gross floor area leased out in 2011. Operating floor area had been leased by our department stores to food and beverage, child-education and beauty salon operators, among others was increased from 34,135 square meters to 38,982 square meters during 2011.

Supermarket Business:
Revenue from the supermarket business increased from RMB1,638.2 to RMB2,033.4 million, representing a rise of 24.1% from 2010. The rise in revenue was generally in line with the rise in the sales proceeds of the supermarket business.

Revenue from direct sales: Revenue from direct sales in the supermarket business increased to RMB1,956.1 million from RMB1,582.3 million, representing a rise of 23.6% from 2010. Gross margin from direct sales was approximately 13.9% for 2011, representing a rise of 0.5 percentage point as compared to 13.4% for 2010. Comprehensive Gross Margin reached 23.7% for 2011 (2010: 22.7%). The Group intends to keep gross margin from direct sales and its Comprehensive Gross Margin stable by maintaining a 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 attract more foot traffic for the supermarkets.

Rental income: Rental income from the supermarket business increased to RMB31.4 million from RMB21.0 million, representing a sharp increase of 49.9% from 2010. The change was mainly due to increase in operating floor area leased out and rental income under current lease agreements. Operating floor area had been leased out by our supermarket operations increased to 14,931 square meters from 9,910 square meters during 2011.

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

	2011 Department store business	2011 Supermarket business	2011 Headquarter	2011 Total	2010 Department store business	2010 Supermarket business	2010 Headquarter	2010 Total
	Year ended 31 December (RMB millions)							
Other operating income								
Fee income from suppliers	187.6	167.1	-	354.7	155.7	129.6	–	285.3
Other non-operating income								
Interest income	-	-	55.4	55.4	–	–	14.0	14.0
Government grants and others	-	-	26.3	26.3	–	–	6.4	6.4
	187.6	167.1	81.7	436.4	155.7	129.6	20.4	305.7
Percentage of TSP	2.9%	7.7%	n/a	n/a	3.1%	7.4%	n/a	n/a

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 representing charges paid by suppliers for placing and displaying their merchandise on the shelves and counters of our stores and other non-operating income, such as interest income and government grants.

Purchases of and changes in inventories

Purchases of and changes in inventories represented the cost of merchandise that we purchased from suppliers for resale under the direct sales business model. Purchases of and changes in inventories increased from RMB1,806.9 million to approximately RMB2,103.9 million, representing a year-on-year increase of 16.4%. The increase was generally in line with the increase in direct sales for 2011.

Expenses

	Year ended 31 December							
	2011				2010			
	Department store business	Supermarket business	Headquarter	Total	Department store business	Supermarket business	Headquarter	Total
				(RMB millions)				
Staff costs	201.1	158.3	70.2	429.6	158.3	100.2	35.7	294.2
Depreciation and amortisation	171.8	45.4	3.4	220.6	171.1	30.0	3.4	204.5
Rental expenses	14.7	38.8	1.2	54.7	16.0	26.6	1.7	44.3
Other expenses								
Water and electricity	89.5	34.6	0.1	124.2	78.3	25.7	0.1	104.1
Advertising and promotion	44.2	18.1	0.3	62.6	37.6	12.1	0.3	50.0
Other operating costs and other non-operating costs	147.0	40.8	21.7	209.5	118.8	35.0	29.6	183.4
Percentage of TSP								
Staff costs	3.1%	7.3%	n/a	5.0%	3.1%	5.7%	n/a	4.3%
Depreciation and amortisation	2.6%	2.1%	n/a	2.5%	3.4%	1.7%	n/a	3.0%
Rental expenses	0.2%	1.8%	n/a	0.6%	0.3%	1.5%	n/a	0.6%
Other expenses								
Water and electricity	1.4%	1.6%	n/a	1.5%	1.5%	1.5%	n/a	1.5%
Advertising and promotions	0.7%	0.8%	n/a	0.7%	0.8%	0.7%	n/a	0.7%
Other operating costs and other non-operating costs	2.2%	1.9%	n/a	2.4%	2.3%	2.0%	n/a	2.7%
Total	10.2%	15.5%	n/a	12.7%	11.4%	13.1%	n/a	12.8%

Expenses

Expenses consist of staff costs, depreciation and amortisation, rental expenses, other operating costs and non-operating costs. The expenses of the Group as a percentage of TSP decreased to approximately 12.7%, representing a cut of 0.1 percentage point as compared with 12.8% for 2010 as a result of improvement in operating leverage.

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 from RMB294.2 million in 2010 to RMB429.6 million in 2011, representing a 46.0% on year-on-year growth. The increase was mainly due to combination of the salary increment of existing staff and the inclusion of full year staff costs incurred in stores opened at 2010, as well as the staff costs incurred by the Changzhou Yaohan and Jintan Yaohan and new supermarkets opened in 2011.

Total staff costs of the Group as a percentage of TSP increased to approximately 5.0%, representing a rise of 0.7 percentage point as compared with 4.3% for 2010. Operating staff costs of the department store business as a percentage of TSP of the department store business remained stable at approximately 3.1% (2010: 3.1%) as a result of improvement in operating leverage. Operating staff costs of the supermarket business as a percentage of TSP of the supermarket business substantially increased to 7.3% (2010: 5.7%).

Depreciation and amortisation

Depreciation and amortisation primarily consist of the depreciation of property, plant and equipment and amortisation of the prepaid land premium and other intangible assets increased from RMB204.5 million to approximately RMB220.6 million, representing a 7.8% increase from 2010. The increase was primarily due to the depreciation and amortisation charges recognised for new supermarkets opened in 2010 and 2011.

Total depreciation and amortisation expenses of the Group as a percentage of TSP decreased to approximately 2.5%, representing a decrease of 0.5 percentage point from 3.0% in 2010. Depreciation and amortisation expenses of the department store business as a percentage of TSP of the department store business decreased to approximately 2.6% (2010: 3.4%) and depreciation and amortisation expenses of the supermarket business as a percentage of TSP of the supermarket business increased to approximately 2.1% (2010: 1.7%).

Rental expenses

Rental expenses primarily consist of rental fees for premises leased for the operation of department stores, supermarkets and office premises and it increased by 23.4% from RMB 44.3 million in 2010 to RMB54.7 million in 2011.

Total rental expenses of the Group as a percentage of TSP remained stable at 0.6% in 2011 and 2010. Rental expenses of the department store business as a percentage to TSP of the department store business decreased to approximately 0.2% (2010: 0.3%) and rental expenses of the supermarket business as a percentage of TSP of the supermarket business increased to approximately 1.8% (2010: 1.5%).

Other expenses

Other expenses primarily included other operating costs and non-operating costs. Other operating costs consisted of the costs of utilities, water and electricity, 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 17.4% or RMB58.7 million from RMB337.6 million in same period of last year to approximately RMB396.3 million for 2011. The increase was primarily due to the combined effect of inclusion of the full year other operating costs for department store opened at the beginning of 2010, other operating costs for new department stores and supermarkets opened during the year and decrease in other non-operating professional fees.

Other expenses as a percentage of TSP decreased by 0.3 percentage point to approximately 4.6% in 2011 from 4.9% in 2010. The drop in percentage of TSP was due to the combined effect of rapid increased in TSP and reduced in listing expenses.

Water and electricity expenses consist of utility costs for department stores, supermarkets and offices premises increased from RMB104.1 million to approximately RMB124.2 million, representing a 19.3% on year-on-year growth. The increase was mainly due to the inclusion of full year operation for Zhenjiang Yaohan department store opened at the beginning of 2010, new department stores and supermarkets opened in 2011 and inflation of electricity price. Total water and electricity expenses of the Group as a percentage of TSP remained stable at approximately 1.4% (2010: 1.5%).

Advertising and promotion related expenses mainly consist of decoration expenses of department stores and supermarkets and sending promotion information to customers through different media. Such expenses increased from RMB50.0 million to approximately RMB62.6 million, representing a 25.2% on year-on-year growth. The growth is in line with the growth in the Group's TSP. Total advertising and promotion expenses of the Group as a percentage of TSP remained stable at approximately 0.7% in 2011 and 2010.

Profit from operations

	Year ended 31 December					
	2011			2010		
	Department Store business	**Supermarket business**	**Total**	Department Store business	Supermarket business	Total
			(RMB millions)			
Total sales proceeds	**6,522.3**	**2,174.4**	**8,696.7**	5,103.1	1,749.5	6,852.6
Revenue	**1,568.4**	**2,033.4**	**3,601.8**	1,351.8	1,638.2	2,990.0
Profit from operation	**668.3**	**180.0**	**848.3**	491.0	167.6	658.6
Head office and non-operating and unallocated expenses						
Interest and dividend income and unallocated gains			**81.7**			20.4
Corporate and other unallocated expenses			**(96.9)**			(70.7)
Finance costs			**(2.5)**			(88.6)
Profit before tax			**830.7**			519.7

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 to approximately RMB848.3 million in 2011 from RMB658.6 million for the same period in 2010, representing a year-on-year increase of 28.8%. Profit from operations for the department store business increased to approximately RMB668.3 million in 2011 from RMB491.0 million in 2010, representing a year-on-year increase of 36.1%. Operation margin as a percentage of TSP for department store business increased to approximately 10.2%, representing an increase of 0.6 percentage points from 9.6% in 2010 and the increase was mainly due to improved operational efficiency. For the supermarket business, profit from operations increased to approximately RMB180.0 million, representing a year-on-year increase of 7.4% and operating margin as a percentage of TSP for supermarket business decreased to approximately 8.3%, representing a drop of 1.3 percentage points from 9.6% in 2010.

Finance costs

Finance costs were made up of interest expenses on bank borrowings which sharply dropped by 97.2% to approximately RMB2.5 million in 2011. Finance costs saving was due to a decrease in average bank borrowing balance after the Company being listed on the Stock Exchange of Hong Kong Limited in late 2010.

Profit before tax

Profit before tax hit RMB830.7 million, representing a year-on-year increase of 59.9%. The rise in profit before tax was a combined effect of the rise in profit from operation, increase in other income and gain, cost saving in finance costs.

Income tax expenses

Income tax expenses of the Group increased by approximately 65.8% to approximately RMB239.2 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 2011 was 28.8% (2010: 27.8%).

Profit for the year attributable to owners of the parent

Profit attributable to owners of the parent company increased to approximately RMB580.5 for 2011 (2010: RMB372.2 million), representing year-on-year growth of approximately 56.0%. The net profit margin of 2011 increased to approximately 16.1% from 12.4% of 2010. Basic earnings per share were RMB23 cents for the year 2011, representing growth of approximately 27.8% from 2010.

CAPITAL EXPENDITURE

Capital expenditure of the Group during 2011 amounted to approximately RMB855.5 million (2010: RMB528.1 million). The amount represented contractual payments made for the acquisition of land use rights, buildings and construction of greenfield projects and 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. In order to take advantage of interest rate spreads among different currencies, the Group borrowed bank loans denominated in US$. As at 31 December 2011, the Group's cash and near cash instruments (including bank balances and cash) stood at approximately RMB2,138.9 million (2010: RMB1,537.6 million), whereas the Group had short-term bank loans of RMB87.2 million (2010: RMB10.0 million). Details of the exposure of the Group on interest rate and exchange rate fluctuations are set out in note 41 to the financial statements.

Total assets of the Group as at 31 December 2011 amounted to approximately RMB8,752.9 million (2010: RMB6,710.9 million), whereas total liabilities amounted to approximately RMB4,593.0 million (2010: RMB2,894.5 million), resulting in a net assets position of RMB4,159.9 million (2010: RMB3,816.4 million). The gearing ratio, calculated by net debts (including bank borrowings, trade payables and other payables and accruals minus cash and cash equivalents) divided by the capital plus net debts of the Group increased to approximately 30% (2010: 16%) at the end of 2011..

The capital commitments of the Group as at 31 December 2011 stood at approximately RMB218.0 million (2010: RMB549.7 million), which were contracted for but not provided in the consolidated financial statement for contractual payments for the acquisition of property, plant and equipment and land use rights.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2011, no assets of the Group were pledged to secure general banking facilities of the Group. As at 31 December 2010, the balance of bank loans was approximately RMB122.5 million, which was guaranteed by the pledge of Group's certain property, plant and equipment and prepaid land premiums amounting to RMB185.8 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, bank loans and deposits were denominated in HK$ or US$ which exposed the Group to foreign exchange risks attributable to fluctuations in exchange rates between HK$/US$ and RMB. The Company and some of its overseas subsidiaries selected the HK$/US$ as their functional currency. Significant fluctuations in exchange rates involving HK$/US$ and RMB or against each entity's respective functional currency may have a financial impact on the Group.

As at 31 December 2011, the Directors considered the Group's foreign exchange risk to be insignificant. For the year ended 31 December 2011, the Group recorded net foreign exchange losses of approximately RMB2.3 million (2010: net foreign exchange gain RMB1.0 million). During 2011, the Group did not use any financial instruments for hedging purposes.

HUMAN RESOURCES

As at 31 December 2011, the Group employed a total of approximately 7,329 full-time employees, of which 3,161 served the department store business and of which 3,990 served the supermarket business (2010: 6,495 full-time employee, of which 3,054 served department store business and 3,117 served supermarket business). Employees included management, sales people, workers for the logistics support system and other supporting staff. 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 and will be reviewed every year.

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. As at 31 December 2011, no share option was granted by the Group under the share option scheme.

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Director

Mr. Chen Jianqiang (陳建強), aged 54, 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 16 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. 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 51, 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) ("Shanghai 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 approximately 38.46% of the shareholding of Celestial Spring Limited, being a shareholder holding approximately 1.14% 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 46, 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 holding approximately 0.09% of the Company. He has not held any directorship in other listed public companies currently and in the last three years.

Mr. Yu Yaoming (俞堯明), aged 42, is an executive Director and vice president of the Group. He was appointed as an executive Director and vice president of our Group in May 2011. Mr. Yu joined the Group in 2007 as a financial director of the Group and Jiangsu Springland. Mr. Yu is primarily responsible for the accounting and financial reporting of the Group. Mr. Yu has over 12 years of experience in finance and accounting and is a member of the Chinese Institute of Certified Public Accountants. 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. Mr. Yu also 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. 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 44, 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 44, 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.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Dr. Lin Zhijun (林志軍), aged 57, 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 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 of which are 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 currently and in the last three years.

Dr. Zhang Weijiong (張維炯), aged 59, 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 of which are listed on The Shanghai Stock Exchange. Save as disclosed above, he has not held any directorship in other listed public companies currently and in the last three year.

Mr. Wang Shuaiting (王帥廷), aged 56, was appointed as our independent non-executive Director in July 2010. Mr. Wang currently is the chairman and executive director of China Travel International Investment Hong Kong Limited ("China Travel (HK)"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Wang is also the vice chairman, general manager and executive director of China Travel Service (Holdings) Hong Kong Limited and China National Travel Service (HK) Group Corporation, the controlling shareholders of China Travel (HK). Mr. Wang formerly served as vice chairman of China Resources (Holdings) Company Limited. From 2003 to 2011, he served as chairman of the Board and an executive director of China Resources Power Holdings Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited and non-executive Director of China Resources Enterprise Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from 2006 to 2009. Mr. Wang is highly renowned in the electricity industry in the PRC and possesses extensive management experience in large enterprise group. He served as the General Manager of China Resources (Xuzhou) Electric Power Co., Ltd. ("CR Xuzhou") from 1994 to 2001 and was in charge of the construction and operation of Xuzhou Power Plant. 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 Office of Xuzhou Municipal Government. He was also the Deputy Secretary-general of Xuzhou Municipal Government. Mr. Wang holds an Executive Master's degree in Business Administration ("EMBA") from China Europe International Business School. Save as disclosed above, he has not held any directorship in other listed public companies currently and in the last three year.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Xu Zhiqiang (徐志强), aged 37, is primarily responsible for the operation and management of the department store business of the Group. Mr. Xu has over 16 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 重慶商學院 (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 37, is responsible for the operation and management of the supermarket business of the Group. Ms. Xu has over 16 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. Wang Jiaming (王家明), aged 39, 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 41, 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 16 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 approximately 30.77% of the shareholding of Celestial Spring Limited, being a shareholder holding approximately 1.14% interest in the Company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Jiang Changlin (蔣長林), aged 39, 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 16 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 approximately 30.77% of the shareholding of Celestial Spring Limited, being a Shareholder holding approximately 1.14% interest in the Company.

COMPANY SECRETARY

Ms. Hon Yin Wah, Eva (韓燕華), HKICPA, FCCA, aged 41, 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 16 years' experience in accounting and financial management and corporate governance. Prior to joining the Group, she was an audit manager at PricewaterhouseCoopers and senior executive of companies listed on The Stock Exchange of Hong Kong Limited or Nasdaq Stock Market.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining good corporate governance of the Group. 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 reviews the corporate governance practices from time to time to ensure alignment of interests and expectations from our shareholders, the public investors and the other stakeholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with all the code provisions set out in the Code on Corporate Governance Practice (the "Code") contained in Appendix 14 of 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 2011. The below set out the corporate governance principles and practices adopted by the Group which indicates how the Group has applied relevant principle in the Code.

BOARD OF DIRECTORS

The Board is responsible for the Group's system of corporate governance and is ultimately accountable for the Group's activities, strategies and financial performance. The Board has established various committees to manage and oversee the specified affairs of the Group. The day-to-day management and operation of the Group are delegated to the executive Directors and management team.

The Board is committed to the Company's mission to create 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 four executive Directors and five non-executive Directors. Three of the non-executive Directors are independent and from different business and professional fields. The independent non-executive Directors represent one-third of the Board. 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. Biographical details of the Director and relevant relationships amongst them are set out in "Director and Senior Management" section in this report.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

APPOINTMENTS, RE-ELECTION AND REMOVAL

Each of the executive Directors of the Company, except for Mr. Yu Yaoming who was appointed on 23 May 2011 as an additional Director to the Board, 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.

According to the Articles of Association of the Company, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office until the next following general meeting or the next annual general meeting of the Company respectively and shall then be eligible for re-election at the meeting. In addition, at each annual general meeting of the Company no less than one-third of the Directors for the time being shall be subject to retirement by rotation at least once every three years.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is Mr. Chen Jianqiang and the Chief Executive Officer is Mr. Tao Qingrong, The roles of Chairman and Chief Executive Officer are segregated and are not performed by the same individual. The Chairman is responsible for strategy development of the Group, focusing on its investments and providing leadership to, and overseeing, the functioning of the Board. The Chief Executive Officer is responsible for managing the business of the Group and leading the management team to implement strategies and objectives adopted by the Board.

BOARD PROCESSING

The Board meets regularly at least four times a year at approximately quarterly intervals. The Directors can attend meeting in person or through other electronic means of communication in accordance with the Articles of Association of the Company.

During the year ended 31 December 2011, the Board met four times. The Directors discussed matters relating to the re-election of Directors, discussed and approved the overall business strategies, reviewed and monitored the financial and operation performance of the Group and considered and approved the annual budget for the Group. Notice and board papers were given to all Directors prior to the meetings in accordance with the Listing Rules and the Code.

The attendance records of each of the Directors for the Board meetings and the Board committees meetings held during the year ended 31 December 2011 is set out below:

Name of Director	No of Meetings Attended/Held Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Mr. Chen Jianqiang *(Chairman)*	4/4	n/a	n/a	n/a
Mr. Tao Qingrong *(Chief Executive Officer)*	4/4	n/a	n/a	n/a
Mr. Fung Hiu Lai	4/4	n/a	n/a	n/a
Mr. Yu Yaoming *(appointed on 23 May 2011)*	2/2	n/a	n/a	n/a
Non-executive Directors				
Mr. Wang Lin	4/4	n/a	1/1	2/2
Mr. Fung Hiu Chuen, John	4/4	n/a	1/1	2/2
Independent Non-executive Directors				
Dr. Lin Zhijun	4/4	4/4	1/1	2/2
Dr. Zhang Weijiong	4/4	4/4	1/1	2/2
Mr. Wang Shuaiting	3/4	1/4	1/1	2/2

DIRECTOR'S SECURITIES TRANSACTIONS

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 were made to all Directors and all Directors have confirmed their compliance with the required standards set out in the Model Code throughout the year ended 31 December 2011.

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

All the Directors acknowledge their responsibilities for preparing the financial statements of the Company. Each of the Directors is 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 2011 were 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 statement of the Auditor of the Company about their reporting responsibilities on the accounts of the Group is set out in the Independent Auditor's Report on page 46 of this report.

BOARD COMMITTEES

The Board delegates its powers and authorities from time to time to committees in order to ensure the operational efficiency and that specific issues are being handled by relevant expertise. There are three 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 formed in September 2010 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the 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 Chairman of the Audit Committee has the appropriate professional qualifications as required by Listing Rule.

The principal duties of the Audit Committee include, but are not limited to, reviewing the Company's current financial information, discussing with the auditor of the Company the nature and scope of audit and report obligations, and ensuring that the financial reporting system and the internal control procedures of the Company operate in accordance with applicable standards. The Audit Committee held four meetings during the year ended 31 December 2011 and the following sets out a summary of the work of the Audit Committee during the period:

- review of the financial reports for 2010 annual results and 2011 interim results;
- recommendation to the Board, for the approval by shareholders, of the re-appointment of Ernst & Young as the external auditor of the Company and approval of their remuneration;
- determining the nature and scope of the audit and report obligations;
- review of the financial and accounting policies and practices of the Company; and
- review of the effectiveness of the Company's internal control, financial control and risk management system, including the review of the adequacy of resources, qualifications and experiences of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

Remuneration Committee

The Remuneration Committee was established in September 2010 with written terms of reference in compliance with paragraph B.1 of the 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 principal duties of the Remuneration Committee include, but are not limited to, making recommendations to the Board on the Company's policy and structure of all remunerations of Directors and senior management and reviewing the special remuneration packages of all executive Directors. Human Resources Department of the Group 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. During the year ended 31 December 2011, The Remuneration Committee held its meeting once to review the above matters.

Nomination Committee

The Nomination Committee was established in September 2010 with written terms of reference in compliance with paragraph A.4.4 of the 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 principal duties of the Nomination Committee include, but are not limited to, making recommendations to the Board on the structure, size and composition of the Board and relevant matters relating to the appointment or re-appointment of Directors and succession planning for Director and assessing the independence of independent non-executive Directors. The Nomination Committee held two meetings during the year ended 31 December 2011 to review the above matters and make recommendation to the Board of the appointment of Mr. Yu as an executive Director as an additional to the Board.

AUDITOR'S REMUNERATION

The Group's principal external auditor is Ernst & Young who was first appointed in 2008. For the year ended 31 December 2011, the total remuneration in respect of statutory audit services amounted to RMB2.8 million (2010: RMB2.3 million), of which a sum of RMB2.6 million (2010: RMB2.0 million) was paid to Ernst & Young.

INTERNAL CONTROL

The Board is responsible for ensuring that a sound and effective internal control is maintained, while the management is responsible for ensuring that 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 Group 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 evaluates 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.

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, 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.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2011.

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 supermarkets 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 38 to the financial statements.

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 December 2011 and the state of the affairs of the Company and the Group as at 31 December 2011 are set out on pages 48 to 123 of this report.

The Board recommended the payment of a final dividend for the year ended 31 December 2011 of HK10 cents in cash per ordinary share to the shareholders appeared on the register of members of the Company on 25 April 2012. During the year, interim dividend of HK4 cents was paid. This recommendation has been incorporated in the financial statements as a separate allocation within the equity section of the statement of financial position.

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 52 of this report and note 36(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 2011, the Company had a share premium of RMB2,308.0 million, which is available for distribution to our shareholders.

DONATIONS

Donations made by the Group during the year amounted to RMB900,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the property, plant and equipment of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL

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

BANK BORROWINGS

Bank borrowings of the Group as at 31 December 2011 amounted to RMB925.0 million, details of which are set out in note 31 to the financial statements.

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.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Mr. Chen Jianqiang *(Chairman)*
Mr. Tao Qingrong *(Chief Executive Officer)*
Mr. Fung Hiu Lai
Mr. Yu Yaoming (appointed on 23 May 2011)

Non-executive Directors

Mr. Wang Lin
Mr. Fung Hiu Chuen, John

Independent Non-executive Directors

Dr. Lin Zhijun
Dr. Zhang Weijiong
Mr. Wang Shuaiting

Pursuant to Article 84 of the Articles of Association of the Company, three of the Directors, namely, Mr. Tao Qingrong, Mr. Wang Lin, and Dr. Lin Zhijun shall retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Pursuant to Article 83(3) of the Articles of Association of the Company, Mr. Yu Yaoming, who was appointed as an executive Director as an additional Director to the Board on 23 May 2011, will hold office until the forthcoming annual general meeting and, being eligible, will offer himself for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company 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 by the Company 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 Group 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 or its holding company or subsidiary or a subsidiary of the Company's holding company was a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No director or controlling shareholder or any of its subsidiaries or any company controlled by a director or 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 subsidiary or a subsidiary of the Company's holding company was a party during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2011, 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 (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 Trading Limited 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 of the Company 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 year ended 31 December 2011, 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.

CONNECTED TRANSACTION

Details of connected transaction during the year are set out in note 37 to the financial statements.

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

As at 31 December 2011, the interests and short positions of the Directors of the Company and chief executive in the shares, underlying shares and debentures of the Company or 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 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 as set out in Appendix 10 to 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	1,407,500,000 *(Note (1))*	56.30%
Mr. Fung Hiu Lai	Direct beneficially owner	2,187,500	0.09%

Note:

1. These shares were held by Netsales Trading Limited and Shanghai Victor Holdings Limited. Shanghai Victor Holdings Limited, a company wholly-owned by Netsales Trading Limited, was interest in 17,750,000 shares of the Company. Mr. Chen as the sole shareholder of Netsales Trading Limited is deemed to be interested in 1,407,500,000 shares held by Netsales Trading Limited and Shanghai Victor Holdings Limited.

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%
Mr. Chen Jianqiang	Shanghai Victor Holdings Limited *(Note (2))*	Beneficial interest	100 ordinary shares	100%

Note:

1 Netsales Trading Limited was interested in 1,407,500,000 shares, approximately 56.30% of interest in the Company and is therefore a holding company of the Company. Mr Chen is the sole shareholder of Netsales Trading Limited.

2. Shanghai Victor Holdings Limited, a company wholly-owned by Netsales Trading Limited, was interested in 17,750,000 shares of the Company.

Save as disclosed above, as at 31 December 2011, 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 2011, 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	1,407,500,000 L	56.30%
CDH Resource Limited *(Note (3))*	Beneficial interest	357,000,000 L	14.28%
CDH China Growth Capital Fund II, L.P. *(Note (3))*	Interest in controlled corporation	357,000,000 L	14.28%
CDH China Growth Capital Holdings Company Limited *(Note (3))*	Interest in controlled corporation	357,000,000 L	14.28%
China Diamond Holdings II, L.P. *(Note (3))*	Interest in controlled corporation	357,000,000 L	14.28%
China Diamond Holdings Company Limited *(Note (3))*	Interest in controlled corporation	357,000,000 L	14.28%

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 and Shanghai Victor Holdings Limited is wholly-owned by Netsales Trading Limited. Mr Chen, who is the sole shareholder of Netsales Trading Limited, is deemed to be interested in the shares held by Netsales Trading Limited and Shanghai Victor Holdings Limited.

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 2011, 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 purpose of the share option scheme (the "Scheme") is for the Group to attract, retain and motivate talented participants, to strive for future developments and expansion of the Group. The 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 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 Scheme, the 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 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 Scheme.

An offer of the grant of an option shall be made to a participant by letter (the "Offer Letter") and in writing requiring the participant to undertake to hold the option. An option (to the extent that it is vested and/or exercisable pursuant to the terms and conditions set out in the 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 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.

DIRECTORS' REPORT

The maximum number of shares in respect of which options may be granted under the 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 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 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 12 month period exceeding 1% of the total shares then in issue.

As at the date of this report, no options have been granted under the 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 11 to 12 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 2011 were RMB36 million. Details of the contribution retirement schemes are set out in note 17 of the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Since the Group mainly engages in retail business, for the year ended 31 December 2011, 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 2011, 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 2011 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 which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

TAX RELIEF

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

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 as at the date of this report.

COMMITMENTS

Details of the commitments of the Group are set out in note 35 to the financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 42 to the financial statements.

AUDITORS

The financial statements have been audited by Ernst & Young. Ernst & Young retire and a resolution for their re-appointment 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, 28 February, 2012

INDEPENDENT AUDITORS' REPORT

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 48 to 123, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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.

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, 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.

Ernst & Young
Certified Public Accountants
Hong Kong
28 February 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
REVENUE	*6*	**3,601,762**	2,990,032
Other income and gains	*7*	**436,457**	305,735
Purchase of and changes in inventories		**(2,103,878)**	(1,806,915)
Staff costs		**(429,620)**	(294,155)
Depreciation and amortisation		**(220,599)**	(204,516)
Rental expenses		**(54,675)**	(44,303)
Other expenses	*8*	**(396,279)**	(337,569)
Finance costs	*9*	**(2,455)**	(88,635)
PROFIT BEFORE TAX	*10*	**830,713**	519,674
Income tax expense	*13*	**(239,172)**	(144,261)
PROFIT FOR THE YEAR		**591,541**	375,413
Attributable to:			
Owners of the parent	*14*	**580,539**	372,193
Non-controlling interests		**11,002**	3,220
		591,541	375,413
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*16*	**0.23**	0.18

Details of dividends payable and proposed for the year are disclosed in note 15 to these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
PROFIT FOR THE YEAR		**591,541**	375,413
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**(6,726)**	(9,249)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**584,815**	366,164
Attributable to:			
Owners of the parent	*14*	**573,813**	362,944
Non-controlling interests		**11,002**	3,220
		584,815	366,164

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*18*	**4,456,341**	3,872,919
Prepaid land premiums	*19*	**384,469**	395,486
Other intangible assets	*20*	**47,541**	–
Goodwill	*21*	**127,439**	127,439
Investment in a jointly-controlled entity	*22*	**267,639**	–
Available-for-sale investments	*23*	**2,310**	2,310
Long-term prepayments	*24*	**590,928**	91,486
Deferred tax assets	*25*	**30,857**	18,039
Total non-current assets		**5,907,524**	4,507,679
CURRENT ASSETS			
Inventories	*26*	**457,990**	412,916
Trade receivables	*27*	**9,981**	10,567
Prepayments, deposits and other receivables	*28*	**208,474**	207,129
Investments at fair value through profit or loss	*29*	**30,023**	35,054
Cash and cash equivalents	*30*	**2,138,947**	1,537,556
Total current assets		**2,845,415**	2,203,222
CURRENT LIABILITIES			
Interest-bearing bank borrowings	*31*	**87,192**	10,000
Trade payables	*32*	**1,032,286**	794,643
Other payables and accruals	*33*	**1,944,383**	1,332,405
Tax payable		**53,610**	41,067
Total current liabilities		**3,117,471**	2,178,115
NET CURRENT (LIABILITIES)/ASSETS		**(272,056)**	25,107
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,635,468**	4,532,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*31*	**837,784**	112,500
Long-term payables	*34*	**279,786**	271,214
Deferred tax liabilities	*25*	**358,004**	332,690
Total non-current liabilities		**1,475,574**	716,404
Net assets		**4,159,894**	3,816,382
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*36(a)*	**21,589**	21,589
Reserves		**3,904,716**	3,615,715
Proposed final dividend	*15*	**202,675**	148,908
		4,128,980	3,786,212
Non-controlling interests		**30,914**	30,170
Total equity		**4,159,894**	3,816,382

Chen Jianqiang
Director

Tao Qingrong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

		Attributable to owners of the parent											
	Notes	Issued capital RMB'000 Note 36(a)	Share premium RMB'000	Contributed surplus RMB'000 Note 36(b)	Capital reserve RMB'000	Statutory surplus reserve RMB'000 Note 36(c)	Discretionary reserve RMB'000 Note 36(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 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	15	–	–	–	–	–	–	–	(40,916)	–	(40,916)	–	(40,916)
Capitalisation issue	36(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	15	–	(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
As at 31 December 2010 and 1 January 2011		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
Profit for the year		–	–	–	–	–	–	–	580,539	–	580,539	11,002	591,541
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(6,726)	–	–	(6,726)	–	(6,726)
Total comprehensive income for the year		–	–	–	–	–	–	(6,726)	580,539	–	573,813	11,002	584,815
Re-recognition of non-controlling interests related to the put option		–	–	–	–	–	–	–	–	–	–	222,547	222,547
Appropriation to statutory surplus reserve		–	–	–	–	141,812	–	–	(141,812)	–	–	–	–
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(4,620)	(4,620)
Final 2010 dividend declared		–	–	–	–	–	–	–	–	(148,908)	(148,908)	–	(148,908)
Interim 2011 dividend	15	–	(82,385)	–	–	–	–	–	–	–	(82,385)	–	(82,385)
Proposed final 2011 dividend	15	–	(202,675)	–	–	–	–	–	–	202,675	–	–	–
Derecognitions of non-controlling interests and recognition of the difference between the derecognised non-controlling interests and the liability of the put option		–	–	–	248	–	–	–	–	–	248	(228,185)	(227,937)
At 31 December 2011		21,589	2,308,044*	(1,512)*	(9,763)*	323,331*	33,710*	(10,774)*	1,261,680*	202,675	4,128,980	30,914	4,159,894

* These reserve accounts comprise the consolidated reserves of RMB3,904,716,000 (2010: RMB3,615,715,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Cash flows from operating activities			
Profit before tax		**830,713**	519,674
Adjustments for:			
Depreciation	*10*	**211,756**	196,843
Amortisation of prepaid land premiums	*10*	**7,892**	7,673
Amortisation of other intangible assets	*10*	**951**	–
Loss on disposal of items of property, plant and equipment	*10*	**9,245**	929
Gains on disposal of subsidiaries	*10*	**–**	(4,002)
Fair value losses/(gains), net:			
Investments at fair value through profit or loss	*10*	**21**	(44)
Finance costs	*9*	**2,455**	88,635
Interest income	*7*	**(23,561)**	(14,034)
Provision/(write-back of provision) for slow-moving inventories	*10*	**352**	(1,639)
		1,039,824	794,035
Increase in inventories		**(45,426)**	(109,964)
Increase in trade receivables, prepayments, deposits and other receivables		**(759)**	(18,666)
Decrease/(increase) in investments at fair value through profit or loss		**5,010**	(22,489)
Increase in long-term prepayments		**(30,782)**	–
Increase in trade payables, other payables and accruals		**739,445**	417,176
Increase in long-term payables		**3,182**	4,465
Cash generated from operations		**1,710,494**	1,064,557
Income tax paid		**(214,614)**	(138,887)
Net cash inflows from operating activities		**1,495,880**	925,670

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Cash flows from investing activities			
Interest received		**23,561**	14,034
Purchases of items of property, plant and equipment		**(745,682)**	(269,812)
Purchase of other intangible assets		**(27,611)**	–
Proceeds from disposal of items of property, plant and equipment		**2,634**	7,882
Payments of prepaid land premiums		**–**	(121,880)
Purchase of available-for-sale investments		**–**	(2,200)
Acquisition of a jointly-controlled entity		**(223,304)**	–
Acquisition of subsidiaries		**–**	(3,993)
Disposal of subsidiaries		**–**	(1,008)
Increase in long-term prepayments		**(468,660)**	(59,393)
Decrease in pledged deposits		**–**	742,790
Decrease/(increase) in time deposits		**12,212**	(32,230)
Net cash flows (used in)/from investing activities		**(1,435,850)**	274,190
Cash flows from financing activities			
Proceeds from issue of shares		**–**	2,546,935
Share issue expenses		**–**	(95,130)
Repayment of bank and other borrowings		**(289,512)**	(4,912,368)
New bank and other borrowings		**1,091,988**	2,305,647
Dividends paid		**(231,293)**	(40,916)
Dividends paid to non-controlling shareholders		**(4,620)**	(6,892)
Interest paid		**(6,264)**	(95,374)
Net cash flows from/(used in) financing activities		**560,299**	(298,098)
Net increase in cash and cash equivalents		**620,329**	901,762
Cash and cash equivalents at beginning of year		**1,332,326**	439,813
Effect of foreign exchange rate changes, net		**(6,726)**	(9,249)
Cash and cash equivalents at end of year		**1,945,929**	1,332,326
Analysis of balances of cash and cash equivalents			
Cash and bank balances	*30*	**1,945,929**	1,332,326

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSET			
Interest in a subsidiaries	*38*	**2,276,370**	2,636,182
Total non-current assets		**2,276,370**	2,636,182
CURRENT ASSETS			
Prepayments, deposits and other receivables	*28*	**234**	246
Cash and cash equivalents	*30*	**7,942**	2,334
Total current assets		**8,176**	2,580
Net assets		**2,284,546**	2,638,762
EQUITY			
Issued capital	*36(a)*	**21,589**	21,589
Reserves	*36(e)*	**2,060,282**	2,468,265
Proposed final dividends	*15*	**202,675**	148,908
Total equity		**2,284,546**	2,638,762

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 some 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

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. 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.

Total comprehensive income within a subsidiary is 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.

2.2 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 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues
IFRIC 14 Amendments	Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRSs 2010	Amendments to a number of IFRSs issued in May 2010

Other than as further explained below regarding the impact of IAS 24 (Revised), and amendments to IFRS 3, IAS 1, IAS 27 and IFRIC 13 included in Improvements to IFRSs 2010, the adoption of these new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these IFRSs are as follows:

(a) IAS 24 (Revised) *Related Party Disclosures*

IAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 37 to the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

(b) Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. 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 has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- IFRS 3 Business Combinations: The amendment 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).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

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

- IAS 1 Presentation of Financial Statements: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- IAS 27 Consolidated and Separate Financial Statements: The amendment 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.

- IFRIC 13 Customer Loyalty Programmes: The amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amounts of discounts or incentives otherwise granted to customers not participating in the award credit scheme are to be taken into account.

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 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[4]
IFRS 9	*Financial Instruments*[6]
IFRS 10	*Consolidated Financial Statements*[4]
IFRS 11	*Joint Arrangements*[4]
IFRS 12	*Disclosure of Interests in Other Entities*[4]
IFRS 13	*Fair Value Measurement*[4]
IAS 1 Amendments	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
IAS 19(2011)	*Employee Benefits*[4]
IAS 27(2011)	*Separate Financial Statements*[4]
IAS 28(2011)	*Investments in Associates and Joint Ventures*[4]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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 2015.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in IAS 27 and SIC 12 *Consolidation – Special Purpose Entities*. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

IFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 31 Interests in Joint Ventures and IAS 28 Investments in Associates. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to IAS 27 and IAS 28 as a result of the issuance of IFRS 10, IFRS 11 and IFRS 12. The Group expects to adopt IFRS 10, IFRS 11, IFRS 12, and the consequential amendments to IAS 27 and IAS 28 from 1 January 2013.

IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. The Group expects to adopt IFRS 13 prospectively from 1 January 2013.

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

Amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

IAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in SIC 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The Group expects to adopt IAS 12 Amendments from 1 January 2012.

IAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt IAS 19 (2011) from 1 January 2013.

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.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint ventures (continued)

A joint venture is treated as:

(a) a subsidiary, if the Group/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with IAS 39, if the Group/Company holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

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

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill

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 Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

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 identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is 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.

Impairment of non-financial assets

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

An impairment loss is 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

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.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a); and

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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 depreciates them accordingly.

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)

Intangible assets (other than goodwill)

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

Lease agreement buyouts

The lease agreement buyouts represented the Group's payments to old tenants to buy out their lease agreements. The lease agreement buyouts are stated at cost less any impairment losses and is amortized on a straight-line basis over the lease terms of 10 to 19 years.

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, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 transaction cost, except in the case of financial assets recorded at fair value through profit or loss.

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments 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 net 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 policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under IAS 39 are satisfied.

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, in rare circumstances, 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. 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 as these instruments cannot be reclassified after initial recognition.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss (continued)

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

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments 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 revaluation 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, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

When the fair value of unlisted equity investments 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 investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, 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. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and 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 maturity amount 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

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

Impairment of financial assets

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

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 plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank borrowings.

Subsequent measurement

The subsequent 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.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of IAS 39 are satisfied.

Loans and borrowings

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

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.

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 realisable 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:

- when 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 joint ventures, when 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, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised 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:

- when 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 joint ventures, 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, 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 the 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 exactly 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.

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 3.75% and 6.14% has been applied to the expenditure on the individual assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

Final dividends proposed by the Directors are classified as a separate allocation 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 dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items 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 gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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.

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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts 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 operating leases.

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 described 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 2011 was RMB127,439,000 (2010: RMB127,439,000). Further details are contained in note 21 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 judgement 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 2011 was RMB36,613,000 (2010: RMB31,647,000). There was no unrecognised tax losses as at 31 December 2011(2010: RMB1,132,000). Further details are contained in note 25 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

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 2011 was RMB26,898,000 (2010: RMB18,718,000).

4. NET CURRENT LIABILITIES

As at 31 December 2011, the current liabilities of the Group exceeded its current assets by approximately RMB272 million. In the opinion of the Directors, it is an industry practice for retail business to keep a low level of current ratio. The Directors have prepared these financial statements on a going concern basis notwithstanding the net current liabilities position because the Directors expected that the Group will generate sufficient cash inflows from the sales proceeds on the operation of department stores and supermarkets to meet its financial obligations when they fall due.

5. 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 this measurement.

Segment assets exclude the Group's available-for-sale investments, deferred tax assets, tax recoverable, 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 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.

5. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2011	Department store RMB'000	Super–market RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	1,568,392	2,033,370	3,601,762
Segment results	668,326	180,004	848,330
Reconciliation:			
Interest and dividend income and unallocated gains			81,740
Corporate and other unallocated expenses			(96,902)
Finance costs			(2,455)
Profit before tax			830,713
Segment assets	5,375,065	1,050,387	6,425,452
Reconciliation:			
Corporate and other unallocated assets			2,327,487
Total assets			8,752,939
Segment liabilities	2,511,313	599,955	3,111,268
Reconciliation:			
Corporate and other unallocated liabilities			1,481,777
Total liabilities			4,593,045
Other segment information			
Depreciation and amortisation	171,788	45,387	217,175
Corporate and other unallocated amounts			3,424
Total depreciation and amortisation			220,599
Investment in a jointly-controlled entity	267,639	–	267,639
Capital expenditure	629,071	216,024	845,095
Corporate and other unallocated amounts			10,454
Total capital expenditure *			855,549
Provision/(write-back of provision) for slow-moving inventories	(1,300)	1,652	352

5. 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, prepaid land premiums and other intangible assets including assets from the acquisition of subsidiaries.

5. 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.

6. 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:

	2011 **RMB'000**	2010 RMB'000
Sales of goods – direct sales	**2,427,156**	2,072,844
Commission income from concessionaire sales *(Note)*	**1,079,332**	844,110
Total turnover	**3,506,488**	2,916,954
Rental income	**77,803**	58,501
Provision of food and beverage service	**17,471**	14,577
Total revenue	**3,601,762**	2,990,032

Note:

The commission income from concessionaire sales is analysed as follows:

	2011 **RMB'000**	2010 RMB'000
Gross revenue from concessionaire sales	**6,191,753**	4,721,304
Commission income from concessionaire sales	**1,079,332**	844,110

7. OTHER INCOME AND GAINS

	2011 RMB'000	2010 RMB'000
Other income		
Fee income from suppliers	**354,717**	285,331
Interest income	**23,561**	14,034
Interest income from loans and receivables	**31,810**	–
Subsidy income	**23,748**	245
Others	**2,546**	5,758
	436,382	305,368
Gains		
Gain on disposal of investments at fair value through profit or loss	**75**	323
Fair value gains, net:		
Investments at fair value through profit or loss – held for trading	**–**	44
	75	367
	436,457	305,735

8. 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.

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2011 RMB'000	2010 RMB'000
Interest on bank borrowings wholly repayable within five years	**6,264**	58,322
Interest on bank borrowings wholly repayable over five years	**–**	37,465
Less: Interest capitalised	**(3,809)**	(7,152)
	2,455	88,635

10. PROFIT BEFORE TAX

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

	Notes	2011 RMB'000	2010 RMB'000
Cost of inventories sold		**2,103,526**	1,808,554
Provision/(write-back of provision) for slow-moving inventories		**352**	(1,639)
Depreciation	*18*	**211,756**	196,843
Amortisation of prepaid land premiums	*19*	**7,892**	7,673
Amortisation of other intangible assets	*20*	**951**	–
Loss on disposal of items of property, plant and equipment		**9,245**	929
Gains on disposal of subsidiaries		**–**	(4,002)
Minimum lease payments under operating leases:			
Land and buildings		**54,675**	44,303
Auditors' remuneration		**2,902**	2,317
Staff costs including Directors' remuneration *(note 11):*			
Wages, salaries and bonuses		**319,337**	215,935
Pension scheme contributions		**36,269**	27,113
Other social security costs		**74,014**	51,107
Foreign exchange differences, net		**2,290**	(1,033)
Gain on disposal of investments at fair value through profit or loss	*7*	**(75)**	(323)
Fair value losses/(gains), net:			
Investments at fair value through profit or loss – held for trading	*7*	**21**	(44)

11. 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:

	2011 RMB'000	2010 RMB'000
Fees	**597**	451
Other emoluments:		
Salaries, allowances and benefits in kind	**3,863**	4,699
Pension scheme contributions	**142**	44
	4,005	4,743
	4,602	5,194

(a) *Independent non-executive directors*

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

	2011 RMB'000	2010 RMB'000
Mr. Lin Zhijun	**199**	182
Mr. Zhang Weijiong	**199**	182
Mr. Wang Shuaiting [i]	**199**	87
	597	451

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

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

11. 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
2011				
Executive directors:				
Mr. Chen Jianqiang	**–**	**1,080**	**10**	**1,090**
Mr. Tao Qingrong	**–**	**1,020**	**66**	**1,086**
Mr. Fung Hiu Lai	**–**	**455**	**–**	**455**
Mr. Yu Yaoming (i)	**–**	**910**	**66**	**976**
	–	**3,465**	**142**	**3,607**
Non-executive directors:				
Mr. Wang Lin	**–**	**199**	**–**	**199**
Mr. Fung Hiu Chuen, John (i)	**–**	**199**	**–**	**199**
	–	**3,863**	**142**	**4,005**

	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

(i) Mr. Yu Yaoming was appointed as executive director with effect from 23 May 2011. 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.

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

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2010: two) directors, details of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining two (2010: three) non-director, highest paid employees for the year are as follows:

	2011 **RMB'000**	2010 RMB'000
Salaries, allowances and benefits in kind	**1,840**	1,775
Pension scheme contributions	**44**	66
	1,884	1,841

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

	Number of employees	
	2011	2010
Nil to RMB1,000,000	**1**	3
RMB1,000,000 to RMB1,500,000	**1**	–
	2	3

13. 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 did not have assessable income sourced from Hong Kong during the year.

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

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% (2010: 25%) on the assessable profits of the PRC Subsidiaries.

	2011 **RMB'000**	2010 RMB'000
Current – PRC corporate income tax charge for the year	**222,892**	147,470
Deferred *(note 25)*	**16,280**	(3,209)
Total tax charge for the year	**239,172**	144,261

13. 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:

	2011	2010
	RMB'000	RMB'000
Profit before tax	**830,713**	519,674
Tax at the statutory tax rate of 25% (2010: 25%)	**207,678**	129,919
Expenses not deductible for tax	**7,105**	13,057
Tax losses not recognised during the year	**–**	2,923
Utilisation of previously unrecognised deductible tax losses	**(283)**	(8,951)
Effect of withholding tax on the distributable profits of the PRC Subsidiaries	**24,672**	15,563
Additional deduction on business combination granted by tax authorities	**–**	(8,250)
Tax charge at the Group's effective rate	**239,172**	144,261

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2011 includes a loss of RMB2,982,000 (2010: a profit of RMB21,906,000), which has been dealt with in the financial statements of the Company (note 36 (e)).

15. DIVIDENDS

	2011 RMB'000	2010 RMB'000
Interim – HK$4 cents (2010: Nil) per ordinary share	**82,385**	–
Proposed final – HK$10 cents (2010: HK$7 cents) per ordinary share	**202,675**	148,908
	285,060	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 amount of RMB40,916,000 for the year ended 31 December 2010, 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").

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

The calculation of basic earnings per share amount is based on the profit for the year attributable to the ordinary equity holders of the parent of RMB580,539,000 (2010: RMB372,193,000), and the weighted average number of ordinary shares of 2,500,000,000 (2010: 2,098,630,000 (as if the capitalisation issue, described more fully in note 36(a) of the financial statements, had occurred at the beginning of the year ended 31 December 2010)) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during those years.

17. EMPLOYEE RETIREMENT BENEFITS

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

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

18. 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 2011							
At 1 January 2011, net of accumulated depreciation	3,256,566	176,616	258,517	4,529	54,935	121,756	3,872,919
Additions	142,489	47,467	23,371	6,057	19,485	568,188	807,057
Depreciation provided for the year	(106,048)	(50,371)	(37,931)	(1,750)	(15,656)	–	(211,756)
Transfers	111,548	52,116	23,895	–	8,605	(196,164)	–
Disposals	(8,883)	(1,512)	(564)	(389)	(531)	–	(11,879)
At 31 December 2011, net of accumulated depreciation	3,395,672	224,316	267,288	8,447	66,838	493,780	4,456,341
At 31 December 2011:							
Cost	3,827,542	395,828	426,677	12,998	140,674	493,780	5,297,499
Accumulated depreciation	(431,870)	(171,512)	(159,389)	(4,551)	(73,836)	–	(841,158)
Net carrying amount	3,395,672	224,316	267,288	8,447	66,838	493,780	4,456,341
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	–	–	–	–	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	–	(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

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Certain of the Group's property, plant and equipment have been pledged as at 31 December 2010 to banks for bank loan granted to the Group as disclosed in note 31.

At 31 December 2011, the application for or change of property ownership certificate for the Group's land and buildings amounting to RMB488,993,000 (2010: RMB1,034,981,000) was still in progress.

19. PREPAID LAND PREMIUMS

	2011 **RMB'000**	2010 RMB'000
Carrying amount at 1 January	**395,486**	256,047
Additions	**–**	147,112
Amortisation capitalised as property, plant and equipment for the year	**(3,125)**	–
Recognised as expenses during the year	**(7,892)**	(7,673)
Carrying amount at 31 December	**384,469**	395,486

Certain of the Group's prepaid land premiums have been pledged as at 31 December 2010 to banks for bank loans granted to the Group as disclosed in note 31.

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

20. OTHER INTANGIBLE ASSETS

	2011 **RMB'000**	2010 RMB'000
Lease agreement buyouts		
Carrying amount at 1 January	**–**	–
Additions	**48,492**	–
Recognised as expenses during the year	**(951)**	–
Carrying amount at 31 December	**47,541**	–

The lease agreement buyouts represented the Group's payment to old tenants to buy out lease agreements, and were amortised over the lease terms on a straight-line basis.

21. GOODWILL

	RMB'000
At 1 January 2010:	
Cost and net carrying amount	127,439
Cost and net carrying amount at 31 December 2010	127,439
At 1 January 2011:	
Cost and net carrying amount	127,439
Cost and net carrying amount at 31 December 2011	127,439

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% (2010: 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 3.5% 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 2011 and 31 December 2010. 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.

21. GOODWILL (continued)

Impairment testing of goodwill

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.

22. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	2011 **RMB'000**	2010 RMB'000
Share of net assets	**162,044**	–
Goodwill on acquisition	**105,595**	–
As at 31 December	**267,639**	–

Particulars of the jointly-controlled entity are as follows:

			Percentage of			
Name	**Particulars of issued shares held**	**Place of registration**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
Zhenjiang Baisheng Commercial Center Co., Ltd.	Registered capital of USD10,000,000	PRC/Mainland China	50	50	50	Operation of department stores

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

22. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY (continued)

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	2011 RMB'000	2010 RMB'000
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**48,690**	–
Non-current assets	**233,261**	–
Current liabilities	**(78,378)**	–
Non-current liabilities	**(41,529)**	–
Net assets	**162,044**	–

As the acquisition of the jointly-controlled entity was completed at the end of the year, there was no share of the jointly-controlled entity's results during the year ended 31 December 2011.

23. AVAILABLE-FOR-SALE INVESTMENTS

	2011 RMB'000	2010 RMB'000
Unlisted equity investments, at cost	**2,310**	2,310

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 2011.

As at 31 December 2011, certain unlisted equity investments with a carrying amount of RMB2,310,000 (2010: RMB2,310,000) were stated at cost less impairment. The Directors are of the opinion that their fair value cannot be measured reliably.

24. LONG-TERM PREPAYMENTS

	2011 RMB'000	2010 RMB'000
Rental prepayments	**55,864**	25,082
Prepayment for purchases of land and buildings	**535,064**	66,404
	590,928	91,486

25. 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 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 13)*	(1,949)	6,407	1,116	1,554	(1,805)	5,323
Gross deferred tax assets at 31 December 2010 and 1 January 2011	3,821	14,237	3,260	4,680	5,649	31,647
Deferred tax credited/(charged) to the income statement during the year *(note 13)*	4,899	(7,137)	795	2,044	4,365	4,966
Gross deferred tax assets at 31 December 2011	8,720	7,100	4,055	6,724	10,014	36,613

Note:

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

25. 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 the deferred tax assets to be utilised.

The Group has tax losses arising in Mainland China of RMB1,132,000 as at 31 December 2010 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. There were no unrecognised tax losses arising in Mainland China during the year ended 31 December 2011.

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 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 13)*	(7,795)	15,563	4,313	12,081
Gross deferred tax liabilities at 31 December 2010 and 1 January 2011	282,342	15,563	48,393	346,298
Realisation during the year	–	(4,265)	–	(4,265)
Acquisition of a jointly-controlled entity	–	481	–	481
Deferred tax charged/(credited) to the income statement during the year *(note 13)*	(7,795)	24,672	4,369	21,246
Gross deferred tax liabilities at 31 December 2011	274,547	36,451	52,762	363,760

25. 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 purposes, 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:

	2011 **RMB'000**	2010 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**30,857**	18,039
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(358,004)**	(332,690)
	(327,147)	(314,651)

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

26. INVENTORIES

	2011 **RMB'000**	2010 RMB'000
Store merchandise, at cost or net realisable value	**454,839**	411,576
Low value consumables	**3,151**	1,340
	457,990	412,916

27. TRADE RECEIVABLES

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

None of the balances of the trade receivables at each reporting date are either past due or impaired.

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

	2011 RMB'000	2010 RMB'000
Within one month	**9,981**	10,567

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	Note	2011 RMB'000	2010 RMB'000
Value-added tax recoverable		**2,958**	2,920
Prepayments to suppliers		**42,167**	51,012
Prepaid rental and deposits		**29,542**	21,444
Due from a related company	*(i)*	**–**	25,301
Other deposits and receivables		**133,807**	106,452
		208,474	207,129

Company

	2011 RMB'000	2010 RMB'000
Prepaid rental and deposits	**234**	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.

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.

29. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 RMB'000	2010 RMB'000
Unlisted fund investments, at market value	**30,023**	35,054

The above investments at 31 December 2010 and 2011 were classified as held for trading.

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	2011 RMB'000	2010 RMB'000
Cash and bank balances	**1,945,929**	1,332,326
Time deposits	**193,018**	205,230
Cash and cash equivalents	**2,138,947**	1,537,556

Company

	2011 RMB'000	2010 RMB'000
Cash and bank balances	**7,942**	2,334
Cash and cash equivalents	**7,942**	2,334

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

	2011 RMB'000	2010 RMB'000
RMB	**1,550,339**	673,765
US$	**457,347**	3,738
HK$	**131,261**	860,053
	2,138,947	1,537,556

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 are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and term deposits approximate to their fair values.

31. INTEREST-BEARING BANK BORROWINGS

	2011 RMB'000	2010 RMB'000
Bank loans:		
Secured	**–**	122,500
Unsecured	**924,976**	–
	924,976	122,500
Bank loans repayable:		
Within one year or on demand	**87,192**	10,000
Over one year but within two years	**181,706**	14,250
Over two years but within five years	**656,078**	48,750
Over five years	**–**	49,500
	924,976	122,500
Total bank borrowings	**924,976**	122,500
Less: Portion classified as current liabilities	**(87,192)**	(10,000)
Long-term portion	**837,784**	112,500

Bank loans bear interest at fixed rates and floating rates.

The Group's bank loans bore effective interest rate at 3.75% per annum as at 31 December 2011 and 6.14% per annum as at 31 December 2010.

The security of bank loans of the Group as at 31 December 2010 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 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 were pledged for bank loans.

The carrying amounts of the Group's borrowings as at 31 December 2011 were all denominated in US$ with amount of US$146,805,000 (equivalent to RMB924,976,000). The carrying amounts of the Group's borrowings as at 31 December 2010 were all denominated in RMB.

32. TRADE PAYABLES

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

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

	2011 **RMB'000**	2010 RMB'000
Within three months	**930,473**	692,302
Over three months but within six months	**47,072**	51,903
Over six months but within one year	**33,239**	33,032
Over one year	**21,502**	17,406
	1,032,286	794,643

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 RMB111,000 as at 31 December 2011 (2010: RMB499,000).

33. OTHER PAYABLES AND ACCRUALS

	2011 **RMB'000**	2010 RMB'000
Accrued expenses	**–**	288
Payables to suppliers' employees	**10,250**	14,555
Deposits from suppliers	**56,961**	47,553
Value-added taxes	**73,565**	75,000
Other tax payable	**28,528**	20,092
Payable for capital expenditure	**274,989**	208,667
Payable for staff costs	**122,610**	79,919
Bonus points liabilities	**26,898**	18,718
Advances from customers	**1,271,210**	836,514
Due to a related company [(i)]	**1,239**	455
Payable for acquisition of a jointly-controlled entity	**43,854**	–
Other payables	**34,279**	30,644
	1,944,383	1,332,405

Note:

(i) The amount due to a related company as at 31 December 2011 represented an amount due to Nanjing Yaohan Commerce & Trade Co., Ltd. ("Nanjing Yaohan"), which was controlled by a relative of a director, Mr. Chen Jianqiang. 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 Jianqiang.

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

34. LONG-TERM PAYABLES

	2011 RMB'000	2010 RMB'000
Long-term portion of accrued rental expenses	**16,221**	13,039
Put options to non-controlling interest shareholders [(i)]	**263,565**	258,175
	279,786	271,214

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 dates.

35. CONTINGENT LIABILITIES, OPERATING LEASE ARRANGEMENTS AND CAPITAL COMMITMENTS

(a) 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.

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011 **RMB'000**	2010 RMB'000
Within one year	**52,261**	34,342
In the second to fifth years, inclusive	**323,231**	191,272
After five years	**1,201,075**	523,375
	1,576,567	748,989

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 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2011 **RMB'000**	2010 RMB'000
Within one year	**44,945**	41,640
In the second to fifth years, inclusive	**64,830**	75,088
After five years	**22,783**	33,216
	132,558	149,944

(b) Capital commitments

	2011 **RMB'000**	2010 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**217,998**	549,678

36. ISSUED CAPITAL AND RESERVES

(a) Issued capital

Authorised

	No. of shares at HK$0.01 each 2011 Thousands	No. of shares at HK$0.01 each 2010 Thousands
Ordinary shares	**10,000,000**	10,000,000
	10,000,000	10,000,000

Ordinary shares issued and fully paid

	Notes	**No. of shares at HK$0.01 each** Thousands	RMB'000
As at 1 January 2010		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 and 2011		2,500,000	21,589

(i) Pursuant to the resolution of the shareholders 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.

(b) Contributed surplus

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

36. 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 this 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, the balance of the statutory reserve fund must be maintained at a minimum of 25% of the registered capital after these 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 RMB'000	**Exchange fluctuation reserve** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 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 and 1 January 2011	2,593,104	(105,824)	(19,015)	2,468,265
Total comprehensive income for the year	–	(119,941)	(2,982)	(122,923)
Interim 2011 dividend	(82,385)	–	–	(82,385)
Proposed final 2011 dividend	(202,675)	–	–	(202,675)
At 31 December 2011	2,308,044	(225,765)	(21,997)	2,060,282

37. 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:

	2011 RMB'000	2010 RMB'000
Purchase from a related company	–	16,843
Commission income from concessionaire sales from related companies	12	2,761

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

The concessionaire sale transactions were entered into with Shanghai Fengziyi. Shanghai Fengziyi is a related company 50% owned by a relative of Mr. Chen Jianqiang, a director of the Company, based on mutually agreed terms. The balances due to Shanghai Fengziyi at each reporting date were disclosed in note 32.

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

(1) The Group had balances due to related companies at each of the reporting date. Further details of the balances are disclosed in note 28 and 33.

(2) Compensation of key management personnel of the Group who comprises directors and key employees of the Group has been disclosed in notes 11 and 12.

(3) In 2010, the Group entered into a lease agreement with Nanjing Yaohan to leases certain store areas from Nanjing Yaohan for its supermarket operation. The rental expense charged by Nanjing Yaohan for the year ended 31 December 2011 amounted to RMB 1,000,000 (2010: RMB 167,000).

38. INTEREST IN SUBSIDIARIES

Company

	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	–	–
Loans to a subsidiary	2,276,370	2,636,182
	2,276,370	2,636,182

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

Particulars of the subsidiaries of the Group are as follows:

Name	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 (d)(4)	BVI 12 June 2006	US$1	100%	Investment holding
Cleavebury Limited (4)	Hong Kong 25 January 2006	HK$1	100%	Investment holding
Novel Vanguard Investment Limited (d)(4)	BVI 21 November 2011	US$1	100%	Investment holding
Sonton Enterprises Limited (f)(4)	Hong Kong 17 June 1993	HK$38,000,000	100%	Investment holding
Jiangsu Springland Enterprise Investment Holding (Group) Co., Ltd. (1) 江蘇華地國際控股集團有限公司	PRC/Mainland China 12 February 1996	US$ 360,000,000	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

38. INTEREST IN A SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows: (continued)

Name	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 Huilian Electronic Limited Company[e][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.[e][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
Wuxi Huixing Gold Store Co., Ltd. [e][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.[e][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
Jiangsu Datonghua Shopping Centre 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 Centre Co., Ltd. [2] 金壇大統華購物中心有限公司	PRC/Mainland China 17 April 2003	RMB 215,000,000	100%	Operation of department stores and supermarkets

38. INTEREST IN A SUBSIDIARIES (continued)

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

Name	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
Liyang Datonghua Shopping Centre 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 Yaohan Commerce & Trade Centre Co., Ltd. (b)(4) 溧陽八佰伴商貿中心有限公司	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
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. (4) 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

38. INTEREST IN A SUBSIDIARIES (continued)

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

Name	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 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
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
Nantong Yaohan Commerce & Trade Joint Stock Company Limited [(a)(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

38. INTEREST IN A SUBSIDIARIES (continued)

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

Name	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 Yaohan Commerce & Trade Co., Ltd. (c)(4) 長興八佰伴商貿有限公司	PRC/Mainland China 17 November 2009	RMB 75,000,000	100%	Operation of department stores and supermarkets
Taixing 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
Anqing Yuexin Xinglida Real Estate Development Co., Ltd. (f)(4) 安慶悦信興利達房地產開發有限責任公司	PRC 8 February 2007	RMB 130,000,000	100%	Property holding
Xuancheng Yaohan Commerce & Trade Co., Ltd. (4) 宣城八佰伴商貿有限公司	PRC 1 September 2011	RMB 153,000,000	100%	Operation of department stores and supermarkets
Yixing Datonghua Agriculture Technology Co., Ltd. (4) 宜興市大統華農業科技有限公司	PRC 1 September 2011	RMB 5,100,000	100%	Supply of vegetables
Jiangsu Green Land Agriculture Technology Development Co., Ltd. (4) 江蘇綠地農業科技發展有限公司	PRC 23 August 2011	RMB 5,100,000	100%	Supply of vegetables

38. INTEREST IN A SUBSIDIARIES (continued)

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

(a) 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).

(b) On 26 December 2011, the company's name was changed from Liyang Springland Department Store Co., Ltd. (溧陽華华地百貨有限公司) to Liyang Yaohan Commerce & Trade Center Co., Ltd. (溧陽八佰伴商貿中心有限公司).

(c) On 10 June 2011, the company's name was changed from Changxing Springland Real Estate Co., Ltd. (長興華地置業有限公司) to Changxing Yaohan Commerce & Trade Co., Ltd. (長興八佰伴商貿有限公司).

(d) Except for Springland International Group Company Limited, and Novel Vanguard Investment Limited, which are directly owned by the Company, all of the above Group companies are indirectly owned subsidiaries of the Company.

(e) These subsidiaries were liquidated by the Group during the year ended 31 December 2011.

(f) These subsidiaries were acquired by the Group during the year ended 31 December 2011.

(g) 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

39. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2011 — **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	–	9,981	–	9,981
Financial assets included in prepayments, deposits and other receivables	–	133,807	–	133,807
Investments at fair value through profit or loss	30,023	–	–	30,023
Cash and cash equivalents	–	2,138,947	–	2,138,947
	30,023	2,282,735	2,310	2,315,068

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	1,032,286
Financial liabilities included in other payables and accruals	421,572
Interest-bearing bank borrowings	924,976
Financial liabilities included in long-term payables	263,565
	2,642,399

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Financial liabilities (continued)

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

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	794,643
Financial liabilities included in other payables and accruals	302,162
Interest-bearing bank borrowings	122,500
Financial liabilities included in long-term payables	258,175
	1,477,480

39. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

31 December 2011 — **Company**

Financial assets

	Loans and receivables RMB'000
Loans to subsidiaries	**2,276,370**
Cash and cash equivalents	**7,942**
	2,284,312

31 December 2010 — **Company**

Financial assets

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

40. 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	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Cash and cash equivalents	**2,138,947**	1,537,556	**2,138,947**	1,537,556
Trade receivables	**9,981**	10,567	**9,981**	10,567
Financial assets included in prepayments, deposits and other receivables	**133,807**	131,753	**133,807**	131,753
Available-for-sale investments	**2,310**	2,310	**2,310**	2,310
Investments at fair value through profit or loss	**30,023**	35,054	**30,023**	35,054
	2,315,068	1,717,240	**2,315,068**	1,717,240
Financial liabilities				
Trade payables	**1,032,286**	794,643	**1,032,286**	794,643
Financial liabilities included in other payables and accruals	**421,572**	302,162	**421,572**	302,162
Interest-bearing bank borrowings	**924,976**	122,500	**924,976**	122,500
Financial liabilities included in long-term payables	**263,565**	258,175	**263,565**	258,175
	2,642,399	1,477,480	**2,642,399**	1,477,480

40. FAIR VALUE AND FAIR VALUE HIERARCHY (Continued)

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

Company

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans to subsidiaries	**2,276,370**	2,636,182	**2,276,370**	2,636,182
Cash and cash equivalents	**7,942**	2,334	**7,942**	2,334
	2,284,312	2,638,516	**2,284,312**	2,638,516

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, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due to subsidiaries approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of interest-bearing bank 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.

40. 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 2011:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Investments at fair value through profit or loss	**–**	**30,023**	**–**	**30,023**

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, trade payables 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.

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 2011			
RMB	**50**	**–**	**–**
US$	**50**	**(4,650)**	**(3,488)**
RMB	**(50)**	**–**	**–**
US$	**(50)**	**4,650**	**3,488**
Year ended 31 December 2010			
RMB	50	(613)	(460)
US$	50	–	–
RMB	(50)	613	460
US$	(50)	–	–

41. 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 US$ and HK$ as disclosed in note 30 and bank loans denominated in US$ as disclosed in note 31.

The Group's assets and liabilities denominated in US$ and HK$ were mainly held by certain subsidiaries incorporated outside Mainland China who had US$ or HK$ as their functional currencies, and the Group did not have material foreign currency transactions in Mainland China during the year. Therefore, the Group had immaterial foreign currency risk.

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 credit risk of the Group's financial assets, which comprise cash and cash equivalents and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts to these instruments.

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.

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:

2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank borrowings	–	5,671	104,204	878,424	–	988,299
Trade payables	150,970	881,316	–	–	–	1,032,286
Financial liabilities included in other payables and accruals	421,572	–	–	–	–	421,572
Financial liabilities included in long-term payables	–	–	–	263,565	–	263,565
	572,542	886,987	104,204	1,141,989	–	2,705,722

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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 borrowings	–	–	16,775	82,031	53,614	152,420
Trade payables	192,905	601,738	–	–	–	794,643
Financial liabilities included in other payables and accruals	302,162	–	–	–	–	302,162
Financial liabilities included in long-term payables	–	–	–	258,175	–	258,175
	495,067	601,738	16,775	340,206	53,614	1,507,400

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 2011 and 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, trade 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:

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Group

	2011 RMB'000	2010 RMB'000
Interest-bearing bank borrowings	**924,976**	122,500
Trade payables	**1,032,286**	794,643
Other payables and accruals	**1,944,383**	1,332,405
Less: Cash and cash equivalents	**(2,138,947)**	(1,537,556)
Net debt	**1,762,698**	711,992
Equity attributable to owners of the parent	**4,128,980**	3,786,212
Equity and net debt	**5,891,678**	4,498,204
Gearing ratio	**30%**	16%

42. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after 31 December 2011.

43. APPROVAL OF THESE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 28 February 2012.

FIVE YEAR SUMMARY

	Year ended 31 December					
	2007	2008	2009	2010	**2011**	**Change**
			RMB million			**%**
FINANCIAL RESULTS						
TSP *(note1)*	3,744	4,245	4,734	6,853	**8,697**	**+26.9%**
Revenue	2,001	2,246	2,286	2,990	**3,602**	**+20.5%**
Profit from operation	357	379	425	659	**848**	**+28.8%**
Profit for the year	219	220	249	375	**592**	**+57.5%**
Profit attributable to owners of the parent	219	220	248	372	**581**	**+56.0%**
Earnings per share attributable to ordinary equity holders of the parent (RMB cents) *(note2)*	14	13	15	18	**23**	**+27.8%**

	As at 31 December					
	2007	2008	2009	2010	**2011**	**Change**
			RMB million			**%**
SUMMARY OF FINANCIAL POSITION						
Non-current assets	2,608	3,028	4,150	4,507	**5,908**	
Current assets	907	1,068	1,873	2,203	**2,845**	
Total assets	3,515	4,096	6,023	6,710	**8,753**	**30.4%**
Current liabilities	2,205	2,564	3,394	2,178	**3,117**	
Non-current liabilities	309	339	1,573	716	**1,476**	
Total liabilities	2,514	2,903	4,967	2,894	**4,593**	**58.7%**
Net assets	1,001	1,193	1,056	3,816	**4,160**	**9.0%**

Notes:

(1) TSP 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, had occurred at the beginning of the years.