SPRINGLAND

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

Incorporated in the Cayman Islands with limited liability

Stock Code：1700

Annual Report 2012

CONTENTS

Corporate Information	*2*
Corporate Profile	*3*
Financial Highlights	*6*
Chairman's Statement	*7*
Management Discussion and Analysis	*10*
Directors and Senior Management	*24*
Corporate Governance Practices	*28*
Directors' Report	*35*
Independent Auditors' Report	*43*
Consolidated Income Statement	*45*
Consolidated Statement of Comprehensive Income	*46*
Consolidated Statement of Financial Position	*47*
Consolidated Statement of Changes in Equity	*49*
Consolidated Statement of Cash Flows	*50*
Statement of Financial Position	*52*
Notes to Financial Statements	*53*
Five Years Summary	*124*

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 1508, 15/F
Cityplaza Four
12 Taikoo Wan Road
Taikoo Shing
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

AUDITORS

Ernst & Young

STOCK CODE

1700

COMPANY WEBSITE

www.springlandgroup.com.cn

CORPORATE PROFILE

CORPORATE PROFILE

Regional focus On Greater Yangtze River Delta

Springland International Holdings Limited (the "Company") and its subsidiaries (the "Group") engages 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 operates and manages total 45 stores in 15 cities. Our footprint covers cities including Yixing, Liyang, Danyang, Changshu, Jiangyin, Wuxi, Nantong, Zhenjiang, Changzhou, Jintan and Yangzhou of Jiangsu Province, Ma'anshan and Xuancheng of Anhui Province and Changxing of Zhejiang Province.

Leading market strategy

In 2012, we operated 17 department stores in 14 cities, 8 department stores were ranked as the highest sales proceeds in their respective cities. This leading position empowers the Group competitive advantages over existing competitors or even potential business runners who intend to get share from the market. The Group ensures a powerful bargaining ability to the suppliers and retails partners and on inspiration of customer's preferences. As an experienced operator with foresight planning in the local retail market, the Group achieves fruitful gain through years of successful operations and support from loyal customers as a result of the Group's deep insights and extensive experience.

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 generates 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 enable each store in the Group's retail network to enjoy advantages over competitors in the respective regions.

Stores situated on prime sites and self-owned properties

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 empowers the Group's strategic advantage over the competitors and guarantees the leading position on market.

The total gross floor areas of the properties occupied by the Group is 926,000 sq. meters among which, 641,000 sq. meters ownes by the Group. The Group's department stores and supermarkets are sited in self-owned properties reach 84% and 35% of the total gross floor areas 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 secure through long-term leases that typically have a long-term lease of 15-20 years.

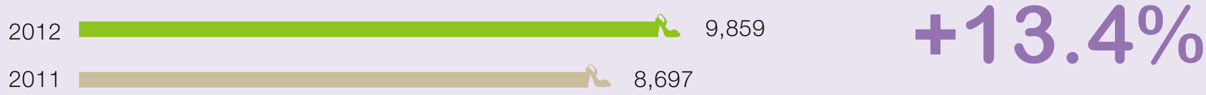
Gross floor areas and operational areas

	Gross Floor Areas (sq. m.)			Operational Area (sq. m.)
	Owned	Leased	Total	Total
Department Store				
Jiangsu Province				
Yixing Springland*	23,079	5,500	28,579	23,037
Liyang Yaohan*	12,259	15,269	27,528	24,120
Danyang Springland*	35,124	–	35,124	27,121
Yixing Springland (Hexin Branch)*	30,251	–	30,251	21,239
Changshu Springland	–	26,625	26,625	22,762
Jiangyin Springland*	37,930	–	37,930	29,707
Wuxi Yaohan*	76,300	–	76,300	56,969
Nantong Yaohan	58,522	–	58,522	41,685
Zhenjiang Yaohan*	70,741	–	70,741	59,261
Changzhou Yaohan	–	23,830	23,830	19,682
Jintan Yaohan*	24,899	–	24,899	21,745
Yangzhou Wanjiafu	24,798	–	24,798	17,360
Zhenjiang Commercial Building*	44,839	–	44,839	25,000
Zhenjiang Hengsheng Shopping Plaza*	–	33,000	33,000	22,000
Anhui Province				
Ma'anshan Yaohan	32,359	–	32,359	26,815
Xuancheng Yaohan*	34,952	–	34,952	28,600
Zhejiang Province				
Changxing Yaohan*	36,346	–	36,346	28,017
Sub-total	***542,398***	***104,224***	***646,622***	***495,119***
Percentage	***84.0%***	***16.0%***	***100%***	
Supermarket				
Stores opened on or before 2010	51,998	*18,197*	170,195	92,335
Stores opened on 2011 and 2012	46,871	62,698	109,569	62,120
Sub-total	***98,869***	***180,895***	***279,764***	***154,455***
Percentage	***35.3%***	***64.7%***	***100%***	
Group total	**641,267**	**285,119**	**926,386**	**649,574**
Percentage	**69.2%**	**30.8%**	**100%**	

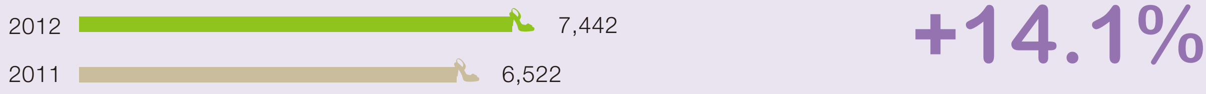
* department store with supermarket in same building/commercial district

FINANCIAL HIGHLIGHTS

TOTAL SALES PROCEEDS – GROUP (RMB MILLION)



TOTAL SALES PROCEEDS – DEPARTMENT STORE BUSINESS (RMB MILLION)

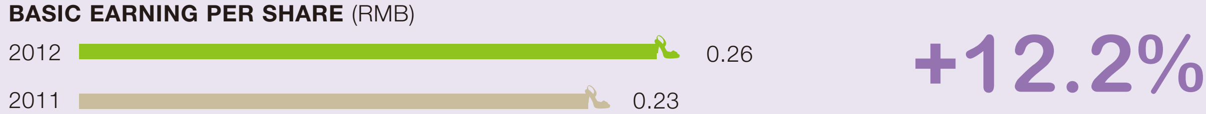


TOTAL SALES PROCEEDS – SUPERMARKET BUSINESS (RMB MILLION)

PROFIT FOR THE YEAR (RMB MILLION)

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT (RMB MILLION)

BASIC EARNING PER SHARE (RMB)



CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

The Chinese economy grew 7.8 percent in 2012—the country's slowest rate of growth since 1999. In this year, the Chinese economy maintained a state of stability and steady economic growth, adjusted the structure of economic by switching from a reliance on exports to boosting consumer demands. It was believed that the growth rate will be in slow pace in the future. Demanding customers and keen market competition resulted in the industry upgrading throughout the period. We believed that business growth will be drive by appropriate strategy, outstanding operation teams and proper store networks. By slowing down of growth rate in Chinese economy and pronounced economic uncertainty for many countries around the world, the Group still kept on track to open high quality stores to cut down operating cost and seize market share. The Group targeted sustainable benefits to its shareholders.

In this situation, by the great effort of staffing members and continuous support from our business partners, the Group's total sales proceeds increased to RMB9.9 billion, an increase of 13.4% year-on-year. Profit for the year reached RMB656.3 million, growth of 10.9% year-on-year; earning per share were RMB26 cents. The Board proposed a final dividend of HK12 cents per share for the year ended 31 December 2012.

DEVELOPMENT STRATEGY

The Group increased the density of outlets in a city or a region by opening new stores to keep regional dominance. The Group maintained the condensed store opening strategy. Our footprint spread out to the northern part of the Yangtze River, Anhui Province and the northern part of Zhejiang Province prudently. In 2012, two department stores were newly-opened in Changxing, Zhejiang Province and Xuancheng, Anhui Province and six supermarkets newly-opened in the above cities and other regions in Jiangsu Province. The new stores opened in Changxing, Zhejiang Province and Xuancheng, Anhui Province successfully achieved the setting up of a supplier channel and logistic system outside the Jiangsu Province. In December 2012, the Group acquired a 51% equity interest in Yangzhou Fengxiang Commerce Co., Ltd, which operated a department store, Yangzhou Wanjiafu Commercial Building, in Yangzhou, Jiangsu Province. It led our stores network reach the to northern part of Jiangsu Province.

Based on the remarkable achievement of Zhenjiang Yaohan Department store, the Group duplicated the successful model for shopping malls by taking advantage of dual format of department store and supermarket. Hence, shopping malls with Springland's character, i.e. large portion of the retail space is operated by the Group, has food & beverage, other entertainment functions and large parking area, and so attracted customers' attention for leisure and consumption.

On the basis of systematic operation and detailed execution, the Group developed the competitiveness of the department store and supermarket businesses. Total sales proceeds for the department store and supermarket businesses grew 14.1% and 11.1% year-on-year respectively. As an advocator for quality of living, Springland's department store created an enjoyable shopping experience for customers. In the supplement business, we build core competitiveness on "food product" and focus on setting up an efficient refrigeration system for fresh products. We are concerned with the sufficiency, merchantability, freshness, health and safety of fresh products and plans to construct and build a fresh product and technology development center.

The Group is committed to carrying out corporate responsibly and aimed "from the society and for the society". We promoted environmental protection and actively practiced the company's environmental policy and mission. In 2012, the Group promoted a number of environmental and energy-saving measures to improve the energy efficiency in the stores. The outlets also launched a series of environmental care programs including exhibitions, a cycling race around Taihu Lake, tree planting activities, battery recycling and secondhand merchandise fair for a better society.

PROSPECTUS

The Chinese economy will still face challenges including the debilitated global economy, a deceleration of inbound investment and low consumer confidence in China that are reasons for the slowing growth rate and also the challenges in retail market. In order to maintain the profitability and market share, the Group continuously upgrades the existing stores and improves operating efficiency, gets the appropriate mix of merchandise and provides a high standard of services to meet customers' needs. Furthermore, the Group will fine tune our operational strategy and implement tight cost control to maintain competitiveness and profitability by meeting the customers' needs well to keep the best return for shareholders.

After more than 10 years of effort, the Group, as a retail operator in China, has a total of 45 stores (both department store and supermarket) and has a fine reputation on market. Despite the various challenges in 2012, we delivered solid performance in our business. I would like to thank the Board for their great contribution. I would also send my gratitude to our shareholders, customers and business partners for their continuous supports. I must express my sincere appreciation to all my colleagues whose dedication, ingenuity and hard work have been and will remain crucial to the Group's continuing success.

Chen Jianqiang
Chairman

13 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group gained steady growth in sales and achieved RMB9.9 billion of the total sales proceeds (the "TSP") in 2012, growth of 13.4% year-on-year through the efforts of all of our staff. The TSP of department store business grew 14.1% and the TSP of the supermarket business grew 11.1% year-on-year. We committed to improving the operational efficiency of existing stores and enhancing the integration of new stores.

Department Store Business

Springland's department store is an advocator for quality of living. In addition to the annual spring and autumn adjustments in the department stores, the Group completed adjustment of merchandise mix in several stores in 2012. International cosmetic brands such as ESTEE LAUDER, Lanĉome, FANCL, Sisley and Clinique launched in Wuxi, Zhenjiang and Yixing stores. After refurbishment and upgraded in Nantong Yaohan store, new trendy brands such as HUGO BOSS, PAUL & SHARK, Dunhill and Armani were introduced. As a result, more stylish and personalized merchandise was presented in the stores. The Group persisted in adopting effective promotional events such as "Privilege Sales for Members", "Anniversary", "Brand Label Private Sales" and "Staff Promotion".

Blog and WeChat have been adopted as new media for releasing news and events among the young. During the year, the Group will keep on upgrading the department customer relation management system ("CRM system"). The Group introduced customer-oriented and exclusively value-added services which are a vital force to strengthen customers' loyalty and satisfaction by experiential consumption. In 2012, VIP consumption increased to 57.2% from 53.8% of total sales proceeds in the department store business. VIP members increased to 2.0 million as at year ended 31 December 2012.

Supermarket Business

The focus point of the supermarket business were competitiveness on fresh product and improvement in labor efficiency. An increase of 14.9% on fresh food sales resulted from the implementation of a cold chain distribution system for fruit and vegetable, centralized procurement of fresh water & iced fish and the development of advanced technology for bread making and cooked food. Labor efficiency was improved by optimizing headcount and processes in order to ensure the rational allocation of staff.

New Store Openings and Network Expansion

On 10 August 2012, Changxing Yaohan department store and Changxing Datonghua supermarket commenced operation with gross floor areas of approximately 36,000 square meters and 9,000 square meters respectively. The grand opening of these stores represented a remarkable step for Springland as the Group established itself in Zhejiang Province.

On 1 December 2012, Xuancheng Yaohan department and Xuancheng Datonghua supermarket were opened. Xuancheng Yaohan and Xuancheng Datonghua are situated at a prime location on Diezhang Road of Xuancheng City, occupying gross floor areas of approximately 35,000 square meters and 18,000 square meters respectively. The successful opening of Xuancheng Stores demonstrated the preliminary achievements of our strategic expansion in Anhui and established a solid foundation for development in Anhui Province.

In December 2012, the Group acquired 51% equity interest in Yangzhou Fengxiang Commercial Co., Ltd. which is engaged in the operation of a department store, Yangzhou Wanjiafu Commercial Buildings, in Yangzhou, Jiangsu Province. The gross floor areas of Yangzhou Wanjiafu Commercial Building department store is approximately 25,000 square meters. The store is located in the core district in Yangzhou and expanded our store network to the northern part of Jiangsu Province.

During 2012, four new supermarkets were opened, which occupied gross floor area of total approximately 31,000 square meters, and located along the existence logistic routes in Yixing, Jiangyin and Wuxi cities. The opening of the new supermarkets enhanced the Group “1+N” expansion strategy for the supermarket business, improved our logistics efficiency and so enhanced the quality of our products.

As of 31 December 2012, the Group had a total operational floor area of 650,000 sq. meters (2011: 543,000 sq. meters), in which 495,000 sq. meters (2011: 421,000 sq. meters) is operated by the department store business and 154,000 sq. meters (2011: 121,000 sq. meters) is operated by the supermarket business. An increase of 107,000 sq. meters in operational floor area was mainly due to two newely-opened department stores, six newly-opened supermarkets and the acquisition of a department store in Yangzhou.

On 13 March 2013, the Group entered into an agreement for acquiring the entire equity interest of Nanjing Yaohan Commerce & Trade Co. Ltd (Nanjing Yaohan Commerce & Trade). Nanjing Yaohan Commerce & Trade engaged in the operation of a department store, Nanjing Yaohan Store, in Nanjing, Jiangsu Province. Nanjing Yaohan Store has gross floor areas of 23,000 square meters and was opened in September 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

	Year ended 31 December		
	2012	2011	Increase
	(RMB million)		
Total sales proceeds ("TSP")[1]	**9,858.9**	8,696.7	13.4%
Department store	***7,442.3***	*6,522.3*	*14.1%*
Supermarket	***2,416.6***	*2,174.4*	*11.1%*
Revenue	**3,806.9**	3,601.8	5.7%
Operating profit[2]	**948.3**	848.3	11.8%
Profit attributable to owners of the parent	**651.3**	580.5	12.2%
Earnings per share (Basic)	**RMB26 cents**	RMB23 cents	12.2%
Operating margin[3] *(in term of TSP)*			
– department store business	***10.2%***	*10.2%*	
– supermarket business	***7.9%***	*8.3%*	
Net profit margin[4] *(in term of TSP)*	***6.7%***	*6.8%*	

The Group achieved strong financial results for 2012 with both TSP, revenue and profit attributable to owners of the parent reaching record highs. The results are attributable to same store sales growth of department stores and the Group's continuous efforts in maximizing operational efficiency. However, the Group opened more new stores and faced intensified competition in the supermarket business. Operating profit of the supermarket business increased 6.3% year-on-year, while operating margins for the supermarket business dropped from 8.3% in 2011 to 7.9% in 2012.

1 gross revenue from concessionaire sales + revenue from direct sales + rental income
2 operating profit of department store + operating profit of supermarket
3 operating profit/TSP
4 profit for the year/TSP

TSP

	Year ended 31 December					
	2012			2011		
	Department Store business	**Supermarket business**	**Total**	Department Store business	Supermarket business	Total
				(RMB million)		
Revenue (as reported)	**1,551.0**	**2,255.9**	**3,806.9**	1,568.4	2,033.4	3,601.8
Add/(less)						
Provision of food and beverage services	**–**	**(15.4)**	**(15.4)**	–	(17.5)	(17.5)
Commission income from concessionaire sales	**(1,215.4)**	**(33.1)**	**(1,248.5)**	(1,050.9)	(28.4)	(1,079.3)
Gross revenue of concessionaire sales	**7,106.7**	**209.2**	**7,315.9**	6,004.8	186.9	6,191.7
TSP	**7,442.3**	**2,416.6**	**9,858.9**	6,522.3	2,174.4	8,696.7
Direct sales	**286.8**	**2,168.3**	**2,455.1**	471.1	1,956.1	2,427.2
Gross revenue of concessionaire sales	**7,106.7**	**209.2**	**7,315.9**	6,004.8	186.9	6,191.7
Rental income	**48.8**	**39.1**	**87.9**	46.4	31.4	77.8
TSP	**7,442.3**	**2,416.6**	**9,858.9**	6,522.3	2,174.4	8,696.7
Same Store sales growth	**8.8%**	**-1.0%**		25.4%	10.9%	

Department Store Business:

TSP from the department store business grew to RMB7,442.3 million (2011: RMB6,522.3 million) was mainly attributable to same store sales growth of approximately 8.8%. Direct sales as a percentage of TSP from the department store business decreased from 7.2% to 3.9% while gross revenue of concessionaire sales as a percentage of TSP from the department stone business increased from 92.1% to 95.5% in 2012. The changes were primarily due to a change in the sales model for household and electronic appliances from direct sales to a concessionaire sales model.

TSP by Top Five Stores

With the increase in TSP contributions from younger stores, Wuxi Yaohan store's contribution to TSP of the department store business decreased from 22.9% to 21.5%. The five largest stores contributing to TSP were Wuxi Yaohan, Jiangyin Springland, Zhenjiang Yaohan, Yixing Springland and Liyang Yaohan and their aggregate contribution to TSP decreased from 69.3% to 65.7% for 2012.

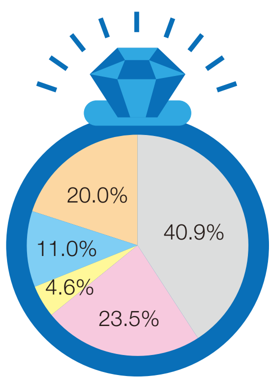
	2012		2011	
	TSD (RMB million)	**TSP Contribution**	TSD (RMB million)	TSP Contribution
Wuxi Yaohan	**1,598**	**21.5%**	1,495	22.9%
Jiangyin Springland	**947**	**12.7%**	867	13.3%
Zhenjiang Yaohan	**941**	**12.6%**	776	11.9%
Yixing Springland	**841**	**11.3%**	881	13.5%
Liyang Yaohan	**567**	**7.6%**	500	7.7%
Others	**2,548**	**34.3%**	2,003	30.7%
	7,442	**100%**	6,522	100%

TSP by Merchandise Categories

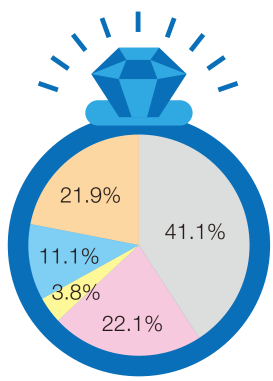
In 2012, fashion and apparel accounted for approximately 40.9% (2011: 41.1%); merchandise related to cosmetics accounted for approximately 4.6% (2011: 3.8%); watches, gold and jewelry accounted for approximately 23.5% (2011: 22.1%); footwear accounted for approximately 11.0% (2011: 11.1%) and the remaining categories including athletic apparel and casual wear, children's and home furnishing, household and electronic appliances, rental income and others accounted for the remaining 20.0% (2011: 21.9%) of TSP of the department stores business. The proportion of sales proceeds of department stores from various merchandise categories are presented in the below charts.

Fashion and apparel
Watches, gold and jewelry
Cosmetics
Footwear
Others

Department Store – 2012



Department Store – 2011



Commission Rate from Concessionaire Sales and Comprehensive Gross Margin[5]

In 2012, the commission rate from concessionaire sales was 17.1%, representing a mild reduction of 0.4 percentage point from 17.5% in 2011. The decrease was mainly due to the increased contribution from low commission rate merchandise related to cosmetics, watches, gold and jewelry and the dilution effect on commission rates from concessionaire sales from newly-opened stores (which normally carry a lower commission rate). The Comprehensive Gross Margin was 20.7%, representing a mild growing of 0.2 percentage point from 20.5% in 2011. The growth resulted from improving operational efficiency in our regional network. The Group intended to improve the profitability by conducting periodic reviews and enhancing its merchandise mix to meet changing consumption demands.

Supermarket Business:

In 2012, TSP of the supermarket business reached RMB2,416.6 million (2011: RMB2,174.4 million). Growth in TSP arose from proceeds from newly opened supermarkets. Increase number of store by the Group, intensified competition and economic slowdown in PRC resulted in a same store sales drop of approximately 1.0%.

TSP by Top Five Stores

The aggregate contribution to TSP generated from the supermarket business from the five largest stores decreased from approximately 52.4% to 45.7% for 2012. The proceeds from supermarkets opened in 2011 and 2012 (proceeds not included in calculating the same store sales growth) accounted for 17.1% of TSP for the supermarket business. These stores are expected to become a new driving force for the supermarket business of the Group.

TSP by Merchandise Categories

Fresh food accounted for approximately 35.7% (2011: 34.5%), dry foods accounted for approximately 31.8% (2011: 32.9%), non-food accounted for approximately 27.6% (2011: 27.5%) and the remaining categories including rental income and others accounted for the remaining 4.9% (2011: 5.1%) of the TSP of the supermarket business. The proportion of sales proceeds of supermarket business from various merchandise categories are presented in the below charts.

5 Comprehensive Gross Margin = (gross profit of direct sales + commission income from concessionaire sales + rental income + other income (service fee collected from concessionaire and suppliers))/TSP

Direct Sales Margin and Comprehensive Gross Margin

Revenue from direct sales in the supermarket business increased to RMB2,168.3 million from RMB1,956.1 million, representing a rise of 10.8%. The direct sales margin stayed at 14.0% for 2012 (2011: 13.9%). The Comprehensive Gross Margin reached 24.5% for 2012 (2011: 23.7%). The Group intended to maintain the direct sales margin and Comprehensive Gross Margin stable and to attract foot traffic by maintaining a self-sufficient basis for fresh food and stepping up direct sourcing of fresh food products from original production sites throughout China.

Expenses

	Year ended 31 December									
	2012					2011				
	Department store business	Supermarket business (RMB million)	Headquarter	Total	% of TSP	Department store business	Supermarket business (RMB million)	Headquarter	Total	% of TSP
TSP	7,442.3	2,416.6	-	9,858.9	100%	6,522.3	2,174.4	–	8,696.7	100%
Staff costs	223.0	186.0	73.7	482.7	4.9%	201.1	158.3	70.2	429.6	5.0%
Depreciation and amortisation	193.9	56.0	4.3	254.2	2.6%	171.8	45.4	3.4	220.6	2.5%
Rental expenses	15.8	48.7	3.4	67.9	0.7%	14.7	38.8	1.2	54.7	0.6%
Other expenses	352.2	110.3	26.6	489.1	4.9%	280.7	93.5	22.1	396.3	4.6%
Total expenses	784.9	401.0	108.0	1,293.9	13.1%	668.3	336.0	96.9	1,101.2	12.7%

Expenses consisted of staff costs, depreciation and amortisation, rental expenses and other expenses. Other expenses mainly include utility expenses, advertising and promotion expenses, provision for uncollectible receivables regarding sales of prepaid cards, losses on disposal of property, plant and equipment, office expenses, maintenance costs, travelling expenses, entertainment expenses, property tax and government surcharges and other miscellaneous expenses.

Total expenses of the Group as a percentage of TSP increased marginally to approximately 13.1% for 2012 from 12.7% for 2011. Total expenses increased 17.5% to RMB1,293.9 million (2011: RMB1,101.2 million) as we continued to expand the store networks and upgrade the shopping environment. Under inflationary pressure in the economy, the Group faced rising commercial rents, wages and overhead costs. However, the Group’s department stores and supermarkets and sited in self-owned properties reached 84% and 35% of the gross floor areas respectively. The self-owned properties mitigated rental cost increases and maintained the operating leverage of the Group.

Fee Income from Suppliers and Operating Profit Margin

Fee Income from suppliers increased to RMB439.2 million (2011: RMB354.7 million), fee income from suppliers as a percentage of TSP increased to approximately 4.5% for 2012 compared to 4.1% for 2011.

Operating profits for the Group (excluded interest and dividend income and unallocated gains, corporate and other unallocated expenses and finance costs) increased to approximately RMB948.3 million in 2012 from RMB848.3 million for the same period in 2011, representing a year-on-year increase of 11.8%. Operating profits for the department store business increased to approximately RMB757.0 million in 2012 from RMB668.3 million in 2011, representing a year-on-year increase of 13.3%. The operation margin as a percentage of TSP for the department store business stayed at 10.2% (2011: 10.2%). For the supermarket business, operatings profits increased to approximately RMB191.3 million, representing a year-on-year increase of 6.3%. However the operating margin as a percentage of TSP for the supermarket business was 7.9%, representing a marginally decline of 0.4 percentage point from 8.3% in 2011. The decrease was due to pre-operation costs and higher operating costs contributed from the newly-opened supermarkets.

Other Income and Gains (excluding Fee Income from Suppliers)

This mainly comprised interest income and gains from the Group's surplus cash, including structured deposits, which forms part of the Group's treasury functions.

Finance Costs

Finance costs included interest expenses on bank borrowings, which increased to RMB43.6 million in 2012. The increase was due to the increase in average bank borrowings for the year ended 31 December 2012. Interest expenses of RMB8.9 million (2011: RMB3.8 million) has been capitalized as property under development.

Profit before tax

In line with the increase in operating profit, profit before tax increased 11.0% to RMB922.0 million in 2012.

Income Tax Expenses

This mainly comprised PRC corporate income tax and a 5% withholding tax provided for the anticipated dividend distribution to the Company by its subsidiaries established in the PRC. The effective tax rate for 2012 kept at 28.8% (2011: 28.8%).

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent company increased to approximately RMB651.3 million for 2012 (2011: RMB580.5 million), representing year-on-year growth of approximately 12.2%.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

	Year ended 31 December	
	2012	2011
	(RMB million)	
Non-current assets		
Property, plant and equipment	**5,805.3**	4,456.3
Prepaid land premiums	**890.0**	384.5
Long-term prepayments	**166.0**	590.9
Available-for-sale investments		
Listed shares	**108.7**	–
Unlisted shares	**0.1**	2.3
	108.8	2.3
Cash and cash equivalents, structured deposits	**2,249.3**	2,138.9
Total assets	**10,381.6**	8,752.9
Interest-bearing bank borrowings*	**1,448.1**	925.0
Equity attributable to shareholders	**4,478.4**	4,129.0

Property, Plant and Equipment, Prepaid Land Premium and Long-term Prepayments

Property, plant and equipment, prepaid land premium and long term prepayments amounted to approximately RMB6,861,3 million (2011: RMB5,431.7 million) were assets which are held for the long-term, for the use in operation.

Capital expenditure of the Group during 2012 amounted to approximately RMB2,121.0 million (2011: RMB855.5 million). The amount represented contractual payments made for the acquisition of land use rights, buildings and construction of greenfield projects and store chain expansion.

Capital commitment as of 31 December 2012 amounted to RMB540.1 million (2011: RMB218.0 million), representing mainly capital works and construction at Yixing, Jiaxing and Anqing shopping malls.

Investment in Listed Shares

The Group currently owne 4.5% minority interests in Wuxi Commercial Building Dadongfang Co., Ltd. (無錫商業大廈大東方股份有限公司), who operated department stores in Wuxi City, Jiangsu Province and listed in the PRC.

FINANCING

Funding Model

The Company has been careful in using debt gearing to expand our business in accordance with our business strategy. At 31 December 2012, the Group's gearing ratio stayed at 42% (2011: 30%). The gearing ratio is calculated by net debt (including bank borrowings, trade payables and other payables and accruals minus cash and cash equivalents) divided by the capital plus net debt of the Group.

* including current and non-current portions

As at 31 December 2012, the Group's interest-bearing debt ratio (interest-bearing debt divided by total assets) was 14.0% (2011:10.6%).

Over the past two years, we have actively diversified our funding sources, maintained strong long-term relations with lenders and investors and have spread out maturities to reduce refinancing risk. On December 2012, the Group initiated to issue short-term financing note with an aggregate principal amount of not exceeding RMB1.5 billion in the PRC and has applied with the relevant PRC authorities for approval for issuing such short-term financing note. Details refer to the Company's announcement "Underwriting Agreement relating to the Proposed Issue of Short-term Financing Notes by Jiangsu Springland in the PRC" dated 31 December 2012.

Liquidity, Cash and Borrowings

The Group relied 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 mainly denominated in US$ and HK$.

As at 31 December 2012, the Group's cash and cash equivalents and structured deposits stood at approximately RMB1,539.3 million (2011: RMB2,138.9 million), and RMB710.0 million (2011: Nil) respectively, whereas the Group had short-term bank loans of RMB793.6 million (2011: RMB87.2 million).

Total assets of the Group as at 31 December 2012 amounted to approximately RMB10,381.5 million (2011: RMB8,752.9 million), whereas total liabilities amounted to approximately RMB5,670.9 million (2011: RMB4,593.0 million), resulting in a net assets position of RMB4,710.6 million (2011: RMB4,159.9 million).

Foreign Exchange and Interest Rate Exposure

The Group conducted its business operations in the PRC and its revenues and expenses were denominated in RMB. Therefore, except for the capital market transactions for funding needs, there is limited exposure in foreign exchange risk. 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.

In relation to a portion the bank loans, the Group has entered into interest rate swaps to hedge the Group's exposure against interest rate fluctuation and cross currency swaps to minimise the Group's exposure to exchange rate fluctuation.

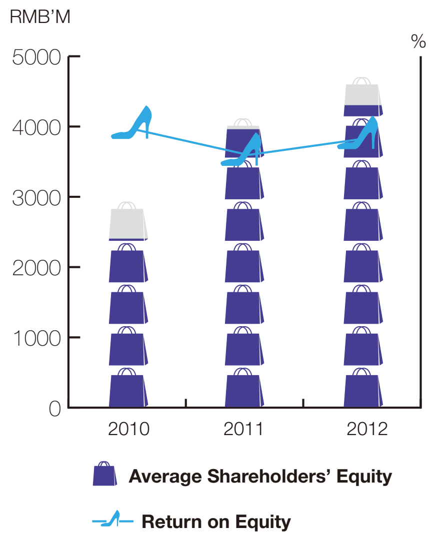
As at 31 December 2012, the Directors considered the Group's foreign exchange risk to be insignificant. For the year ended 31 December 2012, the Group recorded net foreign exchange losses of approximately RMB2.4 million (2011: RMB2.3 million). Details of the exposure of the Group on interest rate and exchange rate fluctuations are set out in note 45 to the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE INDICATORS ANALYSIS

The following is the key financial ratios used to interpret the financial performance and position of a company. The indicators tell how a company is performing and assess a company's financial health.

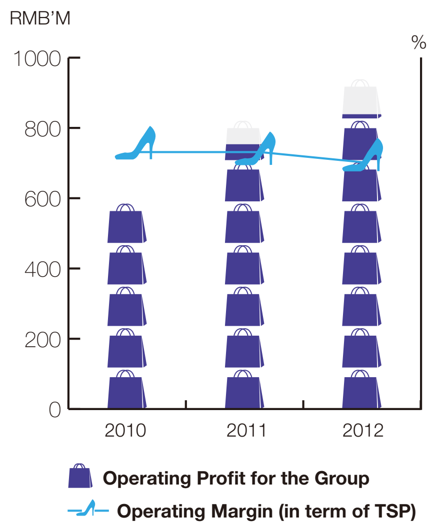
Return on Equity



$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Average Shareholders' Equity}}$$

Return on equity demonstrates how effectively a company at generating profits from every unit of shareholders' equity. The return on equity ratio measures how much the shareholders earned for their investment in the company. The Company issued shares for initial public offering, amounted to RMB2,452 million on October 2010.

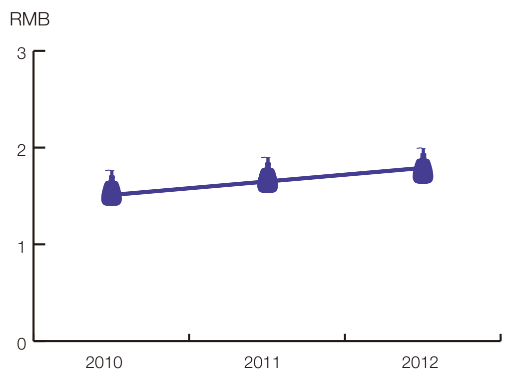
Operating Margins



$$\text{Operating Margin (in term of TSP)} = \frac{\text{Operating profit}}{\text{TSP}}$$

Operating margins gives an idea of how much a company makes on each dollar of sales and it reflects a company's operating efficiency.

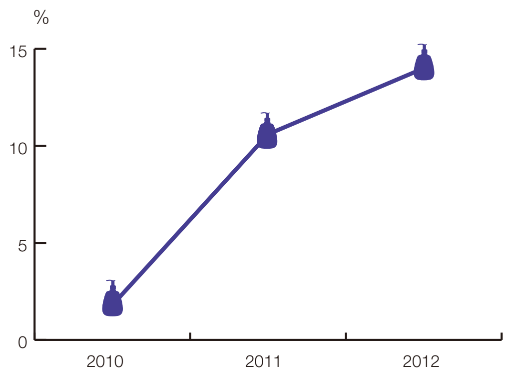
Net asset value per share



$$\text{Net asset value per share} = \frac{\text{Equity attributable to owners of the parent}}{\text{Number of Issued Shares at the end of year}}$$

It refers to the book value of the share.

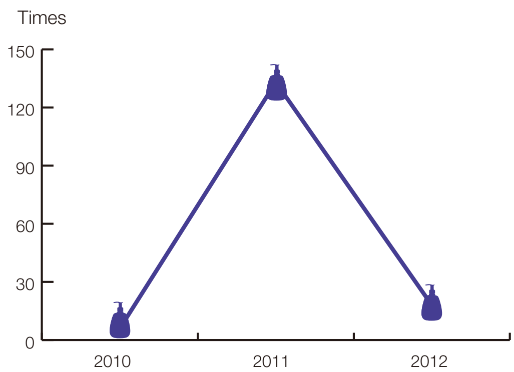
Interest bearing debt ratio



$$\text{Interest Bearing Debt Ratio} = \frac{\text{Interest Bearing Debt}}{\text{Total Assets}}$$

Interest Bearing debt ratio is a measure of total assets coverage over interest bearing debt.

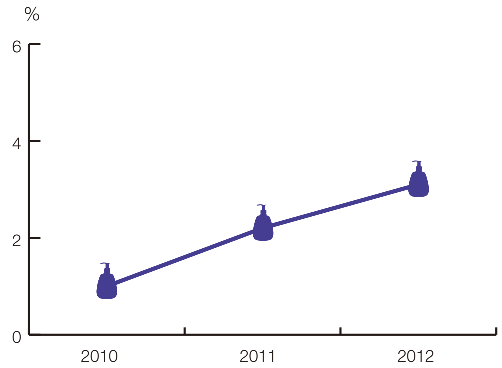
Interest Cover Ratio



$$\text{Interest Cover Ratio} = \frac{\text{Profit before Income Tax and Interest}}{\text{Interest Charges + Capitalised Interest}}$$

The interest cover ratio shows how comfortably a company's interest obligations are serviced by its profit. The interest cover ratio significantly raise in 2011 was a low interest expense after the Company repaid significant amount of the borrowing after raised capital on 2010.

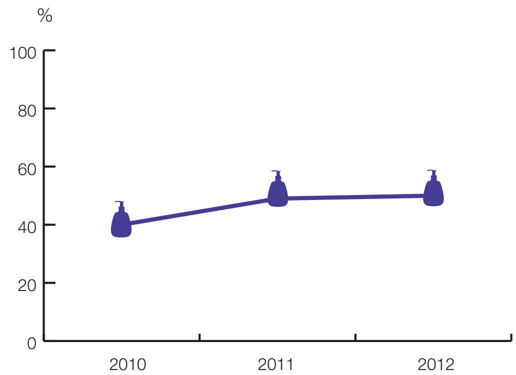
Dividend Yield



$$\text{Dividend Yield} = \frac{\text{Dividend per Share}}{\text{Closing Share Price}}$$

Dividend yield – effectively the return on the shareholders' investments from dividend income. Dividend yield was between 1.0% to 3.9% in the past years.

Dividend Payout



$$\text{Dividend Payout} = \frac{\text{Yearly Dividends per Share}}{\text{Earnings per Share}}$$

Dividend payout – the proportion of the company's earning which is distributed to shareholders as dividends. After the Company was listed on the Main Board of the Hong Kong Stock Exchange on October 2010, we have declared and paid out interim and final dividends each year. In the past two years, our dividend payout ratio was approximately 50% of operating earnings.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31 December 2012, the Group had no material contingent liabilities. Bank loans of RMB15 million of the Group as at 31 December 2012 are secured by the pledge of certain of the Group's property, plant and equipment with an aggregate net book value of RMB427,224,000. Details are set out in note 32 to the financial statements.

HUMAN RESOURCES

Enhancing Staff Capabilities

We endeavor to provide employees with a stimulating and harmonious working environment. We also advocate lifelong learning, offer training and development prospects to broaden their outlook, improve the standard of our employees, support their personal growth and offer promotion opportunities. In 2012, the Group provided additional support on staff training to enhance their performance in their current roles or prepare them for further advancement.

Employees and Remuneration Policies

As at 31 December 2012, the Group employed a total of approximately 7,800 full-time employees, of which 3,320 served the department store business and of which 4,303 served the supermarket business (2011: 7,329 full-time employee, of which 3,161 served the department store business and 3,990 served the 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 is 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 2012, no share option was granted by the Group under the share option scheme.

SOCIAL OBLIGATION

The Group upholds the values of social obligation and places emphasis on customer service, employee benefits. The Group has established a Mutual Assistance Fund to protect and assist employee facing difficulties. The Group promotes the use of environmental-friendly materials and adopts measures to save energy in the stores, to promote a wareness of environment protection. In 2012, the Group promoted a number of environmental and energy-saving measures to improve the energy efficiency in the stores. The outlet also launched a series of environmental care program including exhibition, cycling race around Taihu Lake, plant tree activities, recycle of battery, secondhand merchandise fair, to construct a better social.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Director

Mr. Chen Jianqiang (陳建強), aged 55, 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 17 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 52, 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 47, 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 43, 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 twenty 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 45, 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. Mr. Wang is interested in holding approximately 0.01% of the Company. 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 45, was appointed as a non-executive Director in July 2010. Mr. Fung is currently the Managing Director of Global Link (CHINA) Company Limited, a company engaged in supply of TV media programmes. He had previously worked as a senior manager of the North Asia division of ESPN ASIA Ltd., a diversified sports, entertainment and media company from 1995 to 1997. Mr. Fung obtained a Bachelor of Science degree from Cornell University in Ithaca, New York in 1991. Mr. Fung is a cousin of Mr. Fung Hiu Lai, an executive Director. He has not held any directorship in other listed public companies currently and in the last three years.

Independent Non-executive Directors

Dr. Lin Zhijun (林志軍), aged 58, 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 worked 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, Sinotruk (Hong Kong) Limited and Zhengzhou Coal Mining Machinery Co. Ltd, 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.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Zhang Weijiong (張維炯), aged 60, 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 57, 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. 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.

SENIOR MANAGEMENT

Mr. Xu Zhiqiang (徐志强), aged 38, is primarily responsible for the operation and management of the department store business of the Group. Mr. Xu has over 17 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 38, is responsible for the operation and management of the supermarket business of the Group. Ms. Xu has over 17 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. Zhu Tao (朱滔), aged 42, is responsible for assets management, store opening, business expansion and logistic support 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. Mr. Zhu was promoted to assistant to President in June 2012. 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.

Mr. Wang Jiaming (王家明), aged 40, 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. Fang Jiangrong (方建榮), aged 41, is responsible for assets management of the Group. Mr. Fang has over 17 years of experience in retail sales since his joined the Group in 1996. He has previously taken up various positions in the Group and primarily responsible for business expansion and assets management of the Group. Mr. Fang was promoted to director of assets management department in June 2012. Mr. Fang obtained a degree on Chemical and pharmaceutical from Nanjing University (南京大學) in 1994.

Mr. Jiang Changlin (蔣長林), aged 40, 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 註冊税務師協會 (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 42, 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

CORPORATE GOVERNANCE PRACTICES

We are committed to compliance of statutory and regulatory corporate governance standards and adherence to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness. The Board 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.

The Company has complied with the code provisions set out in the Code on Corporate Governance Practice (the "CG Code") under Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2012, except for the deviation from Provision A1.8 of the CG Code. It requires that the Company should arrange appropriate insurance cover in respect of legal action against its directors. The Company has arranged such insurance since October 2012.

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 creating value for our shareholders. The Board is responsible for developing the strategic direction for the Group and continuously monitoring of the performance of the general management of the Group. Certain important matters involving finance and shareholders' interest are reserved for approval by the Board, including 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 interest of the Company and its shareholders as a whole.

The Broad provided the Group with monthly management updates which contain year-to-date financials and highlight of key matters of the Group. The management updates gives a balanced and understandable assessment in sufficient details to assess the performance, position and prospects of the Group.

CORPORATE GOVERNANCE PRACTICES

BOARD COMPOSITION

As at the date of this report, the Board 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. 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. Details of the Directors and relevant relationships amongst each other are set out in “Director and Senior Management” section in this report.

Pursuant to the Listing Rules, the Company has received a written confirmation from each Independent non-executive Director of his independence to the Company. The Company considers all of the independent non-executive Directors to be independent.

The Company has arranged Directors’ and Officers’ Liability Insurance for the Directors and Officers.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Officer have been clearly defined. Mr. Chen Jianqiang acting as the Chairman is responsible for providing leadership in the Board to set strategies to achieve the Group’s goals. Mr. Tao Qingrong, 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 PROCEEDINGS

Meetings of the Board are held regularly and at least four times a year at about quarterly intervals. The Directors can attend meeting in person or through other electronic means of communication.

During the year ended 31 December 2012, 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 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 CG Code.

CORPORATE GOVERNANCE PRACTICES

The attendance record of each Director for the meetings held during the year ended 31 December 2012 is set out as follows:

	Meetings Attended/Held				
Name of Director	**Board Meeting**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**AGM**
Executive Directors					
Mr. Chen Jianqiang *(Chairman)*	**4**/4				**1**
Mr. Tao Qingrong *(Chief Executive Officer)*	**4**/4				**1**
Mr. Fung Hiu Lai	**4**/4				**1**
Mr. Yu Yaoming	**4**/4				**1**
Non-executive Directors					
Mr. Wang Lin	**4**/4		**1**/1	**1**/1	**0**
Mr. Fung Hiu Chuen, John	**4**/4		**1**/1	**1**/1	**0**
Independent Non-executive Directors					
Dr. Lin Zhijun	**4**/4	**4**/4	**1**/1	**1**/1	**1**
Dr. Zhang Weijiong	**3**/4	**4**/4	**1**/1	**1**/1	**0**
Mr. Wang Shuaiting	**3**/4	**3**/4	**1**/1	**1**/1	**0**

BOARD COMMITTEES

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee with specific 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 CG Code as set out in Appendix 14 of the Listing Rules. Its members include three independent non-executive Directors, being Dr. Lin Zhijun (Chairman), Dr. Zhang Weijiong and Mr. Wang Shuaiting. The Chairman of the Audit Committee has the appropriate professional qualifications as required by Listing Rules.

The principal duties of the Audit Committee include, but are not limited to, reviewing the Company's current financial information, discussing with the external 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 met four times during the year ended 31 December 2012. The work performed by the Committee is summarised as follows:

- to review the financial reports of 2011 annual results and 2012 interim results;
- to recommend 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;
- to determine the nature and scope of the audit and report obligations;
- to review the financial and accounting policies and practices of the Company; and
- to review 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 CG Code. The Remuneration Committee consists of five members, three of whom are independent non-executive Directors, being Dr. Zhang Weijiong (Chairman), Dr. Lin Zhijun and Mr. Wang Shuaiting, and two non-executive Directors, being Mr. Wang Lin and Mr. Fung Hiu Chuen, John.

The 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 makes 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 2012, The Remuneration Committee met 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 CG Code. The Nomination Committee consists of five members, three of whom are independent non-executive Directors, being Dr. Zhang Weijiong (Chairman), Dr. Lin Zhijun and Mr. Wang Shuaiting, and two non-executive Directors, being Mr. Wang Lin and Mr. Fung Hiu Chuen, John.

The 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 met once during the year ended 31 December 2012 to review the above matters.

CORPORATE GOVERNANCE PRACTICES

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Company follows a formal, considered and transparent procedure for the appointment of new directors. Appointments are first considered by the Nomination Committee. The recommendations of the Nomination Committee are then put to the Board for decision. All Directors are subject to election by shareholders at the annual general meeting in their first year of appointment.

Each of the non-executive Director and independent non-executive Directors of the Company has entered into a letter of appointment with the Company, for a specific term of not more than three years subject to re-election. Pursuant to the Articles of Association of the Company, any Director appointed 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, all Directors are subject to retirement by rotation at least every three years and one-third (or the number nearest to but not less than one-third) of Directors shall retire from office every year at the Company's annual general meeting.

RESPONSIBILITIES OF DIRECTORS

Directors acknowledge their responsibilities for preparing the financial statements of the Company. Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going-concern. The financial statements for the year ended 31 December 2012 are prepared on a going-concern basis. All the new accounting standards and policies adopted by the Company have been thoroughly discussed and approved at the Audit Committee before adoption by the Board.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Specific enquiries were made to all Directors and all Directors have confirmed their compliance with the required standards set out in the Model Code for the year ended 31 December 2012.

DIRECTORS' COMMITMENTS

The Company has received confirmation from each Director that he has given sufficient time and attention to the affairs of the Company for the year ended 31 December 2012. All the Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of public companies or organisations and indication of the time involved. During the year ended 31 December 2012, no Director held directorships in more than four public companies including the Company. No executive Directors held any directorship in any other public companies. Directors are also reminded to notify the Company Secretary in a timely manner and bi-annually confirm to the Company Secretary any change of such information.

COMPANY SECRETARY

The Company Secretary is an employee of the Company and is appointed by the Board. The Company Secretary is responsible for facilitating the procedure/activities of the Board and the Board Committees and good communication flow among the Board members, shareholders and senior management.

The appointment and removal of the Company Secretary is subject to Board approval. The Company Secretary reports to the Chairman and Chief Executive Officer. The Company Secretary is accountable to the Board for matters relating to the duties of the Directors, such as by giving advice on corporate governance developments. All members of the Board have access to the advice and service of the Company Secretary.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system including a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorised use or disposal, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

During the year ended 31 December 2012, Directors, through the Audit Committee, have conducted a review of the effectiveness of the internal control system of the Group. In respect of the year ended 31 December 2012, the Board considered the internal control system effective and adequate. No significant areas of concern which might affect shareholders were identified.

EXTERNAL AUDITOR

Ernst & Young has been appointed as the external auditor of the Company by shareholders at the last Annual General Meeting. Ernst & Young has written to the Audit Committee confirming that they are independent from the Company and that there is no relationship between Ernst & Young and the Company which may reasonably be thought to bear on their independence. In order to maintain their independence, Ernst & Young will not be employed for any non-audit work by the Company unless the non-audit work meets the criteria suggested in the Listing Rules and has been pre-approved by the Audit Committee.

During the year, the total remuneration in respect of statutory audit services amounted to RMB2.7 million (2011: RMB2.8 million), of which a sum of RMB2.3 million (2011: RMB2.6 million) was paid to Ernst & Young. Ernst & Young has not provided any non-audit work for the Company for the year ended 31 December 2012.

The responsibilities of the external auditor with respect to the 2012 financial statements are set out in the section of "Independent Auditor's Report" of the report.

SHAREHOLDERS' RIGHT

From publicly available information and as far as Directors are aware, the Company has maintained a sufficient public float of its share capital in the Hong Kong stock market throughout the financial year ended 31 December 2012 and has continued to maintain such a float as at 13 March 2013.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to the Articles of Association of the Company, shareholders holding not less than one-tenth of the paid up capital of the Company, carrying the right of voting at general meetings of the Company may call for an extraordinary general meeting and put forward agenda items by sending a written request to the Company Secretary at our principal place of business in Hong Kong or head office in the PRC.

Under Article 85 of the Articles of Association of the Company, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should deposit a written notice of nomination which shall be given to the Company within the 7-day period commencing the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time) and in no event ending no later than seven days prior to the date appointed for such meeting. The procedures for shareholders to propose a person for election as a director are posted on the Company's website.

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 meetings and analysts conferences following the release of interim and annual results announcements. The Directors and senior management answer questions raised by the shareholders and investors on the performance and development of the Group. We maintain a corporate website (www.springlandgroup.com.cn) to keep our shareholders and the public investors posted of our share price information, latest business developments, final and interim results announcements, financial reports, public announcements, corporate governance policies and practices, and other relevant shareholder information.

The Memorandum and Articles of Association of the Company is published on the websites of the Stock Exchange and the Company. There was no change to the Memorandum and Articles of Association of the Company during the year ended 31 December 2012.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2012.

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 42 to the financial statements.

RESULTS AND APPROPRIATIONS

The profit of the Group for the year ended 31 December 2012 and the state of the affairs of the Company and the Group as at 31 December 2012 are set out on pages 45 to 123 of this report.

The Board recommended the payment of a final dividend for the year ended 31 December 2012 of HK12 cents in cash per ordinary share to the shareholders appeared on the register of members of the Company on 13 May 2013. 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.

SUMMARY FINANCIAL INFORMATION

A summary of the published financial results and financial position of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 124. This summary does not form part of the audited financial statements.

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 49 of this report and note 38(e) to the financial statements respectively.

DONATIONS

Donations made by the Group during the year amounted to RMB1,153,000.

PROPERTY, PLANT AND EQUIPMENT

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

BANK BORROWINGS

Bank borrowings of the Group as at 31 December 2012 amounted to RMB1,448.1 million, details of which are set out in note 32 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 38 to the financial statements.

DIRECTORS' REPORT

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 2012, the Company's share premium available for distribution amounted to RMB2,226.4 million, of which RMB242.6 million has been proposed as a final dividend for the year. Details of which are set out in note 38(e) in the financial statements.

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 pursuant to which the Company shall be obliged to offer new shares on a pro rata basis to the existing shareholders.

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 ended 31 December 2012.

DIRECTORS

The Directors of the Company during 2012 and up to the date of this report were:

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

Pursuant to Article 84 of the Articles of Association of the Company, three of the Directors, namely, Mr. Chen Jianqiang, Mr. Fung Hiu Chuen, John, and Dr. Zhang Weijiong shall retire by rotation and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' REPORT

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable 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 ended 31 December 2012 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any Directors 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 corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No director or controlling shareholder or any of its subsidiaries or any company controlled by a director or 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 ended 31 December 2012.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2012, none of the Directors or directors of the Company's subsidiaries, or their respective associates had any interests in the businesses, other than being a director of the Company and/ or its subsidiaries and their respective associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

CONNECTED TRANSACTION

Details of connected transaction during the year ended 31 December 2012 are set out in note 41 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 2012, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or 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	1,442,500,000 *(Note 1)*	57.70%
Mr. Fung Hiu Lai	Direct beneficially owner	2,187,500	0.09%
Mr. Wang Lin	Direct beneficially owner	300,000	0.01%

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 1,442,500,000 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 1,442,500,000 shares, approximately 57.70% 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 2012, none of the Directors and Chief Executive of the Company 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 2012, so far as is known to any Directors and Chief Executive of the Company, the following persons (other than the Directors or Chief Executive of the Company, whose interests have been disclosed in the above section "Directors' and Chief Executive's 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	1,442,500,000 L	57.70%
CDH Resource Limited *(Note 3)*	Beneficial interest	332,000,000 L	13.28%
CDH China Growth Capital Fund II, L.P. *(Note 3)*	Interest in controlled corporation	332,000,000 L	13.28%
CDH China Growth Capital Holdings Company Limited *(Note 3)*	Interest in controlled corporation	332,000,000 L	13.28%
China Diamond Holdings II, L.P. *(Note 3)*	Interest in controlled corporation	332,000,000 L	13.28%
China Diamond Holdings Company Limited *(Note 3)*	Interest in controlled corporation	332,000,000 L	13.28%

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 2012, 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 Company adopted a share option scheme (the "Scheme") pursuant to the resolutions of the Company passed on 30 September 2010. The Scheme will remain in force until 29 September 2020.

The purpose of the Scheme is 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.

The maximum number of shares 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 issued share capital of the Company (i.e. 250,000,000 shares) as at the Listing Date. 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 issued by the Company from time to time.

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.

An option may be exercised in accordance with the terms of the Scheme at any time during the period to be notified by the Board to the grantee save that such period shall not be more than 10 years from the business day on which the option is deemed to have been granted in accordance with the terms of the Scheme. There is no minimum period for which an option must be held before it can be exercised.

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.

Since the date of adoption of the Scheme and up to 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' and Chief Executive's 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' and Chief Executive's 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 governments. 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 2012 were RMB38.6 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 2012, 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 2012, 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 2012 had any interest in any of the five largest customers and the five largest suppliers of the Group.

DIRECTORS' REPORT

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

COMMITMENTS

Details of the commitments of the Group are set out in note 37 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 46 to the financial statements.

AUDITORS

The financial statements have been audited by Ernst & Young. Ernst & Young retires 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, 13 March 2013

INDEPENDENT AUDITORS' REPORT

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 45 to 123, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 2012, 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
13 March 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	*6*	**3,806,888**	3,601,762
Other income and gains	*7*	**566,381**	436,457
Purchase of and changes in inventories		**(2,111,871)**	(2,103,878)
Staff costs		**(482,678)**	(429,620)
Depreciation and amortisation		**(254,207)**	(220,599)
Rental expenses		**(67,959)**	(54,675)
Other expenses	*8*	**(489,098)**	(396,279)
Finance costs	*9*	**(43,550)**	(2,455)
Share of losses of a jointly-controlled entity	*22*	**(1,889)**	–
PROFIT BEFORE TAX	*10*	**922,017**	830,713
Income tax expense	*13*	**(265,758)**	(239,172)
PROFIT FOR THE YEAR		**656,259**	591,541
Attributable to:			
Owners of the parent	*14*	**651,285**	580,539
Non-controlling interests		**4,974**	11,002
		656,259	591,541
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*16*	**0.26**	0.23

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 2012

	Note	2012 RMB'000	2011 RMB'000
PROFIT FOR THE YEAR		**656,259**	591,541
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value		**(18,831)**	–
Income tax effect		**4,708**	–
		(14,123)	–
Exchange differences on translation of foreign operations		**8,356**	(6,726)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(5,767)**	(6,726)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**650,492**	584,815
Attributable to:			
Owners of the parent	14	**645,518**	573,813
Non-controlling interests		**4,974**	11,002
		650,492	584,815

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*18*	**5,805,327**	4,456,341
Prepaid land premiums	*19*	**890,023**	384,469
Other intangible assets	*20*	**44,474**	47,541
Goodwill	*21*	**184,167**	127,439
Investment in a jointly-controlled entity	*22*	**260,935**	267,639
Available-for-sale investments	*23*	**108,765**	2,310
Long-term prepayments	*24*	**165,957**	590,928
Deferred tax assets	*25*	**54,918**	30,857
Total non-current assets		**7,514,566**	5,907,524
CURRENT ASSETS			
Inventories	*26*	**314,152**	457,990
Trade receivables	*27*	**8,610**	9,981
Prepayments, deposits and other receivables	*28*	**263,915**	208,474
Investments at fair value through profit or loss	*29*	**–**	30,023
Structured deposits	*30*	**710,000**	–
Derivative financial instruments	*35*	**276**	–
Cash and cash equivalents	*31*	**1,539,313**	2,138,947
		2,836,266	2,845,415
Assets of a disposal group classified as held for sale	*40*	**30,738**	–
Total current assets		**2,867,004**	2,845,415
CURRENT LIABILITIES			
Interest-bearing bank borrowings	*32*	**793,619**	87,192
Trade payables	*33*	**1,110,973**	1,032,286
Other payables and accruals	*34*	**2,263,167**	1,944,383
Derivative financial instruments	*35*	**1,043**	–
Tax payable		**81,153**	53,610
		4,249,955	3,117,471
Liabilities directly associated with the assets classified as held for sales	*40*	**3,107**	–
Total current liabilities		**4,253,062**	3,117,471
NET CURRENT LIABILITIES		**(1,386,058)**	(272,056)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,128,508**	5,635,468

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*32*	**654,500**	837,784
Long-term payables	*36*	**291,045**	279,786
Deferred tax liabilities	*25*	**472,327**	358,004
Total non-current liabilities		**1,417,872**	1,475,574
Net assets		**4,710,636**	4,159,894
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*38(a)*	**21,589**	21,589
Reserves		**4,214,219**	3,904,716
Proposed final dividend	*15*	**242,589**	202,675
		4,478,397	4,128,980
Non-controlling interests		**232,239**	30,914
Total equity		**4,710,636**	4,159,894

Chen Jianqiang
Director

Tao Qingrong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

		Attributable to owners of the parent												
	Notes	Issued capital RMB'000 Note 38(a)	Share premium RMB'000	Contributed surplus RMB'000 Note 38(b)	Capital reserve RMB'000	Available-for-sale investment revaluation reserve RMB'000	Statutory surplus reserve RMB'000 Note 38(c)	Discretionary reserve RMB'000 Note 38(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 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 options		–	–	–	–	–	–	–	–	–	–	–	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 options		–	–	–	248	–	–	–	–	–	–	248	(228,185)	(227,937)
As at 31 December 2011 and 1 January 2012		**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**
Profit for the year		-	-	-	-	-	-	-	-	651,285	-	651,285	4,974	656,259
Other comprehensive income for the year:														
Changes in fair value of available-for-sale investments, net of tax		-	-	-	-	(14,123)	-	-	-	-	-	(14,123)	-	(14,123)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	8,356	-	-	8,356	-	8,356
Total comprehensive income for the year		-	-	-	-	(14,123)	-	-	8,356	651,285	-	645,518	4,974	650,492
Re-recognition of non-controlling interests related to the put options		-	-	-	-	-	-	-	-	-	-	-	228,185	228,185
Acquisition of a subsidiary	39	-	-	-	-	-	-	-	-	-	-	-	180,313	180,313
Capital injection from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	21,144	21,144
Appropriation to statutory surplus reserve		-	-	-	-	-	141,071	-	-	(141,071)	-	-	-	-
Acquisition of non-controlling interests		-	-	-	(732)	-	-	-	-	-	-	(732)	(3,872)	(4,604)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(8,299)	(8,299)
Final 2011 dividend declared		-	-	-	-	-	-	-	-	-	(202,675)	(202,675)	-	(202,675)
Interim 2012 dividend	15	-	(81,663)	-	-	-	-	-	-	-	-	(81,663)	-	(81,663)
Proposed final 2012 dividend	15	-	(242,589)	-	-	-	-	-	-	-	242,589	-	-	-
Derecognitions of non-controlling interests and recognition of the difference between the derecognised non-controlling interests and the liability of the put options		-	-	-	(11,031)	-	-	-	-	-	-	(11,031)	(221,120)	(232,151)
At 31 December 2012		**21,589**	**1,983,792***	**(1,512)***	**(21,526)***	**(14,123)***	**464,402***	**33,710***	**(2,418)***	**1,771,894***	**242,589**	**4,478,397**	**232,239**	**4,710,636**

* These reserve accounts comprise the consolidated reserves of RMB4,214,219,000 (2011: RMB3,904,716,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Profit before tax		**922,017**	830,713
Adjustments for:			
Depreciation	*10*	**241,238**	211,756
Amortisation of prepaid land premiums	*10*	**9,902**	7,892
Amortisation of other intangible assets	*10*	**3,067**	951
Loss on disposal of items of property, plant and equipment	*10*	**5,706**	9,245
Fair value losses, net:			
Derivative instruments			
– transactions not qualifying as hedges	*10*	**767**	–
Finance costs	*9*	**43,550**	2,455
Share of losses of a jointly-controlled entity	*10*	**1,889**	–
Interest income	*7*	**(103,863)**	(23,561)
Provision for slow-moving inventories	*10*	**2,445**	352
		1,126,718	1,039,803
Decrease/(increase) in inventories		**143,454**	(45,426)
Increase in trade receivables, prepayments, deposits and other receivables		**(22,634)**	(759)
Decrease in investments at fair value through profit or loss		**30,023**	5,031
Decrease/(increase) in long-term prepayments		**19,907**	(30,782)
Increase in trade payables, other payables and accruals		**277,308**	739,445
Increase in long-term payables		**7,293**	3,182
Cash generated from operations		**1,582,069**	1,710,494
Income tax paid		**(254,608)**	(214,614)
Net cash flows from operating activities		**1,327,461**	1,495,880

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Cash flows from investing activities			
Interest received		**93,355**	23,561
Purchases of items of property, plant and equipment		**(693,431)**	(1,223,342)
Purchase of other intangible assets		**–**	(27,611)
Proceeds from disposal of items of property, plant and equipment		**3,792**	2,634
Payments of prepaid land premiums		**(521,314)**	–
Purchases of available-for-sale investments		**(127,486)**	–
Acquisition of a jointly-controlled entity		**(24,853)**	(223,304)
Acquisition of a subsidiary	*39*	**(137,304)**	–
Capital injection from non-controlling shareholders		**21,144**	–
Disposal of available-for-sale investments		**2,200**	–
Increase in structured deposits		**(710,000)**	–
(Increase)/decrease in time deposits		**(319,818)**	12,212
Net cash flows used in investing activities		**(2,413,715)**	(1,435,850)
Cash flows from financing activities			
Repayment of bank borrowings		**(468,910)**	(289,512)
New bank borrowings		**977,053**	1,091,988
Acquisition of non-controlling interests		**(4,604)**	–
Dividends paid		**(284,338)**	(231,293)
Dividends paid to non-controlling shareholders		**(8,299)**	(4,620)
Interest paid		**(52,456)**	(6,264)
Net cash flows from financing activities		**158,446**	560,299
Net (decrease)/increase in cash and cash equivalents		**(927,808)**	620,329
Cash and cash equivalents at beginning of year		**1,945,929**	1,332,326
Effect of foreign exchange rate changes, net		**8,356**	(6,726)
Cash and cash equivalents at end of year		**1,026,477**	1,945,929
Analysis of balances of cash and cash equivalents			
Cash and bank balances	*31*	**1,026,477**	1,945,929

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Interests in a subsidiaries	*42*	**1,993,178**	2,276,370
Total non-current assets		**1,993,178**	2,276,370
CURRENT ASSETS			
Prepayments, deposits and other receivables	*28*	**234**	234
Cash and cash equivalents	*31*	**670**	7,942
Total current assets		**904**	8,176
Net assets		**1,994,082**	2,284,546
EQUITY			
Issued capital	*38(a)*	**21,589**	21,589
Reserves	*38(e)*	**1,729,904**	2,060,282
Proposed final dividend	*15*	**242,589**	202,675
Total equity		**1,994,082**	2,284,546

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, P.O. 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 (the "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 and derivative financial instruments, which have been measured at fair value. Non-current assets and disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. 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 it 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 revised IFRSs for the first time for the current year's 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*
IFRS 7 Amendments	Amendment to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the revised IFRSs has had no significant financial effect on these financial statements.

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 – Government Loans*[2]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
IFRS 9	*Financial Instruments*[4]
IFRS 10	*Consolidated Financial Statements*[2]
IFRS 11	*Joint Arrangements*[2]
IFRS 12	*Disclosure of Interests in Other Entities*[2]
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*[2]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment Entities*[3]
IFRS 13	*Fair Value Measurement*[2]
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits*[2]
IAS 27 Revised	*Separate Financial Statements*[2]
IAS 28 Revised	*Investments in Associates and Joint Ventures*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012[2]

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

[1] Effective for annual periods beginning on or after 1 July 2012
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2014
[4] Effective for annual periods beginning on or after 1 January 2015

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Group expects to adopt the amendments from 1 January 2013.

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.

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 as 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. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

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

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 addresses the issues raised in SIC 12. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

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 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.

In June 2012, the IASB issued amendments to IFRS 10, IFRS 11 and IFRS 12 which clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC 12 at the beginning of the annual period in which IFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

The amendments to IFRS 10 issued in October 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

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, IAS 27 (Revised) and IAS 28 (Revised), and the subsequent amendments to these standards issued in June and October 2012 from 1 January 2013.

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

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.

The IAS 1 Amendments 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, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

The IAS 19 Amendments include a number of amendments that range from fundamental changes to simple clarifications and re-wording. The amendments introduce 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 the IAS 19 Amendments from 1 January 2013.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to IFRSs 2009-2011 Cycle* issued in May 2012 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

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

(a) IAS 1 *Presentation of Financial Statements:* Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) IAS 32 *Financial Instruments: Presentation:* Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are 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 entity

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 investment in a jointly-controlled entity is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. 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 the jointly-controlled entity 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 entity is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's investment in a jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of the jointly-controlled entity is included as part of the Group's investment in a jointly-controlled entity.

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

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 to measure 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 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–related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRSs. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the 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 acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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 has been allocated to of a cash-generating unit (or 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 the disposal. Goodwill disposed of in these circumstances is measured based on the relative value 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/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

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 and leasehold improvements	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 including 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.

Non-current assets and disposal groups held for sale

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets and disposal groups held for sale (continued)

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

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 are amortised on the 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 net of any incentives received from the lessor 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 costs, 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.

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 positive net changes in fair value presented as other income and gains and negative net charges in fair value presented as finance costs in the income statement. These net fair value changes do not include any dividend or 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 them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. 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 other income and gain 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments (continued)

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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Assets carried at cost

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

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and other payables, derivative financial instruments 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 in 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 shareholders

In connection with an acquisition of a subsidiary by the Group, put options were granted to certain non-controlling 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 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 options 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.

Fair value of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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 a joint venture, 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.

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 a joint venture, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Bonus point liabilities

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

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

Revenue recognition

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

- 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 over 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2.0% and 5.6% has been applied to the expenditure on the individual assets.

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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 translation of a non-monetary item measured at fair value 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 the 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 prevailing 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 JUDGEMENT 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 their accompanying disclosures, and the disclosure of contingent liabilities. 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.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are 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 units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2012 was RMB184,167,000 (2011: RMB127,439,000). Further details are contained in note 21 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for 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 2012 was RMB57,502,000 (2011: RMB36,613,000). There was no unrecognised tax losses as at 31 December 2012 (2011: Nil). Further details are contained in note 25 to the financial statements.

Bonus point liabilities

The amount of revenue attributable to the credit award earned by the customers of the Group's loyalty point programme is estimated based on the fair value of the credits awarded and the expected redemption rate. The expected redemption rate was estimated considering the number of the credits that will be available for redemption in the future after allowing for credits which are not expected to be redeemed. The carrying amount of bonus point liabilities at 31 December 2012 was RMB37,336,000 (2011: RMB26,898,000).

4. NET CURRENT LIABILITIES

As at 31 December 2012, the current liabilities of the Group exceeded its current assets by approximately RMB1,386 million. In the opinion of the Directors, it is an industry practice for the 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 liability 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, investments at fair value through profit or loss, structured deposits, derivative financial instruments, cash and cash equivalents, assets of a disposal group classified as held for sale and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, derivative financial instruments, tax payable, liabilities directly associated with the assets classified as held for sale, 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 2012	Department store RMB'000	Super-market RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	1,550,993	2,225,895	3,806,888
Segment results	756,967	191,348	948,315
Reconciliation:			
Interest and dividend income and unallocated gains			127,168
Corporate and other unallocated expenses			(109,916)
Finance costs			(43,550)
Profit before tax			922,017
Segment assets	6,729,629	1,174,829	7,904,458
Reconciliation:			
Corporate and other unallocated assets			2,446,374
Assets of a disposal group classified as held for sale			30,738
Total assets			10,381,570
Segment liabilities	2,915,517	598,068	3,513,585
Reconciliation:			
Corporate and other unallocated liabilities			2,154,242
Liabilities directly associated with the assets classified as held for sale			3,107
Total liabilities			5,670,934
Other segment information			
Share of losses of a jointly-controlled entity	1,889	–	1,889
Depreciation and amortisation	193,861	56,060	249,921
Corporate and other unallocated amounts			4,286
Total depreciation and amortisation			254,207
Investment in a jointly-controlled entity	260,935	–	260,935
Capital expenditure	1,772,809	344,291	2,117,100
Corporate and other unallocated amounts			3,936
Total capital expenditure *			2,121,036
Provision for slow-moving inventories	491	1,954	2,445

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

* 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 revenue derived from sales to a single customer or a group of customers under the common control accounted for 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:

	2012 **RMB'000**	2011 RMB'000
Sales of goods – direct sales	**2,455,051**	2,427,156
Commission income from concessionaire sales *(Note)*	**1,248,509**	1,079,332
Total turnover	**3,703,560**	3,506,488
Rental income	**87,893**	77,803
Provision of food and beverage service	**15,435**	17,471
Total revenue	**3,806,888**	3,601,762

Note:

The commission income from concessionaire sales is analysed as follows:

	2012 **RMB'000**	2011 RMB'000
Gross revenue from concessionaire sales	**7,315,961**	6,191,753
Commission income from concessionaire sales	**1,248,509**	1,079,332

NOTES TO FINANCIAL STATEMENTS

31 December 2012

7. OTHER INCOME AND GAINS

	2012 RMB'000	2011 RMB'000
Other income		
Fee income from suppliers	**439,213**	354,717
Interest income	**103,863**	23,561
Interest income from loans and receivables	**–**	31,810
Subsidy income	**18,487**	23,748
Others	**4,496**	2,546
	566,059	436,382
Gains		
Fair value gains, net:		
Investments at fair value through profit or loss		
– held for trading	**322**	75
	322	75
	566,381	436,457

8. OTHER EXPENSES

Other expenses mainly include utility expenses, advertising and promotion expenses, provision for uncollectible receivables regarding sales of prepaid cards, losses on disposal of property, plant and equipment, office expenses, maintenance costs, travelling expenses, entertainment expenses, property tax and government surcharges and other miscellaneous expenses.

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2012 RMB'000	2011 RMB'000
Interest on bank borrowings wholly repayable within five years	**52,456**	6,264
Less: Interest capitalised	**(8,906)**	(3,809)
	43,550	2,455

10. PROFIT BEFORE TAX

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

	Notes	2012 RMB'000	2011 RMB'000
Cost of inventories sold		**2,109,426**	2,103,526
Provision for slow-moving inventories		**2,445**	352
Depreciation	*18*	**241,238**	211,756
Amortisation of prepaid land premiums	*19*	**9,902**	7,892
Amortisation of other intangible assets	*20*	**3,067**	951
Loss on disposal of items of property, plant and equipment		**5,706**	9,245
Minimum lease payments under operating leases:			
Land and buildings		**67,959**	54,675
Auditors' remuneration		**2,663**	2,902
Staff costs including Directors' and chief executive's remuneration *(note 11)*:			
Wages, salaries and bonuses		**366,647**	319,337
Pension scheme contributions		**38,577**	36,269
Other social security costs		**77,454**	74,014
Foreign exchange differences, net		**2,381**	2,290
Fair value (gains)/losses, net:			
Investments at fair value through profit or loss – held for trading	*7*	**(322)**	(75)
Derivative instruments – transactions not qualifying as hedges		**767**	–
Share of losses of a jointly-controlled states	*22*	**1,889**	–

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2012 **RMB'000**	2011 RMB'000
Fees	**585**	597
Other emoluments:		
Salaries, allowances and benefits in kind	**4,079**	3,863
Pension scheme contributions	**101**	142
	4,180	4,005
	4,765	4,602

(a) *Independent non-executive directors*

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

	2012 **RMB'000**	2011 RMB'000
Mr. Lin Zhijun	**195**	199
Mr. Zhang Weijiong	**195**	199
Mr. Wang Shuaiting	**195**	199
	585	597

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2012				
Executive directors:				
Mr. Chen Jianqiang	**–**	**1,054**	**10**	**1,064**
Mr. Tao Qingrong [(i)]	**–**	**1,300**	**25**	**1,325**
Mr. Fung Hiu Lai	**–**	**425**	**–**	**425**
Mr. Yu Yaoming	**–**	**910**	**66**	**976**
	–	**3,689**	**101**	**3,790**
Non-executive directors:				
Mr. Wang Lin	**–**	**195**	**–**	**195**
Mr. Fung Hiu Chuen, John	**–**	**195**	**–**	**195**
	–	**4,079**	**101**	**4,180**

	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 [(i)]	–	1,020	66	1,086
Mr. Fung Hiu Lai	–	455	–	455
Mr. Yu Yaoming [(ii)]	–	910	66	976
	–	3,465	142	3,607
Non-executive directors:				
Mr. Wang Lin	–	199	–	199
Mr. Fung Hiu Chuen, John	–	199	–	199
	–	3,863	142	4,005

(i) Mr. Tao Qingrong is also the chief executive of the Group.

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

There was no arrangement under which a director or the chief executive 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 (2011: three) directors, details of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining two (2011: two) highest paid employees who are neither a director nor chief executive of the Company for the year are as follows:

	2012 RMB'000	2011 RMB'000
Salaries, allowances and benefits in kind	**1,769**	1,840
Pension scheme contributions	**59**	44
	1,828	1,884

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

	Number of employees	
	2012	2011
Nil to RMB1,000,000	**1**	1
RMB1,000,001 to RMB1,500,000	**1**	1
	2	2

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% (2011: 25%) on the assessable profits of the PRC Subsidiaries.

13. INCOME TAX (continued)

	2012 **RMB'000**	2011 RMB'000
Current – PRC corporate income tax charge for the year	**267,203**	222,892
Deferred *(note 25)*	**(1,445)**	16,280
Total tax charge for the year	**265,758**	239,172

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:

	2012 **RMB'000**	2011 RMB'000
Profit before tax	**922,017**	830,713
Tax at the statutory tax rate of 25% (2011: 25%)	**230,504**	207,678
Expenses not deductible for tax	**19,685**	7,105
Losses attributable to a jointly-controlled entity	**472**	–
Utilisation of previously unrecognised deductible tax losses	**–**	(283)
Effect of withholding tax on the distributable profits of the PRC Subsidiaries	**15,097**	24,672
Tax charge at the Group's effective rate	**265,758**	239,172

The share of tax attributable to a jointly-controlled entity amounting to RMB543,000 is included in "Share of losses of a jointly-controlled entity" in the consolidated income statement.

14. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2012 includes a loss of RMB2,266,000 (2011: a loss of RMB2,982,000), which has been dealt with in the financial statements of the Company (note 38(e)).

15. DIVIDENDS

	2012 RMB'000	2011 RMB'000
Interim – HK4 cents (2011: HK4 cents) per ordinary share	**81,663**	82,385
Proposed final – HK12 cents (2011: HK10 cents) per ordinary share	**242,589**	202,675
	324,252	285,060

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

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 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 RMB651,285,000 (2011: RMB580,539,000), and the weighted average number of ordinary shares of 2,500,000,000 (2011: 2,500,000,000) 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 a 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 and leasehold improvements 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 2012							
At 1 January 2012, net of accumulated depreciation	**3,395,672**	**224,316**	**267,288**	**8,447**	**66,838**	**493,780**	**4,456,341**
Additions	**214,470**	**131,761**	**33,296**	**1,234**	**22,832**	**724,689**	**1,128,282**
Acquisition of a subsidiary *(note 39)*	**468,630**	**–**	**1,597**	**276**	**937**	**–**	**471,440**
Depreciation provided for the year	**(112,821)**	**(64,103)**	**(42,671)**	**(2,249)**	**(19,394)**	**–**	**(241,238)**
Transfers	**770,848**	**66,629**	**63,411**	**–**	**6,332**	**(907,220)**	**–**
Disposals	**–**	**(4,375)**	**(1,638)**	**(352)**	**(3,133)**	**–**	**(9,498)**
At 31 December 2012, net of accumulated depreciation	**4,736,799**	**354,228**	**321,283**	**7,356**	**74,412**	**311,249**	**5,805,327**
At 31 December 2012:							
Cost	**5,281,490**	**554,226**	**513,583**	**12,073**	**158,704**	**311,249**	**6,831,325**
Accumulated depreciation	**(544,691)**	**(199,998)**	**(192,300)**	**(4,717)**	**(84,292)**	**–**	**(1,025,998)**
Net carrying amount	**4,736,799**	**354,228**	**321,283**	**7,356**	**74,412**	**311,249**	**5,805,327**
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

Certain of the Group's property, plant and equipment have been pledged as at 31 December 2012 to banks for bank loan granted to the Group as disclosed in note 32.

At 31 December 2012, the application for property ownership certificate for the Group's land and buildings amounting to RMB1,294,088,000 (2011: RMB488,993,000) was still in progress.

19. PREPAID LAND PREMIUMS

	2012 RMB'000	2011 RMB'000
Carrying amount at 1 January	**384,469**	395,486
Additions	**521,314**	–
Amortisation capitalised as property, plant and equipment for the year	**(5,858)**	(3,125)
Recognised as expenses during the year	**(9,902)**	(7,892)
Carrying amount at 31 December	**890,023**	384,469

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

20. OTHER INTANGIBLE ASSETS

	2012 RMB'000	2011 RMB'000
Lease agreement buyouts		
Carrying amount at 1 January	**47,541**	–
Additions	**–**	48,492
Recognised as expenses during the year	**(3,067)**	(951)
Carrying amount at 31 December	**44,474**	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 the straight-line basis.

21. GOODWILL

	RMB'000
At 1 January 2011:	
Cost and net carrying amount	127,439
Cost and net carrying amount at 31 December 2011	127,439
At 1 January 2012:	
Cost and net carrying amount	**127,439**
Acquisition of a subsidiary *(note 39)*	**56,728**
Cost and net carrying amount at 31 December 2012	**184,167**

21. GOODWILL

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% (2011: 15%).

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

Assumptions were used in the value in use calculation of the department store cash-generating unit for 31 December 2012 and 31 December 2011. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

Sensitivity to changes in assumptions

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

22. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	2012 RMB'000	2011 RMB'000
Share of net assets	**155,340**	162,044
Goodwill on acquisition	**105,595**	105,595
As at 31 December	**260,935**	267,639

Particulars of the jointly-controlled entity are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Zhenjiang Baisheng Commercial Center Co., Ltd.	Registered capital of US$10,000,000	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.

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

	2012 RMB'000	2011 RMB'000
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**30,620**	48,690
Non-current assets	**224,123**	233,261
Current liabilities	**(57,593)**	(78,378)
Non-current liabilities	**(41,810)**	(41,529)
Net assets	**155,340**	162,044

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

Share of the jointly-controlled entity's results:

	2012 RMB'000	2011 RMB'000
Revenue	32,438	–
Other income	3,049	–
	35,487	–
Total expenses	(37,919)	–
Tax	543	–
Loss after tax	(1,889)	–

23. AVAILABLE-FOR-SALE INVESTMENTS

	2012 RMB'000	2011 RMB'000
Listed equity investments, at fair value		
Shanghai	108,655	–
Unlisted equity investments, at cost	110	2,310
	108,765	2,310

During the year, the gross loss in respect of the Group's listed equity investments, at fair value recognised in other comprehensive income amounted to RMB18,831,000 (2011: Nil).

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 2012.

As at 31 December 2012, certain unlisted equity investments with a carrying amount of RMB110,000 (2011: 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

	2012 RMB'000	2011 RMB'000
Rental prepayments	**35,957**	55,864
Prepayment for purchases of land and buildings	**130,000**	535,064
	165,957	590,928

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	Available-for-sale investments RMB'000	Others[i] RMB'000	Total RMB'000
Gross deferred tax assets at 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 and 1 January 2012	**8,720**	**7,100**	**4,055**	**6,724**	**-**	**10,014**	**36,613**
Deferred tax credited to equity during the year	**-**	**-**	**-**	**-**	**4,708**	**-**	**4,708**
Deferred tax credited to the income statement during the year *(note 13)*	**5,895**	**4,568**	**1,823**	**2,610**	**-**	**1,285**	**16,181**
Gross deferred tax assets at 31 December 2011	**14,615**	**11,668**	**5,878**	**9,334**	**4,708**	**11,299**	**57,502**

Note:

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

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.

There were no unrecognised tax losses arising in Mainland China during the year ended 31 December 2012 (2011: Nil).

25. DEFERRED TAX (continued)

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Withholding taxes(i) RMB'000	Others(ii) RMB'000	Total RMB'000
Gross deferred tax liabilities at 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 and 1 January 2012	**274,547**	**36,451**	**52,762**	**363,760**
Realisation during the year	**–**	**(14,946)**	**–**	**(14,946)**
Acquisition of a subsidiary *(note 39)*	**111,361**	**–**	**–**	**111,361**
Deferred tax charged/(credited) to the income statement during the year *(note 13)*	**(8,220)**	**15,097**	**7,859**	**14,736**
Gross deferred tax liabilities at 31 December 2012	**377,688**	**36,602**	**60,621**	**474,911**

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.

In the opinion of the Directors, it is not probable that these subsidiaries will, in the foreseeable future, distribute earnings with an aggregate amount of temporary differences of RMB301,940,000 (2011: Nil) associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised at 31 December 2012.

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

25. DEFERRED TAX (continued)

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:

	2012 **RMB'000**	2011 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**54,918**	30,857
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(472,327)**	(358,004)
	(417,409)	(327,147)

26. INVENTORIES

	2012 **RMB'000**	2011 RMB'000
Store merchandise, at cost or net realisable value	**312,394**	454,839
Low value consumables	**1,758**	3,151
	314,152	457,990

At 31 December 2012, the Group's inventories with a carrying amount of RMB6,482,000 (2011: RMB4,226,000) were carried at fair value less costs to sell.

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:

	2012 **RMB'000**	2011 RMB'000
Within one month	**8,610**	9,981

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	2012 RMB'000	2011 RMB'000
Value-added tax recoverable	**2,757**	2,958
Prepayments to suppliers	**44,783**	42,167
Other receivables from suppliers	**74,296**	58,441
Prepaid rental and deposits	**49,323**	29,542
POS receivables	**40,309**	30,743
Interest receivables	**10,508**	–
Dividend receivable from a jointly-controlled entity	**4,815**	–
Other deposits and receivables	**37,124**	44,623
	263,915	208,474

Company

	2012 RMB'000	2011 RMB'000
Prepaid rental and deposits	**234**	234

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

	2012 RMB'000	2011 RMB'000
Unlisted fund investments, at market value	**–**	30,023

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

30. STRUCTURED DEPOSITS

	2012 RMB'000	2011 RMB'000
Structured deposits in licensed banks in the PRC, at amortised cost	**710,000**	–

These structured deposits have terms of less than one year and have expected annual rates of return up to 5.2%. Pursuant to the underlying contracts or notices, these structured deposits are capital guaranteed upon the maturity date.

31. CASH AND CASH EQUIVALENTS

Group

	2012 RMB'000	2011 RMB'000
Cash and bank balances	**1,026,477**	1,945,929
Time deposits	**512,836**	193,018
Cash and cash equivalents	**1,539,313**	2,138,947

Company

	2012 RMB'000	2011 RMB'000
Cash and bank balances	**670**	7,942
Cash and cash equivalents	**670**	7,942

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

	2012 RMB'000	2011 RMB'000
RMB	**1,223,115**	1,550,339
US$	**315,612**	457,347
HK$	**586**	131,261
	1,539,313	2,138,947

31. CASH AND CASH EQUIVALENTS (continued)

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 three 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 approximate to their fair values.

32. INTEREST-BEARING BANK BORROWINGS

	2012 RMB'000	2011 RMB'000
Bank loans:		
Secured	**15,000**	–
Unsecured	**1,433,119**	924,976
	1,448,119	924,976
Bank loans repayable:		
Within one year or on demand	**793,619**	87,192
Over one year but within two years	**654,500**	181,706
Over two years but within five years	**–**	656,078
	1,448,119	924,976
Total bank borrowings	**1,448,119**	924,976
Less: Portion classified as current liabilities	**(793,619)**	(87,192)
Long-term portion	**654,500**	837,784

Bank loans bear interest at fixed rates or floating rates.

The Group's bank loans bore effective interest rates from 2.0% to 5.6% per annum as at 31 December 2012 and 3.75% per annum as at 31 December 2011.

Certain of the bank loans of the Group as at 31 December 2012 are secured by the pledge of certain of the Group's property, plant and equipment with an aggregate net book value of RMB427,224,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2012

32. INTEREST-BEARING BANK BORROWINGS (continued)

The Group's interest-bearing bank borrowings at each reporting date are denominated in the following currencies:

	2012 RMB'000	2011 RMB'000
RMB	**43,495**	–
US$	**1,149,222**	924,976
HK$	**255,402**	–
	1,448,119	924,976

33. TRADE PAYABLES

The trade payable are non-interest-bearing and are normally settled on 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:

	2012 RMB'000	2011 RMB'000
Within three months	**995,173**	930,473
Over three months but within six months	**61,992**	47,072
Over six months but within one year	**23,664**	33,239
Over one year	**30,144**	21,502
	1,110,973	1,032,286

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.

34. OTHER PAYABLES AND ACCRUALS

	2012 RMB'000	2011 RMB'000
Payables to suppliers' employees	**14,197**	10,250
Deposits from suppliers	**78,064**	56,961
Value-added taxes	**47,301**	73,565
Other tax payable	**26,255**	28,528
Payable for capital expenditure	**290,012**	274,989
Payable for staff costs	**158,634**	122,610
Bonus points liabilities	**37,336**	26,898
Advances from customers	**1,478,761**	1,271,210
Due to a related company (i)	**249**	1,239
Payable for acquisition of a jointly-controlled entity	**19,001**	43,854
Payable for acquisition of a subsidiary	**51,133**	–
Other payables	**62,224**	34,279
	2,263,167	1,944,383

Note:

(i) The amount due to a related company as at 31 December 2012 and 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 above balances are unsecured, interest-free and repayable on demand.

35. DERIVATIVE FINANCIAL INSTRUMENTS

	2012 RMB'000	2011 RMB'000
Interest rate swaps	**(1,043)**	–
Cross currency swaps	**276**	–
	(767)	–

The Group enters into derivative transactions, including principally interest rate swaps and cross currency swaps. The purpose is to manage the interest rate and currency risks arising from the Group's bank borrowings with floating rates or foreign currencies.

36. LONG-TERM PAYABLES

	2012 RMB'000	2011 RMB'000
Long-term portion of accrued rental expenses	**23,514**	16,221
Put options to non-controlling shareholders [(i)]	**267,531**	263,565
	291,045	279,786

Note:

(i) Put options were granted to certain non-controlling 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 options are exercisable from 1 January 2010 and have no expiry date. Holders of the put options 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 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.

37. 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 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012 RMB'000	2011 RMB'000
Within one year	**51,528**	52,261
In the second to fifth years, inclusive	**393,612**	323,231
After five years	**1,404,842**	1,201,075
	1,849,982	1,576,567

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

(a) Operating lease arrangements (continued)

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 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2012 **RMB'000**	2011 RMB'000
Within one year	**50,428**	44,945
In the second to fifth years, inclusive	**89,711**	64,830
After five years	**64,103**	22,783
	204,242	132,558

(b) Capital commitments

	2012 **RMB'000**	2011 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**540,145**	217,998

38. ISSUED CAPITAL AND RESERVES

(a) Issued capital

Authorised

	No. of shares at HK$0.01 each 2012 Thousands	No. of shares at HK$0.01 each 2011 Thousands
Ordinary shares	**10,000,000**	10,000,000

Ordinary shares issued and fully paid

	No. of shares at HK$0.01 each Thousands	RMB'000
As at 1 January 2011 and 2012	2,500,000	21,589
As at 31 December 2011 and 2012	2,500,000	21,589

(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 the prior year and (ii) the aggregate of the nominal values of the paid-up capital of these subsidiaries upon acquisition.

(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 (the "SSR") until this reserve reaches 50% of its registered capital.

The 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.

38. ISSUED CAPITAL AND RESERVES (continued)

(e) Company

	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 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 and 1 January 2012	**2,308,044**	**(225,765)**	**(21,997)**	**2,060,282**
Total comprehensive income for the year	**–**	**(3,860)**	**(2,266)**	**(6,126)**
Interim 2012 dividend	**(81,663)**	**–**	**–**	**(81,663)**
Proposed final 2012 dividend	**(242,589)**	**–**	**–**	**(242,589)**
At 31 December 2012	**1,983,792**	**(229,625)**	**(24,263)**	**1,729,904**

39. BUSINESS COMBINATION

On 10 December 2012, the Group acquired a 51% interest in Yangzhou Fengxiang Commerce Co., Ltd. ("Yangzhou Fengxiang") from third parties. Yangzhou Fengxiang is engaged in the operation of department stores. The acquisition was made as part of the Group's strategy to expand its market share of department stores in Mainland China. The purchase consideration for the acquisition was in the form of cash, with RMB193,267,000 paid at the acquisition date and the remaining payable of RMB51,133,000 at 31 December 2012.

The Group has elected to measure the non-controlling interest in Yangzhou Fengxiang at the non-controlling interest's proportionate share of Yangzhou Fengxiang's identifiable net assets.

39. BUSINESS COMBINATION (continued)

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

	Notes	Fair value recognised RMB'000
Property, plant and equipment	*18*	471,440
Inventories		2,061
Prepayments, deposits and other receivables		16,113
Cash and cash equivalents		55,963
Assets of a disposal group classified as held for sale	*40*	30,738
Interest-bearing bank borrowings		(15,000)
Trade payables		(17,807)
Other payables and accruals		(61,053)
Tax payable		(2)
Liabilities directly associated with the assets classified as held for sale	*40*	(3,107)
Deferred tax liabilities	*25*	(111,361)
Total identifiable net assets at fair value		367,985
Non-controlling interests		(180,313)
Goodwill on acquisition	*21*	56,728
Satisfied by: Cash		193,267
Other payables		51,133
		244,400

The Group incurred transaction costs of RMB1,754,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated income statement.

39. BUSINESS COMBINATION (continued)

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

	RMB'000
Cash consideration	(193,267)
Cash and bank balances acquired	55,963
Net outflow of cash and cash equivalents included in cash flows from investing activities	(137,304)
Transaction costs of the acquisition included in cash flows from operating activities	(1,754)
	(139,058)

Since the acquisition, Yangzhou Fengxiang contributed RMB2,261,000 to the Group's turnover and RMB391,000 to the consolidated profit for the year ended 31 December 2012.

Had the combination taken place at the beginning of the year end 31 December 2012, the revenue from continuing operations of the Group and the loss of the Group for the year would have been RMB25,692,000 and RMB3,283,000, respectively.

40. ASSETS OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DIRECTLY ASSOCIATED LIABILITIES

At the acquisition date of Yangzhou Fengxiang, the Group decided to dispose of certain non-current assets and a subsidiary company acquired from this business combination, which are not relevant to the principal operation of the Group. According to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the Group classified these non-current assets and disposal group as held for sale at the acquisition date and measured at fair values less costs to sell. This disposal is due to be completed on 30 November 2013. As at 31 December 2012, final negotiations for the sale were in progress.

41. 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:

	2012 RMB'000	2011 RMB'000
Commission income from concessionaire sales from related companies	–	12

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.

(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, 33 and 34.

(2) 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 2012 amounted to RMB498,000 (2011: RMB1,000,000).

(c) Compensation of key management personnel of the Group:

	2012 RMB'000	2011 RMB'000
Short-term employee benefits	9,086	8,456
Post-employment benefits	413	393
	9,499	8,849

Further details of directors' and the chief executive's emoluments are included in note 11 to the financial statements.

42. INTERESTS IN SUBSIDIARIES

Company

	2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	–	–
Loans to subsidiaries	1,993,178	2,276,370
	1,993,178	2,276,370

The amounts advanced to the subsidiaries included in the interests 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 [(a)(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 [(a)(4)]	BVI 21 November 2011	US$1	100%	Investment holding
Sonton Enterprises Limited [(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	RMB100,000,000	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	RMB20,000,000	100%	Operation of department stores

42. INTERESTS IN 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
Danyang Springland Department Store Co., Ltd. (4) 丹陽華地百貨有限公司	PRC/Mainland China 17 March 2004	RMB60,000,000	100%	Operation of department stores and supermarkets
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	RMB35,000,000	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	RMB130,000,000	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	RMB215,000,000	100%	Operation of department stores and supermarkets
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	RMB10,000,000	100%	Operation of supermarkets
Liyang Yaohan Commerce & Trade Centre Co., Ltd. (4) 溧陽八佰伴商貿中心有限公司	PRC/Mainland China 29 April 2002	RMB110,000,000	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	RMB1,225,000	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	RMB141,000,000	100%	Operation of department stores
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	RMB490,000,000	100%	Investment holding

42. INTERESTS IN 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 Angexin Technology Co., Ltd. (3) 無錫安格信科技有限公司	PRC/Mainland China 27 July 2006	RMB5,000,000	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	RMB20,000,000	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	RMB10,000,000	100%	Provision of logistics 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	RMB301,911,000	100%	Operation of department stores
Wuxi Yuandongli Consulting Co., Ltd. (3) 無錫源動力諮詢有限公司	PRC/Mainland China 26 April 2006	RMB2,000,000	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	RMB80,000,000	100%	Operation of department stores
Yixing Housa Plaza Co., Ltd. (3) 宜興市和信廣場有限公司	PRC/Mainland China 13 February 2004	RMB30,000,000	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	RMB350,000,000	100%	Operation of department stores and supermarkets
Zhenjiang Springland General Merchandize Store Co., Ltd. (b) (4) 鎮江市華地百貨有限公司	PRC/Mainland China 23 January 2008	RMB700,000	100%	Operation of department stores
Nantong Yaohan Commerce & Trade Joint Stock Company Limited (4) 南通八佰伴商貿股份有限公司	PRC/Mainland China 16 September 1993	RMB31,938,786	58.08%	Operation of department stores

42. INTERESTS IN 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
Nantong Baida Household Appliance Installation and Repair Co., Ltd. (b)(4) 南通市百大家電安裝維修有限公司	PRC/Mainland China 13 March 2003	RMB300,000	52.27%	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	RMB500,000	52.27%	Provision of advertising service
Changxing Yaohan Commerce & Trade Co., Ltd. (4) 長興八佰伴商貿有限公司	PRC/Mainland China 17 November 2009	RMB75,000,000	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	RMB10,000,000	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	RMB10,000,000	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	RMB3,000,000	100%	Operation of supermarkets
Anqing Yuexin Xinglida Real Estate Development Co., Ltd. (4) 安慶悅信興利達房地產開發有限責任公司	PRC/Mainland China 8 February 2007	RMB130,000,000	100%	Property holding
Xuancheng Yaohan Commerce & Trade Co., Ltd. (4) 宣城八佰伴商貿有限公司	PRC/Mainland China 1 September 2011	RMB153,000,000	100%	Operation of department stores and supermarkets
Yixing Datonghua Agriculture Technology Co., Ltd. (b)(4) 宜興市大統華農業科技有限公司	PRC/Mainland China 1 September 2011	RMB5,100,000	100%	Supply of vegetables

42. INTERESTS IN 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
Jiangsu Green Land Agriculture Technology Development Co., Ltd. [(4)] 江蘇綠地農業科技發展有限公司	PRC/Mainland China 23 August 2011	RMB5,100,000	100%	Supply of vegetables
Yangzhou Fengxiang Commerce Co., Ltd. [(c)(2)] 揚州豐祥商業有限公司	PRC/Mainland China 28 June 1993	US$10,000,000	51%	Operation of department stores
Jiaxing Yaohan Commerce & Trade Co., Ltd. 嘉興八佰伴商貿有限公司	PRC/Mainland China 11 September 2012	RMB400,000,000	100%	Operation of department stores and supermarket

(a) 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.

(b) These subsidiaries were liquidated by the Group during the year ended 31 December 2012.

(c) This subsidiary was acquired by the Group during the year ended 31 December 2012.

(d) Types of legal entities:

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

43. FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2012 **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	–	–	108,765	108,765
Trade receivables	–	8,610	–	8,610
Financial assets included in prepayments, deposits and other receivables	–	167,052	–	167,052
Structured deposits	–	710,000	–	710,000
Derivative financial instruments	276	–	–	276
Cash and cash equivalents	–	1,539,313	–	1,539,313
	276	2,424,975	108,765	2,534,016

Financial liabilities

	Financial liabilities at fair value through profit or loss – held for trading RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	1,110,973	1,110,973
Financial liabilities included in other payables and accruals	–	514,880	514,880
Interest-bearing bank borrowings	–	1,448,119	1,448,119
Derivative financial instruments	1,043	–	1,043
Financial liabilities included in long-term payables	–	267,531	267,531
	1,043	3,341,503	3,342,546

43. 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 **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

43. 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 2012 **Company**

Financial assets

	Loans and receivables RMB'000
Loans to subsidiaries	**1,993,178**
Cash and cash equivalents	**670**
	1,993,848

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

44. 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Cash and cash equivalents	**1,539,313**	2,138,947	**1,539,313**	2,138,947
Trade receivables	**8,610**	9,981	**8,610**	9,981
Financial assets included in prepayments, deposits and other receivables	**167,052**	133,807	**167,052**	133,807
Available-for-sale investments	**108,765**	2,310	**108,765**	2,310
Investments at fair value through profit or loss	**–**	30,023	**–**	30,023
Structured deposits	**710,000**	–	**710,000**	–
Derivative financial instruments	**276**	–	**276**	–
	2,534,016	2,315,068	**2,534,016**	2,315,068
Financial liabilities				
Trade payables	**1,110,973**	1,032,286	**1,110,973**	1,032,286
Financial liabilities included in other payables and accruals	**514,880**	421,572	**514,880**	421,572
Interest-bearing bank borrowings	**1,448,119**	924,976	**1,448,119**	924,976
Derivative financial instruments	**1,043**	–	**1,043**	–
Financial liabilities included in long-term payables	**267,531**	263,565	**267,531**	263,565
	3,342,546	2,642,399	**3,342,546**	2,642,399

44. 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	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Loans to subsidiaries	**1,993,178**	2,276,370	**1,993,178**	2,276,370
Cash and cash equivalents	**670**	7,942	**670**	7,942
	1,993,848	2,284,312	**1,993,848**	2,284,312

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, structured deposits, 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.

The Group enters into derivative financial instruments with a licensed bank. Derivative financial instruments, including deliverable RMB/HK$ cross currency swaps and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of cross currency swaps and interest rate swaps are the same as their fair values.

44. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values 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:

Group

As at 31 December 2012:

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Available-for-sale investments	**108,765**	**–**	**–**	**108,765**
Derivative financial instruments	**–**	**267**	**–**	**267**
	108,765	**267**	**–**	**109,032**

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

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2011: Nil).

Liabilities measured at fair value:

Group

As at 31 December 2012:

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Derivative financial instruments	**–**	**1,043**	**–**	**1,043**

The Group did not have any financial liabilities measured at fair value as at 31 December 2011.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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'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 2012			
RMB	**50**	**(47)**	**(35)**
US$	**50**	**(4,482)**	**(3,361)**
HK$	**50**	**(426)**	**(319)**
RMB	**(50)**	**47**	**35**
US$	**(50)**	**4,482**	**3,361**
HK$	**(50)**	**426**	**319**
Year ended 31 December 2011			
US$	50	(4,650)	(3,488)
US$	(50)	4,650	3,488

45. 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 31 and bank loans denominated in US$ as disclosed in note 32.

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 and structured deposits 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, structured deposits, trade receivables 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. Pursuant to the credit facility intention letters provided by certain banks, the banks had agreed to provide additional loans up to RMB3,600,000,000, subject to available facilities, upon the Group's request.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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:

2012	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	–	323,381	496,197	669,394	–	1,488,972
Trade payables	157,442	953,531	–	–	–	1,110,973
Financial liabilities included in other payables and accruals	514,880	–	–	–	–	514,880
Derivative financial instruments	–	–	1,043	–	–	1,043
Financial liabilities included in long-term payables	–	–	–	267,531	–	267,531
	672,322	1,276,912	497,240	936,925	–	3,383,399

2011	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	–	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

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.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

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 2012 and 2011.

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 end of the reporting periods were as follows:

Group

	2012 **RMB'000**	2011 RMB'000
Interest-bearing bank borrowings	**1,448,119**	924,976
Trade payables	**1,110,973**	1,032,286
Other payables and accruals	**2,263,167**	1,944,383
Less: Cash and cash equivalents	**(1,539,313)**	(2,138,947)
Net debt	**3,282,946**	1,762,698
Equity attributable to owners of the parent	**4,478,397**	4,128,980
Equity and net debt	**7,761,343**	5,891,678
Gearing ratio	**42%**	30%

46. EVENTS AFTER THE REPORTING PERIOD

On 13 March 2013, the Group through its wholly owned subsidiary Zhenjiang Yaohan Commerce & Trade Center Co., Ltd. entered into an agreement with Wuxi Yinian Investment Management Co., Ltd., which was controlled by a relative of a Director, Mr. Chen Jianqiang, for acquiring the entire equity interest in Nanjing Yaohan Commerce & Trade Co. Ltd. at nil consideration. This related party transaction was approved by the board of directors on 13 March 2013.

47. APPROVAL OF THESE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 13 March 2013.

FIVE YEAR SUMMARY

	Year ended 31 December				
	2008	2009	2010	2011	**2012**
			RMB million		
FINANCIAL RESULTS					
TSP *(note1)*	4,245	4,734	6,853	8,697	**9,859**
Revenue	2,246	2,286	2,990	3,602	**3,807**
Profit from operation	379	425	659	848	**948**
Profit for the year	220	249	375	592	**656**
Profit attributable to owners of the parent	220	248	372	581	**651**
Earnings per share attributable to ordinary equity holders of the parent (RMB cents) *(note2)*	13	15	18	23	**26**

	As at 31 December				
	2008	2009	2010	2011	**2012**
			RMB million		
SUMMARY OF FINANCIAL POSITION					
Non-current assets	3,028	4,150	4,507	5,908	**7,515**
Current assets	1,068	1,873	2,203	2,845	**2,867**
Total assets	4,096	6,023	6,710	8,753	**10,382**
Current liabilities	2,564	3,394	2,178	3,117	**4,253**
Non-current liabilities	339	1,573	716	1,476	**1,418**
Total liabilities	2,903	4,967	2,894	4,593	**5,671**
Net assets	1,193	1,056	3,816	4,160	**4,711**

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 2008 and 2009 is based on the profit attributable to the ordinary equity holders of the parent for the three years ended 31 December 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 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.