SPRINGLAND

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

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

GLOBAL OFFERING

Sole Global Coordinator and Sole Sponsor

Morgan Stanley

Joint Bookrunners

Morgan Stanley DBS

Joint Lead Managers

Morgan Stanley DBS 建银国际 CCB International

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	***625,000,000 Shares comprising 500,000,000 New Shares and 125,000,000 Sale Shares (subject to the Over-allotment Option)***
Number of Hong Kong Offer Shares	:	***62,500,000 New Shares (subject to adjustment)***
Number of International Offer Shares	:	***562,500,000 Shares of which 437,500,000 New Shares are to be issued and offered for sale by us and 125,000,000 Sale Shares are to be offered for sale by the Base Offering Selling Shareholders (subject to adjustment and the Over-allotment Option)***
Offer Price	:	***Not more than HK$5.93 per Offer Share payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%***
Nominal value	:	***HK$0.01 per Share***
Stock Code	:	***1700***

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator, on behalf of the Underwriters, the Selling Shareholders and us on the Price Determination Date. The Price Determination Date is expected to be on or around 14 October 2010, and in any event, not later than 20 October 2010. The Offer Price will be not more than HK$5.93 and is currently expected to be not less than HK$4.85, unless otherwise announced. If, for any reason, the Offer Price is not agreed by 20 October 2010 between the Sole Global Coordinator (on behalf of the Underwriters), the Selling Shareholders and us, the Global Offering will not proceed and will lapse. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum issue price of HK$5.93 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price should be lower than HK$5.93.

The Sole Global Coordinator (on behalf of the Underwriters) may, with the consent of the Company and the Selling Shareholders, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for the lodging of applications under the Hong Kong Public Offer. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.springlandgroup.com.cn. If applications for Hong Kong Offer Shares have been submitted prior to the last day for the lodging of applications under the Hong Kong Public Offer, then even if the number of Hong Kong Offer Shares and/or the indicative Offer Price range is so reduced, such applications cannot be subsequently withdrawn. For further information, please see the section headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in our Shares commences on the Hong Kong Stock Exchange. See the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offer — Grounds for termination".

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States, and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of, US persons, except that the Offer Shares may be offered, sold or delivered (1) in the United States to QIBs in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act, or (2) outside the United States in reliance on Regulation S under the US Securities Act.

8 October 2010

Application lists open[2]	11:45 a.m. on Wednesday, 13 October 2010
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, 13 October 2010
Latest time to give **electronic application instructions** to HKSCC	12:00 noon on Wednesday, 13 October 2010
Latest time to complete electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**[3]	11:30 a.m. on Wednesday, 13 October 2010
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 13 October 2010
Application lists close	12:00 noon on Wednesday, 13 October 2010
Expected Price Determination Date	Thursday, 14 October 2010

Announcement of:

- the final Offer Price;
- the level of indications of interest in the International Offer;
- the level of applications of the Hong Kong Offer Shares; and
- the basis of allocation of the Hong Kong Offer Shares

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before[2]	Wednesday, 20 October 2010
Results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers or Hong Kong business registration numbers (where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares" from	Wednesday, 20 October 2010
A full announcement of the Hong Kong Public Offer containing the announcement and results of allocations in the above two paragraphs will be published on our website at **www.springlandgroup.com.cn**, the website at **www.iporesults.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk**[4] from	Wednesday, 20 October 2010
Results of allocations in the Hong Kong Public Offer will be available at **www.iporesults.com.hk** with a "search by ID" function	Wednesday, 20 October 2010

Despatch of Share certificates in respect of wholly or partially successful applications on or before[5] .... Wednesday, 20 October 2010

Despatch of refund cheques (if applicable) in respect of wholly or partially unsuccessful applications on or before .... Wednesday, 20 October 2010

Despatch of White Form e-Refund payment instructions (if applicable) in respect of wholly or partially unsuccessful applications on or around .... Wednesday, 20 October 2010

Dealings in Shares on the Hong Kong Stock Exchange expected to commence on .... Thursday, 21 October 2010

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 13 October 2010, the application lists will not open on that day. See the section headed "How to Apply for Hong Kong Offer Shares".

(3) You will not be permitted to submit your application through the designated website at ***www.eipo.com.hk*** *after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.*

(4) None of the website or any of the information contained on the website forms part of this prospectus.

(5) Shares certificates are expected to be issued on 20 October 2010 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on 21 October 2010. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

You should read carefully sections headed "Underwriting", "How to Apply for Hong Kong Offer Shares" and "Structure of the Global Offering" for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund cheques and share certificates.

This prospectus is issued by Springland International Holdings Limited solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different than what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholders, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the directors, officers or any representatives of them, or any other person involved in the Global Offering.

Please note that the totals set forth in the tables in the prospectus may differ from the sum of individual items in such tables due to rounding.

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in our Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in our Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read this section carefully before you decide to invest in our Offer Shares.

OVERVIEW

We are a geographically focused and dual-format retail chain operator in the Greater Yangtze River Delta, operating both department stores and supermarkets. We are a market leader in each of the regional markets where we operate. Our stores in Yixing, Jiangyin, Liyang, Danyang, Changshu and Jintan were ranked as the highest grossing department stores and/or supermarkets in 2009 in their respective regions, according to the relevant local branches of MOFCOM. We believe that our department store business and supermarket business are complementary to each other. The majority of our department stores are located close to our supermarkets in the same region, either in adjacent sites, in the same business district, or in the same building, forming a retail hub that offers our local customers an extensive shopping experience and allows us to increase the synergies between our department store business and supermarket business.

Since the inception of our Group in 1996, we have focused on developing our business in the Greater Yangtze River Delta. As at 30 June 2010, we operated 10 department stores and 16 supermarkets in the Greater Yangtze River Delta. As at the Latest Practicable Date, we also have three department stores and ten supermarkets currently under construction, which are expected to start operation at various times between the end of 2010 and the fall of 2012. All of our stores are located in the cities with GDP per capita and retail sales of customer goods that are at the higher end in the Greater Yangtze River Delta. For the years ended 31 December 2007, 2008 and 2009, our Total Sales Proceeds* were approximately RMB3,743.5 million, RMB4,244.7 million and RMB4,734.4 million, respectively, representing a CAGR of approximately 12.5%. Our total revenue was approximately RMB2,001.3 million, RMB2,246.0 million and RMB2,286.1 million for the same periods, respectively, representing a CAGR of approximately 6.9%, while our net profit attributable to equity holders of the Company for the same periods was approximately RMB218.7 million, RMB219.6 million and RMB247.7 million, respectively, representing a CAGR of approximately 6.4%. For the six months ended 30 June 2009 and 2010, our Total Sales Proceeds were approximately RMB2,355.1 million and RMB3,325.1 million, respectively, representing an increase of 41.2%; our total revenue for the same periods was approximately RMB1,158.4 million and RMB1,494.2 million, respectively, representing an increase of 29.0%; while our net profit attributable to equity holders of the Company for the same periods was approximately RMB134.6 million and RMB222.6 million, respectively, representing an increase of approximately 65.4%. For further details on Total Sales Proceeds, please refer to "Financial Information — Total Sales Proceeds and Gross Profit".

* Total Sales Proceeds is not a calculation based on generally accepted accounting principles. For a detailed explanation of this item, See "Financial Information — Total Sales Proceeds and Gross Profit".

Our department store business. Our department stores offer primarily seven categories of merchandise, namely, "fashion and apparel", "cosmetics, jewellery and accessories", "footwear", "athletic apparel and casual wear", "children's wear and home furnishings", "household and electronic appliances" and "others", with a strong focus on trendy and fashionable lifestyle merchandise. We have to date positioned our department store business at the mid to high-end of the retail market in the Greater Yangtze River Delta, with a view to offering a comprehensive range of merchandise in response to the rising demand for high quality products in our markets. We derive revenue from our department store business primarily from concessionaire fees and direct sales, while we also generate revenue from our rental income. We operate all of our department stores, other than the department stores in Wuxi, Ma'anshan, Nantong and Zhenjiang, under the trade name of "華地" ("Springland"), which is our core department store brand established successfully by us. We operate our department stores in Wuxi, Ma'anshan, Nantong and Zhenjiang under the trade name of "八佰伴" ("Yaohan"), which is a well-known Asian department store trade name originated in Japan. Our Total Sales Proceeds attributable to our department store business for the years ended 31 December 2007, 2008 and 2009 was approximately RMB2,620.1 million, RMB2,853.0 million and RMB3,317.1 million, respectively, representing a CAGR of approximately 12.5%. Our total revenue attributable to our department store business for the years ended 31 December 2007, 2008 and 2009 was approximately RMB908.6 million, RMB921.0 million and RMB945.2 million, respectively, representing a CAGR of approximately 2.0%. For the six months ended 30 June 2009 and 2010, our Total Sales Proceeds attributable to our department store business was approximately RMB1,619.2 million and RMB 2,466.5 million, respectively, representing a 52.3% increase, and our revenue attributable to our department store business was approximately RMB461.6 million and RMB687.9 million, respectively, representing a 49.0% increase.

Our supermarket business. Our supermarkets offer a broad range of fresh food, dry food, and non-food merchandise at competitive prices. Most of our supermarkets have a GFA of at least 6,000 sq.m. and are located in prime locations in cities in the Greater Yangtze River Delta. Substantially all of our revenue from our supermarkets is from direct sales, while we also have revenue from concessionaire sales, rental income and from provision of food and beverage services. We operate our supermarket business under the trade name of "大統華" ("Datonghua"). Our Total Sales Proceeds attributable to our supermarket business for the years ended 31 December 2007, 2008 and 2009, were approximately RMB1,123.4 million, RMB1,391.7 million and RMB1,417.3 million, respectively, representing a CAGR of approximately 12.3%. Our total revenue attributable to our supermarket business for the years ended 31 December 2007, 2008 and 2009 was approximately RMB1,092.7 million, RMB1,325.0 million and RMB1,340.9 million, respectively, representing a CAGR of approximately 10.8%. For the six months ended 30 June 2009 and 2010, our Total Sales Proceeds attributable to our supermarket business was approximately RMB735.9 million and RMB 858.6 million, respectively, representing a 16.7% increase, and our revenue attributable to our supermarket business was approximately RMB696.8 million and RMB806.3 million, respectively, representing a 15.7% increase.

In both our department store and supermarket businesses, we derive revenue primarily from direct sales and concessionaire sales. For direct sales, we purchase inventories from our direct sale suppliers and resell them in our stores to our customers, and we book the entire sales proceeds from our customers as revenue. For concessionaire sales, we charge the concessionaires a commission at a percentage of gross sales proceeds for the right to occupy designated areas of our stores, establish their own sales counters and sell their merchandise. We book only the commission, instead of the gross revenue that the concessionaires receive from customers, as our revenue. We also derive rental income from leasing out a small portion of the retail space in our stores to operators of businesses that we believe are complementary to the shopping environment of our stores. In addition, we provide food and beverage services in our supermarkets.

We actively pursued suitable opportunities to expand our business during the Track Record Period. To further extend our retail network to Nantong, a fast-growing city in Jiangsu Province, we acquired the Nantong Yaohan Store by acquiring the equity interest in Nantong Department Store through a framework agreement (the "Nantong Framework Agreement") we entered into with the Nantong Promoters. As a result of the completion of transactions contemplated under the Nantong Framework Agreement and subsequent transactions, our Group acquired a controlling interest in the Nantong Yaohan Store. As at 30 June 2010, we held an aggregate of 57.45% equity interest in Nantong Yaohan Store. In addition, to further consolidate our control over the Nantong Yaohan Store, our Group granted each of the Nantong Promoters a put option for an indefinite term to sell their shares in Nantong Department Store at the same price per share as agreed in the Nantong Framework Agreement, as adjusted in accordance with the change in equity per share from 31 December 2008 to the latest practical audited financial statements date before the exercise of the put option. Upon exercise of the put options by the Nantong Promoters, our Company will be required to acquire the shares of Nantong Department Store held by the Nantong Promoters in the Nantong Yaohan Store. For details about our acquisition of Nantong Yaohan Store and the put options, please see the sections headed "Risk Factors — Risks relating to our business — We have granted certain put options to minority shareholders of Nantong Yaohan Store, the exercise of which by such minority shareholders may have an adverse effect on our liquidity and results of operation" and "History, Reorganisation and Corporate Structure — Our History — Acquisition of the Nantong Yaohan Store" in this prospectus.

We have been issuing pre-paid gift cards to our customers as prepayments for goods since 2002, which does not comply with the PRC laws and regulations as advised by our PRC legal advisers. For detailed disclosure and risks related to our practice of issuing pre-paid gift cards, please refer to the sections headed "Risk Factors — Risks relating to China — PRC policies, laws and regulations prohibiting the issuance of pre-paid gift cards may have an adverse impact on our operations" and "Business — Legal Compliance and Litigation" in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe the following are our key competitive strengths:

- Strategic focus on the Greater Yangtze River Delta, one of the most affluent regions in China with robust growth prospects for the retail segment

- Leveraging our leading market position, strong competitive advantages over other players in respective regions where we have operations

- Extensive regional network of stores situated on prime sites, many of which are owned by us

- Dual-format retail in a multi-store network that results in increased revenue and diversified revenue sources

- Ability to maintain growth momentum balanced with stable returns

- Professional, comprehensive and integrated operational management system

- Capable and focused management team, professional corporate culture and well-established corporate governance

OUR STRATEGIES

Our principal long-term goal is to maintain and further strengthen our market position in the regions where we have stores and to undertake selective expansions within the region, in particular in the provinces such as Jiangsu, Anhui and Zhejiang, with a view to becoming the dominant dual-format retail chain operator in the Greater Yangtze River Delta. In order to achieve our long-term goal, we plan to implement the following strategies:

- Further enhance our market position by expanding our presence in the Greater Yangtze River Delta

- Continue to enhance the operating performance of our existing stores

- Selectively acquire attractive stores

- Further improve our integrated management system

- Further increase synergies between our department store business and supermarket business

- Leveraging our market position, further extend and strengthen our supermarkets network

SUMMARY HISTORICAL FINANCIAL INFORMATION

Consolidated Income Statements

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	2,001,347	2,245,987	2,286,050	1,158,411	1,494,172
Other income	133,578	195,415	236,099	123,242	158,822
Purchase of and changes in inventories	(1,304,847)	(1,480,550)	(1,477,285)	(774,427)	(907,933)
Staff costs	(157,683)	(181,048)	(200,068)	(84,795)	(117,990)
Depreciation and amortisation	(101,845)	(127,295)	(146,203)	(71,817)	(99,768)
Rental expenses	(28,974)	(40,638)	(44,217)	(23,868)	(25,684)
Other expenses	(199,495)	(263,892)	(242,298)	(110,495)	(142,912)
Finance costs	(76,306)	(44,337)	(66,283)	(27,677)	(51,109)
Share of profits and losses of associates	(9)	—	1,306	—	—
Profit before tax	265,766	303,642	347,101	188,574	307,598
Income tax expenses	(47,098)	(84,030)	(98,293)	(54,019)	(79,020)
Profit for the year	218,668	219,612	248,808	134,555	228,578
Attributable to:					
Equity holders of the Company	218,668	219,612	247,723	134,555	222,596
Non-controlling interests	—	—	1,085	—	5,982
	218,668	219,612	248,808	134,555	228,578

The following table sets forth a breakdown of revenue by different business segments and by types of revenue for the periods indicated.

	Year ended 31 December									Six months ended 30 June					
	2007			2008			2009			2009			2010		
	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total
	(RMB millions)														
Direct sales	448.1	1,055.0	1,503.1	422.9	1,288.6	1,711.5	397.3	1,299.8	1,697.1	204.5	676.1	880.6	269.1	779.9	1,049.0
Commission income from concessionaire sales[1]	436.8	8.2	445.0	479.6	6.0	485.6	525.2	11.2	536.4	246.5	6.2	252.7	400.0	9.1	409.1
Total turnover	884.9	1,063.2	1,948.1	902.5	1,294.6	2,197.1	922.5	1,311.0	2,233.5	451.0	682.3	1,133.3	669.1	789.0	1,458.1
Rental income	23.7	13.8	37.5	18.5	15.7	34.2	22.7	17.1	39.8	10.6	8.7	19.3	18.8	10.0	28.8
Provision of food and beverage services	—	15.7	15.7	—	14.7	14.7	—	12.8	12.8	—	5.8	5.8	—	7.3	7.3
Total revenue	908.6	1,092.7	2,001.3	921.0	1,325.0	2,246.0	945.2	1,340.9	2,286.1	461.6	696.8	1,158.4	687.9	806.3	1,494.2

(1) Only the commission portion, instead of gross revenue, of concessionaire sales is recognised as revenue.

Consolidated Statements of Financial Position

	As at 31 December			As at
	2007	2008	2009	30 June 2010
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	2,179,250	2,572,812	3,719,241	3,840,951
Prepaid land premiums	259,560	263,489	256,047	327,329
Goodwill	87,122	87,122	127,439	127,439
Investment in associates	234	—	—	—
Available-for-sale investments	20,000	20,000	110	110
Long-term prepayments	54,098	73,350	32,093	123,080
Deferred tax assets	7,745	11,364	15,286	19,355
Total non-current assets	2,608,009	3,028,137	4,150,216	4,438,264
Current assets				
Inventories	274,695	303,161	301,313	258,148
Trade receivables	4,636	12,042	8,984	19,024
Prepayments, deposits and other receivables	355,733	175,391	194,716	229,380
Equity investments at fair value through profit or loss	—	—	12,521	11,096
Pledged deposits	5,572	170,000	742,790	384,814
Cash and cash equivalents	266,227	407,826	612,813	665,239
Total current assets	906,863	1,068,420	1,873,137	1,567,701
Current liabilities				
Interest-bearing bank and other borrowings	1,097,874	1,173,800	1,746,221	1,367,600
Bills payable	5,572	—	57,790	9,814
Trade payables	460,970	562,989	597,545	573,805
Other payables and accruals	574,282	799,347	960,610	1,141,107
Derivative financial liabilities	7,680	—	—	—
Tax payable	58,296	27,633	32,484	26,832
Total current liabilities	2,204,674	2,563,769	3,394,650	3,119,158
Net current liabilities	(1,297,811)	(1,495,349)	(1,521,513)	(1,551,457)
Total assets less current liabilities	1,310,198	1,532,788	2,628,703	2,886,807
Non-current liabilities				
Interest-bearing bank and other borrowings	145,000	150,000	983,000	1,006,500
Long-term payables	3,702	5,819	256,523	271,506
Deferred tax liabilities	160,819	183,798	333,146	338,260
Total non-current liabilities	309,521	339,617	1,572,669	1,616,266
Net assets	1,000,677	1,193,171	1,056,034	1,270,541
Equity				
Equity attributable to owners of the parent:				
Issued capital	162	162	150	150
Reserves	1,000,515	1,193,009	1,023,625	1,235,819
Non-controlling interests	—	—	32,259	34,572
Total equity	1,000,677	1,193,171	1,056,034	1,270,541

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

Forecast consolidated profit attributable to equity holders of the Company(1)	not less than RMB370 million (equivalent to HK$429 million)
Unaudited pro forma forecast earnings per Share(2)(3)	not less than RMB0.148 (equivalent to HK$0.172)

(1) The above profit forecast has been prepared on the bases and assumptions set out in Appendix III.

(2) Solely for your convenience, forecast earnings per Share are converted into Hong Kong dollars at the PBOC Rate of HK$1.00 to RMB0.8629 prevailing as at 21 September 2010. You should not construe such conversion as a representation that the Renminbi amounts could actually be converted into HK dollar amounts at the rate indicated or at all.

(3) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010, assuming that we had been listed since 1 January 2010 and a total of 2,500,000,000 Shares were issued and outstanding during the entire year.

OFFER STATISTICS

	Based on an Offer Price of HK$4.85 per share	**Based on an Offer Price of HK$5.93 per share**
Our Company's capitalisation upon completion of the Global Offering (1)	HK$12,125 million	HK$14,825 million
Prospective price/earnings multiple pro forma fully diluted basis(2)	28.2 times	34.5 times
Unaudited pro forma adjusted consolidated net tangible asset per Share(3)	HK$1.43	HK$1.63

(1) The calculation of market capitalisation is based on 2,500,000,000 Shares in issue immediately after the completion of the Global Offering, assuming no exercise of the Over-allotment Option.

(2) The calculation of the prospective price/earnings multiple on a pro forma fully diluted basis is based on the forecast earnings per Share on a pro forma fully diluted basis at the respective Offer Prices of HK$4.85 and HK$5.93 per Share, assuming that the Global Offering had been completed on 1 January 2010 and a total of 2,500,000,000 Shares were issued and outstanding during the entire year.

(3) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" in this prospectus and on the basis of a total of 2,500,000,000 Shares expected to be in issue following the completion of the Global Offering. This calculation assumes the respective Offer Prices of HK$4.85 and HK$5.93 per Share and that the Over-allotment Option will not be exercised.

DIVIDEND POLICY

After completion of the Global Offering, our Shareholders will be entitled to receive dividends that we declare. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law, including the approval of our Shareholders. In addition, our Controlling Shareholders will be able to influence the approval by our Shareholders in a general meeting for any payment of dividends.

Subject to the factors above, we currently plan to pay annual dividends of not less than 30% of our annual distributable profit attributable to equity holders of our Company, commencing with respect to the year ending 31 December 2010. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our Shareholders by any means which our Directors deem legal, fair and practicable.

Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in China. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require our subsidiaries in China to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our operating subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instrument or other agreements that we or our subsidiaries may enter into in the future.

During the Track Record Period, we declared dividends in an aggregate amount of nil, RMB26.4 million, RMB26.0 million, nil and nil for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively, to our shareholders. You should note that historical dividend distributions are not indicative of our future dividend distribution policy.

FUTURE PLANS AND USE OF PROCEEDS

See the section headed "Business — Our Strategies" for a detailed description of our future plans.

We estimate that the net proceeds to our Company from the Global Offering, after deducting underwriting discounts, commissions, incentive fees (if any) and estimated offering expenses payable by us, will be approximately HK$2,551 million, assuming an Offer Price of HK$5.39 per Share, being the midpoint of the Offer Price range set forth on the cover of this prospectus.

We intend to use such net proceeds for the following purposes:

- approximately 60% to develop the network of our stores. This amount of net proceeds will be used as follows:

  - approximately 30% of the net proceeds to be used for the development of our three department stores and ten supermarkets currently under construction;

- approximately 5% of the net proceeds to be used for refurbishment or expansion of our existing stores, including our Zhenjiang Yaohan Store and Wuxi Yaohan Store; and

- approximately 25% of the net proceeds to be used for the development of other suitable department store or supermarket opportunities in the Greater Yangtze River Delta area, which we deem to be in line with our long-term development strategy;

- approximately 25% to repay bank loans. As at 30 June 2010, we had total outstanding bank borrowings denominated in RMB in the amount of RMB2,150 million. We plan to use approximately HK$638 million of the net proceeds to us to settle part of our outstanding bank borrowings, if the Offer Price is fixed at HK$5.39 per Offer Share. The annual interest rates of these bank borrowings range from 2.73% to 5.94%. All these loans have been borrowed to fund our needs for working capital;

- approximately 5% to further develop our management system, further enhance our logistics support system and expand our headquarters; and

- the balance of not more than 10% of the net proceeds of the Global Offering for working capital and general corporate purposes.

Upon the registration with SAFE, the net proceeds from the Global Offering will be remitted to PRC by way of capital injection into Jiangsu Springland or through Shareholder's loan or in other manners as permitted by PRC laws or regulations to facilitate our Group's expansion plan. As advised by our PRC legal advisers, we do not expect to encounter any significant PRC regulatory hindrance for the remittance of the net proceeds into PRC.

If the Offer Price is fixed at HK$5.93 per Offer Share, being the higher end of the indicative Offer Price range, the net proceeds to us will be increased by approximately HK$262 million. Our Directors presently intend to use any additional proceeds in the same manner and in the same proportions as described above. If the Offer Price is fixed at HK$4.85 per Offer Share, being the lower end of the indicative Offer Price range, the net proceeds to us will be reduced by approximately HK$262 million. Our Directors presently intend to apply any reduced net proceeds in the same manner and in the same proportion as described above.

We are not issuing any New Shares for the exercise of the Over-allotment Option and will not receive any proceeds from its exercise.

To the extent that the net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds to the above purposes on a pro rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by PRC and Cayman Islands laws and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

We estimate that the Base Offering Selling Shareholders will receive approximately HK$653 million, after deducting the underwriting commissions and fees payable by the Base Offering Selling Shareholders in respect of the Sale Shares (assuming an Offer Price of HK$5.39 per Offer Share, being the mid-point of our indicative Offer Price range) of net proceeds from the Global Offering assuming the Over-allotment Option is not exercised. In the event that the Over-allotment Option is exercised in full, the Over-allotment Selling Shareholders will receive net proceeds of approximately HK$490 million (assuming an Offer Price of HK$5.39 per Offer Share, being the mid-point of our indicative Offer Price range).

We will not receive the net proceeds from the sale of Sale Shares by the Selling Shareholders in the Global Offering.

RISK FACTORS

Risks relating to our business

- We rely on our concessionaires and direct sales suppliers for substantially all of our revenue.
- We conduct all of our operations in, and derive all of our revenue from, the Greater Yangtze River Delta.
- If we encounter difficulties executing our expansion strategy, our growth prospects may be limited.
- We may not be able to find suitable locations for new department stores and supermarkets on commercially acceptable terms, if at all.
- Our new department stores and supermarkets may not achieve our expected level of profitability within our desired time frame, or at all.
- We are affected by changes in the mix of our concessionaire and direct sales.
- We may be unable to obtain external financing on favourable terms, or at all, to fund our ongoing operations, expansions and other obligations.
- We may not be able to identify or offer attractive and popular merchandise or to foresee or adjust our product offering, in a timely manner, to perpetually changing fashion trends and consumer demands.
- Losses from product spoilage, overstocking, shortages or unavailability of the products demanded by customers may increase our cost and reduced our profitability, and may damage our reputation.
- We depend heavily on our key personnel and our ability to attract and retain talented employees.
- Our business relies on the satisfactory performance of our information systems and any malfunction for an extended period could adversely affect our ability to operate.

- Our land use rights certificates for certain parcels of land on which we operate our stores may be defective or non-compliant with relevant PRC laws and regulations.

- We may not be able to renew any of our existing leases for our stores when they expire, or if they are terminated, on terms acceptable to us.

- If we fail to obtain or renew the regulatory licences and approvals we need in order to operate, our existing operations may be interrupted and our expansion plans may be adversely affected.

- Our business depends on our trademarks and trade names, which we may not be able to protect against infringement.

- Our limited insurance coverage may not cover all losses, which may increase our operational costs.

- We operate in a highly competitive market.

- We may be subject to product liability claims relating to defective products provided by us, our concessionaires, direct sales suppliers and fixed rental tenants.

- Seasonality affects our sales.

- The merchandise sold in our department stores and supermarkets may be subject to third party intellectual property rights.

- We had net current liabilities as at 31 December 2007, 2008 and 2009, and 30 June 2010 and may continue to have net current liabilities in the future.

- We have granted certain put options to minority shareholders of the Nantong Yaohan Store, the exercise of which by such minority shareholders may have a material adverse effect on our liquidity and results of operation.

- Our historical dividends may not be indicative of our future dividend policy.

Risks relating to China

- Any adverse change in the political and economic policies of the PRC Government may materially and adversely affect our business, financial condition and operating results and may result in our inability to sustain our growth and expansion strategies.

- There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

- PRC policies, laws and regulations prohibiting the issuance of pre-paid gift cards may have an adverse impact on our operations.

- Consumer spending patterns in China can be influenced by the state of China's economy.

- Future fluctuations in foreign exchange rates and government control in currency conversion may adversely affect our financial condition and results of operations as well as our ability to remit dividends.

- We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

- China's legal system is still developing and there are inherent uncertainties that may affect the protection afforded to our business and Shareholders.

- New labour laws in the PRC may adversely affect our results of operations.

- Failure to comply with SAFE regulations relating to the alteration of shareholding of offshore special purpose companies and "round-trip" investments by our beneficial owners in the future may adversely affect our business operations.

- Regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our strategy as well as our business and prospects.

- The outbreak of any severe communicable disease in the PRC, if uncontrolled, may materially and adversely affect our results of operations.

- Our business may be harmed by power shortages in the PRC.

- It may be difficult to enforce judgements against us in the PRC.

- Acts of God, acts of war and other disasters could affect our business.

Risks relating to the Global Offering

- The liquidity and market price of our Shares following the Global Offering may be volatile.

- As the Offer Price of our Shares is higher than our net consolidated tangible asset value per Share, you will experience immediate and substantial dilution to your attributable net tangible asset value per Share.

- We will continue to be controlled by our Controlling Shareholders, whose interests may differ from those of our other Shareholders.

- Future sales of our Shares may decrease the value of your investment.

- Facts and statistics from official government sources in this prospectus relating to the Chinese economy and the retail industry in China may not be fully reliable.

In this prospectus, the following expressions have the following meaning unless the context otherwise requires.

"Application Form(s)"	WHITE, YELLOW and GREEN application form(s) or, where the context so requires, any of them, relating to the Hong Kong Public Offer
"Articles of Association" or "Articles"	the articles of association of our Company, conditionally adopted on 30 September 2010 and as amended from time to time
"associate"	has the meaning ascribed thereto under the Listing Rules
"Base Offering Selling Shareholders"	CDH Resource and Fit Master, which are offering certain Sale Shares for sale under the Global Offering
"Board"	the board of Directors
"Business Day"	any day (other than a Saturday or Sunday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the issue of 1,985,336,000 Shares to be made upon the capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed "Statutory and General Information — Further Information About our Company — Resolutions of our Shareholders" in Appendix VI to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant

"CCBIC"	CCB International Capital Limited
"CDH Resource"	CDH Resource Limited, a company incorporated in BVI on 24 February 2006 which is wholly-owned by CDH China Growth Capital Fund II, L.P., and also a Shareholder
"Celestial Spring"	Celestial Spring Limited (天泉有限公司), a company incorporated in BVI which is wholly-owned by Mr Tao Qingrong, Mr Zhu Tao, Mr Jiang Changlin, Mr Fung Hiu Lai and Mr Fung Yim David collectively, and also a Shareholder
"Cleavebury"	Cleavebury Limited, a company incorporated in Hong Kong on 25 January 2006, which is our wholly-owned subsidiary
"Company" or "our Company"	Springland International Holdings Limited (華地國際控股有限公司), a company incorporated in the Cayman Islands on 21 June 2006 as an exempted company with limited liability
"Companies Law" or "Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	Netsales and Mr Chen, all being the controlling shareholders of our Company upon Listing or, where the context requires, any one of them
"DBS"	DBS Asia Capital Limited
"Director(s)"	the director(s) of our Company
"Euromonitor International"	an independent provider of business intelligence on industries, countries and consumers
"Fit Master"	Fit Master Limited (君宜有限公司), a company incorporated in BVI which is wholly-owned by Mr Chiu Pei Ming (丘沛民), and also a Shareholder prior to the Listing
"GDP"	gross domestic product, the total value of goods and services produced by a nation or region
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offer and the International Offer
"Greater Yangtze River Delta"	the region that comprises Yangtze River Delta and Anhui province

"Green Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we", "us"	our Company and our subsidiaries and, in respect of the period before our Company became the holding company of such subsidiaries (or before such companies became subsidiaries of our Company), the entities which carried on the business of the present Group at the relevant time
"GRP"	gross regional product
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited
"Hong Kong" or "HK"	Hong Kong Special Administrative Region of PRC
"Hong Kong Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Hong Kong Offer Shares"	62,500,000 Shares (subject to adjustment as described in the section headed "Structure of the Global Offering") being offered by us for subscription at the Offer Price under the Hong Kong Public Offer
"Hong Kong Public Offer"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
"Hong Kong Springland"	Hong Kong Springland International Enterprises (Holdings) Limited, a limited liability company incorporated in Hong Kong on 6 July 1993
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the several underwriters of the Hong Kong Public Offer listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 7 October 2010 relating to the Hong Kong Public Offer entered into among our Company, the Controlling Shareholders, the Selling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters

"IASB"	the International Accounting Standards Board
"IFRS"	International Financial Reporting Standards promulgated by the IASB; IFRS includes International Accounting Standards ("IAS") and interpretations
"independent third party"	a person who, as far as the Directors are aware after having made reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
"International Offer"	the offer by the International Underwriters of International Offer Shares to professional, institutional and other investors, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Offer Shares"	562,500,000 Shares comprising 437,500,000 New Shares and 125,000,000 Sale Shares (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) which are the subject of the International Offer, together with any additional Shares which may be offered for sale pursuant to the exercise of the Over-allotment Option
"International Underwriters"	the group of underwriters, led by the Sole Global Coordinator, which is expected to enter into the International Underwriting Agreement to underwrite the International Offer
"International Underwriting Agreement"	the underwriting agreement relating to the International Offer expected to be entered into on or around 14 October 2010 among our Company, the Controlling Shareholders and the International Underwriters
"Jiangsu Springland"	江蘇華地國際控股集團有限公司 (Jiangsu Springland Enterprise Investment Holding Group Co., Ltd.) (previously known as 江蘇華地企業集團有限公司 (Jiangsu Springland Enterprise Group Co., Ltd.), a limited liability company established in the PRC on 12 February 1996, which, following the Reorganisation, became our wholly-owned subsidiary
"Jiangsu Datonghua"	江蘇大統華購物中心有限公司 (Jiangsu Datonghua Shopping Centre Co., Ltd.) (formerly known as 宜興市大統華購物中心有限公司 (Yixing City Datonghua Shopping Centre Company Limited)), a limited liability company established in the PRC on 14 March 2001, which, following the Reorganisation, became our wholly-owned subsidiary
"Joint Bookrunners"	Morgan Stanley Asia Limited and DBS Asia Capital Limited

"Joint Lead Managers"	Morgan Stanley Asia Limited, DBS Asia Capital Limited and CCB International Capital Limited
"Latest Practicable Date"	1 October 2010, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information in this prospectus
"LIBOR"	London InterBank Offered Rate
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	the date on which dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易合作部)
"Mr Chen"	Mr Chen Jianqiang (陳建強), the chairman, chief executive officer and an executive Director of our Company, as well as a Controlling Shareholder
"Memorandum of Association"	the memorandum of association of our Company, as amended from time to time
"Nantong Department Store"	南通八佰伴商貿股份有限公司 (Nantong Yaohan Commerce & Trade Joint Stock Company Limited, formerly known as 南通市百貨大樓股份有限公司 (Nantong General Merchandise Building Co., Ltd.)), a joint stock company established in the PRC on 16 August 1993, which became our subsidiary in November 2009
"Nantong Promoters"	collectively 吳美琴 (Ms Wu Meiqin), 張建平 (Mr Zhang Jianping), 楊建平 (Mr Yang Jianping) and 巫仲堯 (Mr Wu Zhongyao), being the promoters of Nantong Department Store during its incorporation and the major shareholders of Nantong Department Store immediately prior to our acquisition of a controlling interest in Nantong Department Store
"Netsales"	Netsales Trading Limited, a company incorporated in BVI on 20 February 2006 which is wholly-owned by Mr Chen, and also a Controlling Shareholder

"New Share"	500,000,000 Shares being offered by us for subscription at the Offer Price under the Global Offering
"NPC" or "National People's Congress"	the National People's Congress of the PRC
"Offer Price"	the final Hong Kong dollar price per Share (exclusive of brokerage, Stock Exchange trading fee and SFC transaction levy) at which the Offer Shares are to be issued pursuant to the Global Offering, to be determined as further described in the section headed "Structure of the Global Offering — Determination of the Offer Price" in this prospectus
"Offer Shares"	the Hong Kong Public Offer Shares and the International Offer Shares including, where relevant, any additional Shares which may be offered for sale pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by the Over-allotment Selling Shareholders to the Sole Global Coordinator under the International Underwriting Agreement pursuant to which the Sole Global Coordinator, on behalf of the International Underwriters, may require the Over-allotment Selling Shareholders to sell up to an aggregate of 93,750,000 additional Shares (representing in aggregate 15% of the number of Offer Shares initially available under the Global Offering) at the Offer Price
"Over-allotment Selling Shareholders"	Netsales, CDH Resource and Celestial Spring, which are offering certain Sales Shares for sale in the event the Over-allotment Option is exercised
"PBOC"	the People's Bank of China
"PRC" or "China"	the People's Republic of China which, except where the context otherwise requires, does not include Taiwan, Hong Kong or Macau Special Administrative Region
"PRC Government" or "Chinese Government" or "State"	the central government of the PRC including all political subdivisions (including provincial, municipal and other local or regional government entities) and organisations of such government or, as the context requires, any of them
"Preference Shares"	convertible preference shares of nominal value HK$0.01 each in the capital of our Company, which were converted into Shares on 13 November 2009

"Price Determination Date"	the date, expected to be on or around 14 October 2010 but no later than 20 October 2010, on which the Offer Price is fixed for the purposes of the Hong Kong Public Offer and the Global Offering
"Principal Share Registrar"	Codan Trust Company (Cayman) Limited
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the US Securities Act
"Reorganisation"	the reorganisation of the group of companies now comprising group members of our Company, as described in the section headed "History, Reorganisation and Corporate Structure — The Reorganisation" in this prospectus
"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the US Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"Sale Shares"	125,000,000 Shares to be sold by the Base Offering Selling Shareholders at the Offer Price under the International Offer, and up to an additional 93,750,000 Shares to be sold by the Over-allotment Selling Shareholders in the event of exercise of the Over-allotment Option by the Sole Global Coordinator
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"Selling Shareholder(s)"	collectively the Base Offering Selling Shareholders and the Over-allotment Selling Shareholders
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company pursuant to the written resolutions passed by our Shareholders on 30 September 2010, the principal terms of which are summarised in the section headed "Statutory and General Information — Share Option Scheme" in Appendix VI to this prospectus
"Shanghai Springland"	上海華地企業投資有限公司 (Shanghai Springland Enterprise Investment Co., Ltd.), a limited liability company established in the PRC on 6 November 1996, which, following the Reorganisation, became our indirect wholly-owned subsidiary

"Share(s)"	ordinary shares of nominal value of HK$0.01 each in the capital of our Company
"Shareholder(s)"	the holders of Shares, and in respect of the period before the conversion of the Preference Shares into Shares, including holders of the Preference Shares
"Sole Global Coordinator", "Sole Sponsor" or "Morgan Stanley"	Morgan Stanley Asia Limited
"Springland International"	Springland International Group Company Limited (華地國際集團有限公司), a company incorporated in BVI on 12 June 2006, which is our wholly-owned subsidiary
"sq. m."	square metre(s)
"Stabilising Manager"	Morgan Stanley Asia Limited
"State Council"	the State Council of the PRC
"Stock Borrowing Agreement"	a stock borrowing agreement to be entered into on or about 14 October 2010 between Morgan Stanley (or its affiliates or any person acting for it) and the Over-allotment Selling Shareholders
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules
"Total Sales Proceeds"	the sum of gross revenue from concessionaire sales, revenue from direct sales and rental income
"Track Record Period"	the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US"	the United States of America, including its territories and possessions
"US$" or "US dollars"	United States dollars, the lawful currency of the United States

"US$ Shares"	ordinary shares of nominal value of US$0.10 each in the capital of our Company, which were redenominated and converted into Shares on 13 December 2007
"US$ Preference Shares"	convertible preference shares of nominal value of US$0.10 each in the capital of our Company, which were redenominated and converted into Preference Shares on 13 December 2007 and further converted into Shares on 13 November 2009
"US Securities Act"	the US Securities Act of 1933, as amended, and the rules and regulations promulgated under the US Securities Act of 1933
"VAT"	value added tax
"White Form eIPO"	applying for Hong Kong Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"WTO"	World Trade Organisation
"Yangtze River Delta"	the triangular-shaped territory that comprises Shanghai, Jiangsu province and Zhejiang province of China. It includes 16 relatively developed provincial- and prefecture-level municipalities, such as Shanghai, Nanjing, Suzhou, Wuxi, Yangzhou, Nantong, Changzhou, Zhenjiang, and Taizhou (泰州), and Zhejiang's Hangzhou, Ningbo, Shaoxing, Huzhou, Jiaxing, Zhoushan and Taizhou (台州)
"Yixing Springland"	宜興華地百貨有限公司 (Yixing Springland Department Store Co., Ltd.), a limited liability company established in the PRC on 24 May 2000, which, following the Reorganisation, became our indirect wholly-owned subsidiary

The English translation of the names of the entities incorporated in the PRC are for identification and reference only.

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and plan of operation;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- our dividend policy;
- projects under construction or planning;
- the regulatory environment of our industry in general; and
- future development in our industry.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

In addition to other information in this prospectus, you should carefully consider the following risk factors, which may not be typically associated with investing in equity securities of companies from other jurisdictions, before making any investment decision in relation to the Offer Shares. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the Offer Shares could fall significantly.

RISKS RELATING TO OUR BUSINESS

We rely on our concessionaires and direct sales suppliers for substantially all of our revenue.

We derive substantially all of our revenue from concessionaire fees and direct sales, and our success depends on our ability to retain existing, and attract new, concessionaires and direct sales suppliers on terms acceptable to us. Our agreements with our concessionaires and direct sales suppliers are usually on a relatively short-term basis. Our concessionaire agreements are generally for a term of one year, with a termination notice period of approximately 30 days for our department stores and approximately 60 days for our supermarkets. Our direct sale agreements are usually for a term of one year, with a termination notice period of approximately 10 days. There is no guarantee that we will be able to successfully renew our existing concessionaire agreements or direct sale agreements upon their expiration on terms acceptable to us, or at all. If we are unable to maintain good relationships with our existing concessionaires and direct sale suppliers, or if we are unable to develop and maintain new concessionaire and direct sales supplier relationships, we will be unable to carry merchandise and products that are in demand and can generate profit for us. Furthermore, if any of the suppliers for concessionaire or our direct sales change their distribution methods, we may experience a disruption in supply of products for our concessionaire or direct sales business. As a result, our market positioning, image and reputation may be adversely affected, and our revenue and profitability may be impaired.

In addition, our revenue and profit are dependent on the concessionaire fees and the purchase prices that we are able to negotiate with our concessionaires and our direct sale suppliers. We derive our revenue from concessionaire arrangements in the form of concessionaire commissions, which are typically expressed as a percentage of sales by our concessionaires. We derive our revenue from direct sales arrangements in the form of sales proceeds to end consumers, while the purchase of and changes in inventories represent the prices that we have to pay for our purchases from our direct sales suppliers. To the extent that our concessionaires are able to reduce the commission percentage when negotiating their concessionaire arrangements with us, or our direct sale suppliers are able to raise the purchase prices that we have to pay, our revenue and profit may decrease and our results of operations may be adversely affected.

We conduct all of our operations in, and derive all of our revenue from, the Greater Yangtze River Delta.

We currently have 10 department stores and 16 supermarkets in operation, all of which are located in the Greater Yangtze River Delta. As a result, we have derived all of our revenue during the Track Record Period from the operations of our department stores and supermarkets in the Greater Yangtze River Delta. In addition, as of the Latest Practicable Date, we have three department stores and ten supermarkets under construction, all of which are located in the Greater Yangtze River Delta. As a consequence of our limited geographical coverage, our business and prospects are highly dependant upon the performance of the retail market of the Greater Yangtze River Delta. Our limited geographical coverage means that we are exposed to a more concentrated level of risk as compared to some of our competitors in the PRC in the event of any adverse change in the market conditions in the Greater Yangtze River Delta. We believe that any adverse change in the central or provincial policy or regulations or developments in economic conditions, as measured by factors including GDP growth, employment levels, job growth, consumer confidence, interest rates and population growth in the Greater Yangtze River Delta, could adversely affect our business, financial condition, results of operations and prospects.

If we encounter difficulties executing our expansion strategy, our growth prospects may be limited.

As part of our business strategy, we plan to expand the network of our department stores and supermarkets through organic growth or, should suitable opportunities arise, through acquisitions or formation of joint ventures, partnerships or alliances.

Our ability to expand depends on, among other things:

- our ability to identify suitable sites for new department stores and supermarkets and successfully negotiate purchase or lease agreements for these sites on terms acceptable to us;
- our ability to identify attractive acquisition targets and negotiate acquisitions on terms acceptable to us;
- our ability to identify suitable opportunities to form joint ventures, partnerships or alliances and enter into joint venture, partnership or alliance agreements on terms acceptable to us;
- the availability of financing for our investments or other strategic transactions; and
- our ability to obtain all the requisite governmental and third party consents, approvals and permits in a timely manner.

Even if we are able to open new department stores and supermarkets, the new stores' ability to achieve sales or profitability levels comparable to our existing department stores and supermarkets, or to become profitable at all, may be affected by our ability to, among other things:

- successfully develop and execute specific business strategy for each individual store;
- successfully integrate the new stores with our existing operations and achieve related synergies;
- properly position our new stores to successfully establish a foothold in new markets, particularly where we face strong competition from incumbent competitors;
- maintain adequate management and financial resources for our expanded operations;
- attract and execute agreements with suitable concessionaires, direct sales suppliers and fixed rental tenants on terms acceptable to us;

- adapt to the evolving competitive environment which may be different from what we are familiar with;
- adapt and grow our operational and management systems, including our information technology systems, to continue to accommodate an expanded network of department stores and supermarkets;
- hire, train and retain skilled personnel; and
- effectively control and manage our costs, in particular, costs of purchase, and expenses related to rent, logistics, human resources and marketing.

We may not be able to achieve our planned expansion objectives. If we are unable to successfully gain business synergies from new investments, our ability to grow our business and increase our revenue may be adversely affected. We cannot assure you that we will be able to expand or, operate our business on a profitable basis by establishing or acquiring new department stores and supermarkets. We enter into discussions from time to time with third parties regarding potential acquisitions or investment targets in the ordinary course of business. However, we cannot assure you that we will be able to identify any attractive acquisition targets or any suitable opportunity for joint ventures, partnerships or alliances, nor can we assure you that we will be able to enter into acquisition, joint venture, partnership or alliance agreements on terms favourable to us, or at all. Our ability to manage our future growth will also depend on our ability to continue to successfully implement and improve our operational, financial and management systems in the new and evolving competitive markets. Our business growth could strain our managerial, operational and financial resources. Failure to effectively manage our expansion may lead to increased costs, decline in revenue, reduced profitability and limited growth.

We may not be able to find suitable locations for new department stores and supermarkets on commercially acceptable terms, if at all.

Our performance depends, to a significant extent, on the location of our department stores and supermarkets. When selecting a site for a department store or a supermarket, we take into account various factors, including:

- whether it is located in a central or prime shopping district;
- its convenience and accessibility to our target consumer group;
- the expected pedestrian flow;
- the size of the available space;
- the availability of supplementary facilities including parking lots; and
- the level of surrounding competition.

We secure prime locations either through ownership or through long-term leases. Going forward, as we open more stores, we will need to secure more retail locations through ownership or long-term leases, as determined on a case-by-case basis. The supply of prime locations for new department stores and supermarkets is scarce and, as a result, competition to secure these locations is intense. In the past few years, cost of securing prime locations in the Greater Yangtze River Delta, whether through acquisition or through leasing arrangements, has fluctuated and has increased significantly overall. This is particularly the case for prime retail locations. As a result, we expect our cost of securing new retail locations for our new stores, whether through ownership or through long-term leases, to increase in the near future. In addition, we also expect the rental expenses for our existing store premises to increase. Our ability to purchase or lease suitable properties on terms acceptable to us is critical to the success of our expansion strategy. We cannot assure you that we will be able to identify and acquire or lease suitable locations on terms commercially acceptable to us, as we have been able to successfully do in the past in the Yangtze River Delta. In the event that we encounter difficulties in securing suitable department stores or supermarkets sites in the Yangtze River Delta or other regions that we plan to expand into, our growth prospects will be adversely affected.

Our new department stores and supermarkets may not achieve our expected level of profitability within our desired time frame, or at all.

As part of our growth strategy, we plan to actively establish more department stores and supermarkets both within the geographical areas where we currently operate and in new areas where we currently have no presence. As at the Latest Practicable Date, we had three department stores and ten supermarkets under construction. Opening new department stores and supermarkets requires significant capital outlay up front, including with respect to the price of acquisition or rental for the premises, the renovation and decoration of the premises, and the hiring and training of department store and supermarket employees. However, the new department stores and supermarkets that we open may not achieve our expected level of profitability for a prolonged period of time, or at all.

For example, in June 2010, we disposed of our Nanjing Yaohan Store, which commenced operations in September 2008, because it was not able to reach the level of profitability within our planned time frame due to a number of factors. Such factors include the unexpected delay of the government's development plan in the area where the store is located, as a result of which the pedestrian traffic did not reach the level that we had originally anticipated, as well as our subsequent plans to devote our resources to other department stores located in other second-tier and third-tier cities.

Whether or not the operation of our new department stores and supermarkets will be successful depends on a number of factors, including:

- our ability to properly position our new stores and to execute business strategy in the local market;
- our ability to introduce an optimal mix of merchandise which responds successfully and effectively to local consumer preferences at attractive prices;
- our ability to negotiate and obtain favourable terms from our concessionaries and direct sales suppliers;
- the effectiveness of our marketing campaigns;
- the competition that we face from the incumbent players in the region; and

- the timely implementation of changes in any government development plans around our planned sites, which could have an impact on the external pedestrian flow for our stores.

Some of these factors are not entirely within our control. If our new department stores and supermarkets do not break even or achieve our expected level of profitability within our expected timeframe, or at all, our expansion plan and our profitability may be adversely affected.

We are affected by changes in the mix of our concessionaire and direct sales.

We sell most of the merchandise in our department stores through concessionaire sales, and sell most of the merchandise in our supermarkets through direct sales. Due to the different revenue recognition policies for concessionaire sales and direct sales and the different sales models, a change in the mix of our concessionaire sales and direct sales will have a direct impact on our results of operations, including our profit margin. As we only recognise as revenue the commission income from concessionaire sales, an increase in the percentage of concessionaire sales as a percentage of our total sales may lead to a decrease in our total revenue and an increase in our profit margin. In contrasts, for direct sales, we purchase merchandise from suppliers and sell the merchandise to our customers and we recognise the entire sales proceeds that we receive from our customers as revenue. As a result, changes or fluctuations in the mix of our concessionaire and direct sales will continue to have a material impact on our profitability and results of operations.

We may be unable to obtain external financing on favourable terms, or at all, to fund our ongoing operations, expansions and other obligations.

To fund our ongoing operations, existing and future capital expenditure requirements, acquisition and investment plans and other funding requirements, we need sufficient internal sources of liquidity or access to additional financing from external sources. We currently fund our operations through a combination of various internal and external sources, including capital contributions from our Shareholders, short-term and long-term bank loans, and cash flow from our operating activities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including:

- obtaining the PRC Government approvals (where necessary) to raise financing in the global and domestic capital markets;

- the condition of the global and domestic capital markets;

- our ability to negotiate with lending banks to lend on terms favourable to us, which to a significant extent depends on our financial condition, results of operations and cash flows; and

- changes in the monetary policy of the PRC Government with respect to bank interest rates and lending practices and conditions.

If adequate funding is not available to us on favourable terms, or at all, it may materially and adversely affect our ability to fund our ongoing operations and other obligations, or to develop or expand our business. In addition, any future capital raised through issuance of our Shares or other securities in the global or domestic capital markets may result in a substantial dilution of the interests of our Shareholders.

We may not be able to identify or offer attractive and popular merchandise or to foresee or adjust our product offering, in a timely manner, to perpetually changing fashion trends and consumer demands.

Fashion trends, consumer demands and preferences in the PRC are ever changing and depend upon various factors, including, among other things, global fashion and lifestyle trends, diet and consumption patterns, disposable income, consumer confidence in the economy and other factors beyond our control. Our success depends on our ability to anticipate, identify and respond in a timely manner to these trends. We cannot assure you that our choice of merchandise will accurately reflect the prevailing fashion trends or customer preferences at any given time. Any failure on our part to anticipate, identify and respond effectively in a timely manner to changing consumer demands and fashion trends could adversely affect our business. In addition, as we rely on our concessionaires and direct sales suppliers for the supply of substantially all our merchandise, failure on the part of our concessionaires or direct sale suppliers to respond effectively to changing market conditions may also adversely affect our business.

Losses from product spoilage, overstocking, shortages or unavailability of the products demanded by customers may increase our cost and reduce our profitability, and may damage our reputation.

As the products we sell in our department stores and supermarkets include groceries and perishables in the ordinary course of business, we have to constantly monitor our stock in order to minimise spoilage and overstocking of our products. Failure to do so may result in increased costs and reduced profitability.

While we need to avoid groceries and perishables spoilage and overstocking, we are required to maintain sufficient inventory of groceries and perishables to meet the demands of our customers, and our failure to do so could adversely affect our profitability and damage our reputation. Natural disasters such as earthquakes, snowstorms, extreme climatic or weather conditions such as floods or droughts, or natural conditions such as crop disease, pests or soil erosion, may adversely impact the supply of vegetables from our suppliers. Should our supply of vegetables be disrupted, we may not be able to procure an alternate source of supply of vegetables in time to meet the demands of our customers, or we may not be able procure vegetables of equal quality, on equally competitive terms as those with our suppliers, if at all. Such a disruption to our supply may adversely affect our profitability and reputation.

More generally, we cannot assure you that we will not incur losses due to spoilage, overstocking, shortages or unavailability of particular products demanded by our customers, which may result in increased costs or reduced sales and may adversely affect our financial condition and results of operations. We have not had any material write-offs due to spoilage or overstocking of groceries and perishables during the Track Record Period, but we cannot assure you that such material write-off will not happen in the future.

We depend heavily on our key personnel and our ability to attract and retain talented employees.

We have been, and will continue to be, heavily dependent on our senior management team and other key employees for the success of our business. Our senior management team, which is led by Mr Chen, being our founder who is responsible for the overall corporate strategies, planning and business development of our Group, has been formulating and executing our strategies and overseeing operations of our business, and has been instrumental to our achievements to date. We also rely on the expertise and experience of our other key employees, including employees at each individual store. The loss of Mr Chen or any member of our key senior management team could impair our ability to operate and impede the execution of our strategies. We may not be able to replace such persons within a reasonable period of time with the talents of equivalent expertise and experience, which may severely disrupt our business and impair our financial condition. In addition, if any of our key personnel joins a competitor or forms a competing company, we may lose business partners and our business operations may be adversely affected.

In addition, our continued success will also depend on our ability to attract and retain talented and qualified personnel at all levels to perform administrative, accounting and customer service functions and to manage our day-to-day operations and future expansions.

Talented and qualified individuals are scarce and in high demand and, as a result, competition for these individuals from other domestic and foreign-owned department stores and supermarkets in China is intense. Other international and domestic department store or supermarket operators may be able to offer more favourable compensation packages to recruit personnel whom we consider desirable. As a result, we may not be able to attract and retain qualified personnel needed to sustain our business growth, or our staff expenses in relation thereto may increase significantly, both of which would have a material adverse impact on our results of operations and financial condition. We may need to offer superior compensation and other benefits in order to attract and retain talented and qualified personnel in the future, which may result in increased human resources costs and reduced profitability. Our failure to attract and retain talented and qualified personnel could have a negative impact on our ability to effectively manage and grow our business and maintain our competitive position.

Our business relies on the satisfactory performance of our information systems and any malfunction for an extended period could adversely affect our ability to operate.

We use advanced information technology systems for the timely exchange of business information between our headquarters and individual stores, and these systems are critical to our day-to-day business operations. We have not experienced any material interruption or malfunction in the performance of our existing information systems in the past. We cannot assure you, however, that our information systems will always operate without interruption or malfunction in the future. Any breakdown for an extended period of, or other failure of our information systems from, among other things, viruses and hacking, or damage to the hardware or software systems, may cause interruptions to our operations and may adversely affect our business performance and profitability. We have in place a back-up system to our primary information system which is situated in a location in Yixing separate from our primary system. However, there is no assurance that our back-up system will be adequate to support our operations in the event of a prolonged breakdown of our primary system, or that our back-up system will not be damaged simultaneously with our primary system, in which case our business operations will be materially and adversely affected.

Our land use right certificates for certain parcels of land on which we operate our stores may be defective or non-compliant with relevant PRC laws and regulations.

Part of the land on which our Nantong Yaohan Store is located is allocated land. Under relevant PRC laws and regulations, allocated land may only be used for non-commercial purposes. A site area of 8,966 sq.m. out of the total site area 12,502 sq.m. of our Nantong Yaohan Store is located on allocated land. Also, since construction relating to the expansion of certain buildings which occupy this allocated land is not complete, we do not have building ownership certificates for these buildings. We have been advised by our PRC legal advisers that there is no practical legal impediment to our plans to apply for and obtain building ownership certificates for these buildings. We have also been advised by our PRC legal advisers that this arrangement with respect to our use of allocated land does not comply with relevant PRC laws and regulations. As we operate a department store on this land parcel, the Nantong land bureau may deem our Nantong Yaohan Store to be in violation of the terms of our allocated land use rights and as a result, our land use rights certificates may be revoked. The Nantong land bureau may require that the land be converted into granted land. As advised by our PRC legal adviser, since we obtained our rights to use the allocated land through legal procedures as stipulated under then applicable laws and regulations, the conversion price to be paid, if the allocated land is to be converted to granted land, will be determined through negotiations with the Nantong land bureau. The Nantong land bureau will determine the amount of conversion price payable by us by taking into account various factors including, but not limited to, the results of negotiation between us and the Nantong land bureau, the sale price of other comparable lands in Nantong at the time of the conversion and the benchmark price for commercial lands in Nantong at the time of conversion as published by the Ministry of Land and Resources of the PRC. As at 31 December 2009, the benchmark price for allocated land was approximately RMB7,561.0 per sq.m. However, the actual conversion price per sq.m. we would pay, if the Nantong land bureau were to require the conversion, may differ materially.

Furthermore, if the Nantong local government decides to change the urban planning relating to this allocated land, it may repossess this site and we would be required to relocate our store operations, which could have an adverse impact on our business and results of operations. We estimate that, in the event that the Nantong land bureau requires us to relocate the Nantong Yaohan Store, we would need to suspend operations of the Nantong Yaohan Store for approximately 18 months. We further estimate that, based in part on the profit forecast of Nantong Yaohan Store for the year ending 31 December 2010, the financial impact caused by the relocation of Nantong Yaohan Store would amount to approximately RMB22.8 million, mainly comprising the minimum operation costs of Nanjing Yaohan Store during that 18-month-period and the loss of profit as a result of such relocation. There is no indemnity or recourse to the vendors of the Nantong Yaohan Store and the Controlling Shareholders with respect to any adverse impact that may result from the lack of land use rights certificates for these parcels of allocated land.

We may not be able to renew any of our existing leases for our stores when they expire, or if they are terminated, on terms acceptable to us.

As at 30 June 2010, we leased the premises on which one out of 10 of our existing department stores, and 11 out of 16 of our existing supermarkets, are located. Accordingly, it is important to our business operation that we maintain our existing leases. In the event that any of our leases are terminated for any reason prior to their expiration, we will need to relocate to alternative premises. Relocation of any part of our operations may cause disruptions to our business and requires significant expenditures, and we cannot assure you that in such a case, we will be able to find suitable premises on commercially reasonable terms in a timely manner, if at all. Some of our lease agreements have not been registered with the relevant governmental agencies, and we cannot assure you that our rights under the leases agreements will be fully protected. A need to relocate may also arise in the event that we are unable to renew the lease for any leased premises upon its expiration on terms acceptable to us. Upon expiration of the lease agreement for each of the stores, we will need to negotiate the terms and conditions on which the lease agreement may be renewed. We cannot assure you that we will be able to renew our lease agreements on terms and conditions, in particular those regarding the rent, which are favourable or otherwise acceptable to us, or at all. In that case, we may need to seek an alternative site to relocate the existing store in question. We cannot assure you that such alternative site will be at a comparable location or can be leased on comparable terms. For more information on the payment terms of the leases, see “Appendix IV — Property Valuation”.

If we fail to obtain or renew the regulatory licences and approvals we need in order to operate, our existing operations may be interrupted and our expansion plans may be adversely affected.

We have been required, and will continue to be required, to hold and obtain relevant licences, approvals and permits at the municipal, provincial and/or ministry levels. See the section headed "Industry Overview — Regulatory Overview" for more information. According to our PRC legal advisers, we have obtained all relevant approvals and licences required for our current operations. We have not failed to obtain or renew any relevant approvals and licences for our business operations during the Track Record Period. We cannot assure you, however, that upon expiration of some of these licences, approval or permits, we will be able to successfully renew them, or that if the relevant authorities enact new regulations, we will be able to successfully meet their requirements.

In addition, we plan to expand our business not only within Jiangsu and Anhui provinces, but also into provinces and regions where we do not currently have a presence and where we do not possess the same level of familiarity with the regulatory and business environment. Pursuant to the PRC Government's undertakings to the WTO, since 11 December 2004, all foreign investment enterprises engaging in retail business have been permitted to operate nationwide and are no longer subject to a territory limitation. The establishment of foreign investment enterprises and the opening of stores by them, however, are still subject to the approval by MOFCOM, or MOFCOM's provincial delegates, and filing with MOFCOM. As a foreign investment enterprise, we are required to seek approvals and permits from the relevant authorities when we select a new location for a store and upon establishment of a new store. We cannot assure you that we will obtain the relevant approvals and permits in the new locations in a timely manner or at all. Any failure to obtain regulatory approvals and permits in a timely manner and any unforeseen difficulties arising from the unfamiliarity with the new locations or otherwise may adversely affect our expansion plans, future operations and financial performance.

Our business depends on our trademarks and trade names, which we may not be able to protect against infringement.

We believe that "", "華地", "", "" and "" trademarks and "華地" ("Springland"), "大統華" ("Datonghua") and "八佰伴" ("Yaohan") trade names are important to our success and competitive advantage. We have in the past obtained the use of the Yaohan trademarks and trade names pursuant to an undertaking letter dated 21 April 2004 from Yaohan International Holdings Limited, the then shareholder of 無錫八佰伴商貿中心有限公司 (Wuxi Yaohan Commerce & Trade Centre Co., Ltd.) ("Wuxi Yaohan Commerce & Trade"). Our policy is to register and protect our trade names, trademarks and other intellectual property rights in the PRC to the extent we are able to under PRC law. We cannot register trademarks in respect of the "retail services" industry. Consistent with industry practice, we have obtained trademark registration for "", "華地", "", "" and "" for services that we believe are most closely related to retail services.

We are not aware of any material violations, infringements or unauthorised use of our trade names or trademarks. Since the time when we obtained the use of our trade names up to the Latest Practicable Date, there has not been any infringement or litigation arising from the use of any of our trade names. We cannot assure you that the steps we have taken to protect our trade names and trademarks are sufficient or will be sufficient to protect our trade names or trademarks, or that our trade names or trademarks will not be subject to any infringement in the future. Any unauthorised use of our trade names or trademarks could harm our market image and business reputation, which could adversely affect our financial condition and results of operations. In addition, we may incur additional costs as a result of any trade names or trademarks infringement claims we initiate, which may impact on our operating results.

In addition, our department stores in Wuxi, Ma'anshan, Nantong and Zhenjiang are operated under "八佰伴" ("Yaohan") trade name. The same trade name is being used, and may continue to be used, by other retail operators in other cities across China. According to relevant PRC laws and regulations, different level of local administration for industry and commerce throughout China has authority to approve trade names of department stores within their jurisdiction, and there is no public search or public filing system available through which we can search for the department stores that use the term "Yaohan" ("八佰伴") in their trade names. To the best knowledge of the Directors, there is one department store in Shanghai within the Yangtze River Delta using the Yaohan ("八佰伴") trade name as of the Latest Practicable Date. According to PRC laws, a trade name can be used exclusively in a particular area only after it has been registered with the local administration of industry and commerce, and as advised by our PRC legal advisers, we have successfully registered Yaohan ("八佰伴") trade name for use in connection with our department stores in Wuxi, Ma'anshan, Nantong and Zhenjiang cities. However, as other retail operators are free to register in the future or have registered the same trade name in the administration of industry and commerce in other cities across China, we cannot assure you that there will be no confusion to customers in other cities where other retail operators use Yaohan ("八佰伴") trade name. Along with the development and expansion of our business, we do not exclude the possibility of opening new stores under the same trade name in the future in other cities across China. Whenever we have such plans, we will start the registration process for the Yaohan ("八佰伴") trade name in advance at the appropriate level of administration of industry and commerce.

Furthermore, trade names that are identical or similar to our trade names may be registered or used by third parties in other markets we may decide to enter. As a result, we may incur significant expenses should we decide to acquire the right to use our trade names in these markets. If we are unable to acquire these rights on acceptable terms, or at all, we may be unable to enter these markets using our trade names.

Our limited insurance coverage may not cover all losses, which may increase our operational costs.

We maintain different types of insurance policies to cover our operations, including comprehensive asset insurance, public safety liability insurance, employer liability insurance and automobile liability insurance. Our Directors are of the view that the current insurance coverage over our assets and operations is adequate. We do not carry, however, insurance in respect of certain risks that we believe are not insured under normal industry practice in China, or which are uninsurable on commercially acceptable terms, if at all, such as those caused by war and civil disorder. Accordingly, there may be circumstances in which we will not be covered or compensated, in part or at all, for specific losses, damages and liabilities. In addition, we do not maintain any product liability insurance. While our contracts with our concessionaires and direct sale suppliers typically provide that our concessionaires and direct sale suppliers will be responsible for any product liability claims by end consumers, we may be required to make compensations to the consumers first, and we may have to assume the economic impact to the extent we cannot seek indemnifications from our concessionaires, direct sales suppliers or fixed rental tenants. For more information on our exposure with respect to product liability claims, see the paragraph headed "— We may be subject to product liability claims relating to defective products provided by us, our concessionaires, direct sales suppliers and fixed rental tenants" in this prospectus. In addition, we are subject to the risks of losses arising from the misappropriation of cash or other assets by our employees or third parties, which losses may not be sufficiently covered by our insurance policies. Any risk that is not adequately covered by insurance may have an adverse effect on our reputation and profitability.

We operate in a highly competitive market.

The retail industry, and in particular, the operation of department stores and supermarkets, in China and particularly the Yangtze River Delta is highly competitive. We face competition from domestic and international operators of department stores, supermarkets, convenience stores, specialty retailers, discount stores, and other forms of retail business in the areas where we currently operate and where we may enter. We compete with other retailers in China based on, among other things:

- the degree of store brand recognition and store image;
- the location and size of a store;
- the reputation, mix and quality of the brands, merchandise and products offered;
- the quality of customer service; and
- the ability to understand and respond to customer demand in a timely manner.

Some of our competitors, particularly the domestic and international retail chain operators, may have more financial and managerial resources than we do. A number of different competitive factors could have a material adverse effect on our results of operations and financial condition in the current markets in which we operate, including, among other things:

- adoption of aggressive pricing strategy, trendy merchandise mix, innovative store formats or retail sales methods by our existing competitors;
- entry by new competitors into our current markets and increased competition from international players, particularly as a result of China's accession to the WTO;
- increased operational efficiencies of competitors; and
- our concessionaires and direct sales suppliers establishing their own stores.

To the extent that we fail to compete successfully in our existing and new markets due to any of these factors, our business and results of operations may be adversely affected.

We may be subject to product liability claims relating to defective products provided by us, our concessionaires, direct sales suppliers and fixed rental tenants.

According to existing PRC law, manufacturers and suppliers who produce or sell defective goods in the PRC are liable for the damage or personal injury caused by such goods. In addition, consumers in the PRC are becoming more concerned about food safety given recent incidents in the PRC. These include the unconventional use of pesticides and other dangerous chemical additives as food preservatives or additives. In particular, the 2008 Chinese milk scandal regarding the use of melamine in milk and infant formula garnered widespread media attention and increased public awareness about food safety related issues in the PRC.

Pursuant to agreements between us and our concessionaries, our direct sales suppliers and fixed rental tenants, all of our concessionaires, direct sales suppliers and fixed rental tenants are obligated to indemnify us for any claims brought against us concerning merchandise and products provided to us by the direct sales suppliers or sold by the concessionaries or fixed rental tenants in our department stores and supermarkets, as the case may be. We cannot assure you, however, that the concessionaires, direct sales suppliers and fixed rental tenants, as the case may be, will have adequate financial resources or insurance coverage to fulfil their obligations under these indemnities. Seeking indemnifications from our concessionaires, direct sales suppliers or fixed rental tenants may take a prolonged period of time and may potentially lead to litigations. Claims against us initiated by end consumers will have an adverse effect on our reputation and brand image, even though we have a right to indemnification against the concessionaires, direct sale suppliers or fixed rental tenants. We do not maintain any product liability insurance, which we believe is consistent with the industry practice for department stores and supermarkets. Accordingly, if our department stores and supermarkets are found liable for damages suffered as a result of our direct sale of certain merchandise or products, or because of defective merchandise sold by our concessionaries or fixed rental tenants in our department stores and supermarkets, as the case may be, we may be responsible for compensating the damage. In these circumstances, our profitability and reputation may be adversely affected. During the Track Record Period, we have not received any material claim from end consumers relating to any liability arising from or relating to the quality of the merchandise we sell in our department stores and supermarkets.

Seasonality affects our sales.

We experience seasonal fluctuations in our sales volume and revenue as our business is sensitive to local consumer spending patterns. Local spending patterns are generally stable during each calendar year, but are typically affected by seasonal shopping and consumption patterns. As a result, we generally record higher sales during major festivals and holidays, such as the New Year holiday, the Chinese New Year holiday in early spring, the Labour Day holiday in early May, the Dragonboat Festival, the Mid-Autumn Festival holiday, the National Day holiday in early October and Christmas, as well as our store anniversaries. In addition, merchandise, particularly apparel, is generally seasonal in nature and carries higher selling prices for autumn and winter relative to spring and summer. Furthermore, a significant portion of the fresh food products offered in our supermarkets is also seasonal in nature and may only be available for certain seasons. Accordingly, any adverse trends in sales during these periods, and other factors such as any unexpected shifts in the timing of holidays, unpredictable weather patterns in China or other unpredictable events may affect our results of operations during these periods, as well as our annual financial results.

The merchandise sold in our department stores and supermarkets may be subject to third party intellectual property rights.

Our measures adopted to minimise potential infringement of intellectual property rights of third parties may not be adequate or sufficient to prevent infringement. In the event that we, our concessionaires or fixed rental tenants sell merchandise which infringe on third party intellectual property rights at our department stores and supermarkets, we, in our capacity as a retailer, may be found liable for the infringement and be compelled to discontinue the sale of the merchandise and/or pay damages. Where our concessionaires or fixed rental tenant sell merchandise that infringes on third party intellectual property rights at our department stores and supermarkets, we may be considered jointly liable in circumstances where we have knowledge of their conduct, which is a question of fact.

We source the merchandise for our direct sales through our suppliers. Our inspection team which, together with sales staff familiar with the relevant merchandise, inspects the merchandise sourced by us upon delivery may not be able to detect merchandise or acts that infringe the intellectual property rights of third parties. In the event that we purchase and subsequently re-sell merchandise that infringes the intellectual property rights of third parties, we may be sued, or claims may be sought against us, and our reputation may suffer. We will need to sue our direct sales suppliers responsible for the infringing merchandise pursuant to our direct sales agreements to recover any losses that we have suffered. We cannot assure you that we will be able to recover, partially or fully, all losses caused by these suppliers, and our reputation may be damaged.

We had net current liabilities as at 31 December 2007, 2008 and 2009, and 30 June 2010 and may continue to have net current liabilities in the future.

We had net current liabilities of approximately RMB1,297.8 million, RMB1,495.3 million, RMB1,521.5 million and RMB1,551.5 million as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. The nature of our business of retail operation is such that the majority of our liabilities are short term, consisting mainly of (i) short-term bank borrowings, (ii) trade payables and (iii) other payables and accruals giving rise to our net current liability position. We utilise a substantial amount of short-term borrowings to fund our daily operations and expansion during the Track Record Period. We had principally utilised short-term borrowings rather than long-term borrowings because short-term borrowings are easier to obtain in the PRC and short-term borrowings are in substance revolving in nature. Trade payables increased during the Track Record Period principally due to increases in trade payables to concessionaires and suppliers as we expanded our business. Other payables and accruals also increased over the Track Record Period. The increase in other payables and accruals between 2007 and 2008 was primarily due to increases in payables for capital expenditures relating to our plans to construct and open new stores and increases in the balance of our advances from customers, while the increase between 2008 and 2009 was primarily due to an increase in the balance of our advances from customers. The increase in other payables and accruals between 31 December 2009 and 30 June 2010 was primarily due to increases in (i) the balance of our advances from customers and (ii) payables for capital expenditures, primarily relating to payables for the construction of our Zhenjiang Yaohan Store and Zhenjiang Datonghua Store.

Going forward, as our business further expands, we expect our short-term borrowings, trade payables and other payables and accruals to continue to increase, as a result of which we may continue to be in a net current liability position. We have in the past year began implementing our new financing strategy of increasing the proportion of our long term borrowings in order to reduce our reliance on short-terms borrowings. During the Track Record Period we had not encountered difficulties in discharging our short-term liabilities as they fell due, due to our strong operating cash flows and our good credit history. However there is no assurance that this will continue to be the case in the future, and failure to finance our current liabilities could jeopardize our liquidity.

We have granted certain put options to minority shareholders of the Nantong Yaohan Store, the exercise of which by such minority shareholders may have a material adverse effect on our liquidity and results of operation.

In connection with our acquisition of the Nantong Yaohan Store, we have granted put options to the Nantong Promoters to sell their interests in Nantong Department Store (the "non-controlling interests"). Please see the section headed "History, Reorganisation and Corporate Structure — Our History — Acquisition of Nantong Yaohan Store" for further details. The put options were recognized as long-term payables in the aggregate amount of RMB258.2 million as at 30 June 2010, which amount represents the amount payable by our Group to acquire the non-controlling interests as if such non-controlling interests were fully acquired by us on 30 June 2010. In the event that the minority shareholders exercise their options to sell the non-controlling interests to our Group, we would be required to raise funds, including through internally generated cash or through external financing, among other things, to satisfy the payment obligations under the put options. If we are unable to obtain adequate funding on favourable terms, or at all, it may have an adverse impact on our liquidity and may materially and adversely affect our ability to fund our ongoing operations and other obligations, or to develop or expand our business.

Under the terms of the put options, we are obligated to acquire the non-controlling interests upon the exercise of put options by the minority shareholders. As a result, should we be required to increase our interests in the Nantong Yaohan Store notwithstanding that the Nantong Yaohan Store has incurred or is incurring a net loss for any year or period, our share of such net loss attributable by Nantong Department Store would increase.

Our historical dividends may not be indicative of our future dividend policy.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, we declared dividends of approximately nil, RMB26.4 million, RMB26.0 million, nil and nil, respectively, to our shareholders, representing nil, 12.0%, 10.5%, nil and nil of our profit for the year, respectively. For the six months ended 30 June 2009 and 2010, we did not declare any dividend. We cannot assure you, however, that we will pay dividends at a similar level to past dividends in the future, and potential investors should be aware that the amount of dividends we paid in the past should not be used as a reference or basis upon which future dividends are determined.

The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, and will depend upon, among other things, our results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors prevailing at the time.

RISKS RELATING TO CHINA

Any adverse change in the political and economic policies of the PRC Government may materially and adversely affect our business, financial condition and operating results and may result in our inability to sustain our growth and expansion strategies.

All of our operations are conducted in the PRC and all of our revenues are sourced from the PRC. Accordingly, our operating results, financial condition and prospects are subject to a significant degree to the economic, political and legal developments of the PRC.

The PRC economy has largely been a centrally planned economy, which differs from other developed economies of the world in many respects, including:

- its structure;
- the level of governmental involvement;
- the level of development;
- growth rate;
- the control of foreign exchange; and
- the allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market oriented economy. The PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy and is continuing to play a significant role in regulating industries by imposing industrial policies.

We cannot, however, predict whether changes in the political, economic and social conditions and policies in the PRC, or in the relevant laws, rules and regulations, will have any material adverse effect on our current or future business, financial condition and operating results.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

All of our operations are conducted in the PRC. The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Since 1979, the PRC Government has been developing a comprehensive system of laws, rules and regulations in relation to economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation and trade.

However, due to the fact that these laws, rules and regulations have not been fully developed, and because of the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations involve some degree of uncertainties with respect to the outcome of any legal action that may be taken against us in the PRC.

PRC policies, laws and regulations prohibiting the issuance of pre-paid gift cards may have an adverse impact on our operations.

Prior to 2001, as a result of the need to assess and standardise the social and economic condition of PRC, the State Council issued Notice on Prohibition of Printing, Selling, Purchasing and Using Tokens on 4 April 1993. National People's Congress passed the Law of the People's Bank of the PRC on 18 March 1995 (subsequently amended on 27 December 2003). The original State Economic and Trade Commission and

Office of Correcting Industrial Improper Practice of the State Council jointly promulgated Emergency Notice on Prohibition of Issuing and Using Tokens (Cards) on 19 January 2001, explicitly prohibiting the printing and selling of "token cards" as substitutes for cash to be used in transactions. The PBOC prohibits the selling and issuance of "token cards" and impose a fine of up to RMB200,000 per operating entity.

Since 2002, our Group has been issuing pre-paid gift cards to our customers as prepayments for goods and we expect this practice will continue after Listing. The prepayment is recorded as "other payables and accruals" and is deducted when the customers make purchases in our shops by using the pre-paid gift cards. Sales of gift cards were approximately 21%, 22%, 22% and 22% of our Group's Total Sales Proceeds for the year ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010, respectively. As at 31 December 2007, 2008 and 2009 and 30 June 2010, the balance of payables relating to our prepaid gift cards was approximately RMB354.0 million, RMB449.6 million, RMB585.2 million and RMB737.0 million, respectively. Our PRC legal advisers are of the view that our Group's practice does not conform with the requirements under PRC Law.

If the relevant government authorities decide to strictly enforce the relevant laws and regulations, our PRC legal advisers are of the view that we may be subject to civil, administrative and legal consequences, including making refunds to the holders of the pre-paid gift cards, discontinuing the issuance of these cards and/or paying a fine up to RMB200,000 per operating entity, amounting to an estimated aggregate fine of approximately RMB2.6 million based on a total of 13 of our subsidiaries that have been issuing and selling pre-paid gift cards. Should we be compelled to refund monies to holders of outstanding pre-paid gift cards and/or discontinue their issuance, our business, revenues, profits, results of operations and working capital may be materially and adversely affected.

However, our PRC legal advisers have advised us that we would not be subject to any criminal liabilities in any form, nor would we be required to forfeit to the government our revenue/profits attributable to the sales of gift cards. Our PRC legal advisers are also of the view that this would not have any impact on our business qualification. As advised by our PRC legal advisers and based on our experience, the issuance and sale of pre-paid gift cards are common industry practices and, in particular, such practices are adopted by many entities operating in the department store industry, supermarket industry, and other retail industries, including general retail stores, hairdressing stores and electricity suppliers. Our Directors confirm that no penalties has been imposed on our Group in respect of the issuance of pre-paid gift cards, and as advised by our PRC legal advisers, based on the records published on the websites of the relevant PRC government authorities, there were no previous regulatory actions taken by the government authorities, prosecuted cases or penalties against our Group or other companies in our industry for the issuance or sale of pre-paid gift cards. Based on unofficial information from the internet, however, there were some enforcement actions which had been taken by PRC authorities in the past against certain store operators in relation to the issuance of pre-paid gift cards. For further details, please see the section headed "Business — Legal Compliance and Litigation".

Consumer spending patterns in China can be influenced by the state of China's economy.

Consumer spending patterns in China can be influenced by the state of China's economy, which in turn affects our sales volume, revenue, profitability and our growth. We believe that Chinese consumers, including consumers in the Yangtze River Delta, tend to increase their expenditures when the economy is experiencing strong growth and when they have more disposable income available for personal consumption. Conversely, a recession in the economy of the PRC, or the Yangtze River Delta in particular, or uncertainties regarding their future economic prospects may result in a reduction in consumer spending at our department stores and supermarkets. As a result, the state of the economy in China and in the Yangtze River Delta in particular has had a significant impact on our historical, and will continue to have a significant impact on our future, performance, results of operations and profitability.

Although in recent years, the PRC economy has maintained rapid growth, and increases in GDP and per capita disposable income have strengthened consumers' purchasing power, such growth has slowed down as a result of the global economic downturn in the second half of 2008. We cannot assure you that such growth will not slow down further or will continue in the future. In addition, a slowdown or downturn in the economies of the United States, the countries comprising the European Union and certain Asian nations, with which China has important trade relationships, had adversely affected the economic growth of China. Any economic downturn in the PRC or, the Yangtze River Delta in particular may adversely affect our business, financial condition and results of operations and our future prospects.

Future fluctuations in foreign exchange rates and government control in currency conversion may adversely affect our financial condition and results of operations as well as our ability to remit dividends.

A substantial proportion of our revenue and expenditure are denominated in Renminbi, which is currently not a freely convertible currency. We will require foreign currencies for dividend payment (if any) to our Shareholders. In addition, the price at which we purchase merchandise and products from our suppliers may be affected to the extent our suppliers' merchandise and products are imported or otherwise subject to foreign currency fluctuations. We will therefore be exposed to foreign currency fluctuations.

The value of the Renminbi is subject to changes in the PRC Government's policies and depends to a large extent on domestic and international economic and political developments, as well as supply and demand in the local market. For instance, in China, since 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong and U.S. dollars, has been based on rates set by the PBOC. Since 1994, the official exchange rate for the conversion of Renminbi to U.S. dollars has generally been stable. The PRC Government, however, has, with effect from 21 July 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On 21 July 2005, this revaluation resulted in the Renminbi appreciating against the U.S. dollar and Hong Kong dollar by approximately 2%. On 23 September 2005, the Chinese Government widened the daily trading band for Renminbi against non-U.S. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. On 20 June 2010, the PBOC announced that it intends to further reform the RMB exchange rate regime by enhancing the flexibility of the RMB exchange rate. Should there be significant changes in the exchange rates of U.S. dollars or Hong Kong dollars against Renminbi, our ability to make dividend payment in foreign currencies may be adversely affected, and our purchase price from suppliers may also increase. This may in turn adversely affect our financial condition and results of operations. In addition, any significant change in the exchange rates of the Renminbi against the U.S. dollar or the Hong Kong dollar could adversely affect the value of our dividends, which would be funded by Renminbi but paid in Hong Kong dollars.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company and rely principally on dividends paid by our subsidiaries for cash requirements, including the funds necessary to service any debt we may incur. If any of our subsidiaries incurs debt in its own name in the future, the instruments governing the debt may restrict dividends or other distributions on its equity interest to us.

Under the new PRC Enterprise Income Tax Law ("PRC Income Tax Law") and implementation regulations issued by the State Council, PRC income tax at the rate of 10% is applicable to dividends paid by Chinese enterprises to "non-resident enterprises" (enterprises that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business) subject to the application of any relevant income tax treaty that the PRC has entered into. As considered as "non-resident enterprises", any dividend that we or any such subsidiary receive from our PRC subsidiaries shall be subject to PRC taxation at the 10% rate (or lower treaty rate).

One of our subsidiaries, Cleavebury, which through Jiangsu Springland holds 100% equity interest in all our PRC operating subsidiaries, is incorporated under the laws of Hong Kong. According to the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion, we may enjoy a preferential withholding tax rate of 5% regarding the dividends that we receive from our PRC subsidiaries. However, according to the Notice of the State Administration of Taxation on Issues relating to the Administration of the Dividend Provision in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued on 20 February 2009, the Administrative Measures for Non-resident to Enjoy Treatments under Tax Treaties (trial implementation) (《非居民享受稅收協定待遇管理辦法(試行)》) promulgated on 24 August 2009 and the Notice of the State Administration of Taxation on How to Understand and Identify the Owner of Benefits in Tax Arrangement (《國家稅務總局關於如何理解和認定稅收協定中"受益所有人"的通知》) issued on 27 October 2009, Cleavebury, as identified as a "non-resident enterprise", is required to obtain approval from the competent tax authority for enjoying the treatments under the tax arrangement. If Cleavebury is deemed as a pass-through entity other than a qualified "owner of benefits", it cannot enjoy the preferential withholding tax rate of 5% and is required to pay the withholding tax at the rate of 10%.

China's legal system is still developing and there are inherent uncertainties that may affect the protection afforded to our business and Shareholders.

The Chinese legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC Government has been developing a comprehensive system of laws, rules and regulations in relation to economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, given that these laws and regulations have not been fully developed, and given the limited volume of published cases and their non-binding nature, the interpretation and enforcement of these laws, rules and regulations will involve uncertainties.

As an investor holding shares in our Shares, you hold an indirect interest in our operations in China through our Company. Our operations in China are subject to Chinese regulations governing companies in China. These regulations contain provisions that are required to be included in the articles of association of

Chinese companies and are intended to regulate the internal affairs of these companies. PRC Company Law and these regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, are less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. Therefore, you do not enjoy the same level of protections that is available in more developed jurisdictions.

New labour laws in the PRC may adversely affect our results of operations.

As at 30 June 2010, we employed approximately 6,024 employees in the PRC. On 29 June 2007, the PRC Government promulgated a new labour law, namely, the Labour Contract Law of the PRC (the "New Labour Law") which became effective on 1 January 2008.

The New Labour Law imposes greater liabilities on employers and significantly impacts the cost of an employer's decision to reduce its workforce. Further, it requires certain terminations to be based upon seniority and not merit. In the event we decide to significantly change or decrease our workforce in the PRC, the New Labour Law could adversely affect our ability to enact such changes in a manner that is most advantageous to our circumstances or in a timely and cost effective manner, thus our results of operations could be adversely affected. During the Track Record Period, compliance with the New Labour Law had generally increased our staff costs. Going forward, we expect that staff costs will continue to increase, which is in line with the economic growth in the PRC, and we expect that compliance with the New Labour Law will continue to have an adverse financial impact on our Company.

Failure to comply with SAFE regulations relating to the alteration of shareholding of offshore special purpose companies and "round-trip" investments by our beneficial owners in the future may adversely affect our business operations.

On 21 October 2005, SAFE issued a new public notice which became effective on 1 November 2005. The notice requires PRC residents to register with the local State Administration of Foreign Exchange branch before establishing or controlling any company, referred to in the notice as an "offshore special purpose company", outside of the PRC for the purpose of capital financing, and to register again after completing an investment in or acquisition of any operating subsidiaries in the PRC, which we refer to herein as a round-trip investment. Also, any change of shareholding or any other material capital alteration in such offshore special purpose company involving no round-trip investment shall be filed within 30 days starting from the date of shareholding transfer or capital alteration. Our domestic beneficial owners have complied with this notice and have duly registered with SAFE Jiangsu branch regarding the establishments of offshore special purpose companies. Going forward, if there is any change of shareholding or any other material capital alteration in the offshore special purpose companies, our domestic beneficial owners need to comply with the relevant requirements and carry out the alteration registration procedures with SAFE Jiangsu branch. The domestic beneficial owners have completed such registration for the capital increase of Jiangsu Springland in November 2009 and change of offshore shareholding undertaken in May 2010. If our beneficial owners fail to comply with the relevant requirements, such failure may subject the beneficial owners to fines and legal sanctions, limit our ability to contribute additional capital into our PRC subsidiaries, and limit our PRC subsidiaries' ability to distribute dividends to us, which may consequently adversely affect our business operations.

Regulations relating to acquisitions of PRC companies by foreign entities may limit our ability to acquire PRC companies and adversely affect the implementation of our strategy as well as our business and prospects.

The provisions on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision), as amended on 22 June 2009, or, the M&A Provisions, effective from 8 September 2006, provide the rules with which foreign investors must comply should they seek to purchase by agreement the equities of the shareholders of a domestic non-foreign-funded enterprise or subscribe to the increased capital of a domestic company, and thus change the domestic company into a foreign funded enterprise. It stipulates that the business scope upon acquisition of domestic enterprises must conform to the Foreign Investment Industrial Guidance Catalogue, and restricts the scope of market access. It also provides the procedures for the share right takeover of domestic companies.

Our PRC legal advisers have advised us that as the acquisition of Jiangsu Springland by Cleavebury took place before 8 September 2006, the M&A Provisions do not apply to that acquisition, and that the acquisition has complied with all PRC rules and regulations then in effect and applicable. However, there are uncertainties as to how the recent M&A Provisions will be interpreted or implemented. If we decide to acquire a PRC company in the future, we cannot assure you that we or the owners of such a PRC company can successfully complete all necessary approval requirements under the M&A Provisions. This may restrict our ability to implement our acquisition strategy and adversely affect our business and prospects.

The outbreak of any severe communicable disease in the PRC, if uncontrolled, may materially and adversely affect our results of operations.

The outbreak of any severe communicable disease in the PRC, if uncontrolled, could have a material adverse effect on the overall business sentiment and environment in the PRC. This in turn may have a material adverse impact on domestic consumption and, possibly, the overall GDP growth of the PRC. In April 2009, a H1N1 swine influenza ("H1N1 Swine Flue") broke out in Mexico and spread globally, resulting in the loss of lives and widespread fear. In addition, certain areas of China have been subject to epidemics, such as severe acute respiratory systems ("SARS") or swine or avian influenza. As all of our revenue is derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the GDP growth of the PRC as a result of the outbreak of any severe communicable disease may materially and adversely affect our financial condition, results of operations and future growth. In addition, if the outbreak of any severe communicable disease occurs in the future and any of our employees or our customers in our stores are suspected of having contracted any severe communicable disease or any of our department stores or supermarkets are identified as a possible source of spreading any severe communicable disease, we may be required to quarantine the employees that have been suspected of becoming infected, as well as others that had come into contact with those employees or customers. We may also be required to disinfect our affected department stores and supermarkets and therefore suffer a temporary suspension of our retail operations. Any quarantine or suspension of our retail operations will affect our results of operations. Furthermore, such an outbreak would likely restrict the level of economic activity in affected areas, which would also adversely affect our business operations.

Our business may be harmed by power shortages in the PRC.

We consume substantial amounts of electricity for lighting and displays at our department stores and supermarkets. Some cities in which we operate have periodically imposed limitations, on a citywide basis, on the usage of electricity. These limitations did not have a material adverse effect on our operations or on our results of operations. However, there can be no assurance that the limitations on the usage of electricity will not become more prevalent or restrictive, and that these limitations will not have a material adverse effect on our ability to operate. We cannot assure you that the back up power supply systems installed at most of our department stores will provide sufficient supply of power during all times of power shortage. In the event of any power blackout for a significant period of time, our business operations may be materially adversely affected. During the Track Record Period, we have not experienced any significant power brownout or blackouts.

It may be difficult to enforce judgements against us in the PRC.

Almost all of our subsidiaries are established in the PRC and most of our Directors and other members of senior management reside within China, and substantially all of our assets and the assets of our Directors and other members of senior management are located within China. Therefore, it may not be possible for investors to enforce against us, our subsidiaries, our Directors or members of senior management in China any judgements obtained from non-China courts.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the United States, the United Kingdom, Japan, the Cayman Islands and some other Western countries. Therefore, recognition and enforcement in China of judgements of a court in any of these jurisdictions may be difficult or impossible.

Acts of God, acts of war and other disasters could affect our business.

Our business is subject to the general economic and social conditions in the PRC, in particular in the Yangtze River Delta region. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people of the PRC. Many major cities in the PRC are under the threat of flood, earthquake, sandstorm or drought. Our business, financial condition and results of operations may be adversely affected if such natural disasters occur.

In January and February 2008, many provinces and cities in the PRC, including where we operate, experienced the heaviest snow storms in decades. The snow caused significant disruption to transportation and power supply in many places. Customer flow to our stores, and consequently our sales, during the storm was adversely affected due to the disruption to transportation. In May and June 2008, a serious earthquake and its successive aftershocks hit the Sichuan province in the PRC, leading to a tremendous loss of lives, injury and the destruction of assets in the region.

Any similar severe weather condition or other natural disasters may materially and adversely affect our operations.

Acts of war and terrorist attacks may cause damage or disruption to us, our employees, our department stores and supermarkets, our concessionaires and direct sales suppliers, our distribution channels, our markets and our customers, any of which could adversely impact our revenue, cost of sales, financial condition and results of operations. Potential war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict.

RISKS RELATING TO THE GLOBAL OFFERING

The liquidity and market price of our Shares following the Global Offering may be volatile.

Prior to the completion of the Global Offering, there has been no public market for our Shares. The initial Offer Price range of the Offer Shares, and the Offer Price, will be the result of negotiations between us, the Selling Shareholders and the Sole Global Coordinator (on behalf of the Underwriters). The Offer Price may not be indicative of the price at which our Shares will be traded following the completion of the Global Offering. In addition, there can be no guarantee that (i) an active trading market for our Shares will develop, or (ii) if it does develop, that it will be sustained following the completion of the Global Offering, or (iii) that the market price of our Shares will not decline below the Offer Price.

The trading price of our Shares may also be subject to significant volatility in response to various factors, including but not limited to:

- acquisitions by us or our competitors;
- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- government regulations;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and the PRC;
- developments in the department store, supermarket and retail industry;
- changes in pricing made by us or our competitors;
- the depth and liquidity of the market for our Shares; and
- the general economy and other factors.

We cannot assure you that the price of our Shares will not decline.

As the Offer Price of our Shares is higher than our consolidated net tangible asset value per Share, you will experience immediate and substantial dilution to your attributable net tangible asset value per Share.

The Offer Price of the Shares is higher than the consolidated net tangible asset value per Share issued to existing shareholders. Accordingly, purchasers of our Shares in the Global Offering will experience an immediate dilution in the unaudited pro forma adjusted consolidated net tangible asset value of HK$1.53 per Share (assuming an Offer Price of HK$5.39, being the mid-point of our stated Offer Price range, and existing Shareholders will receive an increase in the consolidated net tangible asset value per Share of their Shares.

We will continue to be controlled by our Controlling Shareholders whose interests may differ from those of our other Shareholders.

Immediately following the Global Offering, our Controlling Shareholders, being Netsales and Mr Chen, will directly or indirectly control approximately 55.72% of our issued share capital, assuming the Over-allotment Option is not exercised. Accordingly, following the Global Offering, under and subject to our Articles of Association and the Cayman Islands Companies Law, Mr Chen, by virtue of his control over Netsales, will be able to exercise substantial control or influence over our business by directly or indirectly voting at either Shareholders meetings or meetings of the Board in matters of significance to us and our public Shareholders, including, among other things, matters relating to the following:

- election of Directors;
- the amount and timing of dividends and other distributions; and
- acquisition of or merger with another company.

Mr Chen, through his control over Netsales, may exercise his voting rights in our Company in a way that is inconsistent with your interests or the interests of other Shareholders.

Future sales of our Shares may decrease the value of your investment.

Certain number of our Shares currently issued or to be issued before the Listing and held by Netsales, CDH Resource and Celestial Spring will be subject to contractual and/or legal restrictions on resale pursuant to the Listing Rules or in accordance with the Underwriting Agreements for a period of time after completion of the Global Offering. See the section headed "Underwriting" for details. After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of our Shares, or the possibility of such sales by the Controlling Shareholders or other Shareholders including CDH Resource and Celestial Spring, could negatively impact the market price of our Shares and our ability to raise equity capital in the future.

In addition, we may need to raise additional funds in the future to our finance business expansion, whether related to existing operations or new acquisitions. If additional funds are raised through our issuance of new Shares or other securities other than on a pro rata basis to the then existing Shareholders, then (i) the percentage ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of our Shares of the existing Shareholders.

Facts and statistics from official government sources in this prospectus relating to the Chinese economy and the retail industry in China may not be fully reliable.

Facts and statistics in this prospectus relating to China, the Chinese economy, the retail sector and other related sectors of China are derived from various official government sources that we believe are reliable. We believe that the sources of such information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been committed that would render such information and statistics false or misleading in any material respect. We cannot guarantee, however, the quality or reliability of these official government source materials. The facts and statistics reproduced and extracted from these official government sources have not been independently verified by us, the Sole Global Coordinator, the Underwriters, nor any of their or our Directors, affiliates, agents, employees or advisers. We therefore make no representation as to the accuracy of such facts and statistics from official government sources, which may not be consistent with other information compiled within or outside China.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the official government statistics in this prospectus relating to the Chinese economy and the retail sector and other related sectors in China may be inaccurate, or may not be comparable to statistics produced for other economies, and thus should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such official government facts or official government statistics.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

INFORMATION ON THE GLOBAL OFFERING

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective directors, agents, employees, advisers, or any other person involved in this Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offer of initially 62,500,000 Hong Kong Offer Shares and the International Offer of initially 562,500,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus and, in case of the International Offer, to any exercise of the Over-allotment Option.

This prospectus is published solely in connection with the Hong Kong Public Offer. The Sole Sponsor is sponsoring the listing of our Shares on the Stock Exchange. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters on a conditional basis under the terms of the Hong Kong Underwriting Agreement. One of the conditions is that we, the Selling Shareholders, and the Sole Global Coordinator on behalf of the Underwriters have agreed on the Offer Price. The International Offer will be fully underwritten by the International Underwriters on a conditional basis under the terms of the International Underwriting Agreement.

We expect that the Offer Price will be fixed by agreement among us, the Selling Shareholders and the Sole Global Coordinator on behalf of the Underwriters on the Price Determination Date, which is expected to be on or around 14 October 2010 and in any event no later than 20 October 2010. If, for any reason, we, the Selling Shareholders, and the Sole Global Coordinator on behalf of the Underwriters cannot agree on the Offer Price, the Global Offering will not proceed. For information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF THE OFFER SHARES

We offer the Hong Kong Offer Shares solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions contained in this prospectus and the Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or under any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to the registration with or authorisation by the relevant securities regulatory authorities or an exemption from applicable securities laws. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

Each person subscribing for or acquiring the Offer Shares will be required to confirm, and will be deemed by such person's acquisition of the Offer Shares to have confirmed, that such person is aware of the restrictions on offers of the Offer Shares as described in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering and any Shares that may be issued pursuant to exercise of options to be granted under the Share Option Scheme. We expect dealing in our Shares on the Stock Exchange to commence on Thursday, 21 October 2010.

We are not seeking or proposing to seek a listing of, or permission to list, our Share or loan capital on any other stock exchange.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after a trade. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscription for, purchasing, holding or disposing of, and dealing in, our Shares (or exercising rights attaching to them) under the laws of Hong Kong and the place of your operations, domicile, residence, citizenship or incorporation.

We emphasise that none of the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Selling Shareholders, us, any of our or their respective directors, agents or advisers or any other person or party involved in the Global Offering accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

SHARE REGISTRARS OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal registrar, Codan Trust Company (Cayman) Limited, in the Cayman Islands and our register of members in Hong Kong will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited.

No stamp duty is payable by applicants in the Global Offering. Dealings in our Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

OVER-ALLOTMENT OPTION AND STABILISATION

Stabilisation is a practice used by underwriters to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the initial pubic offering price of the securities. For details on over-allotment and stabilisation, please see the section headed "Structure of the Global Offering — Over-Allotment Option and Stabilisation" in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

You may find the application procedures for our Hong Kong Offer Shares in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

You may find details of the structure of the Global Offering, including its conditions, in the section headed "Structure of the Global Offering" in this prospectus.

EXCHANGE RATE CONVERSION

For exchange rate translations throughout this prospectus, unless otherwise specified, we have used the PBOC Rates of HK$1.00 equaling RMB0.8629, being the PBOC Rate on 21 September 2010. All translations from H.K. dollars into U.S. dollars were made at the rate of US$1.00 to HK$7.7617 and all translations from RMB into U.S. dollars were made at the rate of US$1.00 to RMB6.7059, as set forth in the H.10 statistical release of the Federal Reserve Board on 21 September 2010. We make no representations and none should be construed as being made, that any of the Renminbi, H.K. dollar or U.S. dollar amounts contained in this prospectus could have been or could be converted into amounts of any other currencies at any particular rate or at all on such date or any other date.

ROUNDING

Any discrepancies in any table between figures shown as totals and sums of individual items listed in such table are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr Chen Jianqiang (陳建強)	Flat A, 11th Floor Broadwood Twelve No. 12 Broadwood Road Hong Kong	Hong Kong
Mr Tao Qingrong (陶慶榮)	Room 1501, No. 8 Lane 661, Longchang Road Shanghai, PRC	Chinese
Mr Fung Hiu Lai (馮曉黎)	Flat D, 14th Floor Quality Tower No. 29-31 Hillwood Road Tsimshatsui Hong Kong	Hong Kong
Non-executive Director		
Mr Wang Lin (王霖)	Building 6-1-101 South Zhongguancun Street 8A Haidian District Beijing, PRC	Chinese
Mr Fung Hiu Chuen, John (馮曉邨)	21B Oi Kwan Court 28 Oi Kwan Road Wanchai Hong Kong	Hong Kong
Independent non-executive Directors		
Dr Lin Zhijun (林志軍)	Flat G, 27th Floor Block 11, Royal Ascot Lok Shun Path Shatin, New Territories Hong Kong	Hong Kong
Dr Zhang Weijiong (張維炯)	Room 1101, Floor 11 No. 16, Lane 100 Yinxiao Road Shanghai, PRC	Chinese
Mr Wang Shuaiting (王帥廷)	6/F, 7 Sing Woo Crescent Happy Valley Hong Kong	Hong Kong

PARTIES INVOLVED

Sole Global Coordinator and Sole Sponsor	Morgan Stanley Asia Limited Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Joint Bookrunners	Morgan Stanley Asia Limited Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	DBS Asia Capital Limited 22/F, The Center 99 Queen's Road Central Central Hong Kong
Joint Lead Managers	Morgan Stanley Asia Limited Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	DBS Asia Capital Limited 22/F, The Center 99 Queen's Road Central Central Hong Kong
	CCB International Capital Limited 34th Floor, Two Pacific Place 88 Queensway Admiralty Hong Kong
Our legal advisers	*As to Hong Kong law* Norton Rose Hong Kong 38/F Jardine House 1 Connaught Place Central Hong Kong

As to U.S. law
Latham & Watkins
41/F One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law
Commerce and Finance Law Offices
6/F NCI Tower
A12 Jianguomenwai Avenue
Beijing 100022
PRC

As to Cayman Islands law
Conyers Dill & Pearman
Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal advisers to the Underwriters

As to Hong Kong and U.S. law
Freshfields Bruckhaus Deringer
11th Floor
Two Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law
Jingtian & Gongcheng Attorneys at Law
34/F., Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing 100025

Auditors and reporting accountants

Ernst & Young
Certified Public Accountants
18/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

Property valuer	Jones Lang LaSalle Sallmanns Limited 17/F Dorset House Taikoo Place 979 King's Road Quarry Bay Hong Kong
Receiving bankers	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong
	DBS Bank (Hong Kong) Limited 16/F, The Center 99 Queen's Road Central Central Hong Kong

Registered office	Cricket Square Hutchins Drive P. O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Suite No. 2, 25/F Sino Plaza 255-257 Gloucester Road Causeway Bay Hong Kong
Head Office	26/F, Wuxi Jinling Hotel No. 1 Xianqian East Street Wuxi City, Jiangsu, PRC
Company secretary	Ms Hon Yin Wah, HKCPA, FCCA
Authorised representatives	Mr Chen Jianqiang Flat A, 11th Floor Broadwood Twelve No. 12 Broadwood Road Hong Kong
	Ms Hon Yin Wah Room 3516 Kwun Hei Court Homantin Hong Kong
Audit committee	Dr Lin Zhijun *(Chairman)* Dr Zhang Weijiong Mr Wang Shuaiting
Remuneration Committee	Dr Zhang Weijiong *(Chairman)* Mr Wang Shuaiting Dr Lin Zhijun Mr Wang Lin Mr Fung Hiu Chuen, John
Nomination Committee	Dr Zhang Weijiong *(Chairman)* Mr Wang Shuaiting Dr Lin Zhijun 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
Compliance adviser	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal bankers	DBS Bank Ltd., Hong Kong Branch Man Yee Building 68 Des Voeux Road Central Central, Hong Kong
	China Construction Bank, Wuxi City Northern District Branch No. 619, Xinyuan North Road Wuxi City, PRC
	Bank of China Limited, Yixing City Branch No. 106, Taige West Road Yixing City, PRC
Company website	www.springlandgroup.com.cn (Information on this website does not form part of this prospectus)

This section contains information and statistics relating to the Chinese economy and the industry in which we operate. We have extracted and derived the information and statistics in the section below, in part, from various official government publications unless otherwise indicated. We believe that the sources of such information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been committed that would render such information and statistics false or misleading in any material respect. While reasonable care has been taken in the extraction, compilation and reproduction of such information and statistics, neither we, nor the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, or Underwriters, nor any of our or their respective affiliates or advisers, nor the Selling Shareholders, nor any party involved in this Global Offering have independently verified such information and statistics directly or indirectly derived from official government publications or make any representation as to their accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside China.

ECONOMIC GROWTH IN THE PRC

Overview of the PRC economy

China is the most populous country in the world, with approximately 1.3 billion people as at the end of 2008. China's economy has been growing at a rapid pace during the past three decades. China's GDP has grown from approximately RMB9,921 billion in 2000 to about RMB30,067 billion in 2008, representing a CAGR of approximately 14.9%. During the same period, GDP per capita in China increased from approximately RMB7,858 in 2000 to approximately RMB22,698 in 2008, representing a CAGR of approximately 14.2%.

As a result of the rapid economic growth, the living standard of Chinese people has greatly improved, leading to increased purchasing power and consumption spending. This trend is particularly apparent in urban areas, especially cities and towns in developed coastal areas. The per capita annual disposable income of urban households in China increased from approximately RMB6,280 in 2000 to approximately RMB15,781 in 2008, representing a CAGR of approximately 12.2%. The per capita annual consumption expenditure of urban households in China increased from approximately RMB4,998 in 2000 to approximately RMB11,243 in 2008, representing a CAGR of approximately 10.7%.

Urbanisation has also increased as a result of the China's booming economy. The urbanisation rate increased from approximately 36.2% in 2000 to approximately 45.7% in 2008.

The following table sets out China's (i) population, (ii) GDP, (iii) GDP per capita, (iv) per capita annual disposable income as well as annual consumption expenditure of urban households, and (v) urbanisation rate between 2000 and 2008.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	CAGR (%)
Population (million)	1,267	1,276	1,285	1,292	1,300	1,308	1,314	1,322	1,328	0.6
GDP (RMB in billions)	9,921	10,966	12,033	13,582	15,988	18,387	21,087	25,731	30,067	14.9
GDP per capita (RMB)	7,858	8,622	9,398	10,542	12,336	14,053	16,165	19,524	22,698	14.2
Per capita annual disposable income of urban households (RMB)	6,280	6,860	7,703	8,472	9,422	10,493	11,759	13,786	15,781	12.2
Per capita annual consumption expenditure of urban households (RMB)	4,998	5,309	6,030	6,511	7,128	7,943	8,697	9,997	11,243	10.7
Urbanisation rate (%)	36	38	39	41	42	43	44	45	46	3.1

Source: China Statistical Yearbook 2001-2009

Disposable income per capita of urban households increased between 2000 and 2008, but at different rates for different income classes. On average, the disposable income per capita for the middle to upper income classes, which constitute 60% of the total population, has been increasing at a faster rate than lower income classes for the same period. In other words, the more affluent income classes in China enjoy faster increase in their purchasing power and consumption spending than the other income classes.

The following table sets out the average per capita disposable income of the different income classes and the respective CAGR between 2000 and 2008.

	Lowest	Low	Lower Middle	Middle	Upper Middle	High	Highest
	(in RMB unless otherwise noted)						
Percentage of respective income class represents in the entire PRC population	10%	10%	20%	20%	20%	10%	10%
2000	2,653	3,634	4,624	5,898	7,487	9,434	13,311
2001	2,803	3,856	4,947	6,366	8,164	10,375	15,115
2002	2,409	3,649	4,932	6,657	8,870	11,773	18,996
2003	2,590	3,970	5,377	7,279	9,763	13,123	21,837
2004	2,862	4,429	6,024	8,167	11,051	14,971	25,377
2005	3,135	4,885	6,711	9,190	12,603	17,203	28,773
2006	3,569	5,541	7,554	10,270	14,049	19,069	31,967
2007	4,210	6,505	8,901	12,042	16,386	22,234	36,785
2008	4,753	7,363	10,196	13,984	19,254	26,250	43,614
CAGR (2000 to 2008)	7.6%	9.2%	10.4%	11.4%	12.5%	13.6%	16.0%

Source: China Statistical Yearbook 2001-2009

The economy in the Greater Yangtze River Delta

The Yangtze River Delta is one of the most economically developed regions in China

Yangtze River Delta comprises the triangular-shaped territory of Shanghai, Jiangsu province and Zhejiang province. It includes 16 relatively developed provincial and prefecture-level municipalities, namely Shanghai, Nanjing, Suzhou, Wuxi, Yangzhou, Nantong, Changzhou, Zhenjiang, Taizhou (泰州), Hangzhou, Ningbo, Shaoxing, Huzhou, Jiaxing, Zhoushan and Taizhou (台州). As one of the most economically developed and fastest growing regions in China, the Yangtze River Delta had a GRP of RMB5,971 billion in aggregate in 2008, constituting 19.9% of China's GDP.

Although the Yangtze River Delta occupies a total area of 210,700 square kilometres, representing only approximately 2.1% of China's total area, and had a total population of 89.4 million as at the end of 2008, representing only approximately 6.7% of China's total population, its retail sales of consumer goods accounted for approximately 15.5% of China's total retail sales of consumer goods in 2008.

Jiangsu is one of the most economically developed and affluent provinces in China

Jiangsu is one of the most economically developed provinces in China and ranked third in terms of GRP and total retail sales of consumer goods among all China's provinces (including direct municipalities) in 2008, according to the China Statistical Yearbook of 2009. The following table sets out the top five provinces (including direct municipalities) in China in terms of GRP and retail sales of consumer goods in 2008.

Provinces/direct municipalities	GRP	Total retail sales of consumer goods	Population
	(RMB in billions)	(RMB in billions)	(millions)
Guangdong	3,570	1,277	95
Shandong	3,107	1,038	94
Jiangsu	3,031	966	77
Zhejiang	2,149	744	51
Henan	1,841	566	94

Source: China Statistical Yearbook 2009

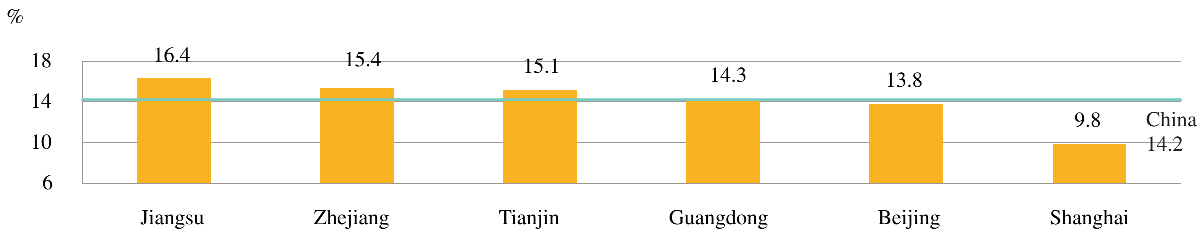
On a per capita basis, Jiangsu ranked fifth in terms of GRP per capita and sixth in terms of per capita annual disposable income of urban households in 2008. The following table sets out the per capita ranking of the top six provinces (including direct municipalities) in China in terms of GRP per capita, and per capita annual disposable income of urban households in 2008.

Provinces/direct municipalities	Per capita GRP	Per capita annual disposable income of urban households
	(RMB)	(RMB)
Shanghai	73,124	26,675
Beijing	63,029	24,725
Tianjin	55,473	19,423
Zhejiang	42,214	22,727
Jiangsu	39,622	18,680
Guangdong	37,589	19,733

Source: China Statistical Yearbook 2009

Over the past years, Jiangsu has enjoyed strong economic development and has grown faster than the national economy. As measured on a per capita basis, Jiangsu's GRP per capita growth at a CAGR of 16.4% from 2000 to 2008 is higher than the CAGR of China's GDP per capita of 14.2% during the same period. The following table sets out the CAGR of GRP per capita of top six provinces including direct municipalities respectively between 2000 and 2008.

CAGR of GRP per capita (2000-2008) of top 6 provinces/direct municipalities and China



Source: China Statistical Yearbook 2001 and 2009

Anhui is undergoing fast economic growth with great potential

With a total population of approximately 61 million at the end of 2008, Anhui province had a total GRP of approximately RMB887 billion in 2008, representing a CAGR of approximately 14.3% between 2000 and 2008. The GRP per capita for Anhui province amounted to approximately RMB14,485 in 2008. In addition, retail sales of consumer goods in Anhui amounted to approximately RMB297 billion in 2008. Adjacent to the Yangtze River Delta and a neighbouring province showing strong economic and cultural ties with the Yangtze River Delta, Anhui province has been directly benefiting from the strong economic growth of the Yangtze River Delta and its economy has been rapidly integrating into the economy of the Yangtze River Delta. For purpose of this prospectus, the Greater Yangtze River Delta refers to the region comprising the Yangtze River Delta and Anhui province.

Our stores are located in the more affluent cities of Jiangsu and Anhui

Almost all of our department stores and supermarkets currently in operation are located in the more affluent cities in Jiangsu province and Anhui province. As at 30 June 2010, we operated 10 department stores and 16 supermarkets in the Greater Yangtze River Delta. Most of our stores are located in cities with GDP per capita and retail sales of customer goods that are at the higher end in the Yangtze River Delta and adjacent areas. Except for our Ma'anshan department store, all of our stores currently in operation are located in Jiangsu province. The three prefecture-level cities in Jiangsu province that we have operations, namely Wuxi, Nantong and Zhenjiang, are all among the top 10 cities in Jiangsu province in terms of GRP per capita in 2008. All county-level cities in Jiangsu province in which we have operations have out-performed the average GRP per capita of Jiangsu province. Ma'anshan ranked the first in Anhui province in terms of GRP per capita in 2008.

At prefecture-level, almost all of our stores are located in the top five cities in Jiangsu province in terms of GRP per capita in 2008. The following table sets out the top ten prefecture-level cities in Jiangsu province in terms of GRP per capita and total retail sales of consumer goods in 2008, as well as their corresponding CAGRs from 2000 to 2008, respectively. The county-level cities where we currently or will soon have stores are marked with "*".

	GRP per capita		Total retail sales of consumer goods	
City	**2008**	**CAGR (2000-2008)**	**2008**	**CAGR (2000-2008)**
	(RMB)	**(%)**	**(RMB in billions)**	**(%)**
Suzhou*	106,863	18.9	155	20.5
Wuxi	95,460	16.8	139	18.8
Changzhou*	61,504	16.9	76	18.0
Nanjing	60,807	15.7	165	18.7
Zhenjiang*	52,390	15.1	41	16.1
Yangzhou	34,238	15.9	52	16.6
Nantong	32,815	16.9	92	17.7
Taizhou	27,840	16.7	40	14.7
Xuzhou	21,267	14.4	68	17.7
Yancheng	19,775	14.1	54	15.0

Source: Jiangsu Statistical Yearbook 2001 and 2009

In 2008, Forbes China conducted a research by collecting the basic data of 652 cities and released the Forbes Best Commercial Cities List. Key indicators included the talent index (human resources), index of city size, operating costs index, consuming capacity index, economic vitality index, capital innovation index, passenger index and freight index, which reflected the dynamics and trends of urban development. Among the top 100 commercial cities in 27 provinces (including direct municipalities and autonomous regions) selected by Forbes China in its 2008 Forbes Best Commercial Cities List, the city of Wuxi ranked the third place, and there were 21 cities in Jiangsu province appearing on the list, making Jiangsu a most promising land for business. Zhejiang province had 19 cities in the list. The following table sets out the top 20 commercial cities in the list.

Ranking	City	Province
1	Hangzhou	Zhejiang
2	Shanghai	Shanghai
3	Wuxi	Jiangsu
4	Nanjing	Jiangsu
5	Ningbo	Zhejiang
6	Beijing	Beijing
7	Foshan	Guangdong
8	Suzhou	Jiangsu
9	Changzhou	Jiangsu
10	Guangzhou	Guangdong
11	Jinhua	Zhejiang
12	Chengdu	Sichuan
13	Shaoxing	Zhejiang
14	Nantong	Jiangsu
15	Shenzhen	Guangdong
16	Zhenjiang	Jiangsu
17	Dalian	Liaoning
18	Fuzhou	Fujian
19	Zhongshan	Guangdong
20	Yantai	Shandong

Note: The rows for the cities where we have stores (including county-level cities) are shaded.

Source: Forbes China 2008

In Anhui province, our store is located in Ma'anshan, which ranked the first in terms of GRP per capita in 2008 among prefecture-level cities in Anhui province. The following table sets out the top ten prefecture-level cities in Anhui province in terms of GRP per capita and total retail sales of consumer goods in 2008, as well as their corresponding CAGRs from 2000 to 2008, respectively.

	GRP per capita		**Total retail sales of consumer goods**	
City	**2008**	**CAGR (2000-2008)**	**2008**	**CAGR (2000-2008)**
	(RMB)	(%)	**(RMB in billions)**	(%)
Ma'anshan	49,824	21.3	11	14.6
Tongling	44,870	19.7	7	14.8
Hefei	34,482	20.3	59	18.8
Wuhu	33,024	17.3	20	14.1
Huainan	18,884	15.0	13	14.8
Huaibei	17,029	16.2	9	13.6
Huangshan	16,867	14.9	9	15.7
Xuancheng	15,954	13.4	14	12.2
Chizhou	14,147	17.9	7	15.9
Bengbu	13,632	14.0	19	13.3

Source: Anhui Statistical Yearbook 2001 and 2009

At county-level, our stores are all located in the top 10 county-level cities in Jiangsu province in terms of GRP per capita in 2008. For example, GRP per capita of Jiangyin and Changshu are considerably higher than that of Nanjing, the capital city of Jiangsu province. The following table sets out, out of 52 country-level cities in the province, the top 15 county-level cities in terms of GRP per capita. The table also includes the total retail sales of consumer goods of these cities in 2008 and their respective CAGRs from 2000 to 2008. The rows for the cities where we have stores are shaded.

City	Under Prefecture-Level City of	GRP per capita		Total retail sales of consumer goods	
		2008	CAGR (2000-2008)	2008	CAGR (2000-2008)
		(RMB)	(%)	(RMB in billions)	(%)
Kunshan	Suzhou	218,984	26.2	20	24.1
Zhangjiagang	Suzhou	139,590	20.4	17	18.8
Jiangyin	Wuxi	127,617	20.6	29	19.4
Taicang	Suzhou	113,528	15.9	8	15.3
Changshu	Suzhou	108,167	20.2	26	16.7
Wujiang	Suzhou	94,435	19.0	13	18.4
Yangzhong	Zhenjiang	62,871	14.7	5	17.3
Yixing	Wuxi	56,388	16.4	21	17.2
Danyang	Zhenjiang	52,767	15.0	11	15.8
Jintan	Changzhou	47,783	19.3	8	13.4
Jingjiang	Taizhou	43,763	19.9	7	13.9
Liyang	Changzhou	41,168	18.8	11	13.8
Gaochun	Nanjing	39,945	20.9	6	18.2
Lishui	Nanjing	39,039	19.4	5	17.7
Haimen	Nantong	37,464	15.9	13	16.4

Source: Jiangsu Statistical Yearbook 2001 and 2009

RETAIL INDUSTRY IN THE PRC

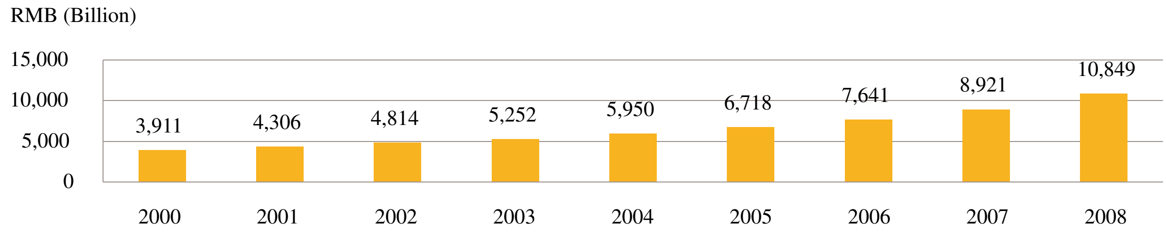
Overview

Strong retail sales growth in China and Jiangsu province

As a result of rapid economic development over the past three decades, the retail industry in China has enjoyed significant growth in recent years as Chinese consumers have increasingly more disposable income and higher consumption expenditures. Retail sales of consumer goods in China increased from approximately RMB3,911 billion in 2000 to approximately RMB10,849 billion in 2008, representing a CAGR of approximately 13.6%.

The following chart sets out total retail sales of consumer goods in China in nominal terms between 2000 and 2008.

Total Retail Sales of Consumer Goods in China

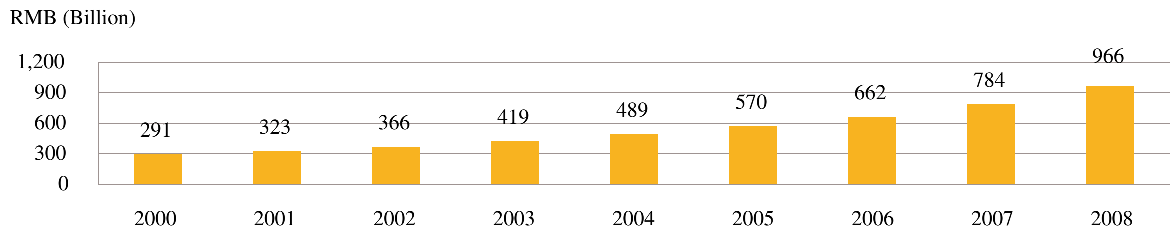


Source: China Statistical Yearbook 2001-2009

As one of the most economically developed provinces in China with relatively higher GRP per capita, Jiangsu province has achieved strong retail sales growth in recent years. Total retail sales of consumer goods in Jiangsu province have been growing at a CAGR of approximately 16.2% from 2000 to 2008, higher than the national average at 13.6%.

The following chart sets out the total retail sales of consumer goods in Jiangsu for the periods indicated.

Total Retail Sales of Consumer Goods in Jiangsu province



Source: Jiangsu Statistical Yearbook 2001-2009

The department store industry in China

Characteristics of the department store industry in China

- *Highly fragmented.* China department store industry is highly fragmented, and the top players do not have any dominance in the industry. According to Euromonitor International's independent research, the top ten department store groups in China had a combined market share of 13.3% in 2009 in terms of retail value excluding sales tax.

- *Relatively high entry barriers.* First, department store operations generally require more capital expenditure. Second, successful operations of department stores highly depend on prime locations which are scare resources in urban areas. Finally, the operation and management of department stores are more complicated than those of supermarkets and specialty stores and it takes more time for new entrants to catch up.

- *Advantages of regional chain stores.* We believe that chain department stores with a regional or a wider network coverage are more likely to capture customer loyalty successfully. In addition, regional department stores tend to be better acquainted with customers in terms of local fashion style, customer taste and needs, and purchase patterns, which are important success factors for department store operators. Regional department stores also have developed closer relationship with local suppliers, which is also an important success factor as suppliers predominately operate on a provincial basis as opposed to on a national basis.

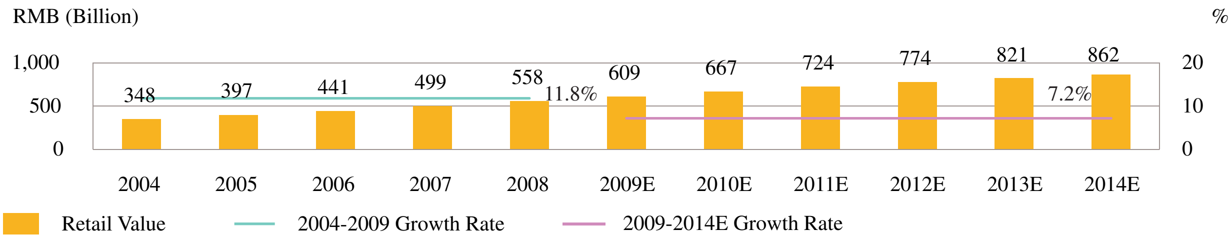
- *Changing business mix to better adjust for competition*. Many department store operators have reduced the proportion of merchandise like consumer durables, furniture and other big items sold, and have become more fashion oriented, serving as one of the important distribution channels for fashion items, including apparel, footwear and cosmetics. Many have also created supermarkets in their basement to attract more traffic in response to competition from shopping malls and hypermarkets. The average selling space of department stores continued to increase, as more and more consumers consider not only the quality of products bought in department stores, but also the shopping environment in which they are offered. Some department stores now contain restaurants and cinemas, which provide a better shopping experience compared with traditional stores. The difference between department stores and shopping malls is narrowing.

Growth of the department store industry in China

Department stores in China have experienced steady growth in recent years, with RMB609 billion retail value (excluding sales tax) in 2009, increased from RMB348 billion in 2004, representing a CAGR of 11.8% for the period, according to Euromonitor International. Euromonitor International also forecasts that retail sales by department stores in China will sustain the rapid growth in the next few years as a result of continued economic development and increased disposable household income and consumption expenditures. Retail sales by department stores in China is expected to reach approximately RMB862 billion by 2014, representing a CAGR of approximately 7.2% from 2009 to 2014.

The following chart shows the historical and forecast retail value (excluding sales tax) of department stores in China for the periods indicated.

Historical and forecast retail value (excluding sales tax) of department stores in China



Source: Euromonitor International, 2010

Department stores have great potential for growth, driven by growing strong demand from second and third tier urban cities. According to Euromonitor International January 2010 report on China Mixed Retailers, department stores continue to be the major force of the over all retail industry in China. Despite the negative impact of the economic crisis, mixed retailers still grew by 9% in value terms in 2009, reaching RMB 609 billion. The extensive market of second- and third-tier cities remains undeveloped in China, with chained large-scale department stores a rare sight. With recovery of the domestic economy, most leading companies will accelerate their penetration of this market.

The department store is a key component of China's overall retail industry

Department stores generally offer more of a lifestyle shopping experience than other retail formats. As Chinese consumers become more affluent, their shopping behaviour changes from shopping for necessities to shopping for lifestyle merchandise such as apparel, footwear, cosmetics and jewellery and for the enjoyment of the shopping experience. Department stores are the optimal channel to meet such demand for lifestyle merchandise as they offer multi-branded products with greater variety targeted at middle to higher income consumers.

There is a trend towards a shopping experience in an environment with diversified business formats. People, especially those in more affluent cities, increasingly prefer the 'one-stop' shopping experience. Hence, there is a need for department stores to provide more valuable service to consumers, in order to face the challenges from other retail formats. Providing high-quality products as well as high-quality shopping environment continues to be the most important factor determining the performance of department stores now and in the future. Consumers are becoming increasingly sophisticated and demanding. Brand awareness and/or established presence alone will no longer be the only criteria for making purchasing decisions. Hence, improving all aspects of the business will be the only way to attract consumers and stand out among the competition in the future.

The supermarket industry in China

Characteristics of the supermarket industry in China

- *Fast growing demand*. With the sustained and robust growing demand from consumers in China in recent years, the supermarkets channel continued its rapid development. However, growth started to slow down in 2009 because of competition from the explosive development of hypermarkets as well as the negative impact of the economic crisis in 2008 and 2009. The total number of outlets grew by just 7% in 2009, which was much lower than growth in previous years. The total number of supermarkets exceeded 87,000 in 2009, which was almost eight times the number in 1999. Indeed, the market has started to enter a relative mature stage and further value growth will be more reliant on the growth of same-store sales.

- *Replacement for wet market in China*. The proportion of grocery products in supermarkets continued to be around 96% in 2009. Most Chinese consumers are already accustomed to purchasing their daily grocery needs in this modern retail channel, especially younger consumers and city dwellers. Fresh food is one of the key current trends in the market. Most local retailers have accelerated the pace of increasing the proportion of fresh food among their product ranges in order to lure more consumers.

- *Highly fragmented and competitive*. The combined share of the top 10 retailers is no more than 10% of the total market. There is a large number of regional small chained or independent supermarkets in the country, especially in many third-tier cities as well as some remote rural areas. Domestic companies are currently the major players in the market. However, some international retailers have started to enter this market in recent years.

- *Changing product offerings to become more attractive.* Most of the supermarkets are located in large residential areas and also face direct competition from the traditional open markets and hypermarkets. Many Chinese consumers are accustomed to shopping for fresh food on a daily basis from open markets, while some customers, especially middle class customers, choose hypermarkets as the one-stop destination for their shopping needs on a weekly basis. In order to compete more effectively with both open markets and hypermarkets, more and more supermarkets are making adjustment by providing more fresh food to compete with open market for quality and compete with hypermarket for freshness and convenience.

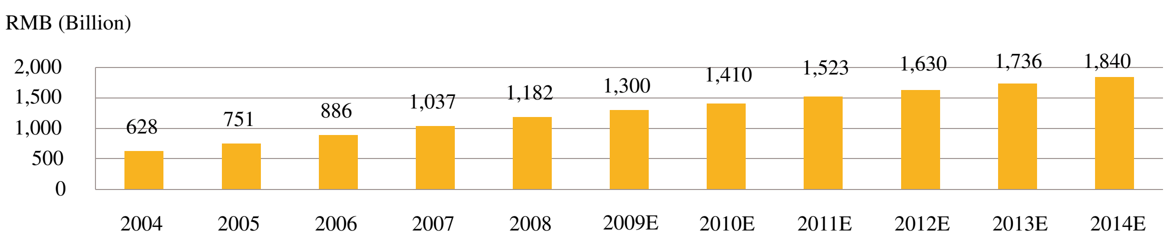
- *Sustained growth in the long run.* The supermarkets channel is expected to post a CAGR of 7% in constant value terms over the forecast period, driven primarily by sustained growth of the macro economy and continuous urbanisation throughout the country. As the population in rural China is still considerable, the potential for supermarkets in these regions is significant in the coming years. New outlets are therefore expected in lower-tier cities and even in rural areas, in response to the central government's call to boost rural consumption.

Growth of the supermarket industry in China

Supermarkets in China have experienced strong growth in recent years, with a market size of RMB1,300 billion in 2009, which increased from RMB628 billion in 2004, representing a CAGR of approximately 27.5%, according to Euromonitor International. Euromonitor International also forecasts that retail sales by supermarkets in China will continue to enjoy healthy growth in the next few years as a result of continued economic development and increased disposable household income and consumption expenditures. Retail sales of supermarkets in China is expected to reach approximately RMB1,840 billion by 2014, representing a CAGR of approximately 7.2% from 2009 to 2014.

The following chart shows the historical and forecast retail value (excluding sales tax) of supermarkets in China for the periods indicated, provided by Euromonitor International.

Historical and forecast retail value (excluding sales tax) of China supermarkets



Source: Euromonitor International, 2010

REGULATORY OVERVIEW

- **Foreign Investment in Commercial Retail Industry in China**

Foreign investment in commercial retail industry in the PRC was heavily restricted before China's access to the WTO in December 2001.

In July 1992, the State Council issued the Reply to the Application of Foreign Investment on Commercial Retail Industry (the "Reply") (《國務院關於商業零售領域利用外資問題的批覆》). Under the Reply, trial operations of one or two Sino-foreign equity joint venture or Sino-foreign cooperative joint venture commercial retail enterprises could be carried out in Beijing, Shanghai , Tianjin, Guangzhou, Dalian, Qingdao and five special economic zones. Foreign-invested commercial enterprise projects shall be subject to the review and approval of the State Council through the reports of local governments.

In June 1995, the PRC's State Council issued the Interim Provisions on Guiding Foreign Investment Direction(《指導外商投資方向暫行規定》) and the Catalogue for the Guidance of Foreign Investment Industries(《外商投資產業指導目錄》) (the "Catalogue"), under which commercial wholesale and retail industries were listed under the "Catalogue of Restricted Foreign Investment Industries". In the Catalogue amended by the State Council in December 1997, commercial industries were still ranked into the "Catalogue of Restricted Foreign Investment Industries".

On 25 June 1999, the PRC's State Economic Trade Commission and the MOFCOM issued the Measures on the Trial Establishment of Foreign-Invested Commercial Enterprises (the "Measures") (《外商投資商業企業試點辦法》). According to the Measures, foreign companies and domestic companies were able to set up Sino-foreign equity joint ventures or Sino-foreign co-operative joint ventures in commercial industries (referred to as "Joint Ventures") in the designated experimental area within the territory of the PRC, but wholly foreign-owned enterprises were not allowed to be established at this stage. The experimental area for establishment of Joint Ventures was stipulated by the State Council and was restricted only to the capital cities of provinces and autonomous regions, municipalities under the central government, cities directly under the State planning and the special economic zones. Moreover, the establishment of Joint Ventures had to comply with commercial development planning rules in the relevant area. To gain access to the PRC market, non-PRC retailers had to apply for permission from the PRC government in accordance with the Measures, which had high market entry thresholds for foreign investment enterprises.

However, when the PRC entered the WTO in December 2001, it promised to completely open its national distribution market within five year. The first action of the PRC is to issue the re-amended Catalogue in March 2002, under which the wholesale, retail and logistic distribution of general commodities were defined as the "Encouraged Foreign Investment Industries". However, the wholesale and retail of special commodities, such as books, newspapers, periodicals, audio-video products, medicines and tobacco, as clearly listed in the Catalogue, were still classified as the "Catalogue of Restricted Foreign Investment Industries".

To further fulfill the PRC's WTO commitment in respect of the opening up of its distribution services and to comply with the Catalogue issued in 2002, on 16 April 2004, the MOFCOM issued the Measures on the Administration of Foreign-invested Commercial Enterprises (the "New Measures") (《外商投資商業領域管理辦法》), which regulate foreign investments in distribution services such as wholesale, retail, commission agency and franchising. The Measures were abolished when the New Measures took effect from 1 June 2004.

There are a number of major changes in the New Measures, including permitting foreign investors to engage in the operation of distribution services in certain industries on a wholly-owned basis from 11 December 2004. The New Measures also gradually enlarge the geographical areas where foreign-invested commercial enterprises are allowed and lower the market entry threshold. In terms of requirements for foreign-invested commercial enterprises to set up stores, it is stipulated in the New Measures that foreign investors can apply to set up both commercial enterprises and stores at the same time in accordance with simplified procedures and clear guidelines.

According to the New Measures, a foreign-invested commercial enterprise must meet the following conditions: (i) its minimum registered capital must comply with the requirements of PRC Company Law; (ii) it must comply with the normal total investment and registered capital requirements for foreign-invested enterprises; and (iii) in general, its term of operation may not exceed 30 years, or 40 years in the western regions of the PRC. Moreover, the foreign-invested commercial enterprise must meet the following conditions to open retail stores: (i) if applying to open a store at the same time as applying to establish the enterprise, the proposed store must conform to the urban development plan and the commercial development plan of the city where it is located; and (ii) if applying to open a store after the establishment of the enterprise, then in addition to meeting the above requirement, the enterprise must also (a) have undergone and passed annual inspection of foreign-invested enterprise on time, and (b) have received all of its registered capital from its investors.

The New Measures provide for the procedures for establishing a foreign-invested commercial enterprise, pursuant to which an application (including a project description, feasibility study and other relevant documents required) is required to be submitted to the relevant provincial level of the MOFCOM for preliminary approval as a first step. If that preliminary approval is granted, the application will be submitted to the MOFCOM for further approval. Additionally, any retail stores to be opened by an established foreign-invested commercial enterprise must be approved according to the same process. If satisfactory application documents are submitted, the approval process together generally does not take more than four months. The approved foreign-invested commercial enterprise shall be registered with the competent Administration of Industry and Commerce within one month after the approval is issued by the MOFCOM or the authorised provincial branch. After the implementation of the New Measures, foreign investments may engage in the retail business in the PRC on a wholly-owned basis and expand into geographical areas which were previously not opened to foreign investors for retail operations before the New Measures took effect.

On 9 December 2005, MOFCOM issued the Notice regarding Commission the Local Authorities to Examine and Approve the Foreign-Invested Commercial Enterprises (the "Notice") (《商務部關於委託地方部門審核外商投資商業企業的通知》), which took effect from 1 March 2006. Under the Notice, the examination and approval authority was transferred with certain reservations from the MOFCOM to other authorities, including the provincial entities of MOFCOM and Administrative Committees of National Economic & Technology Development Zone. The MOFCOM retained the approval authority on retail of special commodities such as books, newspapers, periodicals, audio-video products, medicines, tobacco, and so on. In addition, if the foreign-invested commercial enterprise is established by way of merging, and the domestic company and the foreign investor are controlled by the same management team/controlling shareholder, it should be approved by the MOFCOM. However the Notice delegates greater responsibility for approving small and medium-sized foreign-invested retail operations to provincial entities of MOFCOM and Administrative Committees of National Economic & Technology Development Zone.

On 27 February 2007, the MOFCOM issued an Order regarding Commission the Local Authority to Examine and Approve Portion of Applications of the Variation of the Foreign-Invested Commercial Enterprises (《關於委託審批部分外商投資企業變更事項》). If the establishment of the foreign-invested commercial enterprises was approved by the MOFCOM and the variation item in the application is not included in the Certificate of the Approval for Establishment of Enterprises with Foreign Investment, the provincial authority of MOFCOM is entitled to approve the application but should file for records immediately with the MOFCOM.

On 9 October 2007, the State Council issued the Decision about the Fourth Cancellation and Adjustment List of the Administrative Examination and Approval Projects (《國務院關於第四批取消和調整行政審批項目的決定》) (the "Decision"). The authority determining the establishment and change of the foreign-invested commercial enterprise was granted to the commercial departments of the provinces, autonomous regions and municipalities. In order to implement the Decision, the MOFCOM issued the Notice of the Ministry of Commerce on the Decentralization of the Power to Approve Foreign-funded Commercial Enterprises (《商務部關於下放外商投資商業企業審批事項的通知》) in September 2008, which stipulates that foreign-invested enterprises are required to obtain the MOFCOM's prior approval to engage in the business of sale of certain commodities without establishing actual stores.

Jiangsu Springland is a foreign-invested company, and therefore it should be subject to the above-mentioned laws and regulations in relation to foreign investment in China's retailing industry. The other PRC subsidiaries are enterprises invested by foreign-invested enterprises. As advised by our PRC legal advisers, all of our PRC subsidiaries have been established or acquired in accordance with the relevant laws and regulations, and have complied with the applicable laws and regulations in conducting their business.

- **PRC Price Law and Anti-unfair Competition Law**

All the PRC subsidiaries of our Company is required comply with the PRC Price Law (《中華人民共和國價格法》) and other related regulations. According to the PRC Price Law, the prices of a majority of commodities and services are formed and adjusted through the functions of the market. However, the government authority may price or direct the pricing of a small part of commodities and services. For example, pursuant to PRC Price Law, the government shall issue government-set or guided prices for the following merchandises and services if necessary: (i) certain merchandise that are of great importance to development of the national economy and the people's livelihood; (ii) certain merchandises that are in shortage of resources; (iii) merchandises of monopoly in nature; (iv) important public utilities; and (v) important services of public welfare in nature. The specific government-set prices and authority, as well as the applicable scope of government guided prices, are defined in the price catalogue issued by the PRC Government. Among all the merchandises sold by the subsidiaries of our Company as retail enterprises, only salt is subject to the government-set price. Prices of other merchandises sold by subsidiaries of our Company as retail enterprises are not governed by government-set or guided prices, and could be adopted and determined by our Company in its own discretion.

In addition, According to Article 30 of the PRC Price Law, where prices of the important commodities or services rise sharply or are likely to rise sharply, the State Council and the people's governments of provinces, autonomous regions and municipalities directly under the Central Government may take such measures to interfere with the prices, as the restriction of the rates of price difference and of profit, the limitation of the highest prices, the application and reporting system for price increase and the recording system for price adjustment.

Standing Committee of National Congress promulgated the Anti-Unfair Competition Law of the PRC (《反不正當競爭法》) in September 1993, which provides that the business operators in the PRC shall abide by the principles of voluntariness, equality, impartiality, honesty and good faith in their business transactions and the unfair competition is prohibited. The business operators shall not sell commodity at the price lower than the commodity's cost with a propose to drive the other competitors out of the competition, except for sales at a reduced price conducted under following circumstances which should not be deemed as unfair competition behaviour:

- to sell fresh or live commodities;
- to sell commodities close to their expiration dates or other overstock commodities;
- to conduct seasonal sales; and
- to sell commodity for cleaning off debts, changing business or suspending business.

- **Law and regulations for Issuance of Token**

According to the relevant PRC laws and regulations, it's prohibited to issue and sell token cards or pre-paid gift cards for circulation to substitute the Renminbi.

Pursuant to the Law of the People's Bank of China of the PRC (《中華人民共和國中國人民銀行法》) promulgated in March 1995 and amended in December 2003, and the Ordinance for the Administration of Renminbi of the PRC (《中華人民共和國人民幣管理條例》) issued on 3 February 2000, no entities or individuals are allowed to print, issue and sell tokens to substitute Renminbi. During the period from 1991 to 1998, the State Council issued a series of notices to prohibit issuance of all kinds of tokens. On 19 January 2001, Office of Correcting Industrial Improper Practice of the State Council, together with the State Economic and Trade Commission and the PBOC promulgated Emergency Notice on Prohibition of Issuing and Using Tokens (《關於嚴禁發放使用各種代幣券(卡)的緊急通知》), stipulating that any printing, sale, purchase and use of tokens should be immediately ceased on or before 28 February 2001. On 10 April 2001, PBOC issued Notice for Issues Regarding Enhancement and Improvement of Cash Administration (《中國人民銀行關於進一步加强和改進現金管理有關問題的通知》), which requires branches of PBOC to enhance their investigations of issuance and use of tokens.

Pursuant to the Law of the People's Bank of China of the PRC (《中華人民共和國中國人民銀行法》), a fine of RMB 200,000 may be imposed on any entity for issuing such token cards or pre-paid gift cards.

- **Licences for Sale of Special Products and Business Operation**

In connection with sale of certain special goods and operation by department stores and supermarkets, the operators of department stores and supermarkets should comply with the following PRC laws and regulations:

- the PRC Tobacco Monopoly Law《中華人民共和國煙草專賣法》, its implementation rules and Measures on the Administration of Tobacco Monopoly Licenses《煙草專賣許可證管理辦法》;
- Regulations on the Administration of Audio and Video Products《音像製品管理條例》and Measures on the Administration of Wholesale, Retail and Lease of Audio and Video Products《音像製品批發、零售、出租管理辦法》;
- the PRC Food Safety Law《中華人民共和國食品安全法》which replaced《中華人民共和國食品衛生法》replace with and its implementation rules, Administration Measures for Food Safety in Circulation Field（《流通領域食品安全管理辦法》）and Administration Measures for Food Circulation Permit（《食品流通許可證管理辦法》）;
- Measures on Administration of Alcohol Circulation《酒類流通管理辦法》;
- Provisions on the Administration of the Publications Market《出版物市場管理規定》;
- the PRC Road Transport Regulations《中華人民共和國道路運輸條例》; and
- the PRC Fire Prevention Law《中華人民共和國消防法》.

Under the above applicable PRC laws and regulations, the operators of department stores and supermarkets are required to obtain various permits and licences for selling special goods and business operation, including:

- The Cigarettes Sales Permit (煙草專賣零售許可證);
- The Audiovisual Products Operation Permit (音像製品經營許可證);
- The Hygiene Permit (衛生許可證) for public place;
- The food circulation permit (食品流通許可證) or the food hygiene permit (食品衛生許可證);
- The registration records for the circulation of alcohol commodities (酒類流通備案登記);
- The Publication Operating Permit (出版物經營許可證);
- The Permit for Road Transport Business (道路運輸經營許可證); and
- Certain approvals of fire safety examination upon the request at the public safety control department.

Each of our department stores and supermarkets has obtained the licences and approvals from the relevant authorities to legitimately carry out its respective business.

The retail enterprises are also subject to fire safety examination from the public safety control department.

Foreign invested commercial enterprises are not allowed to conduct the business of selling tobaccos, either by means of concession or re-investment, whereas foreign-invested commercial enterprise is allowed to engage in distribution of audio-video products in the form of sino-foreign cooperative or equity joint venture, and it is not stipulated that an enterprise invested by foreign-invested enterprise could not conduct such business.

Therefore, we do not sell tobacco products and do not need to obtain licences in respect of such goods. However, we rent some retail space in our stores out to business operators who sell these products, and it is the responsibility of these business operators to obtain the required licences. Our PRC subsidiaries other than Jiangsu Springland operate distribution of audio-video products under Audiovisual Products Operation Permit duly obtained in accordance with relevant laws and regulations.

OUR HISTORY

Corporate development

The history of our Group can be traced back to the incorporation of Jiangsu Springland (formerly known as 宜興華地企業 (Yixing Springland Enterprise)) in February 1996. Jiangsu Springland, one of our major subsidiaries and an investment holding company of our other subsidiaries, was incorporated as a collectively-owned enterprise by 宜興市供銷企業(集團)公司 (Yixing City Sales and Supply Enterprise (Group) Company) ("Yixing Sales and Supply Enterprise"). Upon incorporation of Jiangsu Springland, Yixing Sales and Supply Enterprise injected assets of a department store located in Yixing, known as the Yixing Springland Store, into Jiangsu Springland and thereafter Jiangsu Springland had been primarily engaged in department store operations. Our executive Director, chairman and chief executive officer, Mr Chen, joined the Yixing Springland Store as its general manager at the time of its establishment and has been actively participating in the management of our Group since then.

In 1998, in response to the then economic environment in the PRC, Jiangsu Springland was converted from a collectively-owned enterprise into a joint-stock company with Yixing Sales and Supply Enterprise, 宜興華地企業工會 (Yixing Springland Enterprise Employee Committee, whose name was subsequently changed to 華地股份工會 (Springland Stock Employee Committee) and further to 江蘇華地企業集團有限公司工會委員會 (Jiangsu Springland Group Company Limited Employee Committee)) ("Jiangsu Springland Employee Committee"), Mr Chen and 32 other individual investors as promoters. Immediately after its conversion, Jiangsu Springland was owned as to 35.15% by Yixing Sales and Supply Enterprise, as to 31.85% by Jiangsu Springland Employee Committee, as to 5% by Mr Chen and the remaining 28% by 32 other individual investors. In August 2005, Jiangsu Springland was further converted into a limited liability company from a joint-stock company and it has undergone various reorganisations, transfers and capital injections from 1998 to 2006, amongst which Mr Chen had acquired a net total of 46% equity interest for a net aggregate consideration of RMB20,600,000 and contribution of RMB100,290,000 as capital injection into Jiangsu Springland, while Jiangsu Springland Employee Committee, which was collectively owned by the then employees of Jiangsu Springland, had acquired a net total of 17.15% equity interest through various transfers and capital injections involving a total net investment cost of RMB110,740,000. As at 15 June 2006, upon the completion of the various reorganisations as described above and immediately before it was transferred to our Company pursuant to the Reorganisation, Jiangsu Springland was owned by Mr Chen as to 51% of its equity interest and Jiangsu Springland Employee Committee as to 49% of its equity interest. For further information about the Reorganisation, please refer to the section headed "The Reorganisation" below.

Business development

Our first department store, the Yixing Springland Store, commenced operations in December 1994 and was injected into Jiangsu Springland by Yixing Sales and Supply Enterprise upon the establishment of Jiangsu Springland in February 1996. Following the success of our first store, the Yixing Springland Store, we have expanded our department store operations into other cities in the Yangtze River Delta through opening of seven more department stores located at prime locations in the Yangtze River Delta since 2002, and acquiring two department stores situated in Wuxi, Jiangsu (the "Wuxi Yaohan Store") and Nantong, Jiangsu (the "Nantong Yaohan Store") in 2006 and 2009, respectively. For further information about our acquisitions of the Wuxi Yaohan Store and the Nantong Yaohan Store, please refer to sections headed "Our

History — Acquisition of the Wuxi Yaohan Store" and "Our History — Acquisition of the Nantong Yaohan Store" below. Through our ten department stores located in various cities operating under the trade name of "華地" ("Springland") and "八佰伴" ("Yaohan"), our Directors believe that we have made significant progress in establishing our brand names and market penetration in the Yangtze River Delta.

Capitalising on our success in department store operations, from which we had gained a deep understanding in the retail business in the Yangtze River Delta, we established our supermarket business under the trade name "大統華" ("Datonghua") in 2001. We incorporated Jiangsu Datonghua in March 2001, which is principally engaged in supermarket operations in the PRC. Our first supermarket, namely the Yixing Datonghua Store, which is situated at the same commercial district of our Yixing Springland Store, was opened in May 2001. Following the success of our first two supermarkets, 16 supermarkets have come into operation in various cities in the Yangtze River Delta. As at the Latest Practicable Date, we have three new department stores under construction, namely the Changxing Springland Department Store, the Jintan Springland Department Store, and the Changzhou Yaohan Store, and ten new supermarkets under construction, details of which are set out in the "Business" section in this prospectus.

In line with the expansion of our retail network, we have also incorporated various operating companies to manage the operations of our department stores and supermarkets in various cities in the Yangtze River Delta. They were 江陰華地百貨有限公司 (Jiangyin Springland Store Co., Ltd.) ("Jiangyin Springland") and 丹陽華地百貨有限公司 (Danyang Springland Department Store Co., Ltd.) ("Danyang Springland"), which were incorporated in June 2003 and March 2004, respectively.

In contemplation of the opening of one of our major department stores, Jiangyin Springland Store, we incorporated Jiangyin Springland as a limited liability company in the PRC in June 2003. Jiangyin Springland, which currently has a registered capital of RMB130,000,000, manages the Jiangyin Springland Store, and operates four supermarkets within the same district, namely, Jiangyin Datonghua Store (City Centre), Jiangyin Datonghua Store (Shengang Branch), Jiangyin Datonghua Store (Chengxi Branch) and Jianyin Datonghua Store (Hongqiao Branch).

In contemplation of the opening of one of our major department stores, Danyang Springland Store, Danyang Springland was incorporated as a limited liability company in the PRC in March 2004, and was held as to 90% by our Group and 10% by 丹陽華地置業有限公司 (Danyang Springland Real Estate Co., Ltd.). Danyang Springland has become our wholly-owned subsidiary in May 2006 following our acquisition of the remaining interests then held by Dangyang Springland Real Estate Co., Ltd. for a total consideration of RMB15,000,000, which was arrived at arm's length negotiation between the parties based on the actual equity contribution made by Danyang Real Estate Co., Ltd. to Danyang Springland. Danyang Springland, which currently has a registered capital of RMB60,000,000, manages Danyang Springland Store, and operates three supermarkets within the same district, being Danyang Datonghua Store (Development Zone Branch), Danyang Datonghua Store (Dagang Branch) and Danyang Datonghua Store (City Centre).

As an ancillary service to our supermarket business, we also incorporated our wholly-owned subsidiary 無錫匯全物流有限公司 (Wuxi Huiquan Logistics Co., Ltd.) ("Huiquan Logistics") in April 2007, which principally engages in logistics and delivery of products including fresh food products. Since then, we have established our own transportation and logistic system which includes a cold chain delivery system, providing an appropriate temperature environment for the transportation process of fresh food.

Acquisition of the Wuxi Yaohan Store

To leverage on the rapid economic growth in the PRC and the continued increase in disposable income and spending power of our customers, we expanded our retail network by establishing our presence in other cities in the Yangtze River Delta. To achieve this objective, we extended our department store network to Wuxi, Jiangsu by acquiring the Wuxi Yaohan Store. Pursuant to a letter of intent dated July 2005 between Hong Kong Springland and 無錫市國聯發展(集團)有限公司 (Wuxi Guolian Development (Group) Company Limited) ("Wuxi Guolian"), being the then beneficial owner of the Wuxi Yaohan Store, we agreed to make our investment in, and to acquire the entire interest in, 無錫華地投資管理有限公司 (Wuxi Springland Investment Management Co., Ltd.) ("Wuxi Springland"), Wuxi Yaohan Commerce & Trade and 無錫八佰伴經濟管理有限公司 (Wuxi Yaohan Economic Management Co., Ltd.) ("Wuxi Yaohan Management"), being the entities collectively holding the equity interests in, and having management control over, the Wuxi Yaohan Store. Wuxi Springland was a state-owned enterprise prior to its conversion into a limited liability company in November 2005, with Jiangsu Springland and Wuxi Guolian acting as promoters upon its conversion. Immediately after its conversion, Wuxi Springland was held as to 51% by Jiangsu Springland and 49% by Wuxi Guolian.

The acquisition of Wuxi Yaohan Store was effected through (i) the investment by Jiangsu Springland in 51% of the equity interest in, and the further acquisition by Shanghai Springland of the remaining 49% equity interest in, Wuxi Springland (which in turn held 95% interest in Wuxi Yaohan Commerce & Trade) from Wuxi Guolian in November 2005 and January 2006, respectively; (ii) the acquisition by Wuxi Yaohan Commerce & Trade of the entire equity interest in Wuxi Yaohan Management in July 2006 from 周國華 (Zhou Guohua) and seven other individual investors; and (iii) the acquisition by Wuxi Springland of the remaining 5% equity interest in Wuxi Yaohan Commerce & Trade from Wuxi Guolian in August 2006. Wuxi Guolian, 周國華 (Zhou Guohua) and seven other individual investors, being the former shareholders of Wuxi Springland, Wuxi Yaohan Commerce & Trade and Wuxi Yaohan Management, were independent third parties.

After the completion of the above transactions, we have acquired the entire equity interests in Wuxi Springland, Wuxi Yaohan Commerce & Trade and Wuxi Yaohan Management, resulting in our control over the Wuxi Yaohan Store. The Wuxi Yaohan Store has since then become one of our flagship stores, which contributed significantly to our brand building and revenue stream. The total cost of investment and acquisition of the Wuxi Yaohan Store was approximately RMB964.6 million, which was funded by our Group's internal resources and banking facilities. The total consideration for the acquisition of the Wuxi Yaohan Store was determined by arm's length negotiation between the parties having regard to various factors including the value of the assets and properties owned by the Wuxi Yaohan Store, the historical revenue and profit generated by it, the strength and goodwill attached to the Yaohan trade name and the expected synergy effect and contribution to be brought by the Wuxi Yaohan Store to our existing department store network. Wuxi Yaohan Management was dissolved in March 2008 as it has ceased to have any business operations or major assets.

The establishment of Wuxi Yaohan Commerce & Trade as a foreign invested commercial enterprise was not in full compliance with the applicable PRC laws in the following respects: (i) its place of establishment, Wuxi city, is not among the pilot cities stipulated in the Official Reply to Issues on Utilization of Foreign

Fund in the Field of Commercial Retail (Guo Han [1992] No. 82) (the "Official Reply"), (ii) its establishment was only approved by Wuxi Administrative Committee for Foreign Fund and Jiangsu Government through issuance of official approval and the Approval Certificate for Foreign Invested Enterprise, instead of the competent authorities mentioned in the Official Reply.

Commerce & Finance Law Offices, the legal advisers of our Company as to PRC laws, are of the opinion that such legal defects relating to Wuxi Yaohan Commerce & Trade's establishment would not have any legal or financial implications on our Group, since Wuxi Yaohan Commerce & Trade has been converted into a domestic commercial enterprise in June 2004 in compliance with Circular on Further Cleaning up and Rectifying the Non-trial Foreign Invested Commercial Enterprise (Guo Jing Mao Wai Jing [2001] No. 787) (the "Circular") promulgated by State Economic and Trade Committee, MOFTEC and State Administration of Industry and Commerce, and after such conversion, Wuxi Yaohan Commerce & Trade became a limited liability company legally existing with good standing. Our Company's PRC legal advisers have also confirmed that (i) all subsidiaries of our Group were duly established and are legally existing; and (ii) the Circular would not have any legal implication on our Group's retail business as a foreign invested enterprise.

Acquisition of the Nantong Yaohan Store

To further extend our retail network to Nantong, a fast-growing city in Jiangsu Province, we acquired the majority interest of the Nantong Yaohan Store by acquiring the shares of Nantong Department Store. Prior to its acquisition by our Group, Nantong Department Store had a diverse shareholding base with 779 individuals and corporate shareholders. In view of our proposed acquisition of the controlling interest in Nantong Department Store, in August 2009, the Nantong Promoters, acting in their own interests and on behalf of Nantong Department Store and its minority shareholders, entered into a framework agreement (the "Nantong Framework Agreement") with Jiangsu Springland for the purpose of coordinating and procuring the acquisition of a controlling interest in Nantong Department Store. To the best knowledge of the Directors, the Nantong Promoters and the then minority shareholders of Nantong Department Store were existing or former employees of the Nantong Yaohan Store or their related parties, and were independent third parties of our Group, our Directors and senior management members, and our Controlling Shareholders or their respective associates prior to the transfer.

Pursuant to the Nantong Framework Agreement, our Group has (i) subscribed for 8,950,000 shares in Nantong Department Store through capital injection at a total consideration of approximately RMB161.1 million, (ii) subsequently acquired a total of 6.75% interest (based on the issued share capital of Nantong Department Store after the repurchase below) of Nantong Department Store from the Nantong Promoters and a total of 50.70% interest (based on the issued share capital of Nantong Department Store after the repurchase below) from other minority shareholders during November and December 2009 at a total consideration of approximately RMB379.1 million, based on the same acquisition cost (i.e. RMB20.667 per share) as agreed in the Nantong Framework Agreement, and (iii) Nantong Department Store has thereafter repurchased the 8,950,000 shares initially subscribed by our Group at a total consideration of approximately RMB161.1 million, being the same consideration of the subscription of such shares. After completion of the above transactions, we have acquired an aggregate of 57.45% shareholding in Nantong Department Store, with the remaining interest in Nantong Department Store held by the Nantong Promoters as to 37.57%, and individuals who are existing or former employees of the Nantong Yaohan Store and two corporate shareholders as to 4.98% collectively. The total cost of investment in the Nantong Yaohan Store was approximately RMB379.1 million (net of the cost of subscription and repurchase of 8,950,000 shares of

Nantong Department Store), which was determined by arm's length negotiation between the parties having regard to factors including the earnings per share of Nantong Department Store for the year ended 31 December 2008, historical revenue and profit generated by it and the expected synergy effect and contribution to be brought by the Nantong Yaohan Store to our existing department store network. We have consolidated our experience in managing department stores and supermarkets and have successfully integrated the Nantong Yaohan Store as part of our existing department store chain.

Notwithstanding that it was our intention to acquire the entire interest in Nantong Department Store so as to obtain absolute control over the Nantong Yaohan Store, given the diverse shareholding base of Nantong Department Store at the time of our acquisition, its shareholders responded distinctively to our acquisition proposal. While the Nantong Promoters agreed to procure our acquisition of a controlling interest in the Nantong Yaohan Store, the Nantong Promoters and certain minority shareholders had decided to retain part of their interests in Nantong Department Store to benefit from the prospective growth in and return from the Nantong Yaohan Store. As it has always been our plan to maximise our shareholding in Nantong Department Store to further consolidate our control over the Nantong Yaohan Store, as part of the transaction terms offered by our Group to the Nantong Promoters under the Nantong Framework Agreement, our Group granted each of the Nantong Promoters a put option for an indefinite term (subject to expiry of the statutory operation term of Nantong Department Store) to sell their shares in Nantong Department Store at the same consideration per share as agreed in the Nantong Framework Agreement plus the net increase (or deducting therefrom the net decrease) in the equity per share as at the latest practical audited financial statements date before the exercise of the option (the "Latest EPS") compared against that as at 31 December 2008.

As the pricing basis is based on a pre-determined acquisition cost under the Nantong Framework Agreement to be adjusted with reference to the actual net asset value of Nantong Department Store at the time the put options are exercised, the Directors consider the consideration of the put option reasonable and reflective of the then market value of Nantong Department Store. The statutory operation period of Nantong Department Store under the PRC law lasts until September 2018. The put option, although granted for an indefinite period under the Nantong Framework Agreement, is subject to the expiration of the statutory operation period, at which time our Company and the Nantong Promoters shall enter into discussions regarding the continuous operation of Nantong Department Store and the validity of the put option. We considered the put options exercisable during the statutory operation period of Nantong Department Store would offer our Company a greater chance to acquire the minority interests of Nantong Department Store. Upon exercise of the put options by the Nantong Promoters, our Company will be required to acquire the shares of Nantong Department Store held by the Nantong Promoters. The Nantong Promoters have agreed in writing with our Company that they will not exercise the put option on or earlier than 31 December 2011. Upon exercise of the put option, we propose to fund the consideration by internal resources, operating cash inflow as well as banking facilities available to our Group.

As the Nantong Framework Agreement was an agreement entered into by us prior to the Listing, the acquisition of minority interests in Nantong Department Store upon exercise of the put option by the Nantong Promoters would constitute performance by our Company under the Nantong Framework Agreement rather than new transactions entered into by us after the Listing. Accordingly, transfer of shares of Nantong Department Store to us upon exercise of the put option by the Nantong Promoters would not be subject to the requirements under Chapter 14 and Chapter 14A of the Listing Rules. Commerce & Finance Law Offices, the legal advisers of our Company as to PRC laws, have confirmed that the put option granted to the Nantong Promoters under the Nantong Framework Agreement for an indefinite term (subject to expiry of the statutory operation term of Nantong Department Store), is in compliance with the relevant PRC laws and regulations and is valid and enforceable against our Company and the Nantong Promoters.

INVESTMENT BY CDH PRIVATE EQUITY FUNDS

To raise capital for our business expansion plan, we invited the CDH private equity funds to invest in our Company (the “Investment”). The Investment was conducted in two stages by way of (i) subscription of new US$ Preference Shares, and acquisition of existing US$ Shares from Netsales, by CDH Resource, and (ii) subscription of exchangeable bonds which are exchangeable into Shares upon conversion (the “Exchangeable Bonds”) by CDH Spring Limited (“CDH Spring”) and CDH Resource II Limited (“CDH Resource II”) (CDH Resource, CDH Spring and CDH Resource II are collectively the “Investors”).

CDH Resource and CDH Resource II, both limited liability companies incorporated in BVI, are wholly-owned subsidiaries of CDH China Growth Capital Fund II, L.P., an exempted limited partnership organised and existing under the laws of the Cayman Islands focused on private equity investments in China. 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. CDH China Growth Capital Fund II, L.P. is managed by CDH Investment Advisory Private Limited, a limited liability company incorporated in Singapore.

CDH Spring, a limited liability company incorporated in BVI, is a wholly-owned subsidiary of CDH China Fund III, L.P., an exempted limited partnership organised and existing under the laws of the Cayman Islands focused on private equity investments in China. The general partner of CDH China Fund III, L.P. is CDH III Holdings Company Limited, a limited liability company organised and existing under the laws of the Cayman Islands. CDH China Fund III, L.P. is managed by CDH Investment Advisory Private Limited, a limited liability company incorporated in Singapore.

The CDH private equity funds, which include CDH China Fund, L.P., CDH China Growth Capital Fund II, L.P., CDH China Fund III, L.P. and CDH Fund IV L.P., have capital commitments of approximately US$3.5 billion and are primarily focused on the investments in companies having majority of their operations in the PRC. The limited partners of the CDH private equity funds include endowments, pension funds and other institutional investors.

First round of the Investment

Pursuant to a subscription agreement dated 3 July 2006 entered into between Netsales, CDH Resource, Mr Chen and our Company, CDH Resource acquired from Netsales 3,000 US$ Shares, representing 1.6% of the then issued share capital of our Company on a fully converted basis, at a consideration of US$3,000,000, and subscribed from our Company 44,000 US$ Preference Shares, representing 23.4% of the then issued share capital of our Company on a fully converted basis, at a consideration of US$44,000,000. The proceeds of the first round of the Investment have been paid by CDH Resource in September 2006 which were applied for our Group's business expansion. After the first round Investment, CDH was interested in 25% of the then share capital of our Company on a fully converted basis (comprising 3,000 US$ Shares and 44,000 US$ Preference Shares). All the US$ Preference Shares held by CDH Resource were converted into Shares on 13 November 2009.

CDH Resource's cost of investment under the first round of the Investment was US$47,000,000 (equivalent to approximately HK$364,799,900), representing a discount of approximately 84.96% to the Offer Price (based on the low end of the indicative Offer Price range of HK$4.85 per Share) and a discount of approximately 87.70% to the Offer Price (based on the high end of the indicative Offer Price range of HK$5.93 per Share).

Second round of the Investment

On 17 December 2007, Well Sea Investments Limited ("Well Sea") (a company then held as to 75% by Netsales and as to 25% by CDH Resource) entered into an exchangeable bond subscription agreement (the "Exchangeable Bond Subscription Agreement") with CDH Spring, CDH Resource II and Netsales, pursuant to which Well Sea issued, and each of CDH Spring and CDH Resource II subscribed for, exchangeable bonds (the "Exchangeable Bonds") in a principal amount of US$35,000,000 and US$10,000,000, respectively. The Exchangeable Bonds were exchangeable into Shares upon exercise of the exchange rights. Pursuant to the Exchangeable Bond Subscription Agreement, such proceeds arising from issuance of the Exchangeable Bonds were applied by Well Sea for the subscription of 1,275,130 Shares, representing 8% of the then issued share capital of our Company on a fully diluted and converted basis. Such proceeds of the second round of the Investment were applied for our Group's business expansion.

Following the subscription of the Exchangeable Bonds, Netsales, Well Sea, the Investors and our Company entered into a supplemental shareholders' agreement on 17 December 2007 (the "Supplemental Shareholders' Agreement") in relation to the management of our Company between the then Shareholders and bondholders. The rights granted to the Investors under the Supplemental Shareholders' Agreement include the right to information of our Company, the right to nominate a Director by CDH Resource, requirement to obtain approval from the Investors regarding certain reserved matters, the proceedings for board meetings and general meetings. The Supplemental Shareholders' Agreement will be terminated upon Listing whereby all rights and obligations of the Shareholders under which shall lapse upon Listing.

Having considered the cost of the second round of the Investment and the then capital resources available to our Group, Well Sea redeemed the Exchangeable Bonds and repaid all outstanding loans to the holders of the Exchangeable Bond in May 2009. On 15 May 2009, our Company repurchased 1,275,130 Shares from Well Sea, being all the Shares then held by it, at a consideration of US$53,669,601.92. Well Sea in turn redeemed the Exchangeable Bonds by repaying the outstanding principals and interests with the proceeds of the repurchase it received from our Company. Following the redemption of the Exchangeable Bonds, each of CDH Resource II and CDH Spring, being the holders of the Exchangeable Bonds, had ceased to have any interest or right in the Shares. Well Sea, being the issuer of the Exchangeable Bonds, also ceased to hold any interest in our Company.

THE REORGANISATION

As part of our restructuring in contemplation of the Investment and the Listing, we underwent the Reorganisation prior to the Listing. Following the Reorganisation, our Company became the holding company of all of our operating subsidiaries. The Reorganisation included the principal corporate restructuring steps as set out below.

Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 June 2006 and was wholly-owned by Netsales upon its incorporation. Netsales was incorporated as a limited liability company in BVI on 20 February 2006, which was wholly-owned by Mr Mike Ye Chen, the son of Mr Chen, upon its incorporation.

Prior to the Reorganisation, on 3 August 2006, Mr Mike Ye Chen, as the then sole shareholder of Netsales acting in accordance with instructions of Mr Chen, set up a family trust for Mr Chen and his family members in respect of 56/75 interest in Netsales (the "Former Family Trust") by transferring such interest to Charmgo Group Limited ("Charmgo") (as the trustee of the Former Family Trust). On the same date, Mr Mike Ye Chen also set up an employee trust for the Employee Shareholders (as defined below) in respect of 19/75 interest in Netsales (the "Employee Trust") by transferring such interest to Morecity Holdings Limited ("Morecity") (as the trustee of the Employee Trust). Upon their incorporation, the beneficiaries of the Former Family Trust included Mr Chen and his family members, whereas the beneficiaries of the Employee Trust included the Employee Shareholders (as defined below) and any persons (including the directors, consultants, executives and employees of our Group) as Morecity may determine having regard to their contributions to our Group. The Former Family Trust and the Employee Trust were set up for the purpose of reflecting and accounting for the respective equity contributions by Mr Chen and the Employee Shareholders in Jiangsu Springland and Hong Kong Springland.

Transfer of Jiangsu Springland to our Company

Jiangsu Springland was the holding company of our major operating subsidiaries prior to the Reorganisation. Immediately prior to the Reorganisation, Jiangsu Springland was held as to 51% by Mr Chen and the remaining 49% by Jiangsu Springland Employee Committee, which held the interest for and on behalf of 58 employees or former employees of our Group who made equity contributions into Jiangsu Springland (the "Employee Shareholders"). Pursuant to a share transfer agreement entered into between Jiangsu Springland Employee Committee, Mr Chen and Cleavebury, each of Jiangsu Springland Employee Committee and Mr Chen (both being the then owners of Jiangsu Springland) agreed to transfer its/his interest in Jiangsu Springland to Cleavebury at an aggregate consideration of US$31.5 million, which was determined with reference to the then valuation of Jiangsu Springland by an independent valuer. The acquisition of Jiangsu Springland by Cleavebury was completed on 7 September 2006, resulting in Jiangsu Springland becoming a wholly-owned subsidiary of Cleavebury and therefore an indirect wholly-owned subsidiary of our Company. As part of the Reorganisation, Mr Chen and the 58 Employee Shareholders injected the aforesaid US$31.5 million cash consideration into our Group in the same proportion as their respective interest in our Group by way of (i) directors' loans in an amount of US$28.5 million made through the names of four existing or former Directors and (ii) shareholder's loan in an amount of US$3 million made through Netsales. The entire shareholders' loan was waived unconditionally by Netsales on 20 September 2006, while the entire directors' loan have been repaid in full by our Company to Mr Chen and the Directors.

To fortify Mr Chen's control in our Group, at the same time of the transfer of Jiangsu Springland to Cleavebury, the Employee Shareholders (through Jiangsu Springland Employee Committee) sold an aggregate of 23.7% interest in our Group on a substantially pro rata basis to Mr Chen. Such disposal was effected as the same time as the transfer of Jiangsu Springland to Cleavebury by the adjustment of respective shareholding of the Former Family Trust and the Employee Trust in Netsales. The consideration of the acquisition by Mr Chen was determined between Mr Chen and the Employee Shareholders after mutual discussion and represented approximately 2.5 times of the consideration paid by Cleavebury for its acquisition of Jiangsu Springland on a pro rata basis. As a result of and taking into account the acquisition by Mr Chen, the shareholding of Netsales was structured in the proportion of 56/75 (as opposed to 51%) held by the Former Family Trust and 19/75 (as opposed to 49%) held by the Employee Trust at the time of the relevant transfer so as to reflect the respective proportion of the underlying interest held by Mr Chen and the Employee Shareholders in Jiangsu Springland.

Transfer of Hong Kong Springland to our Company

Prior to the Reorganisation, Hong Kong Springland held certain interests in 溧陽大統華購物中心有限公司 (Liyang Datonghua Shopping Centre Co., Ltd.) ("Liyang Datonghua") and 溧陽華地百貨有限公司 (Liyang Springland Department Store Co., Ltd.) ("Liyang Springland"). Hong Kong Springland was held as to 51% by Mr Chen and the remaining 49% by some of the Employee Shareholders. Pursuant to the transfer documents dated 29 December 2006, Springland International (which was then a wholly-owned subsidiary of our Company) acquired the entire interest in Hong Kong Springland from Mr Chen and the respective Employee Shareholders at nil consideration, as an intra-group reorganisation with the same group of ultimate beneficial owners. Following the acquisition of Hong Kong Springland by Springland International, our Company became interested in the entire interests in Liyang Datonghua and Liyang Springland. The equity interests in Liyang Datonghua and Liyang Springland then held by Hong Kong Springland were subsequently transferred to other group companies in May 2007 and February 2007, respectively.

As a result of the above transfers, our Company became the holding company of the businesses that Jiangsu Springland, Hong Kong Springland and their subsidiaries were engaged in. Netsales became our sole shareholder, and the interests of Mr Chen and the Employee Shareholders in the underlying business of our Group were held through the Former Family Trust and the Employee Trust respectively.

Reorganisation of shareholders of Netsales

To streamline the shareholding structure of our Company in preparation of the Listing, and in view of the proposed realisation of their investments by certain Employee Shareholders, Netsales, the Former Family Trust and the Employee Trust underwent certain reorganisation of their respective interests in our Group in January 2010. The reorganisation of Netsales and its shareholders was for the purposes of (i) distribution of beneficial interests of five Employee Shareholders by the Employee Trust to Celestial Spring, such that these Employee Shareholders hold their interests in our Group directly through Celestial Spring; (ii) acquisition of 13.65% additional interest in our Company by Mr Chen from the Employee Trust, and distribution by the Former Family Trust of all assets held by it to Mr Chen, resulting in Mr Chen's beneficial interest in our Group increasing from 56% to 69.65%; and (iii) acquisition of 3.1% interest in our Company by Fit Master, an independent third party of our Group, from the Employee Trust. All the relevant parties, including the Employee Shareholders, were fully aware of the listing plan of our Company during the relevant time of reorganisation.

Amongst the 58 Employee Shareholders, five of them, being Mr Tao Qingrong, Mr Zhu Tao, Mr Jiang Changlin, Mr Fung Hiu Lai and Mr Fung Yim David, who together held 2.25% beneficial interest in our Group through the Employee Trust (the "Remaining Employee Shareholders"), decided to retain their interests in our Group through Celestial Spring, a company wholly-owned by the Remaining Employee Shareholders collectively. Accordingly, Morecity (as the trustee of the Employee Trust) distributed a total of 329,940 Shares to the Remaining Employee Shareholders, who collectively directed Morecity to transfer such 329,940 Shares, representing 2.25% of the then issued share capital of our Company, to Celestial Spring, a company wholly-owned by the Remaining Employee Shareholders. Netsales repurchased from Morecity (as trustee of the Employee Trust) 2.25/75 of the issued share capital of Netsales in consideration of Netsales transferring 329,940 Shares to Celestial Spring. Therefore, the Remaining Employee Shareholders became directly interested in the Shares through Celestial Spring. The transfer to Celestial Spring was purely an internal reorganisation with the sole purpose of allowing the Remaining Employee Shareholders to hold their interests through Celestial Spring, as such the transfer was effected without cash consideration.

Other than the Remaining Employee Shareholders, 53 Employee Shareholders, who together held 16.75% beneficial interest in our Group, decided to realise their investments in our Group by disposing of 3.10% and 13.65% beneficial interests in our Group held through the Employee Trust to Fit Master and Mr Chen, respectively. Accordingly, for disposing the 3.10% interest to Fit Master, Netsales repurchased from Morecity (as trustee of the Employee Trust) 3.1/75 of the issued share capital of Netsales in consideration of Netsales transferring 454,584 Shares to Morecity. Morecity (as the trustee of the Employee Trust) then disposed of such 454,584 Shares, representing 3.10% of the then issued share capital of our Company, to Fit Master at a consideration of RMB81,468,250. Fit Master's cost of investment in our Group was RMB81,468,250 (equivalent to approximately HK$94,412,157), representing a discount of approximately 68.60% to the Offer Price (based on the low end of the indicative Offer Price range of HK$4.85 per Share) and a discount of approximately 74.32% to the Offer Price (based on the high end of the indicative Offer Price range of HK$5.93 per Share). The consideration was funded by Mr Chiu Pei Ming, the sole beneficial owner of Fit Master and an independent third party of our Company. Mr Chiu Pei Ming, a businessman engaging in travel agency business in Hong Kong, has expressed his interest in investing in department store business in the PRC. In view of the Employee Shareholders' plan to realise their interests in our Group, Mr Chiu was invited to invest in our business by acquiring certain Shares from the Employee Trust. Therefore, Mr Chiu Pei Ming became interested in 3.10% of the share capital of our Company through Fit Master. Both Fit Master and Celestial Spring have also become parties to the Supplemental Shareholders' Agreement after their acquisition of Shares and were subject to all rights and obligations therein. The Supplemental Shareholders' Agreement will be terminated upon Listing whereby all rights and obligations of the Shareholders under which shall lapse upon Listing.

For disposing the 13.65% interest by the Employee Trust to Mr Chen, after the repurchases of shares by Netsales set out above, Netsales repurchased from Morecity (as trustee of the Employee Trust) 13.65/75 of the share capital of Netsales, being the remaining share of Netsales held by Morecity, at a consideration of RMB358,953,300. The consideration was funded by Mr Chen, the sole beneficial owner of Netsales after the distribution by the Former Family Trust, as well as banking facilities available to Netsales. Charmgo (as the trustee of the Former Family Trust) further distributed and transferred all the trust assets of the Former Family Trust, being 56/75 of interest in Netsales, to Mr Chen, according to the terms of the Former Family Trust. After the distribution, Mr Chen become the sole legal and beneficial owner of the entire share capital of Netsales. The consideration paid by Mr Chen and Fit Master for the acquisition of an aggregate of 16.75% interest was largely arrived at on the same term, which was determined by the Employee Shareholders, Mr

Chen and Fit Master on arm's length basis having regard to various factors including historical profits and prospects of the Group, with reference to approximately 10.5 times of the estimated net profit after tax of our Group for the financial year 2009. The relevant parties considered that the consideration represented a fair market value of the Shares at the time of the transfer.

After the above transfers, repurchases and distributions, Mr Chen, through his wholly-owned subsidiary Netsales, owned 69.65% of the interest in our Group. Celestial Spring, which was held by the Remaining Employee Shareholders collectively, was interested in 2.25% of the interest in our Group. Fit Master, an investment holding company wholly-owned by Mr Chiu Pei Ming, was interested in 3.10% of the interest in our Group. CDH remained interested in 25% of the interest in our Group. After the above transfer, repurchases and distributions, the Former Family Trust and Employee Trust had ceased to have any beneficial interest in our Group. The Employee Shareholders also ceased to have any interest in the Employee Trust.

Disposal of Hong Kong Springland and the Nanjing Yaohan Store

After the transfer of the interests in Liyang Datonghua and Liyang Springland to our Group in 2007, Hong Kong Springland had ceased to have any material business operations. On 29 June 2010, our Group disposed of the entire interest in, and transferred all outstanding indebtedness owed to, Hong Kong Springland to Mr Chen Jianhui, a brother of Mr Chen, at a consideration of HK$50,000, representing the fair value of Hong Kong Springland at the time of the transfer.

We operated a department store in Nanjing (the "Nanjing Yaohan Store") which was opened in September 2008. The Nanjing Yaohan Store is located in Nanjing, a first-tier city in Jiangsu Province in which the retail business is facing comparatively keen competition. The Nanjing Yaohan Store was at its early development stage and was not able to reach the level of profitability within our planned time frame due to a number of factors, including the unexpected change of the government's development plan in the area where the store is located, as a result of which the pedestrian traffic did not reach the level that we had originally anticipated. In line with our business strategies and having considered the prospects of the Nanjing Yaohan Store, we decided to dispose of the Nanjing Yaohan Store in order to devote our resources to other department stores located in the second-tier and third-tier cities. Since the Nanjing Yaohan Store was at its early development stage which required further capital investments for it to achieve profitability, we considered it would be difficult to find an appropriate buyer for the Nanjing Yaohan Store within a short period of time. Accordingly, on 28 June 2010, we disposed of the entire equity interest in 南京八佰伴商貿有限公司 (Nanjing Yaohan Commerce & Trade Co., Ltd.) ("Nanjing Yaohan"), our company holding the Nanjing Yaohan Store, to 無錫億年投資管理有限公司 (Wuxi Yinian Investment Management Co., Ltd.) ("Wuxi Yinian") at nil consideration, save for the right which we reserved for developing the supermarket business at the same location as the Nanjing Yaohan Store. Wuxi Yinian is owned as to 90% by Mr Chen Jianhui, a brother of Mr Chen. The consideration was reached after taking into account the loss incurred by our Group since the commencement of business of the Nanjing Yaohan Store, and the negative net asset of Nanjing Yaohan at the time of the disposal. After the disposal, we ceased to have any equity interest in Nanjing Yaohan or the Nanjing Yaohan Store.

As part of our arm's length negotiation for the disposal of the Nanjing Yaohan Store, Wuxi Yinian has granted our Group an option to acquire the entire interest in Nanjing Yaohan within five years from 28 June 2010, being the completion date of disposal of Nanjing Yaohan. Please refer to the section headed "Relationship with Controlling Shareholders — The Nanjing Yaohan Store" for further details of the disposal of the Nanjing Yaohan Store and the call options granted to our Group.

COMPLIANCE WITH APPLICABLE PRC LAWS

The acquisition of Jiangsu Springland by Cleavebury was approved by MOFCOM in August 2006, and therefore was not governed by Rules on Foreign Investor's Acquisition of Domestic Enterprise (the "M&A Rules"), which became effective on 8 September 2006, since then, approvals issued by the PRC governmental authorities, such as CSRC, are necessary for the offshore listing of domestic interests.

Our PRC legal advisers, Commerce & Finance Law Offices, are of the view that our Company's listing is not required to obtain any approval from CSRC, MOFCOM or the other PRC regulatory authorities.

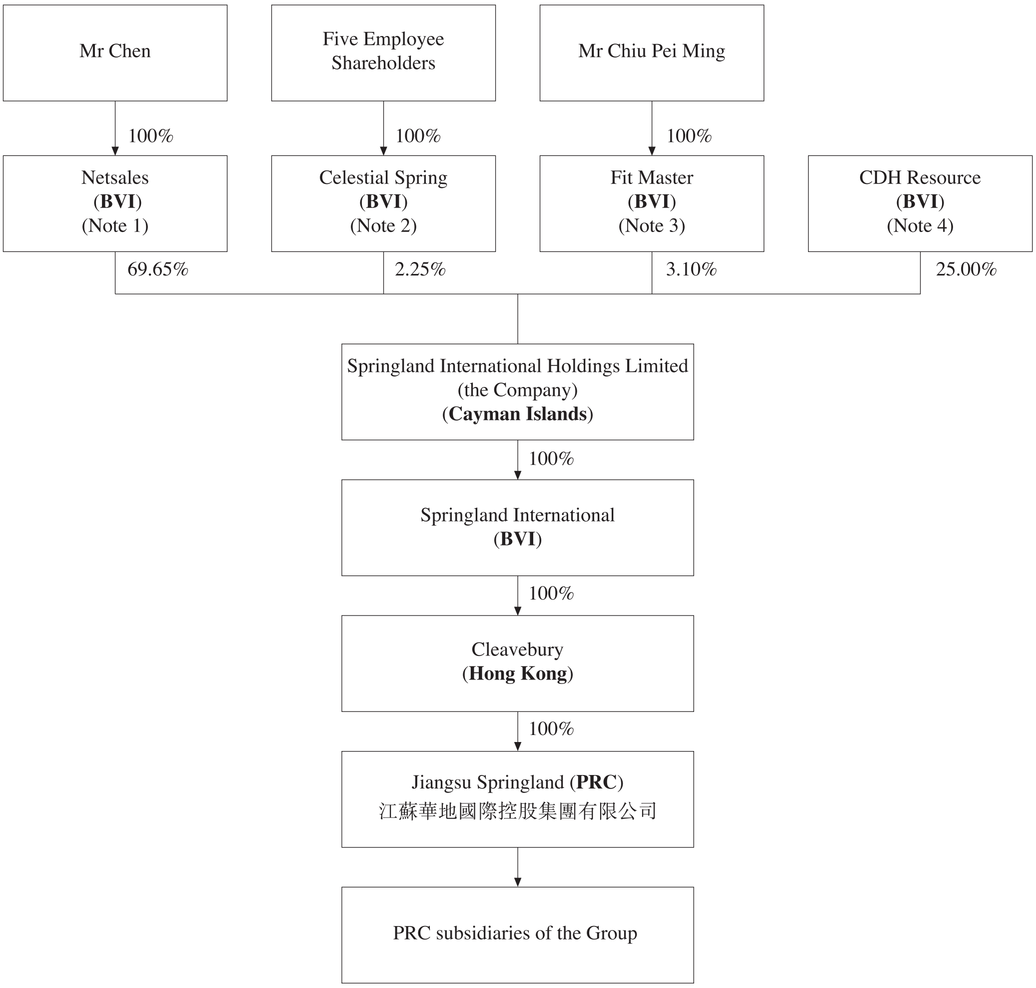
Certain members of our Group, including Liyang Springland and Liyang Datonghua, have entered into trust arrangements with other subsidiaries during the period prior to the Reorganisation. Our PRC legal advisers, Commerce & Finance Law Offices, are of the view that, notwithstanding that such trust arrangements were not disclosed to the MOFCOM at the time of transfer of Jiangsu Springland to Cleavebury under the Reorganisation, the disclosure of the trust arrangement would not be a legal obstacle affecting the granting of approval by MOFCOM with respect to the transfer of Jiangsu Springland.

In July 2010, 90% of equity interest in 金壇大統華購物中心有限公司 (Jintan Datonghua Shopping Centre Co., Ltd.) ("Jintan Datonghua") was acquired by Cleavebury, a subsidiary of our Company, which acquisition has been approved by the Commerce Department of Jiangsu Province in compliance with the M&A Rules. Our PRC legal advisers, Commerce & Finance Law Offices, are of the view that the Official Reply and the Circular would not apply to Cleavebury's acquisition of Jintan Datonghua in July 2010, as foreign investment in retail industry has not been restricted in both aspects of geographic areas and shareholding structure by PRC laws since the issuance of the Measures on the Administration of Foreign-Invested Commercial Enterprises in April 2004, except for retail and distribution of some special commodities.

Commerce & Finance Law Offices, the legal advisers of our Company as to PRC laws, have also confirmed that all the PRC-related aspects of the restructuring and reorganisation undertaken by our Group under the Reorganisation, including those for preparation of the Investment and the Listing, are fully in compliance with the relevant PRC laws and regulations, and that the necessary registration and filing procedures required for our Group and our Shareholders have been completed.

OUR CORPORATE STRUCTURE

The following chart sets out our shareholding and simplified corporate structure immediately after the completion of the Investment and the Reorganisation:



Notes:

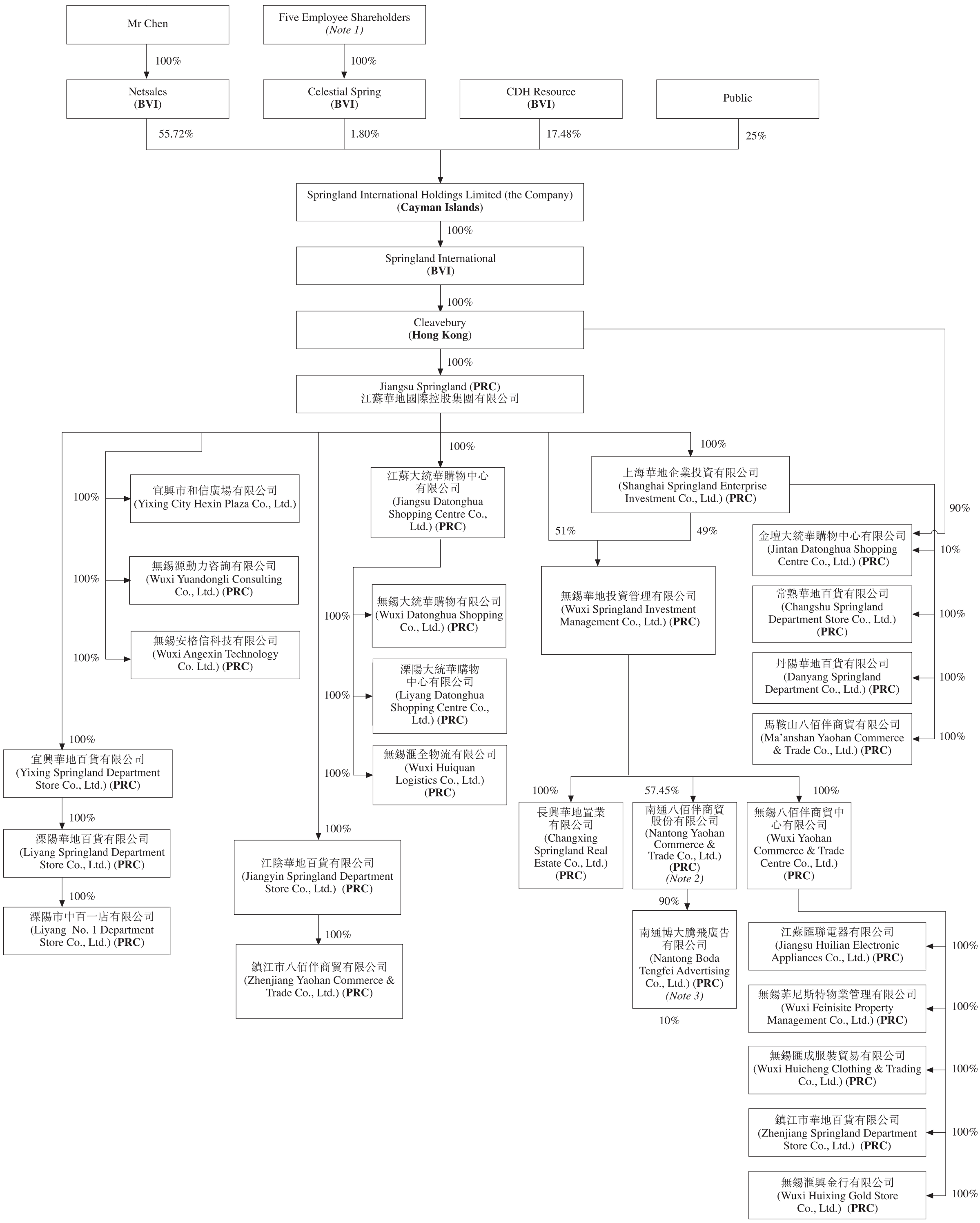
(1) Netsales will dispose of up to 28,750,000 Shares in the event of exercise of the Over-allotment Option.

(2) Celestial Spring will dispose of up to 10,000,000 Shares in the event of exercise of the Over-allotment Option.

(3) As Mr Chiu will dispose of 62,000,000 Shares, being all his interest in our Company, as part of the Global Offering, he will cease to have any interest in our Company upon Listing.

(4) CDH Resource will dispose of 63,000,000 Shares as part of the Global Offering, and up to an additional 55,000,000 Shares in the event of exercise of the Over-allotment Option.

Our shareholding and corporate structure immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) is as follows:



Notes:

(1) The Employee Shareholders are five existing or former employees of our Group who made equity contributions into Jiangsu Springland. The share capital of Celestial Spring is held by Mr Tao Qingrong (an executive Director) as to 31.25%, Mr Zhu Tao (a senior management of our Group) as to 25%, Mr Jiang Changlin (a senior management of our Group) as to 25%, Mr Fung Hiu Lai (an executive Director) as to 6.25% and Mr Fung Yim David (a former senior management of our Group) as to 12.5%.

(2) Nantong Department Store is owned as to 57.45% by our Group, and the remaining 42.55% is owned by the Nantong Promoters and other individual and corporate shareholders.

(3) 南通博大騰飛廣告有限公司 (Nantong Boda Tengfei Advertising Co., Ltd.) is owned as to 90% by Nantong Department Store, and the remaining 10% is owned by 張建平 (Mr Zhang Jianping), a director of Nantong Boda Tengfei Advertising Co., Ltd..

OVERVIEW

We are a geographically focused and dual-format retail chain operator in the Greater Yangtze River Delta, operating both department stores and supermarkets. We are a market leader in each of the regional markets where we operate. Our stores in Yixing, Jiangyin, Liyang, Danyang, Changshu and Jintan were ranked as the highest grossing department stores and/or supermarkets in 2009 in their respective regions, according to the relevant local branches of MOFCOM. We believe that our department store business and supermarket business are complementary to each other. The majority of our department stores are located close to our supermarkets in the same region, either in adjacent sites, in the same business district, or in the same building, forming a retail hub that offers our local customers an extensive shopping experience and allows us to increase the synergies between our department store business and supermarket business.

Since the inception of our Group in 1996, we have focused on developing our business in the Greater Yangtze River Delta. As at 30 June 2010, we operated 10 department stores and 16 supermarkets in the Greater Yangtze River Delta. As at the Latest Practicable Date, we also have three department stores and ten supermarkets under construction, which are expected to start operation at various times between the end of 2010 and the fall of 2012. All of our stores are located in the cities with GDP per capita and retail sales of customer goods that are at the higher end in the Greater Yangtze River Delta. For the years ended 31 December 2007, 2008 and 2009, our Total Sales Proceeds* were approximately RMB3,743.5 million, RMB4,244.7 million and RMB4,734.4 million, respectively, representing a CAGR of approximately 12.5%. Our total revenue was approximately RMB2,001.3 million, RMB2,246.0 million and RMB2,286.1 million for the same periods, respectively, representing a CAGR of approximately 6.9%, while our net profit attributable to equity holders of the Company for the same periods was approximately RMB218.7 million, RMB219.6 million and RMB247.7 million, respectively, representing a CAGR of approximately 6.4%. For the six months ended 30 June 2009 and 2010, our Total Sales Proceeds were approximately RMB2,355.1 million and RMB3,325.1 million, respectively, representing an increase of 41.2%; our total revenue for the same periods was approximately RMB1,158.4 million and RMB1,494.2 million, respectively, representing an increase of 29.0%; while our net profit attributable to equity holders of the Company for the same periods was approximately RMB134.6 million and RMB222.6 million, respectively, representing an increase of approximately 65.4%. For further details on Total Sales Proceeds, please refer to "Financial Information — Total Sales Proceeds and Gross Profit"

Our department store business. Our department stores offer primarily seven categories of merchandise, namely, "fashion and apparel", "cosmetics, jewellery and accessories", "footwear", "athletic apparel and casual wear", "children's wear and home furnishing", "household and electronic appliances" and "others", with a strong focus on trendy and fashionable lifestyle merchandise. We have to date positioned our department store business at the mid to high-end of the retail market in the Greater Yangtze River Delta, with a view to offering a comprehensive range of merchandise in response to the rising demand for high-quality products in our markets. We derive revenue from our department store business primarily from concessionaire fees and direct sales, while we also generate revenue from rental income. We operate all of our department stores, other than the department stores in Wuxi, Ma'anshan, Nantong and Zhenjiang, under the trade name of "華地" ("Springland"), which is our core department store brand established successfully by us. We operate our department stores in Wuxi, Ma'anshan, Nantong and Zhenjiang under the trade name

* Total Sales Proceeds is not a calculation based on generally accepted accounting principles. For a detailed explanation of this item, See "Financial Information — Total Sales Proceeds and Gross Profit".

of "八佰伴" ("Yaohan"), which is a well-known Asian department store trade name originated in Japan. Our Total Sales Proceeds attributable to our department store business for the years ended 31 December 2007, 2008 and 2009 was approximately RMB2,620.1 million, RMB2,853.0 million and RMB3,317.1 million, respectively, representing a CAGR of approximately 12.5%. Our revenue attributable to our department store business for the years ended 31 December 2007, 2008 and 2009 was approximately RMB908.6 million, and RMB921.0 million and RMB945.2 million, respectively, representing a CAGR of approximately 2.0%. For the six months ended 30 June 2009 and 2010, our Total Sales Proceeds attributable to our department store business was approximately RMB1,619.2 million and RMB2,466.5 million, respectively, representing a 52.3% increase, and our revenue attributable to our department store business was approximately RMB461.6 million and RMB687.9 million, respectively, representing a 49.0% increase.

Our supermarket business. Our supermarkets offer a broad range of fresh food, dry food, and non-food merchandise at competitive prices. Most of our supermarkets have a GFA of at least 6,000 sq.m. and are located in prime locations in cities in the Greater Yangtze River Delta. Substantially all of our revenue from our supermarkets is from direct sales, while we also have revenue from concessionaire sales, rental income and from provision of food and beverage services. We operate our supermarket business under the trade name of "大統華" ("Datonghua"). Our Total Sales Proceeds attributable to our supermarket business for the years ended 31 December 2007, 2008 and 2009, were approximately RMB1,123.4 million, RMB1,391.7 million and RMB1,417.3 million, respectively, representing a CAGR of approximately 12.3%. Our total revenue attributable to our supermarket business for the years ended 31 December 2007, 2008 and 2009 was approximately RMB1,092.7 million, RMB1,325.0 million and RMB1,340.9 million respectively, representing a CAGR of 10.8%. For the six months ended 30 June 2009 and 2010, our Total Sales Proceeds attributable to our supermarket business was approximately RMB735.9 million and RMB 858.6 million, respectively, representing a 16.7% increase, and our revenue attributable to our supermarket business was approximately RMB696.8 million and RMB806.3 million, respectively, representing a 15.7% increase.

In both our department store and supermarket businesses, we derive revenue primarily from direct sales and concessionaire sales. For direct sales, we purchase inventories from our direct sale suppliers and resell them in our stores to our customers, and we book the entire sales proceeds from our customers as revenue and record the purchasing costs of the goods as cost of sales. For concessionaire sales, we charge the concessionaires a commission at a percentage of gross sales proceeds for the right to occupy designated areas of our stores, establish their own sales counters and sell their merchandise. We book only the commission, instead of the total sales proceeds that the concessionaires receive from customers, as our revenue. We also derive rental income from leasing out a small portion of the retail space in our stores to operators of businesses that we believe are complementary to the shopping environment of our stores. In addition, we provide food and beverage services in our supermarkets.

We actively pursued suitable opportunities to expand our business during the Track Record Period. To further extend our retail network to Nantong, a fast-growing city in Jiangsu Province, we acquired the Nantong Yaohan Store by acquiring the equity interest in Nantong Department Store, through a framework agreement (the "Nantong Framework Agreement") we entered into with the Nantong Promoters. As a result of the completion of transactions contemplated under the Nantong Framework Agreement and subsequent transactions, our Group acquired a controlling interest in the Nantong Yaohan Store. As at 30 June 2010, we held an aggregate of 57.45% equity interests in the Nantong Yaohan Store. In addition, to further consolidate our control over the Nantong Yaohan Store, our Group granted each of the Nantong Promoters a put option for an indefinite term to sell their shares in Nantong Department Store at the same price per share as agreed in the Nantong Framework Agreement, as adjusted by the change in equity per share from 31 December 2008 to the latest practical audited financial statements date before the exercise of the put option. Upon exercise of the put options by the Nantong Promoters, our Company will be required to acquire the shares of Nantong Department Store held by the Nantong Promoters in the Nantong Yaohan Store. For details about our acquisition of the Nantong Yaohan Store and the put options, please see the sections headed "Risk Factors — Risks relating to our business — We have granted certain put options to minority shareholders of the Nantong Yaohan Store, the exercise of which by such minority shareholders may have an adverse effect on our liquidity and results of operation" and "History, Reorganisation and Corporate Structure — Our History — Acquisition of the Nantong Yaohan Store" in this prospectus.

We have been issuing pre-paid gift cards to our customers as prepayments for goods since 2002, which does not comply with the PRC laws and regulations as advised by our PRC legal advisers. For detailed disclosure and risks related with our practice regarding the pre-paid gift cards, please refer to the sections headed "Risk Factors — Risks relating to China — PRC policies, laws and regulations prohibiting the issuance of pre-paid gift cards may have an adverse impact on our operations" and "Business — Legal Compliance and Litigation" in this prospectus.

The map below illustrates the geographic distribution of our department stores and supermarkets in operation and under construction as at the Latest Practicable Date.

◆ department stores
♣ supermarkets
◇ department stores under construction
♧ supermarkets under construction

OUR COMPETITIVE STRENGTHS

We believe the following are our key competitive strengths:

Strategic focus on the Greater Yangtze River Delta, one of the most affluent regions in China with robust growth prospects for the retail segment

Our business began in and we continue to strategically focus on the Yangtze River Delta, one of the most important regional retail markets in China, with robust growth prospects for the retail segment. As at 30 June 2010, we operated 10 department stores and 16 supermarkets in 10 cities in the Greater Yangtze River Delta. As at the latest Practicable Date, we had three department stores and ten supermarkets under construction in this region.

The Yangtze River Delta is among the most affluent regions in China and has experienced rapid economic growth in recent years. Although representing only approximately 2.1% of China's total area, the Yangtze River Delta accounted for approximately 15.5% of China's total retail sales of consumer goods in 2008, according to China Statistical Yearbook 2009. In addition, most of our stores are located in cities with GDP per capita and retail sales of consumer goods that are at the higher end in the Yangtze River Delta.

Since entering the Yangtze River Delta market almost two decades ago, we have focused on second and third tier cities within the region in order to take advantage of their high growth prospects coupled with relatively less competition. Our primary focus has been on the middle to high-end of the retail market segment. Through our operations, we have accumulated extensive knowledge in the local markets and the spending patterns of the consumers, especially with respect to the department store-supermarket dual format business model. We believe that we are in a strong position to leverage such knowledge to continue our growth and expansion into other cities within the region.

The economic growth in the regional market where we operate has resulted in significant potential for growth and expansion of our business. With our long history of operating in this region, we believe we have established a strong foothold and are in a strong position to expand into other regional markets in the Greater Yangtze River Region. We are well-positioned to benefit from its potential for continuing growth and affluence. For more information on the economic growth of the Greater Yangtze River Delta and the respective provinces and cities that we operate in, please see the section headed "Industry Overview" in this prospectus.

Leveraging our leading market position, strong competitive advantage over other players in respective regions where we have operations

Capitalising on our extensive experience in the retail industry in China and insights in local markets, we have a proven track record of operating both department stores and supermarkets in the Greater Yangtze River Delta and have successfully established the "大統華", "華地" and "八佰伴" as the well-recognised brands or tradenames in respective regional markets where we operate. Our stores in Yixing, Jiangyin, Liyang, Danyang, Changshu and Jintan ranked as the highest grossing department stores and/or supermarkets in 2009 in their respective regions, according to the relevant local branches of MOFCOM.

Our leading market position is the result of, and further enhanced by, various factors, including the prime locations of our stores, our integrated operational management system and our focused and experienced management team. We believe that our leading market position have provided us with competitive advantages over our existing competitors in, or potential competitors who intend to enter into, the respective regional markets. For example, leveraging our extensive retail network that comprise stores situated in prime locations and our centralised logistics systems, we are able to improve our bargaining power with our suppliers and therefore enhance our profitability. In addition, we also benefit from our ability to anticipate and guide customer preferences, as a result of our deep insights and extensive experience in the local retail markets as well as the customer loyalty, which we have achieved and accumulated through years of successful operations. Moreover, we believe that our established market position and professional corporate culture have enabled us to attract and retain quality employees in the regional markets and therefore strengthened our competitive advantages.

Extensive regional network of stores situated on prime sites, many of which are owned by us

The prime locations of our stores and our long-term access to such location are key factors for the success of our retail business. Most of our department stores and supermarkets are located on premises that we own or have long-term leases and are located in prime shopping districts of cities that have high population density. As a result, our stores have heavy pedestrian flow and attract a high volume of consumers. For example, most of our stores are located in the city centres or on the main streets of the local commercial district, and are close to the transportation hub of that city. We believe that, as a result, we have established a leading position in each of the regional markets where we operate.

The prime retail locations that our stores occupy also help enhance the recognition of our trade names. In addition, as prime retail locations are scarce, we believe our ownership and occupation of these locations gives us a strategic advantage over the competitors seeking entry into these regional markets.

We own a substantial portion of the premises on which our stores are located. As at 31 July 2010, the total GFA of the properties we occupied was 712,973 sq.m., among which, 553,020 sq.m. were owned by us and 159,953 sq.m. were leased. Our other premises are secured through long-term leases that typically have a term as long as 20 years with a right of first refusal upon expiration. We believe that our ownership and long-term lease of the premises for our department stores and supermarkets help protect us against fluctuations in the rental market and enable us to minimise the risks of having to relocate, thereby allowing us to continue our operations with minimal disruption.

Our supermarkets that are located in city centers are further supported by a network of supermarkets, with an average GFA of more than approximately 6,000 sq.m., serving the local communities to meet their preference for purchasing daily necessities from stores situated within close proximity of their homes that are located in densely populated residential areas. These supermarkets offer a targeted merchandise mix to cater for daily necessities of local shoppers. Because of our highly costs-effective procurement and logistics systems that are already serving the supermarkets that are located in prime locations, we can also easily serve the supermarkets that are located in local communities efficiently at marginal additional administrative and logistics costs, thereby further increasing our operational and costs competitiveness.

Dual-format retail in a multi-store network that results in increased revenue and diversified revenue sources

We believe that we are one of the few retail chain operators in the Greater Yangtze River Delta that specialise in both department stores and supermarkets. We believe our department store business and supermarket business are complementary to each other. Our dual-format retail business allows us to create a "one-stop" shopping experience for our customers, to cater to a wider base of consumers and to satisfy a wider range of consumer needs, from daily necessities to fashion apparel. By strategically placing majority of our department stores and supermarkets close to each other, either in adjacent sites, in the same retail district, or in the same building, we are able to form a retail hub that offers consumers an extensive shopping experience and allows us to increase the synergies between our department store business and supermarket business. Furthermore, we believe that the inclusion of supermarkets in many of our department stores has a complementary effect on each other as the offering of a more diverse range of products would attract additional customers and increase pedestrian flow. The integration of our department store and supermarket businesses also allows us to integrate our marketing and promotional activities to maximise their effectiveness. For example, we have one membership programme across our two platforms, allowing customers to use their membership cards in both our department stores and supermarkets. Through a centralised membership management system, we are able to analyse the data collected from our members and target our marketing and promotional activities across platforms more effectively. For details about our membership programme, please see the section headed "— Marketing and Customer Services — Customer membership programme" in this prospectus.

Through the success of our dual-format retail business model, we have achieved diversified revenue sources while lowering our operational risks, creating synergies between different businesses and enjoying greater economies of scale. Our solid experience in the retail business, in-depth knowledge of the retail industry and the prime retail locations of our stores have enabled each store in our retail network to enjoy advantages over competitors in the respective regions. In addition, the revenue attributable to each of our department stores and supermarkets is relatively unconcentrated. In 2009, our top five department stores contributed approximately 26.7%, 19.3%, 16.2%, 11.9% and 11.1% of the Total Sales Proceeds from our department store business, while our top five supermarkets contributed approximately 16.3%, 15.5%, 15.4%, 13.3% and 9.7% of the Total Sales Proceeds from our supermarket business. For the six months ended 30 June 2009 and 2010, our top five department store contributed approximately 86.8% and 69.3% of the Total Sales Proceeds from our department store business, while our top five supermarkets contributed approximately 71.6% and 64.0% of the Total Sales Proceeds from our supermarket business respectively. With relatively diversified sales contribution from each department store and supermarket, we do not overly rely on any individual store for our operating results and performance.

Ability to maintain growth momentum balanced with stable returns

We have put in place a well-planned expansion and upgrading strategy to further our growth. As at the Latest Practicable Date, we had three department stores and ten supermarkets under construction in strategically selected cities in the Greater Yangtze River Delta, such as Jintan, Changxing, Jiangyin, Ma'anshan, Danyang, Yixing Changzhou and Taixing. These new stores have a staggered timetable for construction and commencement of operation, with the earliest expected to commence operation by the end of 2010. With these new stores, we will expand our coverage in the Greater Yangtze River Delta to 14 cities by the end of 2012 and expect to experience a robust growth in profit in the next five years. Our continued growth has increased our bargaining power with our concessionaire and direct sale suppliers, thereby allowing us to better manage our costs while our business continues to expand and grow. In addition to achieving robust growth through expansion, we also reinforce the growth of our existing stores through a series of upgrading and renovation activities. As a result of such activities, we are able to attract and retain a variety of popular brands to meet changing customer preferences, whereby optimising our merchandise mix, enhancing our trade name, further strengthening our market position and increasing our profit growth. For example, although the Wuxi Yaohan Store has been in operation for approximately 14 years, it is still able to enjoy rapid growth owing to our proactive, initiative and planning of upgrading activities carried out by us in 2007 and 2008. Through such upgrading and capitalising on its prime location, Wuxi Yaohan Store has successfully expanded its brand portfolio and re-positioned itself as a high end department store catering for the demand from a broader range of customers, thereby resulting in a sustainable growth in profitability.

At the same time, we are able to diversify the portfolio of our stores by maintaining a number of stores that have entered into the mature period with a view to generating stable return. Capitalising on their prime locations, customer loyalty that these stores have gained and the reputation and goodwill that we have built, we expect these mature stores to continue to contribute stable return over the long run while allowing us to concentrate on the expansion and upgrading of other stores to achieve robust growth.

As a result of the strong growth and stable return of our stores, in 2007, 2008 and 2009, our Total Sales Proceeds reaches approximately RMB3,743.5 million, RMB4,244.7 million and RMB4,734.4 million, respectively, representing a CAGR of approximately 12.5%, notwithstanding the economic downturn and its adverse impact on the retail business in the PRC in the second half of 2008 and beginning of 2009. For the six months ended 30 June 2010, our Total Sales Proceeds was approximately RMB3,325.1 million, representing an 41.2% increase from our Total Sales Proceeds for the six months ended 30 June 2009 which amounted to approximately RMB2,355.1 million. As the economy in the Greater Yangtze River Delta continues to grow, and leveraging our ability to maintain growth, we will be able to continue to benefit from the increased consumer wealth, spending power, retail sales and therefore achieve higher store sales.

Professional, comprehensive and integrated operational management system

We believe the key to our growth is a highly professional, comprehensive and integrated operational management system. We have in place a system which encompasses all aspects of our business, from the initial development and project planning phase of opening a new store to cost control measures for our existing stores, including our highly cost-effective procurement and logistics management. Such operational management system allows us to effectively integrate and create synergies across our department store and supermarket businesses, continue our strong growth and further expand our business in a more efficient manner.

A key characteristic of our management system is the establishment of divisions staffed by qualified professionals and the collaboration of such divisions to work alongside each other. For example, before opening a new store, our business development division, which is responsible for conducting the initial market survey and research with respect to the relevant target market's potential, would work together with our commercial design division to ensure that the design, layout and location of such store could meet the challenge from market competition. In addition, our procurement team who are responsible for negotiating with our potential concessionaire and direct sales suppliers is supported by an administrative system, which is responsible for monitoring, evaluating and recording such interactions and communications, to ensure we could obtain the right mix of merchandises to attract local consumers.

Our management system is also supported by a highly cost-effective and efficient procurement process. Leveraging our growth in size, our accumulated extensive experience in the procurement of groceries, beverages and other merchandise in the Greater Yangtze River Delta and our established long-term relationships with numerous trustworthy suppliers, we have been able to increase our bargaining power by centralising our procurement channels to lower our costs. For the procurement of fresh food products, we purchase fruits directly from orchards, and seafood directly from local fishermen in order to shorten our supply chain, which reduced our procurement costs and ensured freshness of our products.

Located in Yixing, our logistics centre provides centralised warehousing, inventory control and distribution services for all our supermarkets and some of our department stores for certain merchandise. Supported by our advanced IT system, the logistics centre is able to monitor inventory movement and inventory levels at each supermarket, and automatically generate and fulfill orders to replenish inventory for each supermarket on a daily basis. By effectively managing our supply chain and our product distribution process, we are able to reduce our inventory risks and distribution costs, which in turn contributes to a higher profit margin for our business.

Capable and focused management team, professional corporate culture and well-established corporate governance

We have an experienced, capable and focused senior management team with a proven track record, extensive operating expertise, and an in-depth understanding of the retail industry in the Greater Yangtze River Delta, and in Jiangsu province in particular. Our senior management team has on average over a decade of industry experience in the local market. We believe that our success to date is the result of their insights into the local retail market, their ability to formulate an optimal merchandise mix, identify and secure prime retail locations, identify and execute opportunities for acquisitions, forge partnerships with domestic and international brands, and formulate and execute effective corporate growth strategies. Our senior management team has remained very stable since the start of our business. We believe a stable senior management team ensures a consistent application of operation strategies and demonstrates the confidence in our business by our senior management.

Under the leadership of our senior management team, we have built a professional corporate culture that fosters teamwork spirit and emphasises clear division of responsibility and efficient cooperation. We are also dedicated to attracting highly qualified personnel at both managerial and administrative levels and foster and develop them in our cooperative, efficient and entrepreneurial culture.

With various advanced corporate governance systems in place, we believe our operation is highly institutionalised and does not rely on the judgement of any individual. We have set up various committees within our Board of Directors and senior management team, and have prescribed clear limits on power and authorisation for different levels of management. We have also established standard internal control procedures to be followed with respect to all types of investment decision-making and execution. Our senior management team also has the capability and experience to co-operate with international investors and partners, such as CDH private equity funds. The investment in us by CDH private equity funds, one of the most influential and focused private equity funds with successful investment track records in China, has helped and will continue to help further strengthen our corporate governance, improve management capabilities and bring us insights into best international business practices.

OUR STRATEGIES

Our principal long-term goal is to maintain and further strengthen our market position in the regions where we have stores and to undertake selective expansions within the regions, in particular in the provinces such as Jiangsu, Anhui and Zhejiang, with a view to becoming the dominant dual-format retail chain operator in the Greater Yangtze River Delta. In order to achieve our long-term goal, we plan to implement the following strategies:

Further enhance our market position by expanding our presence in the Greater Yangtze River Delta

We aim to continue to enhance our market position in the Yangtze River Delta and further expand into the neighbouring regions by capitalising on our experience and in-depth understanding of the local market, primarily in the second and third tier cities in the region, where we consider having a relatively higher growth potential. As at the Latest Practicable Date, we have three department stores and ten supermarkets under constructions in various cities within the Greater Yangtze River Delta, including Changxing, Jintan, Ma'anshan, Danyang, Yixing, Jiangyin, Changzhou and Taixing. In deciding whether to enter into a new market, our Directors will take into account various factors, such as local population, GRP, GRP per capita, disposable income per capita, retail sales per capita, consumption and spending patterns, availability of prime location sites, relationships with the local government agencies, business partners and suppliers, logistics arrangements, synergy with our existing department stores and supermarkets, as well as the competitiveness of existing market players. We will continue to seek new markets and open additional stores if and when suitable opportunities arise.

Continue to enhance the operating performance of our existing stores

We plan to further enhance the operating performance of our existing stores in terms of total sales, sales per sq.m., revenue and profitability from these stores. In this regard, we plan to:

- further upgrade the portfolio of brands that we offer at our stores by constantly monitoring the performance of our existing brand portfolio and by seeking partnerships with new leading concessionaires and direct sale suppliers of brands that can generate significant growth in sales. We will also seek to leverage on our leading position in relevant markets to negotiate more favourable terms from our concessionaire partners and direct sale suppliers;

- continue to enhance the popularity of our merchandise mix by continuing to identify the latest trends in fashion and consumer preferences;

- further improve the shopping environment at our stores through periodic upgrade of store decorations, facilities and improvement in customer services;

- further enhance customer loyalty by continuing to optimise our existing customer membership programme through expanding our membership base and offering more attractive and innovative privileges to our programme members;

- further enhance the market awareness and popularity of our "華地" ("Springland"), "大統華" ("Datonghua") and "八佰伴" ("Yaohan") trade names through more marketing and promotional campaigns;

- further enhance our ability to draw and attract more foot traffic to our stores by continuing to focus on branded goods and the ancillary services we provide in our stores and by exploring more efficient ways to use the floor areas of our relatively mature stores;
- explore new revenue sources and provide new and innovative services, including partnering with travel agencies, restaurants and other service providers to provide more value-added services to our customers; and
- launch marketing programme through advertisement on internet or magazines of products under our proprietary brands, in order to maintain and enhance our leading position and to better satisfy the consumer needs in our market.

Selectively acquire attractive stores

As part of our strategy to actively expand the geographical coverage of our department store and supermarket network, we plan to make selective acquisitions should suitable acquisition opportunities arise in a target market area where we plan to penetrate. We have successfully integrated our past acquisition targets into our own operations platform, and we believe that expansion through selective acquisitions allows us to leverage on the experience and established operations of the target in its local market, thereby enabling us to establish a presence in a more effective and expeditious manner.

Our selective expansion strategy requires us to be highly discriminating when selecting acquisition targets. We consider and analyse a number of factors such as location, volume of customers and estimated financial return for any potential acquisitions. We intend to acquire targets that either are market leaders or have the potential to become market leaders in their respective local markets, after our acquisition and consolidation. We believe that adhering to our market-entry strategy will help us achieve our aim in establishing ourselves as a leader in every market where we establish a presence. When we make an acquisition, we will use the acquired store(s) as a base to further expand our presence in the regional market by refurbishing or expanding the acquired stores, opening new stores and consolidating their market positions. We believe that this strategy will enable us to establish a regional brand name more rapidly. We may also purchase premises to operate department stores, including currently leased premises on which some of our stores are located, as a part of an acquisition of a new store, or in a separate transaction.

Further improve our integrated management system

In order to control cost more effectively, we intend to further improve our operational efficiency through further enhancing our procurement and labour efficiencies and upgrading our information technologies.

In order to improve our procurement efficiencies, we intend to further solidify the supply chain and reduce the unnecessary layers in the distribution channel by purchasing directly from the producers or the ultimate upstream suppliers. In addition, we continue to increasingly negotiate directly with brand owners as opposed to distributors so that we could obtain more favourable terms. We also capitalise on the experience of our headquarters in retail chain management and scale operations by increasing the portion of centralised procurement conducted by our merchandising department at our headquarter, in particular with respect to the leading brands of merchandise. As we continue to grow, we believe that such enhancement in procurement efficiencies will allow us to maximise the benefit from economies of scale. It will also enable us to increase our bargaining power and therefore enjoy more favourable purchase discounts and supports to promotional campaigns and product supplies from our concessionaire partners or direct sale partners.

We also intend to continue to improve our labour efficiency by optimising our staffing structure. For example, for our supermarket, our staffing structure is based on analyzing each supermarket to better meet the operation characteristics of such supermarket. During the Track Record Period, we believe that through this strategy we have been able to increase our staff efficiency in terms of the total revenue per staff. We believe that improving our information technologies is also fundamental to increasing the efficiency of our business operations and serves a key role in our success, cost control and future growth.

We intend to continue our strategies to improve our operational efficiencies, which will, in turn, reduce our cost, improve our results of operations, strengthen our market leadership, and facilitate our expansion through both growth of existing stores and opening or acquisition of new stores.

Further increase synergies between our department store business and supermarket business

As a retail chain leader of both department stores and supermarket businesses in the respective regions where we operate, we aim to provide a comprehensive range of merchandise offerings that satisfies substantially all the shopping needs of our customers, creating a "one-stop shopping experience". In many cities where we have presence, we operate both department stores and supermarkets, either in adjacent sites, in the same retail district, or in the same building, forming a retail hub. The department stores and supermarkets each aim at addressing different aspects of consumption needs of the local consumers and together offer a comprehensive spectrum of merchandise ranging from daily necessities to luxury goods and accessories, thereby enabling us to fully benefit from the significant potential of growing consumer spending in our market. The two businesses are complementary to and reinforcing each other, and we intend to leverage on our customer membership programme to further increase the synergies between the two businesses and consolidate our efforts in promotion and marketing, especially during public holidays, brand image promotion, public relationship management, and group sales.

Leveraging our market position, further extend and strengthen our supermarkets network

We intend to continue our strategy of reinforcing the leading position of our larger supermarkets that are located in city centres with the increasingly important presence of supermarkets that are strategically located in densely populated residential communities. We believe that by having these supermarkets serving the needs of local communities more conveniently, we will continue to enhance the profile and brand name of our supermarkets and further strengthen customer loyalty. In addition, by having supermarkets located in city centres serve as both the administrative, operational and logistic hub and support for these supermarkets, we are able to extend the reach and coverage of our supermarkets and enhance the administrative and logistics synergies, which in turn could improve our profitability.

OUR DEPARTMENT STORE BUSINESS

As at 30 June 2010, we operated a network of 10 department stores located in nine cities in the Greater Yangtze River Delta, all of which are located in prime shopping districts of the cities in which we operate. Each of our stores has a leading market position within its respective cities. We also plan to open new stores in prime locations in Changxing and Jintan under the "華地" ("Springland") trade name, and in prime locations in Changzhou under the "八佰伴" trade name.

Retail network

The following table sets out certain information relating to our department stores that were in operation as at 30 June 2010:

							Total Sales Proceeds[4]				
							For the year ended 31 December			For the six months ended 30 June	
Name of department store[1]	Commencement date of operation	Date of Acquisition of the store from 3rd Parties	GFA (sq.m.)[2]	Operation area (sq.m.)[3]	Premises owned or leased by our Group	Expiry date of the lease	2007	2008	2009	2009	2010
							(RMB million)				
Yixing Springland Store	December 1994[5]	—	28,579	23,037	Primarily Owned[6]	April 2013	548.2	601.5	639.7	315.5	362.6
Wuxi Yaohan Store	July 1996[7]	July 2006	74,155	55,067	Owned	—	809.9	758.2	886.0	417.9	564.4
Liyang Springland Store	August 2002	—	27,528	24,120	Primarily Owned[8]	December 2010 ~ March 2023[8]	308.4	355.0	395.3	209.0	235.2
Danyang Springland Store	September 2004	—	35,124	27,121	Owned	—	303.7	328.1	367.7	197.7	215.6
Yixing Springland Store (Hexin Branch)[9]	November 2004	—	30,251	21,239	Owned	—	96.4	125.2	153.3	77.1	92.8
Changshu Springland Store	December 2004	—	26,625	22,762	Leased	December 2024	189.7	217.7	239.7	113.8	135.7
Jiangyin Springland Store	September 2005	—	37,930	29,707	Owned	—	363.8	456.1	538.0	266.2	332.6
Ma'anshan Yaohan Store (department store)	November 2009	—	32,359	26,815	Owned	—	—	—	16.2	—	86.3
Zhenjiang Yaohan Store[10]	January 2010	—	70,741	59,261	Owned	—	—	—	—	—	208.1
Nantong Yaohan Store[11]	September 1993	November and December 2009[11]	58,522	41,685	Owned	—	—	—	37.0	—	208.1

Notes:

(1) We disposed of our entire equity interest in Nanjing Yaohan, the company holding Nanjing Yaohan Store, on 28 June 2010 to 無錫億年投資管理有限公司 (Wuxi Yinian Investment Management Co., Ltd.), a related party, at nil consideration. For details, please see the section headed "History, Reorganisation and Corporate Structure — The Reorganisation — Disposal of Hong Kong Springland and the Nanjing Yaohan Store" in this prospectus.

(2) GFA includes: operation, facility storage, parking, restroom, staircase, escalator, cargo elevator, offices and internal storage areas and outside wall faces. The GFA numbers are as at 31 July 2010, being the valuation date used in "Appendix IV — Property Valuation".

(3) Operation area means the total floor area designed for occupancy by our concessionaires, lessees and sub-lessees and is measured from the centerline of joint partitions and from outside wall faces. The operation area numbers are as at 31 July 2010, being the valuation date used in "Appendix IV — Property Valuation".

(4) For details of "Total Sales Proceeds" and the difference between the "Total Sales Proceeds" and revenue, please refer to the section headed "Financial Information — Total Sales Proceeds and Gross Profit" in this prospectus.

(5) Yixing Springland Store commenced operations in December 1994 and was injected into Jiangsu Springland by 宜興市供銷企業(集團)公司 (Yixing City Sales and Supply Enterprise (Group) Company) ("Yixing Sales and Supply Enterprise") upon the establishment of Jiangsu Springland in February 1996.

(6) 5,500 sq.m. of the total GFA is leased.

(7) Our Group acquired 100% equity interest of Wuxi Yaohan in July 2006.

(8) 15,269 sq.m. of the total GFA is leased through different lease agreements.

(9) 13,120 sq.m. of the total GFA is for office use.

(10) 26,540 sq.m. of the total GFA is reserved for future development.

(11) We held an aggregate of 57.45% equity interests in the Nantong Yaohan Store as at 30 June 2010. For details about our acquisition of the Nantong Yaohan Store, please see the section headed "History, Reorganisation and Corporate Structure — Our History — Acquisition of the Nantong Yaohan Store" in this prospectus.

In June 2010, we disposed of the Nanjing Yaohan Store, which commenced operations in September 2008, because it was not able to reach the level of profitability within our planned timeframe due to a number of factors. Such factors include the unexpected delay of the government's development plan for an underground business street project in the area where the store was located, as a result of which the pedestrian traffic did not reach the level that we had originally anticipated, as well as subsequent plan to devote our resources to other department stores located in other second-tier and third-tier cities. The disposal was completed on 28 June 2010. For the year ended 31 December 2008 and 2009, the Total Sales Proceeds of the Nanjing Yaohan Store was approximately RMB11.2 million and RMB44.2 million. For details relating to our disposal of Nanjing Yaohan Store, please see the section headed "History, Reorganisation and Corporate Structure — The Reorganisation — Disposal of Hong Kong Springland and the Nanjing Yaohan Store" in this prospectus.

We acquired the Nantong Yaohan Store (the "Nantong Acquisition") pursuant to our development strategy, as it provides us an opportunity to enter into Nantong, a fast-growing local market in the Greater Yangtze River Delta. The consideration amount for the Nantong Acquisition was determined after taking into account various factors including, but not limited to, the location of the Nantong Yaohan Store, its then earnings, its growth potential, long-term value and compatibility to our overall strategy, the arrangement to retain its original management after the completion of the Nantong Acquisition, in part through granting put options to certain minority shareholders of Nantong Yaohan Store, and, more importantly, the integration plan that we could implement in order for the Nantong Yaohan Store to achieve profit within a short period of time. We have also evaluated the potential risks in relation to the defective title of the property of the Nantong Yaohan Store. As advised by our PRC legal advisers, we consider non-compliance with respect the Nantong Yaohan Store's use of allocated land and title defects is immaterial and that it is in our best interest and commercially reasonable for us to conduct the Nantong Acquisition and conduct our operation through leasing notwithstanding such land title defects. Our Directors believe that the consideration for this acquisition is fair and reasonable, and beneficial to both parties after arm's length negotiations. For details about our acquisition of the Nantong Yaohan Store, please see the section headed "History, Reorganisation and Corporate Structure — Our History — Acquisition of the Nantong Yaohan Store" in this prospectus.

The following table sets forth the Total Sales Proceeds per square meter of our department store business, based on the operation area of each of our department store as at 31 July 2010, for the periods indicated:

		Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		(RMB in thousands)				
Yixing Springland Store		23.8	26.1	27.8	13.7	15.7
Wuxi Yaohan Store		14.7	13.8	16.1	7.6	10.2
Liyang Springland Store		12.8	14.7	16.4	8.7	9.8
Danyang Springland Store		11.2	12.1	13.6	7.3	7.9
Yixing Springland Store (Hexin Branch)		4.5	5.9	7.2	3.6	4.4
Changshu Springland Store		8.3	9.6	10.5	5.0	6.0
Jiangyin Springland Store		12.2	15.4	18.1	9.0	11.2
Ma'anshan Yaohan Store (department store)	(i)	—	—	7.2	—	3.2
Zhenjiang Yaohan Store	(i)	—	—	—	—	4.2
Nantong Yaohan Store	(i)	—	—	10.7	—	5.0

(i) The Total Sales Proceeds per square meter for the first operation year of these stores are annualised based on their operation period in their first operation year.

The table below sets out certain information relating to our department stores that were under construction as at the Latest Practicable Date:

Name of the department store	Expected commencement date of operation	Estimated GFA (sq.m.)	Premises owned or leased by our Group	Expiry date of the lease
Changxing Springland Store[(1)]	October 2012	35,000	owned	—
Jintan Springland Store[(1)]	November 2011	25,760	owned	—
Changzhou Yaohan Store[(1)]	January 2011	24,379	leased	January 2031

Note:

(1) Name of the department store is subject to the approval from local branches of the State Administration for Industry & Commerce of the PRC.

The Total Sales Proceeds of our department store business for the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2009 and 2010, were approximately RMB2,620.1 million, RMB2,853.0 million, RMB3,317.1 million, RMB1,619.2 million and RMB2,466.5 million, respectively. As at 31 July 2010, the total operation area for all of our department stores was approximately 430,000 sq.m.

Properties

During the Track Record Period, we preferred to acquire land to develop department stores, but would also consider entering into leasing arrangements if we believe such arrangements are appropriate and commercially reasonable. As at 31 July 2010, the total GFA of our department stores were approximately 421,814 sq.m., of which, approximately 47,394 sq.m., or approximately 11.2%, were leased. Going forward, we plan to continue adopting this business model for the development of department stores. For further details about our properties, please also see the section headed " — Properties" in this prospectus.

Our merchandise

We seek to provide our target customer group with a comprehensive range of modern and trendy merchandise from international and well-known domestic retail brands. Our merchandise for our department store business can be broadly categorised into seven categories, details of which are set out below.

Fashion and apparel. Our department stores offer a broad range of apparel, including all types of ladies' wear, men's wear and underwear.

Cosmetics, jewellery and accessories. We offer skin care products and cosmetics for women, men and children, all kinds of jewellery, and watches.

Footwear. We offer all kinds of shoes including ladies' shoes, men's shoes, casual shoes, and sports shoes. Under this category, we also offer handbags and luggage.

Athletic apparel and casual wear. We offer different kinds of casual wear, sports wear and jeans.

Children's wear and home furnishing. We offer a variety of children's wear, shoes and toys. We also offer stationeries, bedding accessories, household utensils, kitchenware and artwork under this category.

Household electronic appliances. We offer electronic and electrical items, digital products and other household appliances.

Others. In addition to the above six main categories of merchandise, we also offer at some of our department stores other merchandise including alcohol, food and health products.

We offer the above merchandise through two methods of sales, namely, concessionaire sales and direct sales. Details of our method of sales are described below under the paragraph headed "Business — Our Department Store Business — Method of sales". The tables below set out the contribution to the revenue and Total Sales Proceeds of our department store business by method of sales for the periods indicated.

Total Sales Proceeds breakdown	**Year ended 31 December**						**Six months ended 30 June**			
	2007		**2008**		**2009**		**2009**		**2010**	
	RMB million	**% of total**	**RMB million**	**% of total**	**RMB million**	**% of total**	**RMB million**	**% of total**	**RMB million**	**% of total**
Concessionaire sales	2,148.3	82.0	2,411.6	84.5	2,897.1	87.3	1,404.1	86.7	2,178.6	88.3
Direct sales	448.1	17.1	422.9	14.8	397.3	12.0	204.5	12.6	269.1	10.9
Rental income	23.7	0.9	18.5	0.6	22.7	0.7	10.6	0.7	18.8	0.8
Total Sales Proceeds of our department store business	2,620.1	100.0	2,853.0	100.0	3,317.1	100.0	1,619.2	100.0	2,466.5	100.0

Revenue breakdown	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB million	% of total	RMB million	% of total	RMB million	% of total	RMB million	% of total	RMB million	% of total
Commission income from concessionaire sales	436.8	48.1	479.6	52.1	525.2	55.6	246.5	53.4	400.0	58.1
Direct sales	448.1	49.3	422.9	45.9	397.3	42.0	204.5	44.3	269.1	39.2
Rental income	23.7	2.6	18.5	2.0	22.7	2.4	10.6	2.3	18.8	2.7
Total revenue of department store business	908.6	100.0	921.0	100.0	945.2	100.0	461.6	100.0	687.9	100.0

The following tables set out the contribution to the Total Sales Proceeds of our department store business by category of products for the periods indicated.

Total Sales Proceeds breakdown	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB million	% of total	RMB million	% of total	RMB million	% of total	RMB million	% of total	RMB million	% of total
Fashion and apparel	1,082.5	41.3	1,186.7	41.6	1,420.1	42.8	687.5	42.5	1,049.0	42.5
Cosmetics and accessories	358.9	13.7	451.1	15.8	569.4	17.2	273.0	16.9	522.2	21.2
Footwear	294.0	11.2	323.4	11.3	366.3	11.0	178.7	11.0	268.7	10.9
Athletic apparel and casual wear	258.3	9.9	274.0	9.6	286.7	8.6	150.5	9.3	179.0	7.3
Children's and home furnishing	220.3	8.4	194.2	6.8	221.5	6.7	102.1	6.3	139.5	5.7
Household and electronic appliances	305.1	11.6	299.2	10.5	308.9	9.3	161.1	9.9	195.0	7.9
Others	77.3	3.0	105.9	3.8	121.5	3.7	55.7	3.4	94.3	3.8
Rental income	23.7	0.9	18.5	0.6	22.7	0.7	10.6	0.7	18.8	0.8
Total Sales Proceeds of our department store business	2,620.1	100.0	2,853.0	100.0	3,317.1	100.0	1,619.2	100.0	2,466.5	100.0

The average number of daily transactions and average value per transaction of our department store business is set out below:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
Average number of daily transactions (*Note 1*) .	22,279.04	21,228.19	21,916.68	22,644.41	30,587.15
Average value per transaction *((RMB) Note 2)* .	322.20	367.20	410.03	395.06	445.52

Note 1: Calculated by dividing the total number of transactions for our stores each year/period (a) by 365 for the years ended 31 December 2007 and 31 December 2009; (b) by 366 for the year ended 31 December 2008 and (c) by the 181 for the six months periods ended 30 June 2009 and 2010.

Note 2: Calculated by dividing the Total Sales Proceeds attributable to our department store business each year by the total number of transaction for our department stores.

Our merchandising strategy and brand portfolio

We offer a comprehensive range of merchandise to meet rapidly changing local consumer demands. We conduct strategic review of our brand portfolio every six months. The merchandising centre of our department store division reviews the market development status and competitive situation and formulates plans for changing our brand portfolio. If sales of a brand is the lowest in its designated category for three consecutive months, we generally do not renew the concessionaire arrangement or direct sale agreement for that particular brand and may terminate the existing contracts at our discretion.

We believe that market positioning and brand image, which play an important role in the success of our department store business, are largely dependent on the reputation and market positions of, and our relationship with, our retail partners. When selecting direct sales suppliers, concessionaires and fixed rental tenants for our department stores, we consider a broad range of factors such as their brand image and popularity among our target consumers, their compatibility with our image and reliability in terms of product quality. In particular, when selecting concessionaries, we consider the total sales of the concessionaries branded products and the commission rate that we may obtain as the most critical criteria. We also consider the track record of our retail partners in stock replenishment and their financial standing.

Our merchandising centre for our department store business is responsible for setting up the framework and guidelines for the negotiation of most key terms of the arrangements with certain key brand suppliers and concessionaires. We however delegate the responsibility to negotiate, finalise and execute definitive agreements with concessionaires to the individual department stores because many brands have different distributors in each geographical area. We have standard form concessionaire agreements, and deviations from our standard form agreements must be reviewed by our legal department. For concessionaire agreements with certain leading brand companies, however, we follow the standard forms provided by the brand companies. Generally, our individual department stores are authorised to negotiate agreements with our direct sales suppliers.

As at the Latest Practicable Date, we offered merchandise from approximately 3,000 brands through our department stores. The following table sets out certain of the international and domestic brands available in our department stores:

Fashion & apparel

Ermenegildo Zegna	HUGO BOSS	Dunhill	DUPONT (都彭)	PORTS
KLOVA	LANCY (朗姿)	Marisfrolg	OTT	ONLY
Ochirly	Triumph (黛安芬)	Embry Form (安莉芳)		

Cosmetics, jewellery and accessories

Elizabeth Arden	Givenchy	Aupres	老鳳祥	Omega (歐米茄)
Longines (浪琴)	JS (俊士)	Dior (迪奥)	LΛNEGE (蘭芝)	

Footwear

JOY & PEACE (真美詩)	STACCATO (思加圖)	1991	TEENMIX	CLARKS (其樂)
Nine West	SATCHI (沙馳)	AEE (愛意)	Belle (百麗)	Tata (他她)

Athletic apparel and casual wear

NIKE	ADIDAS	Reebok	G-STAR	LEVI'S
Jack & Jones (傑克琼斯)	Calvin Klein Jeans			

Children's wear and home furnishing

NIKE Kids	ELAND Kids	羅萊		Les enphants (麗嬰房)
Fuanna (富安娜)	喜來登			

Household electronic appliances

Siemens (西門子)	Panasonic	TCL		

Method of sales

We provide merchandise or services in our department stores primarily through concessionaire sales and, to a lesser extent, direct sales. We also lease out a small portion of the retail space in our stores to third parties.

Concessionaire sales

Under a concessionaire sale agreement, we charge the suppliers (known as concessionaires) a commission at a percentage of gross sales proceeds for the right to occupy designated areas of our department stores, establish their own sales counters and sell their branded merchandise. For the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2009 and 2010, commissions from concessionaire sales accounted for approximately 48.1%, 52.1%, 55.6%, 53.4% and 58.1% of our revenue of our department store business, respectively, and gross sales proceeds from concessionaire sales represented approximately 82.0%, 84.5%, 87.3%, 86.7% and 88.3% of our Total Sales Proceeds of our department store business, respectively.

Concessionaire arrangements enable us to offer a comprehensive range of merchandise to our customers. The presence of international concessionaires in our stores can also enhance our brand image and attractiveness of our stores generally. In addition, under the concessionaire model of operation, we do not bear the risks and costs of inventory management, including the risks associated with obsolete merchandise, nor do we bear the selling costs.

The concessionaires are generally expected to enter into our standard concessionaire agreement, which sets out details of the product types and their respective prices, duration and commission rates, settlement arrangements, insurance coverage, cooperation regarding promotions and marketing activities, responsibilities for ancillary costs such as design, decoration, fitting and removal expenses, and pricing policies. Certain leading brand companies however have their own standard form concessionaire agreements which we are required to follow.

We usually reserve the right to terminate the agreement if the concessionaires fail to meet the agreed selling target or materially breach the terms of the agreement. Under the circumstances of our business adjustment, we generally serve one month written notice before termination of agreement to the concessionaires. In case of the mutual consents, force majeure and other situations provided by applicable laws and regulations, either party could terminate the agreement.

Under the agreement, the concessionaires shall provide the qualified merchandise and we shall in return pay the relevant price after deducting certain commission as mutually agreed in the agreement.

The concessionaires also have the right, subject to our prior consent, to design, decorate and renovate their designated areas in accordance with guidelines issued by us, and, in most cases, are responsible for the costs associated with removal of previous fittings, design and decoration. In most cases, we provide the concessionaires with basic facilities, including air-conditioning and basic lighting. We also provide them with services, including cashier services, security, maintenance, cleaning and personnel management. In addition, concessionaires generally would participate and share the costs associated with our marketing activities, including our regular and special promotions and sales events.

The concessionaires are generally responsible for employing their own sales staff and for maintaining merchandise and service quality acceptable to us. We provide trainings to the sales staff employed by our concessionaires, require them to abide by our guidelines, and have managerial and supervisory rights over them. In addition, we actively monitor the quality, sales volume and mix of merchandise and/or the services provided by the concessionaires and provide guidance and recommendations relating to their sales performance, marketing and promotional strategies, merchandise mix and quality and the visual presentation of their designated area. We also review their sales performance on a quarterly basis. If any of our concessionaires fails to meet our requirements or expectations or consecutively ranks low in terms of sales within its respective group of merchandise, we reserve the rights not to renew our agreement with the concessionaire.

Subject to our approval, the concessionaires can suggest the prices for their merchandise. Such price, however, may not exceed the price for the same merchandise sold by the concessionaire at another outlet within a designated geographical area.

All of the cash payment from the end consumers will be received and collected by our designated cashier counters in our department stores on behalf of the concessionaires. The concessionaires are not allowed to collect payment on their own. We retain the commission income at a certain percentage from the gross sales proceeds before we refund to the concessionaires on a monthly basis. We normally settle the payment with the concessionaires for each month in the month following the sales.

Upon payment, we will first issue an monthly payment detail to the concessionaires in the beginning of the following month. The concessionaires will then prepare the value added tax invoice accordingly together with a list of merchandise supplied for our confirmation.

Direct sales

In direct sales, we purchase merchandise from suppliers and sell the merchandise to our customers in our department stores. The title and ownership of the merchandise pass from our suppliers to us upon the completion of the purchase made by us. Our direct sales suppliers can employ their own staff but cannot operate their own sales counters in our stores. Pursuant to our purchase contracts with most of our direct sale suppliers, we are entitled to exchange unsold products for other products. We are also entitled to a certain percentage of refund in case of reduction of retail price as requested by the direct sale suppliers. Most of our direct sales are in respect of merchandise we categorise as electronic appliances, alcohol and gold products. For the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2009 and 2010, direct sales accounted for 49.3%, 45.9%, 42.0%, 44.3% and 39.2% of our revenue of our department store business and 17.1%, 14.8%, 12.0%, 12.6% and 10.9% of our Total Sales Proceeds of our department store business, respectively.

For direct sales items, we set the retail prices with reference to the suggested retail prices of direct sale suppliers while we also undertake market research on pricing to ensure that the price set by us is competitive enough to result in our projected range of profit margins.

We inspect the condition and quality of goods upon delivery at our department stores. To the extent that at the inspection or at any other time we find the condition or quality of the merchandise under our arrangements to be unacceptable, we are entitled to return the goods to the supplier.

The consumers will be entitle to exchange or return the goods with unacceptable quality with us at the counters. We will then get refund from our suppliers separately. The consumers normally do not get sales return from suppliers directly.

OUR SUPERMARKET BUSINESS

As at 30 June 2010, we operated a network of 16 supermarkets located in seven cities in the Yangtze River Delta. Each supermarket is located in prime shopping districts of the cities in which we operate. Some of our supermarkets are located in close proximity to our department stores, forming a dynamic retail hub that helps enhance the pedestrian flow for both our supermarkets and department stores. We also have ten supermarkets under construction in prime locations in different cities, such as Danyang, Jintan, Changxing and Changzhou as at the Latest Practicable Date.

Retail network

The following table sets out certain information relating to our supermarkets that were in operation as at 30 June 2010.

Name of supermarket	Commencement date of operation	GFA (sq.m.)(1)	Operation area (sq.m.)(2)	Premises owned or leased by our Group	Expiry date of the lease	Total Sales Proceeds(3) — For the year ended 31 December			For the six months ended 30 June	
						2007	2008	2009	2009	2010
						(RMB million)				
Yixing Datonghua Store (City Center)	May 2001	12,233	6,706	Owned	—	203.6	214.3	219.8	114.5	120.0
Liyang Datonghua Store (City Center)	August 2002	15,822	12,800	Leased	April 2022	229.4	237.6	230.9	122.4	128.0
Jintan Datonghua Store	September 2003	14,833	7,098	Leased	May 2023	212.5	221.5	218.7	114.8	120.6
Danyang Datonghua Store (City Center)	September 2004	7,800	4,665	Owned	—	131.3	149.7	138.1	77.5	74.0
Jiangyin Datonghua Store (City Center)	September 2005	7,984	6,048	Owned	—	161.5	181.3	188.4	97.6	106.7
Yixing Datonghua Store (Huankeyuan Branch)	December 2005	6,000	2,987	Leased	December 2015	38.3	44.0	46.7	23.7	28.1
Danyang Datonghua Store (Development Zone Branch)	October 2006	3,212	2,190	Leased	September 2016	37.9	46.9	46.2	24.1	26.5
Wuxi Datonghua Store (Jianzhu Road Branch)	November 2006	14,402	6,452	Leased	November 2026	68.7	60.5	39.3	19.7	23.3
Danyang Datonghua Store (Dagang Branch) (4)	October 2007	6,225	2,169	Leased	September 2027	11.5	43.4	54.5	26.1	36.1
Yixing Datonghua Store (Dingshan Branch)	September 2007	14,891	6,110	Leased	September 2027	28.7	88.0	98.0	48.0	57.2
Jiangyin Datonghua Store (Shengang Branch)	February 2008	6,000	3,900	Leased	January 2018	—	38.5	40.5	20.0	24.7
Jiangyin Datonghua Store (Chengxi Branch)	May 2008	11,000	4,500	Leased	July 2027	—	37.5	46.4	22.3	30.0
Liyang Datonghua Store (Dongmen Branch)	July 2008	8,912	5,112	Leased	June 2028	—	25.5	39.8	20.1	22.1
Wuxi Datonghua Store (City Center)	September 2008	1,045	857	Owned	—	—	3.0	10.0	5.1	5.3
Zhenjiang Datonghua Store (City Center)	January 2010	13,249	6,950	Owned	—	—	—	—	—	46.2
Jiangyin Datonghua Store (Hongqiao Branch)	May 2010	9,800	4,750	Leased	April 2030	—	—	—	—	9.8

Notes:

(1) GFA includes: operation, facility storage, parking, restroom, staircase, escalator, cargo elevator, offices and internal storage areas and outside wall faces. The GFA numbers are as at 31 July 2010, being the valuation date used in "Appendix IV — Property Valuation".

(2) Operation area means the total floor area designed for occupancy by our concessionaires, lessees and sub-lessees and is measured from the centerline of joint partitions and from outside wall faces. The operation area numbers are as at 31 July 2010, being the valuation date used in "Appendix IV — Property Valuation".

(3) For details of "Total Sales Proceeds" and the difference between the "Total Sales Proceeds" and revenue, please refer to the section headed "Financial Information — Total Sales Proceeds and Gross Profit" in this prospectus.

(4) Danyang Datonghua Store (Dagang Branch) is located in Zhenjiang City.

The following table sets out the Total Sales Proceeds per square meter of our supermarket business, based on the operation area of each of our supermarkets as at 31 July 2010, for the periods indicated:

		Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		(RMB in thousands)				
Yixing Datonghua Store (City Center)		30.4	32.0	32.8	17.1	17.9
Liyang Datonghua Store (City Center)		17.9	18.6	18.0	9.6	10.0
Jintan Datonghua Store		29.9	31.2	30.8	16.2	17.0
Danyang Datonghua Store (City Center)		28.1	32.1	29.6	16.6	15.9
Jiangyin Datonghua Store (City Center)		26.7	30.0	31.2	16.1	17.7
Yixing Datonghua Store (Huankeyuan Branch)		12.8	14.7	15.6	7.9	9.4
Danyang Datonghua Store (Development Zone Branch)		17.3	21.4	21.1	11.0	12.1
Wuxi Datonghua Store (Jianzhu Road Branch)		10.6	9.4	6.1	3.1	3.6
Danyang Datonghua Store (Dagang Branch)	(i)	21.2	20.0	25.1	12.0	16.6
Yixing Datonghua Store (Dingshan Branch)	(i)	15.0	14.4	16.0	7.9	9.4
Jiangyin Datonghua Store (Shengang Branch)	(i)	—	10.8	10.4	5.1	6.3
Jiangyin Datonghua Store (Chengxi Branch)	(i)	—	12.5	10.3	5.0	6.7
Liyang Datonghua Store (Dongmen Branch)	(i)	—	10.0	7.8	3.9	4.3
Wuxi Datonghua Store (City Center)	(i)	—	14.0	11.7	6.0	6.2
Zhenjiang Datonghua Store (City Center)	(i)	—	—	—	—	8.0
Jiangyin Datonghua Store (Hongqiao Branch)	(i)	—	—	—	—	12.4

(i) The Total Sales Proceeds per square meter for the first operation year of these stores are annualised based on their operation period in their first operation year.

The table below sets out certain information relating to our supermarkets that were under construction as at the Latest Practicable Date:

Name of supermarket	Expected commencement date of operation	Estimated GFA (sq.m.)	Premise owned or leased by our Group	Expiry date of the lease
Ma'anshan Datonghua Store (supermarket)[1]	November 2010	3,822	owned	—
Changxing Datonghua Store[1]	October 2012	8,000	owned	—
Jiangyin Datonghua Store (Xiake Branch)[1]	September 2010	7,732	owned	—
Jiangyin Datonghua Store (Huashi Branch)[1]	May 2012	10,600	owned	—
Danyang Datonghua Store (Houxiang Branch)[1]	December 2010	7,100	leased	January 2026
Yixing Datonghua Store (Gaocheng Branch)[1]	February 2012	3,360	leased	March 2031
Jintan Datonghua Store (Chengxi Branch)[1]	November 2011	9,380	owned	—
Nanjing Datonghua Store[1]	October 2010	1,900	leased	N/A
Changzhou Datonghua Store[1]	January 2011	7,283	leased	January 2031
Taixing Datonghua Store[1]	January 2011	18,296	leased	December 2025

Note:

(1) Name of the supermarket is subject to the approval from local branches of the State Administration for Industry & Commerce of the PRC.

We decided to develop the Nanjing Datonghua Store, notwithstanding the disposal of the Nanjing Yaohan Store which was in the same region, after taking into account various factors including, but not limited to: (i) the different natures of department store business and supermarket business, such as the target customer groups and the competitors in the local market. For example, the change in government policy that affected the "external" pedestrian flow for department stores, which is mainly driven by the discretionary spending, is not expected to affect the "internal" and local pedestrian flow for supermarket business, which is mainly driven by the daily and necessities spending; and (ii) the suitability of that location to develop supermarket business. In particular, the pedestrian inflow for Nanjing Yaohan Store has been affected by the unexpected delay of implementation of the government policy for development of a comprehensive underground business street project in the area where the Nanjing Yaohan Store is located, which was expected to attract both customers living in nearby residence areas and customers living in other districts of Nanjing city to encourage discretionary spending. However, given the fact that this site is recognized as a central district and surrounded by a number of residence districts, we consider it to be commercially reasonable and a long-term benefit for us to develop a supermarket in that location serving the daily and necessities spending of the customers living in nearby residence districts.

Properties

During the Track Record Period, we preferred to acquire land to develop supermarkets, but would also consider the leasing arrangements if we believe such arrangements are appropriate and commercial reasonable. However, for those supermarkets that share the same site with our department stores, we preferred to acquire the land for their development. As at 31 July 2010, the total GFA of our supermarkets were approximately 153,408 sq.m., of which, only approximately 42,311 sq.m., or approximately 27.6%, were owned by us. Going forward, we plan to continue adopting this business model for the development of our supermarkets. For further details about our properties, please also see the section headed " — Properties" in this prospectus.

Our merchandise

We seek to provide our target customers and market segment with a comprehensive range of quality food, beverages and merchandise from international and domestic suppliers. Through contractual arrangements with our village committee partner, we have long-term access to a large vegetable production base from which we can source a wide range of vegetable products in a cost effective manner for sale to our customers in our supermarkets. Our food, beverages and merchandise for our supermarket business can be broadly categorised into the follow three categories:

Fresh food. The products in this category mainly include fruits and vegetables, milk, fresh meat such as pork, beef and lamb, poultry meat and eggs and live fish.

Dry food. The products in this category mainly include grains such as rice and beans, instant noodles, cereal, seasoning power, cooking sauces, cooking oil, dairy goods, biscuits, preserved/canned fruit, preserved/canned fish and meat. The products in this category also include an assortment of beverages such as mineral water, soft drinks, canned milk, wine and spirits.

Non-food Merchandise. The products in this category include household utensils, kitchen wear, cleaning detergent and sanitary products, books, stationeries, basic clothing and accessories.

Others. The products in this category include electronic appliances and gold products.

Depending on the nature of the food, beverages, merchandise and our business strategies, we offer the above product categories through two main methods of sales, namely, direct sales and concessionaire sales. Details of our methods of sales are described below under the paragraph headed "Business — Our Supermarket Business — Method of sales". We also lease out a small portion of retail space in our stores to third parties for rental income, and provide food and beverage services. The tables below set out the contribution to the total revenue and Total Sales Proceeds of our supermarket business by method of sales for the periods indicated.

Total Sales Proceeds breakdown

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB million	% of total	RMB million	% of total	RMB million	% of total	RMB million	% of total	RMB million	% of total
Concessionaire sales	54.6	4.9	87.4	6.3	100.5	7.1	51.1	6.9	68.7	8.0
Direct sales	1,055.0	93.9	1,288.6	92.6	1,299.8	91.7	676.1	91.9	779.9	90.8
Rental income	13.8	1.2	15.7	1.1	17.0	1.2	8.7	1.2	10.0	1.2
Total Sales Proceeds of our supermarket business	1,123.4	100.0	1,391.7	100.0	1,417.3	100.0	735.9	100.0	858.6	100.0

Revenue breakdown

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB million	% of total	RMB million	% of total	RMB million	% of total	RMB million	% of total	RMB million	% of total
Commission income from concessionaire sales	8.2	0.8	6.0	0.5	11.2	0.8	6.2	0.9	9.1	1.1
Direct sales	1,055.0	96.5	1,288.6	97.3	1,299.8	96.9	676.1	97.0	779.9	96.7
Rental income	13.8	1.3	15.7	1.2	17.0	1.3	8.7	1.3	10.0	1.3
Provision of food and beverage services	15.7	1.4	14.7	1.0	12.9	1.0	5.8	0.8	7.3	0.9
Total revenue of our supermarket business	1,092.7	100.0	1,325.0	100.0	1,340.9	100.0	696.8	100.0	806.3	100.0

The following tables set out the contribution to the Total Sales Proceeds of our supermarket business by category of products for the periods indicated.

Total Sales Proceeds breakdown

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB million	% of total	RMB million	% of total	RMB million	% of total	RMB million	% of total	RMB million	% of total
Fresh food	369.8	32.9	435.4	31.3	441.7	31.2	214.1	29.1	273.3	31.8
Dry food	319.6	28.4	455.6	32.7	467.3	33.0	266.3	36.2	300.8	35.0
Non-food merchandise	335.8	29.9	428.9	30.8	433.6	30.6	219.3	29.8	237.4	27.7
Others	84.4	7.6	56.1	4.1	57.7	4.1	27.5	3.7	37.1	4.3
Rental income	13.8	1.2	15.7	1.1	17.0	1.2	8.7	1.2	10.0	1.2
Total Sales Proceeds of our supermarket business	1,123.4	100.0	1,391.7	100.0	1,417.3	100.0	735.9	100.0	858.6	100.0

The average number of daily transactions and average value per transaction of our supermarket business is set out below:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
Average number of daily transactions *(Note 1)*	68,278.18	77,247.46	76,705.42	75,605.23	81,238.85
Average value per transaction *(RMB) (Note 2)*	45.08	49.22	50.63	53.78	58.39

Note 1: Calculated by dividing the total number of transactions for our stores each year/period (a) by 365 for the years ended 31 December 2007 and 31 December 2009; (b) by 366 for the year ended 31 December 2008 and (c) by the 181 for the six months periods ended 30 June 2009 and 2010.

Note 2: Calculated by dividing the Total Sales Proceeds attributable to our supermarket business each year by the total number of transaction for our supermarkets.

Our merchandising

We have adopted a centralised procurement strategy whereby our merchandising centre for supermarket business is responsible for negotiating the arrangements with all direct-sale suppliers and concessionaires. Each supermarket is responsible for placing orders with the suppliers pursuant to the agreements entered into by the merchandising centre and the suppliers.

Our procurement strategy

Our goal is to provide fresh and safe products to our consumers at competitive prices. To achieve this goal, we seek to shorten the supply chain wherever possible. For example, we procure fruits such as apples directly from local orchards, and seafood products such as fish directly from local fishermen. As a result, we are able to eliminate the intermediaries from the supply chain, reduce our procurement costs to a significant extent, and ensure freshness of our products.

Through a contractual arrangement of cooperation with our village committee partner, we have a long-term access to a large vegetable production site with a total area of approximately 158,746 sq.m. in Yixing. The land is collectively owned by our village committee partner. We do not have any ownership in, or otherwise share the profit of such production site. The term of the cooperation arrangement is ten years commencing in 2006. We do not have any other cooperation arrangements with any other vegetable production site. According to the cooperation agreement with our village committee partner, we provide financial and technology supports to the establishment and operation of the vegetable production site, while our villageship partner is responsible for the daily operation and maintenance of the vegetable production site and will procure sufficient labour support. We do not provide financial support to the farmers themselves, who are not our employees. We decide the types of vegetables to be produced and the plan of production, and our village committee partner is responsible for planting vegetables. We are obliged to purchase, and our village committee partner is obliged to sell, all of the vegetables produced on the production site, provided that the vegetables pass our quality test. We determine our own standard of quality, which is either equal to or higher than the relevant national standards, and use our own devices and equipments to inspect the quality of vegetables supplied to us. As freshness and food safety are our primary concerns, farm chemicals or pesticides are prohibited in the vegetable production process at the vegetable production site. The prices of the vegetables are determined through mutual agreements between us and our village committee partner, and is typically lower than the prevailing market price. We do not bear any inventory risk of the vegetables before they are purchased by us. The Yixing vegetable production site also serves as a base for promoting and developing healthy and environmentally friendly vegetable production methods among the farmers in its surrounding areas. In addition to producing vegetables on its own, the Yixing vegetable production site also purchases vegetables from other farms that have passed our quality inspection. We believe the Yixing vegetable production site arrangement has not only helped us ensure the freshness of our products, but also helped us price our products competitively, which has significantly strengthened our "大統華" ("Datonghua") trade name. To reward our valued customers and to enhance their loyalty towards us, we regularly invite customers to visit the Yixing vegetable production site, where our customers can not only buy fresh products directly from the field, but also witness the advanced farming practices, which we believe will further assure them of the quality and freshness of the vegetables.

For the procurement of dry food and non-food merchandise, we also aim at sourcing from the original producers and shorten the supply chain to avoid the costs of intermediaries. Through our logistics centre, we enjoy a better management of supplier source and inventory control. We seek to introduce more high-end products to further upgrade the market position of our supermarkets. We also plan to launch the sale of products under our proprietary brands to diversify our revenue sources and maximise our profits.

Selection of our suppliers

We believe that quality and reliable suppliers are important to the safety and quality of the products that our supermarkets offer. We have applied a set of stringent criteria in selecting our suppliers. Under these criteria, we take into account factors such as whether they are market leaders, well-established, compatible with our market positioning, reliable in terms of product quality, efficient in replenishment, and whether they have a sound financial profile. When engaging new suppliers, our staff first shortlist those vendors or manufacturers with good reputations. We then request these potential suppliers to provide all relevant licences and certificates to demonstrate the legitimacy and the quality of their food, beverages and merchandise. To the extent required by the relevant PRC laws and regulations, our direct sale suppliers have already obtained relevant hygiene licences and permits of supplying fresh food and vegetables. All relevant information about potential suppliers including site visit investigation reports are then submitted to our quality control department for assessment before a decision to engage the supplier is made. We also keep a record for each batch of products that we purchase from our suppliers. We believe our practice of selecting and maintaining quality and reliable suppliers has been a key to our success in establishing a reputation as a retailer of quality products. The direct sale suppliers and concessionaires for most types of products will also be required to comply with the standard purchase terms and conditions offered by us.

Selection of products

We monitor the sales of all products in our supermarkets and adjust the product portfolio according to the popularity of each product. We constantly adjust our product portfolio, and conduct a review of our food, beverages and merchandise portfolio from time to time. We also periodically select products to be offered at a discount in promotional sales and adjust these product categories and promotional policies according to their sales volume. The operation centre of our supermarkets reviews and analyses the development status and competitive situation and formulates a plan for adjustment of the product mix in the monthly meetings. After the plan is approved in the meetings, it is implemented by each individual supermarket in accordance with the guidelines and business strategies set by our headquarters.

Fresh food management

Sale of fresh food products is important for our supermarket business, as fresh food products are a point of interest for customers and also are more profitable for our business. However, by their nature, fresh food products are more susceptible to spoilage and, as a result, we also incur additional costs for their management. Therefore, we have strived to improve our ability to manage our fresh food products over the past few years through better site management and equipment enhancement. In addition, over the past few years, we have also increased the number of stores where we manage the fresh food products ourselves rather than partnering with third parties. By managing the fresh food products ourselves, we have more flexibility and can better ensure the quality of our products.

With respect to the delivery of our fresh food products, we have established a cold chain delivery system, which ensures that our fresh food is kept at an ideal cold temperature from the warehouse to the point of delivery. This will enable us to compete effectively with our competitors by keeping the appearance and quality of fresh food products at a high standard.

Method of sales

We sell food, beverages and merchandise in our supermarkets primarily through direct sales and, to a lesser extent, concessionaire sales. Our direct sales suppliers for supermarkets can employ their own staff but cannot operate their own sales counters within our stores. Direct sales accounted for 93.9%, 92.6%, 91.7%, 91.9% and 90.8% of our Total Sales Proceeds from supermarket operations for the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2009 and 2010, respectively. Products that are sold through concessionaire sales include primarily certain fresh food such as live fish and bakery, and accounted for 4.9%, 6.3%, 7.1%, 6.9% and 8.0% of our Total Sales Proceeds from supermarket operations for the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2009 and 2010, respectively.

RENTAL OF RETAIL SPACES

In both our department stores and supermarkets, we lease and, in the case of stores on leased premises, sub-lease certain floor areas to operators of businesses that we believe are complementary to the shopping environments of our stores. The tenants generally enter into lease agreements with us based on our standard form, which sets out details of the designated areas, the types of business of the tenants, the rental durations and rents, settlement arrangements, cooperation regarding expansion, decoration and maintenance, and responsibilities for ancillary costs such as design, decoration and fitting expenses. The tenants generally have the right to design and decorate their designated areas and are responsible for the costs. In addition, they are generally responsible for employing their own staff and for maintaining their merchandise or service at a quality acceptable to us. In most cases, we provide the tenants with basic facilities, including basic lighting and water supply systems. The rental income that we receive under these arrangements is booked as revenue. Businesses to which we rent retail space vary for each store depending on our consumer demands and spending patterns. For department stores, tenants of our retail spaces generally include, among other things, photography studios, fast food outlets, coffee bars, shoe repair outlets, bars and beauty salon, and, for our supermarkets, pharmacy, mobile phone shops, book shops, flower shops, catering service providers and local brand apparel retailers. For the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2009 and 2010, rental income from these arrangements amounted to approximately RMB37.5 million, RMB34.2 million, RMB39.7 million, RMB19.3 million and RMB28.8 million, respectively.

OUR SUPPLIERS

Our suppliers comprise our concessionaires and our direct sale suppliers. Our purchase from the top five suppliers accounted for approximately 3.8%, 5.5%, 5.1% and 5.4% of our total purchase for the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2010, respectively. None of our Directors or any of their respective associates (as defined in the Listing Rules) or, so far as our Directors are aware, any Shareholder who owned 5% or more of our issued Share capital as at the Latest Practicable Date, has any interest in any of our five largest suppliers for the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2010, respectively.

Our usual payment credit terms with our concessionaires and direct sales suppliers for the department stores and our supermarkets are up to 60 days.

Other than commissions derived from our suppliers, we also charge the suppliers promotion fees, which represent contributions paid by the suppliers for participating in our promotional activities, and display fees, which represent charges paid by the suppliers for placing and displaying their merchandise on the shelves and counters in our stores. We primarily charge a certain percentage of sales volume or a fixed amount for these fees strictly in accordance with the agreements between the suppliers and us. As our agreements with the suppliers are usually renewed on an annual basis, the percentage or the amount of the fees is generally fixed during the year and is a stable income payable by suppliers pursuant to the agreements.

CUSTOMERS

We principally operate in the retail market and as a result, the Total Sales Proceeds from each of our five largest customers for the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2010, respectively, accounted for less than 1% of our revenue of the same periods. None of our Directors or their respective associates (as defined in the Listing Rules) or, so far as our Directors are aware, any Shareholder who owns 5% or more of our issued share capital, has as at the Latest Practicable Date any interest in any of our five largest customers.

We settle the payments from our customers through cash, credit and debit cards and bank transfer cheques.

BUDGETARY PROCEDURE

We usually start the preparation of annual budget in September every year, by which time the strategy and plan office of our headquarters will establish the operational targets for the coming year. The budget controlling office of our finance department, with the help of various other operational departments, will prepare the schedule, standard and format of the budget, which will then be circulated to all departments and subsidiaries. The operational departments will set quarterly business plans pursuant to the operational targets set by the strategy and plan office of our headquarters, and all subsidiaries shall prepare their own quarterly operational plans accordingly for approval by the operational departments. The plans comprise business plans, human resource plans, and assets maintenance and renovation plans. The subsidiaries shall then prepare the budget drafts according to the approved operational plans and the operational departments will submit the section budget draft for review and approval by the Board. After being approved by the Board, the budget will be circulated and enforced at all levels, and all subsidiaries shall carry out their operation and daily expenditures within the approved budget, with adjustments being subject to the approval by the finance department at the headquarters.

CASH MANAGEMENT

We have implemented stringent measures to manage our cash, which accounts for a significant portion of our sales proceeds. At all our department stores and supermarkets, payments by the customers for sales under both direct sales and concessionaire sales are handled by our cashiers. We reconcile cash receipts from our sales in all of our department stores and supermarkets on a daily basis, and we deposit the cash receipts with banks on the same day or the next day. In addition, we reconcile sales data with sales receipts every day. Our IT system allows us to monitor the real time operating cash position of each department store and supermarket.

We handle a significant amount of cash every day. As a preventive measure, we have adopted strict internal control procedures for handling cash at all stores, including:

- daily sales proceeds shall be handled by cashiers only;
- surveillance cameras are set up in all stores to monitor the activities around cashier's counters;
- prohibition of making any payment from the cash proceeds;
- most of our stores have entered into third-party called-for cash collection agreements with transport companies in order to reduce the risks associated with cash deposits;
- same day or next day deposits of cash generated by retail outlets;
- use of sequentially-numbered sales invoices to check against sales amounts and cash proceeds;
- daily reconciliation of sales recorded by the point-of-sale system and actual cash proceeds; and
- petty cash can only be paid out by the cashiers;
- transactions above a certain amount are settled through bank transfers, hence reducing the amount of cash on hand significantly; and
- daily sample checks by the accounting staff of the head office on cash proceeds against the records of deposit of cash as well as the sales invoices and reports to ensure that sales are properly recorded by the point-of-sale system.

We have not, to date, experienced any loss of cash by theft or robbery.

INVENTORY MANAGEMENT

For concessionaire sales, which account for more than half of the Total Sales Proceeds of our department store operations, we do not bear any inventory risk. For direct sales, which account for the majority of the total revenue of our supermarket operations, we assume ownership control to and risk in the products that we have purchased for sale at our supermarkets. Effective inventory management therefore is important to the operation of our supermarket. The IT system that we have adopted at our supermarkets is a real time system based on stocking keeping units, or SKU, that allows us to track down the movement of each SKU. The system also covers information such as inventory level, stock description and prices, and enables us to efficiently monitor and control the inventory movement and inventory level at each supermarket and at our logistics centre. We also perform stock counts on a monthly basis to verify the accuracy of the data generated by our IT system. Provision is made for inventories by considering the nature, ageing, physical condition, future saleability/usability and foreseeable losses, if any, of the individual group of inventory items. Inventories which are expected to be realised at lower than cost will be written down to their net realisable value. Given the wide range of products that we carry, we do not have standard inventory retention days for our inventories, but will consider the nature, type and shelf life of inventories in determining when the inventories have become obsolete. Inventories such as fresh food that become obsolete in the normal course of business are accounted for in the purchase of and changes in inventory line item of the income statement. During the Track Record Period, we made no write-off of inventories.

LOGISTICS CENTRE

For our department store operations whereby most of the sales are concessionaire sales, the logistics is primarily arranged by the concessionaires. For our supermarket operations whereby most of the sales are direct sales, we consider an effective logistics management system a key factor in meeting customer requirements and in improving our overall supermarket business performance. In order to maximise the efficiency of our retail distribution network, we have established a centralised and modern logistics centre located in Yixing in order to serve our department store (electronic appliance only) and supermarket business. The logistics centre is linked via a management information system to each supermarket, hence providing effective inventory control, facilitating product distribution and ensuring a smooth coordination of our operations. In addition, by centralising the inventory and distribution facilities, we are able to minimise our inventory risks and distribution costs, hence allowing us to increase our profitability.

MARKETING AND CUSTOMER SERVICES

Marketing

As part of our marketing strategy, we advertise mainly by way of television and newspaper advertisements. We place advertisements for promotional purposes, to enhance our image, for public benefit and to recruit employees. We also participate in charity events, media publications and other social activities to enhance our image.

We launch a wide variety of marketing campaigns, particularly during holiday periods. A key feature of our marketing strategy is that most of our campaigns are during different seasons, holidays and festivals. We hold sales and promotional campaigns, generally together with our concessionaries and direct sales suppliers. These include, among other things, seasonal sales, sales at our store anniversaries, holiday sales during Christmas, Chinese New Year and National Day, and festival sales such as Mid-Autumn Festival and

Dragon Boat Festival. In addition, an important part of our marketing strategy involves holding fashion events promoting specific categories of merchandise, such as apparel and cosmetics and targeting special interest clubs. During our marketing campaigns, we offer our customers discounted goods, lucky draws, games, promotional vouchers and bonus points for our members. Our promotional activities not only increase sales but also help to promote and enhance our trade name and market image. We believe that these marketing campaigns can attract customers, provide value added benefits to customers and assist in stock clearance. We also organise a number of tours each year for our valued customers of supermarkets to visit the vegetable production base from which we source some of the vegetables for our supermarkets, during which, our customers are often impressed with the freshness and quality of our groceries and are able to purchase groceries directly from the field. In addition, we also market by introducing special events such as inviting customers for product sample testing, new product launches and fashion shows, direct mailing and sending emails/short message service to customers.

It is our practice to negotiate with our direct sale suppliers and concessionaries for them to contribute to the cost for certain marketing activities relating to their respective merchandise, which enables us to make cost savings on our marketing expenses.

In line with our marketing strategies for department stores and supermarkets, we also undertake market research and surveys regularly to collect market data relating to consumer behaviour and feedback from customers. These market surveys are normally conducted through interviewing customers in our department stores and supermarkets. Questionnaires covering areas such as the prices and variety of merchandise offered in our stores, the effectiveness our marketing efforts, and comparison with our competitors, will be handed out to customers during the interviews. Our management believes that such research and surveys provide useful information based on which we will be able to further improve the merchandise mix and the quality of our customer service, and to formulate our marketing strategies. In addition, market research is also conducted on our competitors. Such research will involve areas such as promotional campaigns, new product types, sales volume, sales staff and products layout of these competitors. We believe that such research will help to increase our competitiveness in the market.

Customer membership programme

We have in place a customer membership programme under which we issue customer membership cards to our customers for both department stores and supermarkets. Once a customer joins our customer membership programme, the customer receives a membership card and accumulates points based on purchases. At the end of the year, the accumulated points are redeemable for different items, such as gift coupons. In addition, after the accumulation of a preset amount of points, and subject to our review, the customer will be upgraded to a higher customer tier. In the event that a customer does not meet the pre-determined amount of points within a calendar year, the customer will be downgraded to a lower customer tier. In the event that a customer does not redeem the points that have been accumulated within a calendar year, the points will be forfeited. There is generally no minimum point accumulation required to maintain the membership card. In mid-2008, we also began partnering with major banks in the PRC to offer co-branded membership credit cards. Customers who apply for the credit cards are also enrolled into our membership programmes and are able to accumulate our reward points when they use the credit cards to make purchases in our stores. As at 30 June 2010, we had 1,310,909 customer membership cards in issue, including 120,739 co-branded credit cards in issue.

Our Total Sales Proceeds from sales made by membership cardholders in the department stores accounted for approximately 48% of the Total Sales Proceeds from our department store business for the six months ended 30 June 2010 and our Total Sales Proceeds from sales made by membership cardholders in the supermarkets accounted for 52% of the Total Sales Proceeds from our supermarket business for the six months ended 30 June 2010.

Pre-paid gift cards

As at the Latest Practicable Date, all of our stores issued pre-paid gift cards. We issue pre-paid gift cards to customers who paid for such cards. Customers can use the cards to purchase goods from our stores at a later date after obtaining the cards. If customer needs to purchase an item that costs more than the cash value stored on the card, the individual shall pay for the difference between the price of the merchandise and the amount on the card. Cash that we receive from the issuance of pre-paid gift cards is an advance we receive from customers that is recorded as our other payables and accruals on our consolidated statements of financial position, but does not constitute part of our revenue or Total Sales Proceeds until the customers pay for our goods or services using balance in pre-paid gift cards. For details, please see the section headed "Financial Information — Other Payables and Accruals" in this prospectus.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the balance of our prepaid gift cards payable was approximately RMB354.0 million, RMB449.6 million, RMB585.2 million and RMB737.0 million, respectively. For additional disclosure and risks related with our practice in regard to the pre-paid gift cards, please refer to the section headed "Risk Factors — Risks relating to China — PRC policies, laws and regulations prohibiting the issuance of pre-paid gift cards may have an adverse impact on our operations" and the section headed " — Legal Compliance and Litigation" in this prospectus.

Customer services

We believe that the provision of excellent customer service increases customer loyalty and satisfaction. Each of our department stores and supermarkets has a customer service centre. The customer services provided vary by department store and supermarket and include, among other things, return policy under which customers can return goods within seven days, free delivery for certain purchases, lost and found services, alterations on apparel, shoe and watch repair, rest areas, merchandise availability notification, customer service hotline, missing persons broadcasting, complaints counter and information centre.

INFORMATION TECHNOLOGY

We believe that information technology is fundamental to the efficient management and operation of our business and important for our success, cost control and future growth. Important areas that rely on our information technology include sales, logistic arrangement, supplier and brand management, promotional activities, financial and sales information and analysis and human resource management. We have implemented the ERP platform which provides an integrated information processing platform for managing our investments, business, finance and human resources.

We have an IT system specialised for the retail business. Our IT system supports our various operational models, including our concessionaire sales, direct sales and rent of retail spaces. Our system integrates and supports the department store and supermarket platforms, and integrates the operations of all of our stores with our headquarters. Each store transmits its data through a dedicated connection to our headquarters. Our IT system allows our headquarters to monitor and analyse the performance of each sales counter and each store on a real-time basis. Key sub-systems within our IT include, among other things:

POS system. Our POS system records sales of merchandise and produces invoices for these sales. Our POS system supports the use of various credit cards and customer membership cards. Our system allows our accounting personnel to complete their sales reconciliation with the sales counters within a short period of time. Our management also is able to review sales on a real-time basis.

Merchandise management system. Our merchandise management system monitors our merchandise supply, sales, inventory level and turnover, and gross revenue on single product basis and in an accurate and timely manner. The system enables us to identify the shortage or slow-moving of the merchandise in any stores and respond accordingly, including adjusting brand portfolio from time to time. The system covers the management of concessionaire sales and direct sales in our department store business and supermarket business separately.

Sales promotion system. Our promotional activities may be based on our merchandise or on our customer membership programme, and our POS system and our POS machines support both types of promotional models. We have designed our system so that our POS machines serve multiple functions, including cash register and specialised sales promotion execution. Our system allows real time tracing of the sales promotion execution and permits our management to make timely analysis and decisions.

Supplier management system. Our supplier management system supports various aspects of the management of our relationships with suppliers, including supplier information management, supplier contract management, supplier fee management and account settlement management. Suppliers can access our SCM system through the internet to confirm orders and to inquire about sales, inventories and settlement. The system also integrates the results from our account settlement with our financial management system.

Customer membership management system. Our Group has established a centralised membership management system which enables our membership cards and their bonus points to be accepted in any of our stores. We are able to, through the customer membership management system, record data relating to the types of transaction made by cardholders, calculate bonus points, and record the number of times for which membership cardholders participated in promotional or marketing activities. We are able to conduct analyses the make-up of members by variables such as age, gender and geographic location and can use such data to tailor our marketing activities to these members.

Financial management system. Our Group has a centralised and integrated financial system which performs the functions of financial accounting, comprehensive budgeting, fund management, statement management and automatic matching with the data contained in the operation system, allowing cross referencing of our operation and financial data. Through the system, we can analyse the gross operation profit of our Group, and also our past and current financial performance. We can obtain daily, monthly, and annual sales reports which were prepared based on calculations by brand, commission levels, gross profits and unit prices.

Human resources management system. We have a centralised and integrated "e-HR" system, which fulfils the functions of basic file management, remuneration management, welfare management and time management of staff and other personnel management functions of the Group. We also use our human resources management system for human resources planning, training management and recruitment administration.

During the Track Record Period, we had not experienced a material system failure that resulted in widespread and substantial loss of service or other significant damages. We have established a back-up system in Yixing, where our primary system is located.

EMPLOYEES

Staff

We employed 6,024 employees as at 30 June 2010. The following table sets out the total number of our employees by function as at the dates indicated.

	As at 30 June 2010	
	No. of Employee	**% of total**
Management	48	0.80
Administrative	310	5.15
Financial and Information Technology	320	5.31
Marketing	495	8.22
Procurement	74	1.23
Logistics	57	0.94
Operational	4,720	78.35
Total	6,024	100

Our management staff includes those working at our headquarters, our development department of department store business and supermarket business, and our various stores. Our operation staff includes security guards, cashiers, engineers, sales assistants and others.

Our concessionaires are responsible for employing their salespeople. As at 30 June 2010, our concessionaires and direct sales suppliers employed approximately 12,500 employees to serve at their sales counters located in our department stores and supermarkets.

Our employees participate in various pension and benefit schemes organised by the relevant PRC municipal and provincial government under which we are required to make monthly contributions to these plans. The local government is responsible for the planning, management, and supervision of the scheme, including collecting and investing the contributions, and paying out the pensions to the retired employees. The total amount of contributions and benefit we made for such schemes for the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2009 and 2010, was approximately RMB20.3 million, RMB28.2 million, RMB36.2 million, RMB15.5 million and RMB20.2 million, respectively.

We enter into separate labour contracts with each of our employees, the terms and conditions of which are in full compliance with the relevant PRC labour laws and employment decrees. The remuneration of our employees consists of basic salary and quarterly and annual discretionary bonuses. The bonus amount is based on the employee's performance. In addition, we provide our employees with various insurance policies and housing pensions as required by relevant PRC labour laws.

As advised by our PRC legal advisers, we have complied with all of the relevant national and local labour and social welfare laws and regulations and have paid relevant contributions as required by such laws and regulations in all material aspects.

Training

We emphasise on the long-term training of our managerial personnel and employees. We have a university recruitment scheme under which we recruit fresh graduates from the campus and offer a period of internship work experience, induction training and orientation and career planning. For our management team, we have established a three-step training support scheme that aims to support and encourage members of our management team to continue improving their management skills. Our "step-by-step" scheme has been instrumental in contributing to the training and development of our employees. For each step of the three-step training scheme for our managerial personnel, we appoint an instructor, who is selected from our managers or senior managers, to assume overall responsibility for the training of each individual. As such, the scheme provides our employees with the opportunity to learn from and communicate directly to our senior management personnel. We have also formed a Springland Training Institute that offers periodic on-job training to our staffs. These training sessions are provided by both in-house and external experts. Under the scheme, our employees also undergo an evaluation process, the outcome of which may determine their promotion, placement and career development.

PROPERTIES

As at 31 July 2010, the total GFA of the properties occupied by us was 712,973 sq.m., among which 553,020 sq.m. were owned by us and 159,953 sq.m. were leased. Our typical lease terms range from five to 20 years, and the remaining term of our current leases range from two years nine months to 20 years.

As at 31 July 2010, four of our current leases for stores and offices with a total GFA of approximately 23,417 sq.m., accounting for approximately 3.28% of the total GFA that we occupied, had not been registered with competent PRC authorities. Among these leases, two of them are for stores. One is for a GFA of 12,000 sq.m. in Liyang Springland Store and the other is for a GFA of approximately 9,800 sq.m. in Jiangyin Datonghua Store (Hongqiao Branch). For the six months ended 30 June 2010, Liyang Springland Store and Jiangyin Datonghua Store (Hongqiao Branch), calculated based on the unregistered lease area on proportional basis, contributed approximately 1.7% and 1.4%, respectively, to the Group's total turnover. The total GFA of these two leases account for approximately 3.06% of the total GFA that we occupy. The properties under the other two unregistered leases are used as offices. Our failure to register such leases is caused by the non-performance of the landlords to submit necessary files. According to the relevant PRC laws, the registration for a lease could not be completed by tenant only, and the landlord must submit certain necessary documents as well. Our PRC legal advisers are of the opinion that the effectiveness and enforceability of the lease contracts would not be affected by the failure of lease registration. As advised by our PRC legal advisers, we, as the tenant, is protected by the PRC laws and regulations to legally occupy and use such leased properties in accordance with lease contracts, and would not be exposed to the risk of administrative penalty imposed by the relevant PRC governmental authority. We believe that these properties with unregistered leases are not crucial to our businesses, and there will be no material impact on our operation and financial performance.

In addition, a site area of 8,966 sq.m. out of the total site area 12,502 sq.m. of our Nantong Yaohan Store is located on allocated land. Under the relevant PRC laws and regulations, allocated land may only be used for non-commercial purposes. However, we operate a department store on this land parcel. Also, since construction relating to the expansion of certain buildings which occupy this allocated land is not complete, we do not have building ownership certificates for these buildings. We have been advised by our PRC legal advisers that there is no practical legal impediment to our plans to apply for and obtain building ownership certificates for these buildings. We have also been advised by our PRC legal counsel that this arrangement with respect to our use of allocated land does not comply with relevant PRC laws and regulations. Furthermore, the Nantong land bureau may deem our Nantong Yaohan Store to be in violation of the terms of our allocated land use rights, and as a result, our land use rights certificates may be revoked. The Nantong land bureau may also require that the land to be converted into granted land. In addition, if the Nantong local government decides to change the urban planning relating to this allocated land, it may repossess this site and we would be required to relocate our store operations.

We have consulted, and are currently negotiating, with the competent governmental department, namely the Nantong Stated-owned Land and Resource Bureau and Nantong Urban Planning Administration Bureau, regarding a long-term lease agreement in respect of such allocated land so as to allow the Nantong Yaohan Store to continue to commercially use the allocated land for the commercial purposes. As of the Latest Practicable Date, we are still in the process of negotiating the terms of such long-term lease agreement. A long-term lease arrangement would address our lack of the land use rights certificates relating to the parcels of allocated land in connection with the Nantong Yaohan Store. Despite our intent to negotiate and enter into this long-term lease agreement, as advised by our PRC legal advisers, pursuant to the relevant PRC laws and regulations, the Nantong land bureau may require us to convert such land into granted land and, as a result, we will be required to pay a sum of land-grant fee to the relevant government authorities. As advised by our PRC legal adviser, since we obtained our rights to use the allocated land through legal procedures as stipulated under then applicable laws and regulations, the conversion price to be paid, if the allocated land is to be converted to granted land, will be determined through negotiations with the Nantong land bureau. The Nantong land bureau will determine the amount of conversion price payable by us by taking into account various factors including, but not limited to, the results of negotiation between us and the Nantong land bureau, the sale price of other comparable lands in Nantong at the time of the conversion and the benchmark price for commercial lands in Nantong at the time of conversion as published by the Ministry of Land and Resources of the PRC. As at 31 December 2009, the benchmark price for allocated land was approximately RMB7,561.0 per sq.m. However, the actual conversion price per sq.m. we would pay, if the Nantong land bureau were to require the conversion, may differ materially. Our PRC legal advisers also advised us that, if the Nantong land bureau requires us to relocate the Nantong Yaohan Store due to the change of the urban planning, we will be granted a grace period for the terms that we agreed with the relevant government authorities through negotiation, during which time we could continue operating the Nantong Yaohan Store on that allocated land while prepare for the relocation of such store. We estimate that, in the event that the Nantong land bureau requires us to relocate the Nantong Yaohan Store, we would need to suspend operations of the Nantong Yaohan Store for approximately 18 months. We further estimate that, based in part on the profit forecast of the Nantong Yaohan Store for the year ending 31 December 2011, the financial impact caused by the relocation of the Nantong Yaohan Store could amount to approximately RMB22.8 million, mainly comprising the minimum operation costs for Nanjing Yaohan Store during that 18-month-period and the loss of profit as a result of such relocation. We do not have any indemnity from, or recourse to, the vendors of the Nantong Yaohan Store or the Controlling Shareholders with respect to any adverse impact that may result from the lack of land use rights certificates for these parcels of allocated land. In addition, as advised by our PRC legal advisers, we will be entitled to monetary compensation, payable by the relevant government authorities, in the amount of the aggregation of the value of the properties of the Nantong Yaohan Store on the entire site (including the allocated land), as well as the value of the land (excluding the portion of the allocated land) based on the estimation prepared by the valuer appointed by the relevant government authorities in accordance with the relevant PRC laws and regulations.

Based on the reasons above, our PRC legal advisers are of the opinion that the possibility that the land use rights for allocated land currently used by the Nantong Yaohan Store will be revoked by the government as a result of a change in urban planning or we will be forced to take the relevant steps to convert the allocated land into granted land is remote.

Further details of the properties owned or occupied by us and properties with no registration lease agreement are set out in the property valuation report prepared by Jones Lang LaSalle Sallmanns Limited contained in Appendix IV to this prospectus.

INSURANCE

We maintain different types of insurance policies to cover our operations, including comprehensive properties insurance, public safety liability insurance, employer liability insurance and automobile liability insurance. Our Directors are of the view that the current insurance coverage over our assets and operations is adequate. As advised by our PRC legal advisers, our insurance policies complies with the relevant laws and regulations in the PRC.

We do not maintain any product liability insurance, which we believe is consistent with the industry practice for department stores and supermarkets. To mitigate the risks that we are exposed to the product liability claims from the end consumers, we have applied a set of stringent criteria in selecting our suppliers to ensure the products we sell are of high quality standard. We also inspect the quality of the products from our suppliers upon delivery and keep a record of each batch of products that we procure from our suppliers. During the Track Record Period, the number of defective goods claims has been minimal and there is no claim that in the view of our Directors would have any material adverse impact on our results of operations or financial condition. In addition, under the terms of our supply contracts with concessionaires and direct sales suppliers, all product liability in respect of any product supplied to us and sold in our department store and supermarket will be borne by the suppliers. We have not suffered from any product liability claims which were, individually or on an aggregate basis, significant during the Track Record Period. See the section headed “Risk Factors — Risks relating to our business — We may be subject to product liability claims relating to defective products provided by us, our concessionaires, direct sales suppliers and fixed rental tenants” for more details.

INTELLECTUAL PROPERTY

Trademark and trade names — PRC

The “大統華”, “華地” and “八佰伴” trade names have been duly registered in the relevant Administration of Industry and Commerce by our PRC subsidiaries in their respective jurisdictions. The “” trademark has been registered in classes 11, 12, 20, 27 and 31 in the PRC, and the “華地” trademark has been registered in classes 35, 36, 39, 41 and 42 in the PRC. The “” trademark has been registered in classes 25 and 35 in the PRC. The and trademarks have been registered in classes 40 and 43 in the PRC respectively. PRC laws do not accept trademark registration for general retail services. The laws, however, do allow trademark registration in class 35 for specific services relating to the retail business. Consistent with industry practice, we have filed for, and have obtained the registration of the trademark “”and “華地” in class 35.

Our department stores in Wuxi, Ma’anshan, Nantong and Zhenjiang are operated under the “八佰伴” (“Yaohan”) trade name. The trade name is being used, and may continue to be used, by other retail operators in other cities across China. We started to use the trade name of “Yaohan” since our acquisition of 51% equity interest in Wuxi Springland in November 2005, which then possessed the right to use the trade name “Yaohan”. Since then, we have made substantial capital investments and effort in building and promoting the trade name of “Yaohan”. Owing to the widespread acceptance and recognition of the trade name of “Yaohan” amongst the customers within Wuxi city and with a view to further strengthening the brand recognition, we decided to continue using this trade name for our new department stores in other cities namely, Zhenjiang, Nantong and Ma’anshan.

According to PRC laws, after one trade name of a company is approved by and registered with the competent administration for industry and commerce, during the business term of the company, its exclusive ownership of such trade name in this industry within the jurisdiction of such administration for industry and commerce will be protected by law. To protect the “Yaohan” trade name, in respect of four of our operating subsidiaries, namely, Wuxi Yaohan Trade & Commerce, Zhenjiang Yaohan Commerce & Trade Co., Ltd., Ma’anshan Yaohan Commerce & Trade Co., Ltd. and Nantong Yaohan, have adopted the trade name “Yaohan” in their corporate names, and all of them have obtained approval and valid registration from the local branches of State Administration of Industry and Commerce. Wuxi Yaohan Store registered its trade name upon its establishment in 1994 with Wuxi Administrative Bureau for Industry and Commerce, Jiangsu Province. We also incorporated Ma’anshan, Nantong and Zhenjiang Store by registering Yaohan (“八佰伴”) trade name with Ma’anshan, Nantong and Zhenjiang Administrative Bureau for Industry and Commerce, and obtained the ownership of Yaohan trade name accordingly, between 2008 and 2010. Therefore, based on the relevant PRC laws, each of such operating subsidiaries has an exclusive right to use trade name “Yaohan” in its business operation within the respective districts in which the Administration Authority of Industry and Commerce has jurisdiction to approve such registration. As a result, customers would be able to differentiate our Group from other unaffiliated stores as this trade name could only be used by the Group exclusively in the relevant locality. To our best knowledge, there was no infringement and litigation arising from the use of Yaohan trade name by the Group during the Track Record Period.

Trademarks — Hong Kong

We have filed one trademark application in Hong Kong for two trademarks in two classes, respectively. See the section headed “Appendix VI — Statutory and General Information — B. Further information about our business — 2. Intellectual property rights” for more information. All these applications are pending.

Other intellectual property rights

We are the registrant of the domain names of www.springlandgroup.com.cn.

See the section headed "Appendix VI — Statutory and General Information — B. Further information about our business — 2. Intellectual property rights" for more information.

Infringement claims

We have adopted measures to minimise the potential infringement of intellectual property rights of third parties, including requiring written evidence proving that our concessionaires, direct suppliers and tenants have the necessary intellectual property rights relating to the merchandise they have supplied to us, or they are selling in our department stores and supermarkets. In addition, our inspection team, together with sales staff familiar with the relevant merchandise we sourced for our direct sales through suppliers, also inspects the merchandise upon delivery. We also enter into agreements with our direct sales suppliers with certain terms, pursuant to which, we have the right to sue our direct sales suppliers responsible for the infringing merchandise.

As at the Latest Practicable Date, we have not received any material third-party intellectual property infringement claims. During the Track Record Period, we were not involved in any intellectual property right infringement litigation initiated by others against us.

COMPETITION

Competition in the PRC retail market in recent years has become increasingly intense, especially within the mid to high-end sector to which we belong. Our key competitors are other local and foreign department stores and supermarkets that offer a similar range of merchandise at similar price points as us in the local markets where we operate, such as Jiangsu province and Anhui province. In particular, for our department store business, we face competition mainly from regional players as well as national and international chain operators. For our supermarket business, our main competitors are primarily national and international chain players. We compete on a variety of factors including mix of merchandise, prices of merchandise, shopping environment, customer services and others. Competition may exert certain downward pressure on the pricing of our merchandises, especially those sold under direct sales for which we decide the pricing. Due to our efficient procurement management and our diversified product range, we believe we have a competitive advantage over many of our competitors in terms of pricing. For concessionaire sales which constitute substantial part of our business operations, we charge the concessionaires a commission at a percentage of gross sales proceeds, which will increase with the price increase of the merchandise sold by the concessionaires. In this regard, inflation would actually benefit our business operations. On the other hand, however, inflation may affect the purchasing power of consumers.

In addition, due to China's accession to the WTO in 2001, and the subsequent complete lifting of certain restrictions on foreign investment in China's retail sector since the end of 2004, we believe that foreign investment in this sector has increased. In April 2004, the PRC Government promulgated the "Administrative Measures on Foreign Investments in Commercial Sectors", with a view to liberalising the regulatory framework for foreign investment in China's retail industry. In addition, on 11 December 2004, the PRC Government removed the restrictions on territory and shareholding proportions of foreign enterprises engaged in the PRC retailing business. On 1 March 2006, a notice by MOFCOM to delegate greater responsibility for approving small and medium-sized foreign-invested retail operations to provincial agencies of MOFCOM and Administrative committees of National Economic & Technology Development Zone further eased the process for multinational retailers. We believe that these measures are likely to further intensify competition, particularly from large international retailers.

We have a number of advantages over our competitors, namely, our extensive retail network, strong brand recognition, sound relationship with concessionaires and suppliers, well-established customer base, innovative marketing activities, in-depth knowledge of the local markets and experienced management team. For further details of our competitive strengths, please see the section headed "Business — Our Competitive Strengths" in this prospectus. As such, we believe we have a mature, distinctive and efficient operation model, which we can rely on to maintain and further strengthen our market position in the retail market in the Greater Yangtze River Delta.

LEGAL COMPLIANCE AND LITIGATION

We conduct our operations and carry out our business in compliance with relevant PRC laws and regulations. Our PRC legal advisers advised us that we have complied in all material respects with all applicable laws and regulations and have obtained all relevant material licenses, permits, approvals and certificates from the relevant authorities to legitimately carry our operations, save as disclosed below and elsewhere in the prospectus.

We have been issuing pre-paid gift cards to our customers as prepayments for goods since 2002. The prepayment is recorded as "other payables and accruals" on our consolidated statements of financial position, and is deducted when the customers make purchases in our shops by using the pre-paid gift cards. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our Total Sales Proceeds attributable to the sales of pre-paid gift cards represented approximately 21%, 22%, 22%, and 22%, respectively, of our Total Sales Proceeds for same periods. In addition, as further explained below, given that fact that there is no practical limitations restricting the use of pre-paid gift cards, we believe that the gross profit of sales generated by gift cards are comparable to that of cash sales. As at 31 December 2007, 2008 and 2009 and 30 June 2010, the balance of payables relating to our pre-paid gift cards was approximately RMB354.0 million, RMB449.6 million, RMB585.2 million and RMB737.0 million, respectively. Our PRC legal advisers are of the view that our practice does not conform with the requirements under the relevant PRC laws and regulations. Although our practice of issuing pre-paid gift cards in the past did not trigger any investigation by the relevant PRC government authorities, our PRC legal advisers are of the view that if such government authorities decide to strictly implement the relevant laws and regulations, we may be subject to civil, administrative and legal consequences, including making refunds to the holders of the pre-paid gift cards, discontinuing the issuance of these cards and/or paying a fine up to RMB200,000 per operating entity, but we would not be subject to any criminal liabilities in any form, nor would we be required to forfeit to the government our revenue/profits attributable to the sales of pre-paid gift cards. As of the Latest Practicable Date, we had 13 subsidiaries that have been engaging in the issuance and sales of pre-paid gift cards and the estimated aggregate amount of the fine would be approximately RMB2.6 million. As advised by our PRC legal advisers, pursuant to the relevant PRC laws and regulations, the gift card holders may bring civil actions against us for refund of the monies paid for the pre-paid gift cards, under which circumstance we may be requested to pay back the outstanding balance in respective pre-paid gift cards without any further liabilities. Should we be compelled to refund monies to holders of outstanding pre-paid gift cards and/or discontinue their issuance, our business, revenues, profits, results of operations and working capital may be materially and adversely affected. Our PRC legal advisers are also of the view that this non-compliance would not have any impact on our business qualification. Pursuant to the deed of indemnity entered into by Netsales and Mr Chen, being our Controlling Shareholders, they undertook to indemnify each of our Company and out subsidiaries against any actions, claims, costs, penalties, fines, damages, losses, expenses and liabilities suffered or incurred by our Company and out subsidiaries arising from or as a result of use of pre-paid card by our Group at any time prior to the listing. For further details about this deed of indemnity, please refer to the section headed "Other Information — Tax and other indemnity" in Appendix VI to this prospectus.

We believe that the issuance and sale of pre-paid gift cards is a common industry practice in the PRC, and as at the Latest Practicable Date, our PRC legal advisers were not aware of any previous regulatory actions taken by the government, prosecuted cases or penalties against our Group or other industry players for the issuance or sale of pre-paid gift cards according to the records published on the official websites of the relevant PRC government authorities. Based on unofficial information from the internet which the Directors are unable to verify, however, the Directors of our Company, with the assistance of our PRC legal advisers, are aware of some enforcement actions which had been taken by PRC authorities in the past against certain store operators in relation to the issuance of pre-paid gift cards. Our Directors confirm that no penalties have been imposed on the Group in respect to the issuance of pre-paid gift cards. For additional disclosure and risks related with our practice in regard to the pre-paid gift cards, please refer to the section headed "Risk Factors — Risks relating to China — PRC policies, laws and regulations prohibiting the issuance of pre-paid gift cards may have an adverse impact on our operations" and the section headed " — Marketing and Customer Services — Pre-paid gift cards" in this prospectus.

We closely monitor the issuance of pre-paid gift cards through our internal procedures, such as reviewing updates on the outstanding balance of pre-paid gift cards from each of our stores on a real time basis, as well as observing any changes to the current regulations or policies in regard to the pre-paid gift cards and the practice of our competitors. In accordance with our internal procedures, the IT department of our headquarter is in charge of the issuance of the pre-paid gift cards and the general managers of our stores are responsible for day-to-day management of pre-paid cards related matters. Our finance department conduct daily inspections on reports from our stores in relation to the pre-paid card transactions against the real-time record generated by our IT department. Our finance department and accounting department will also conduct scheduled and unscheduled inspections on pre-paid card transactions record as well. We have also further requested our PRC legal advisers to keep us informed of any developments to relevant laws or regulations which may impact the issuance of pre-paid gift cards and/or the enforcement of the provisions of the *Emergency Notice on Prohibition of Issuing and Using Token Cards* ("Emergency Notice") by the relevant PRC Governmental authorities.

In order to ensure that we have sufficient cash resources for redemption and maintaining our daily operation if we are required to redeem our outstanding pre-paid gift cards pursuant to the relevant PRC laws and regulations, we closely monitor the total amount of the outstanding balance of the pre-paid gift cards issued by our stores on a real time basis, and we have applied and kept the credit facility in the amount sufficient to cover the aggregate amount of our operating cash flow needs and the outstanding balance of the issued pre-paid gift cards. We plan to implement this practice as long as the current laws and regulations governing the issue of pre-paid gift cards are in force. Our Directors believe that we should have sufficient financial resources to meet the obligations and such potential obligations would not have any material negative impact on our liquidity position and our business as a whole.

We adopted our practice of pre-paid gift cards during the Track Record Period and our Directors expect that we will continue issuing and selling pre-paid gift cards based on following reasons: (i) as advised by our PRC legal advisers, the relevant current PRC laws and regulations in respect of the issuance pre-paid gift cards are regulatory in nature and do not involve criminal liability or provisions with criminal sanctions; (ii) we understand that it is a common market practice in the PRC for department stores and supermarkets to issue pre-paid gift cards; and (iii) as advised by our PRC legal advisers, as at the Latest Practicable Date, our Directors are not aware of any administrative action having been taken against our Group in respect of the issuance of pre-paid gift cards.

In the event that the relevant PRC authorities strictly enforce the Emergency Notice or relevant laws or regulations and we are ordered to immediately stop issuing pre-paid gift cards, we will consider ways to legalise the issue of pre-paid gift cards such as exploring the feasibility of collaborating with authorised banking institutions or their associated entities for launching a jointly run pre-paid gift card program for our stores which can comply with the relevant laws and regulations.

Considering the reasons discussed above and the potential alternatives, our Directors are of the view that we will be able to continue issuing and selling pre-paid gift cards or provide alternative programs. Based on our Company's confirmation and above mentioned reasons, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to draw to a contrary conclusion to our Company's belief.

For the permits and licences required for special commodities and operation, please see the section headed "Industry Overview — Regulatory Overview" in the prospectus. As a foreign invested enterprise, we are not allowed to sell certain special commodities such as tobacco, pursuant to relevant laws and regulations. Therefore we do not sell these merchandise ourselves but only lease out retail spaces to retail operators who sell them, and it is the responsibility of the relevant tenants that lease retail space from us to obtain the licences for these commodities. We have adopted a series of procedures to confirm and monitor the legality of business conducted by the tenants in our retail place. For example, we request our tenants to provide valid business license or permits, such as Certificates of Tobacco Monopoly Licenses, when they enter into or renew the lease agreement with us for the retail space. The tenants are also required to provide timely report to us for any changes to its business license or permit. We also require our tenants to exhibit its valid business license and permit at obvious places as stipulated by the relevant PRC laws. As advised by our PRC legal advisers, our Directors confirm that, to their best knowledge, (i) they are not aware of any incidence that any tenant of our Company's retail space who sell tobacco product has not obtained necessary permit; and (ii) we have not been penalized in this regard. During the Track Record Period, we have not failed to obtain or renew any relevant approvals and licences for our business operations. We have also complied with pricing and consumer protection laws and regulations. All of our store premises currently under operation have passed the fire safety examinations conducted by related public control authority.

During the Track Record Period, there were no material claims made against us for damages caused by defective goods sold in our department stores and supermarkets. As at the Latest Practicable Date, we were not aware of any litigations, disputes or proceedings the result of which may have a material adverse effect on our results of operations or financial condition.

As advised by our PRC legal advisers, the acquisitions of domestic enterprises conducted by Jiangsu Springland, our wholly-owned subsidiary and a foreign invested enterprise, are covered by the relevant regulations regarding investment by foreign invested enterprises, including *Interim Regulations on Domestic*

Investment of Foreign Invested Enterprises promulgated by Ministry of Foreign Trade and Economy Cooperation (predecessor of Ministry of Commerce) and State Administration of Industry and Commerce on 25 July, 2007. However, Jiangsu Springland has not invested in any domestic enterprise directly after it converted into a foreign invested enterprise since the year of 2006, and thus regulations regarding investment by foreign invested enterprise are not applicable to it.

As a retail operator, we are not engaged in any manufacturing or other business operations that may cause environmental pollution and other public hazards. Our retail operations do not pose any high risk of personal injuries or losses of lives either. As a result, we believe environmental protection or production safety does not cause significant concerns for our business. However, we endeavour to comply with, and have complied with, all PRC environment protection, healthy and safety laws and regulations as they apply to us during the Track Record Period. We have also complied with the PRC Labour Contract Law that came into effect on 1 January 2008.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of members of our Board:

Name	Age	Position
Mr Chen Jianqiang (陳建強)	52	Chairman, chief executive officer and executive Director
Mr Tao Qingrong (陶慶榮)	49	Executive Director
Mr Fung Hiu Lai (馮曉黎)	44	Executive Director
Mr Wang Lin (王霖)	42	Non-executive Director
Mr Fung Hiu Chuen, John (馮曉邨)	42	Non-executive Director
Dr Lin Zhijun (林志軍)	55	Independent non-executive Director
Dr Zhang Weijiong (張維炯)	57	Independent non-executive Director
Mr Wang Shuaiting (王帥廷)	54	Independent non-executive Director

Executive Directors

Mr Chen Jianqiang (陳建強), aged 52, is our founder, chairman, chief executive officer and executive Director. He was appointed as our executive Director on 23 June 2006. Since his joining of our Group in 1996, Mr Chen has been engaging in retail business and has over 14 years of experience in managing department stores and retail businesses. Mr Chen is primarily responsible for the overall corporate strategies, planning and business development of our Group. Mr Chen has been a director of Jiangsu Springland since its incorporation in 1996 and has been actively participating in the management and development of our Group's business since then. Mr Chen is also a director of certain of our major operating subsidiaries, including Jiangsu Springland and Wuxi Yaohan Commerce & Trade. Mr Chen has also been the deputy general manager and general manager of 宜興市商業聯合公司 (Yixing City Trade Combination Company), a subsidiary of 宜興市供銷合作總社 (Yixing City Sale and Supply Cooperative), the predecessor company of Jiangsu Springland, from 1985 to 1996. He obtained a degree in Master of Business Administration from The China Europe International Business School in 2002. Mr Chen became the chairman of honour of the World Chinese Traders General Association (Hong Kong) Ltd. (香港華商世界貿易總會) in 2002. Mr Chen, through his wholly-owned company Netsales, is deemed to be interested in 55.72% of our Company upon Listing (without taking into account of the exercise of the Over-allotment Option). Mr Chen is also a director of Netsales, our Controlling Shareholder.

Mr Tao Qingrong (陶慶榮), aged 49, is our executive Director and vice president of our Group. He was appointed as our executive Director on 2 September 2006. Mr Tao is primarily responsible for the management and operation of our department stores. Mr Tao joined our Group in October 2002 as general manager of Shanghai Springland and has been general manager of the department store unit of Jiangsu Springland since January 2006. Mr Tao is also a director of our major operating subsidiaries, including Jiangsu Springland, Shanghai Springland, Wuxi Yaohan Commerce & Trade, 無錫華地投資管理有限公司 (Wuxi Springland Investment Management Co., Ltd.), 鎮江八佰伴商貿有限公司 (Zhenjiang Yaohan Commerce & Trade Co., Ltd.) and 金壇大統華購物中心有限公司 (Jintan Datonghua Shopping Centre Co., Ltd.). Prior to joining our Group, Mr Tao worked for 上海制皂廠 (Shanghai Soap Factory) as director of information centre and deputy manager of foreign trade department from 1988 to 1997, 上海制皂有限公司 (Shanghai Soap Co., Ltd.) as sales and marketing director from 1997 to 2000, and 上海制皂（集團）產品

銷售有限公司 (Shanghai Soap (Group) Product Sales Co., Ltd.) as general manager from 2000 to 2002. Mr Tao obtained a master's degree in system engineering from 上海機械學院 (the Shanghai Institute of Mechanical Technology) (later known as 上海理工大學 (University of Shanghai for Science and Technology)) in 1988, and a degree in Master of Business Administration from The China Europe International Business School in 2002. Mr Tao is interested in 31.25% of the shareholding of Celestial Spring, being a Shareholder holding 1.8% of our Company upon Listing (without taking into account the exercise of the Over-allotment Option).

Mr Fung Hiu Lai (馮曉黎), aged 44, is our executive Director and the vice president of our Group. He was appointed as our executive Director on 2 September 2006. Mr Fung joined our 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 our Group. Mr Fung is a director of our major operating subsidiaries, including Jiangsu Springland and 金壇大統華購物中心有限公司 (Jintan Datonghua Shopping Centre Co., Ltd.), and is the general director in the business development department unit of our 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, our non-executive Director. Mr Fung is interested in 6.25% of the shareholding of Celestial Spring, being a Shareholder holding 1.8% of our Company upon Listing (without taking into account the exercise of the Over-allotment Option).

Non-executive Director

Mr Wang Lin (王霖), aged 42, is our non-executive Director. Mr Wang was nominated as a Director by CDH Resource and was appointed as our non-executive Director on 2 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. Mr Wang is also a director of our major operating subsidiary, Jiangsu Springland. 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 later 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 will be subject to the retirement requirement and re-election by the shareholders in the annual general meetings of our Company in accordance with the Companies Law and the Memorandum of Association and the Articles.

Mr Fung Hiu Chuen, John (馮曉邨), aged 42, was appointed as our non-executive Director on 19 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, our executive Director.

Independent Non-executive Directors

Dr Lin Zhijun (林志軍), aged 55, was appointed as our independent non-executive Director on 17 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 from Xiamen University in 1985. He also received a Master of Science degree from the University of Saskatchewan in 1991. He is a member of the American

Institute of Certified Public Accountants (AICPA), the Chinese Institute of Certified Public Accountants (CICPA) and the Institute of Certified Management Accountants of Australia (CMA). He is currently a professor and the head of the department of Accountancy and Law in the Hong Kong Baptist University. Dr Lin was previously an auditing staff at an international accounting firm, Touche Ross & Co. Canada (now known as "Deloitte & Touche") in Toronto from 1982 to 1983, and has previously taught at Xiamen University, the University of Hong Kong and the University of Lethbridge in Canada. Dr Lin is currently an independent non-executive director of China Everbright Limited and Sinotruk (Hong Kong) Limited, shares of which are listed on the Main Board of the Stock Exchange. Dr Lin had been a director of 深圳赤灣石油基地股份有限公司 (Shenzhen Chiwan Petroleum Supply Base Co., Ltd.), a company listed on Shenzhen Stock Exchange, since 2002 to 2007. Dr Lin possesses the professional qualifications, and accounting and financial management expertise required under Rule 3.10(2) of the Listing Rules.

Dr Zhang Weijiong (張維炯), aged 57, was appointed as our independent non-executive Director on 17 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's degree of science in business administration and a Ph.D. degree from the University of British Columbia in Canada in 1989 and 1997, respectively. He is currently a professor and the vice chancellor 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.

Mr Wang Shuaiting (王帥廷), aged 54, was appointed as our independent non-executive Director on 19 July 2010. Mr Wang graduated from China Europe International Business School with a master's degree in Business Administration in 2002. He is currently the vice chairman of the board of directors, president and chief executive officer of China Resources Power Holdings Company Limited, a company listed on the Main Board of the Stock Exchange. Mr Wang is also the vice chairman of China Resources (Holdings) Co., Ltd.. Mr Wang has extensive experience in corporate governance in listed companies in the electricity industry in the PRC. He served as the General Manager of China Resources (Xuzhou) Electric Power Co., Ltd. ("CR Xuzhou") from 1994 to 2010. Prior to his engagement in CR Xuzhou, Mr Wang worked in the general office of the Government of Jiangsu Province from April 1986 to March 1987 and was subsequently the head of the Industrial and Transportation Office of Xuzhou Municipal Government from April 1987 to August 1987. He was also the Vice General Secretary of Xuzhou Municipal Government from 1991 to 1994.

Save as disclosed in this section, each of our Directors confirms with respect to himself that: (i) he has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he does not have any relationship with any other Directors, senior management or substantial or Controlling Shareholders of our Company; (iii) he does not hold any positions in our Company or other members of our Group; (iv) he does not have any interests in the Shares within the meaning of Part XV of SFO; (v) there is no other information that should be disclosed for him pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; and (vi) there are no other matters that need to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Ms Xu Ying (許英), aged 35, is responsible for the operation and management of our supermarket business. Ms Xu has over 14 years of experience in retail sales since her joining our Group in 1996. Ms Xu has previously worked in our major subsidiaries, including Liyang Datonghua, Jintan Datonghua and Jiangsu

Datonghua and has previously taken up the positions of assistant to the general manager of Liyang Datonghua and general manager of 金壇大統華購物中心有限公司 (Jintan Datonghua Shopping Centre Co., Ltd.) respectively. Ms Xu was promoted to the general manager and the chief operating supervisor of our Group's supermarket business department in December 2008. Ms Xu is a director of 金壇大統華購物中心有限公司 (Jintan Datonghua Shopping Centre Co., Ltd.) and the general manager of the supermarket business department of Jiangsu Springland. Ms Xu graduated from 中央廣播電視大學 (The Open University of China) majoring in business administration in 2009.

Mr Yu Yaoming (俞堯明), aged 40, is responsible for the accounting and financial reporting of our Group. Mr Yu has over 10 years of experience in finance and accounting. Mr Yu joined our Group in October 2007 as a financial director of our Group and Jiangsu Springland. Prior to joining us, Mr Yu worked as an accounting manager of 上海賽科石油化工有限責任公司 (Shanghai SECCO Petrochemical Company Limited) from 2001 to 2007. Prior to that, Mr Yu worked as a deputy director of the finance department of 中石化上海金山工程公司 (SINOPEC Shanghai Jinshan Engineering Co., Ltd.) from 1999 to 2001 and worked in relevant units under 中國石化上海石油化工股份有限公司 (SINOPEC Shanghai Petrochemical Company Limited) from 1992 to 1999. Mr Yu obtained a bachelor's degree in accounting from 上海財經大學 (Shanghai University of Finance and Economics) in 1992. Mr Yu is also a member of the Chinese Institute of Certified Public Accountants.

Mr Wang Jiaming (王家明), aged 37, is responsible for the human resources planning of our Group. Mr Wang joined our 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 our Group and Jiangsu Springland. Prior to joining us, 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 later received a master's degree in business administration from 東南大學 (Southeast University) in 2001.

Mr Zhu Tao (朱滔), aged 39, is responsible for assets management of our Group. Mr Zhu joined our Group in 1996 and has previously taken up various positions in Liyang Springland, Jiangyin Springland and Yixing Springland. Mr Zhu has over 14 years of experience in department store and retail businesses and is primarily responsible for the business expansion and asset management of our Group. Mr Zhu is a director of our major operating subsidiaries, including Jiangsu Springland, 江陰華地百貨有限公司 (Jiangyin Springland and Department Store Co., Ltd.), Wuxi Springland and Yixing Springland, and is the chief supervisor of the asset management department of our Group and Jiangsu Springland. Prior to joining our Group, Mr Zhu worked for 宜興酒廠 (Yixing Wine Factory). Mr Zhu obtained a diploma in food processing from 上海水產大學 (Shanghai Fisheries University) (later known as 上海海洋大學 (Shanghai Ocean University)) in 1991. Mr Zhu is a director of and is interested in 25% of the shareholding of Celestial Spring, being a Shareholder holding 1.8% of our Company upon Listing (without taking into account the exercise of the Over-allotment Option).

Mr Jiang Changlin (蔣長林), aged 37, is our secretary to the Board. Mr Jiang joined our Group in 1996. He has previously taken up various positions in our Group including director of information department, accounting supervisor and finance manager of Yixing Springland and was later promoted to the finance general manager of Jiangsu Springland. Mr Jiang has more than 14 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 our major operating subsidiaries, including Jiangsu Springland and Wuxi Springland. Prior to joining our Group, Mr Jiang has worked in 江蘇水利工程專科學校 (Jiangsu Hydro Project Training School (later known as 揚州大學水利學院 (University of Yangzhou, college of Water Engineering)) from 1991 to 1993. He is also a holder of the certificate of accounting professional (會計從業資格證書) of the PRC and a member of 註冊稅務師協會 (Institute of Certified Tax Agents) in the PRC. Mr Jiang is interested in 25% of the shareholding of Celestial Spring, being a Shareholder holding 1.8% of our Company upon Listing (without taking into account the exercise of the Over-allotment Option).

COMPANY SECRETARY

Ms Hon Yin Wah (韓燕華), HKICPA, FCCA, aged 39, is our Company Secretary. She joined our Group in August 2010. Prior to joining us, she has previously worked as an associate and was later promoted to the position of an audit manager at PricewaterhouseCoopers Ltd. from 1994 to 2000 and as financial controller at DeTeam Company Limited (formerly known as Angels Technology Company Limited), a company then listed on the GEM Board of the Stock Exchange and now listed on the Main Board of the Stock Exchange from 2000 to 2003. Ms Hon was also the chief financial officer of China Techfaith Wireless Communication Technology Limited (中國德信無線科技有限公司), a company listed on the Nasdaq Stock Market from 2003 to 2006 and the chief financial officer of 北京立通有限公司 (Leadtone Limited) from 2007 to 2010. 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).

DIRECTORS' INTEREST IN COMPETITION BUSINESS

None of the Director holds or conducts any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group.

BOARD COMMITTEE

Audit Committee

We established an audit committee on 30 September 2010 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The audit committee consists of three members, all of whom are independent non-executive Directors, being Dr Lin Zhijun, Dr Zhang Weijiong and Mr Wang Shuaiting. The Audit Committee is chaired by Dr Lin Zhijun. The primary duties of the audit committee are to assist the Board to provide an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Company, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Remuneration Committee

We established a remuneration committee on 30 September 2010 with written terms of reference in compliance with paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of five members, three of whom are independent non-executive Directors, being Dr Zhang Weijiong, Mr Wang Shuaiting and Dr Lin Zhijun, and two non-executive Directors, being Mr Wang Lin and Mr Fung Hiu Chuen, John. The remuneration committee is chaired by Dr Zhang Weijiong. The primary duties of the remuneration committee include (without limitation):

- making recommendations to our Directors on our policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration;
- determining the terms of the specific remuneration package of our Directors and senior management;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and
- considering and approving the grant of share options to qualified participants pursuant to the Share Option Scheme conditionally adopted by our Company pursuant to a resolution passed by our Shareholders on 30 September 2010.

Nomination Committee

We established a nomination committee on 30 September 2010 with written terms of reference in compliance with paragraph A4.4 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The nomination committee consists of five members, three of whom are independent non-executive Directors, being Dr Zhang Weijiong, Mr Wang Shuaiting and Dr Lin Zhijun, and two non-executive Directors, being Mr Wang Lin and Mr Fung Hiu Chuen, John. The nomination committee is chaired by Dr Zhang Weijiong. The primary duties of the nomination committee include (without limitation):

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

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors receive, in their capacity of our employees, compensation in the form of salaries, discretionary bonuses, other allowances and benefits in kind, including our contribution to the pensions scheme for our executive Directors, in their capacity as employees, according to the PRC laws. We determine our Directors' (including non-executive Directors and independent non-executive Directors) salaries based on each Director's qualification, position and seniority. The distribution of year-end discretionary bonus depends on the performance of our Group in the year and the personal contribution of each Director. Our Directors may also be granted options under the Share Option Scheme.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid to our Directors for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were approximately RMB1.9 million, RMB3.8 million, RMB4.4 million and RMB1.6 million, respectively. The Directors consider that their remuneration during the Track Record Period represented an acceptable and competitive salary package for directors and employees at similar positions with similar qualifications in the markets where they are based.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) which were paid or payable by our Company to our five highest paid individuals for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were approximately RMB2.5 million, RMB4.2 million, RMB4.7 million and RMB1.7 million, respectively.

No remuneration was paid by our Company to the Directors or the five highest paid individuals as an inducement to join or, upon joining our Company, as a compensation for loss of office in respect of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. Further, none of our Directors had waived any remuneration during the same period.

Having considered the additional responsibilities of a director for managing a listed company, the remuneration of the directors is expected to increase to a reasonably higher level following the Listing. Under our arrangements currently in force as at the date of this prospectus, the aggregate remuneration of our Directors for the year ending 31 December 2010 is estimated to be equivalent to approximately RMB3.2 million.

Particulars of Directors' service contracts

None of our Directors has or is proposed to have a service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by our Company within one year without the payment of compensation (other than statutory compensation)).

Each of our executive Directors has entered into a service contract with our Company and each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company effective upon the Listing. Further information about the employment agreements entered into between our Company and our Directors is set out in the section headed "Statutory and General Information — C. Further Information about Directors, Management, Staff and Experts — 3. Particulars of service contracts" in Appendix VI to this prospectus.

COMPLIANCE ADVISER

We will appoint Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The terms of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

Number of Shares comprised in the authorised share capital

	Authorised share capital
10,000,000,000 Shares	HK$100,000,000

The share capital of our Company immediately following the Global Offering and the Capitalisation Issue will be as follows:

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering and the Capitalisation Issue:

		Issued share capital
	14,664,000 Shares in issue immediately before the Global Offering	HK$ 146,640
	500,000,000 Shares to be issued under the Global Offering	HK$ 5,000,000
	1,985,336,000 Shares to be issued pursuant to the Capitalisation Issue	HK$19,853,360
Total:	2,500,000,000 Shares	HK$25,000,000

The tables above assume that the Capitalisation Issue and the Global Offering become unconditional and are completed. The tables take no account of (a) any Shares which may be issued under the general mandate given to our Directors for the issue and allotment of Shares (see "General Mandate to Issue Shares" below); or (b) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares (see "General Mandate to Repurchase Shares" below); or (c) any exercise of any options which may be granted under the Share Option Scheme (see "Share Option Scheme" below).

RANKING

The Offer Shares will rank pari passu in all respects with all Shares in issue and/or to be allotted and issued and will qualify for all dividends or other distributions hereafter declared, paid or made on the Shares.

CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 30 September 2010, subject to (i) the Listing Committee granting the approval for the Listing of, and permission to deal in, the Shares and the obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional in accordance with the terms; and (ii) the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors are authorised to allot and issue a total of 1,985,336,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on 30 September 2010 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK$19,853,360 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

(a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and to be issued under the Capitalisation Issue referred to in the section headed "Statutory and General Information — A. Further Information about our Company — 3. Resolutions of our Shareholders" in Appendix VI to this prospectus; and

(b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in "General Mandate to Repurchase Shares" below,

and our Directors were authorized to make any offer or agreement or grant any option which would or may require such shares to be allotted and issued. This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association, the Cayman Companies Law or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking or varying the authority given to our Directors,

whichever occurs first.

For further details of this general mandate, please refer to the section headed "Statutory and General Information — A. Further Information about our Company — 3. Resolutions of our Shareholders" in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on (i) the Listing Committee granting the approval for the Listing of, and permission to deal in, the Shares in issue and the new Shares to be issued as mentioned in this prospectus proposed to be issued by our Company in connection with the Global Offering (including any Shares which will be issued pursuant to the options granted under the Share Option Scheme) and the listing approval not having been subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and (ii) the obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) thereunder by the Sole Global Coordinator, on behalf of the Underwriters) and such obligations not having been terminated in accordance with the terms of the respective Underwriting Agreements or otherwise, in each case on or before 8:00 a.m. on the Listing Date, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase on the Stock Exchange or any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about our Company — 6. Repurchases of our own securities" in Appendix VI to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association, the Cayman Companies Law or any applicable laws of the Cayman Islands to be held; or

(iii) the passing of ordinary resolution of our Shareholders in general meeting revoking or varying the authority given to our Directors,

whichever is the earliest.

For further details of this general mandate, please refer to the section headed "Statutory and General Information — A. Further Information about our Company — 3. Resolutions of our Shareholders" in Appendix VI to this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information — E. Share Option Scheme" as set out in Appendix VI to this prospectus.

OUR SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the exercise of the Over-allotment Option or any Shares to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), the only persons who will have an interest or short position in our Shares or underlying shares of our Company which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company are as follows:

Name of Shareholders	Nature of interest	Number and class of securities(1)	Percentage of interest in our Company immediately after the Global Offering
Netsales Trading Limited(2)	Beneficial interest	1,393,000,000 Shares (L)	55.72%
Chen Jianqiang(2)	Interest in controlled corporation	1,393,000,000 Shares (L)	55.72%
CDH Resource Limited(3)	Beneficial interest	437,000,000 Shares (L)	17.48%
CDH China Growth Capital Fund II, L.P.(3)	Interest in controlled corporation	437,000,000 Shares (L)	17.48%
CDH China Growth Capital Holdings Company Limited(3)	Interest in controlled corporation	437,000,000 Shares (L)	17.48%
China Diamond Holdings II, L.P.(3)	Interest in controlled corporation	437,000,000 Shares (L)	17.48%
China Diamond Holdings Company Limited(3)	Interest in controlled corporation	437,000,000 Shares (L)	17.48%

Notes:

(1) The letter "L" denotes the person's long position in such Shares. The number of securities represents the number of Shares immediately after completion of the Global Offering but without taking into account the exercise of the Over-allotment Option.

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

(3) CDH Resource, a limited liability company incorporated in the BVI, 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.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the exercise of the Over-allotment Option or any Shares to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme) have interests or short positions in Shares or underlying shares of our Company which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SELLING SHAREHOLDERS

Pursuant to the International Underwriting Agreement and assuming that the Over-allotment Option is not exercised, the Base Offering Selling Shareholders, being CDH Resource and Fit Master, will sell 63,000,000 Sale Shares and 62,000,000 Sale Shares respectively, representing 2.52% and 2.48% of the total issued share capital of our Company immediately after completion of the Global Offering.

Pursuant to the International Underwriting Agreement and assuming that the Over-allotment Option is fully exercised, the Over-allotment Selling Shareholders, being Netsales, CDH Resource and Celestial Spring, will sell an additional 28,750,000 Sale Shares, 55,000,000 Sale Shares and 10,000,000 Sale Shares respectively, representing 1.15%, 2.20% and 0.40% of the total issued share capital of our Company immediately after completion of the Global Offering.

Respective shareholdings of the Selling Shareholders after the Global Offering assuming the Over-allotment Option is not exercised

Selling Shareholders	Number of Shares held immediately before the Global Offering	Number of Sale Shares to be sold as part of the Global Offering	Total Number of Shares held after completion of the Global Offering	Percentage of interest in our Company immediately after completion of the Global Offering
Netsales	1,393,000,000	—	1,393,000,000	55.72%
CDH Resource	500,000,000	63,000,000	437,000,000	17.48%
Celestial Spring	45,000,000	—	45,000,000	1.80%
Fit Master	62,000,000	62,000,000	—	—
Public	—	—	625,000,000	25%
Total	2,000,000,000	125,000,000	2,500,000,000	100%

Respective shareholdings of the Selling Shareholders after the Global Offering assuming that the Over-allotment Option is exercised in full

Selling Shareholders	Number of Shares held immediately after completion of the Global Offering but before the exercise of the Over-allotment Option	Number of Sale Shares to be sold pursuant to the Over-allotment Option	Total Number of Shares held after completion of the Global Offering and the exercise of the Over-allotment Option in full	Percentage of interest in our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option
Netsales	1,393,000,000	28,750,000	1,364,250,000	54.57%
CDH Resource	437,000,000	55,000,000	382,000,000	15.28%
Celestial Spring	45,000,000	10,000,000	35,000,000	1.40%
Fit Master	—	—	—	—
Public	625,000,000	—	718,750,000	28.75%
Total	2,500,000,000	93,750,000	2,500,000,000	100%

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and Global Offering, Netsales and Mr Chen will, either directly or indirectly, be interested in more than 30% of our issued share capital, irrespective of whether the Over-allotment Option is exercised partially or fully, or at all. Accordingly, Netsales and Mr Chen are our Controlling Shareholders. Netsales is merely an investment holding company and its only assets are the interest in our Company. None of the Controlling Shareholders holds or conducts any business which competes, or is likely to compete, either directly or indirectly, with our business.

THE NANJING YAOHAN STORE

We operated a department store in Nanjing (the "Nanjing Yaohan Store") which was opened in September 2008. The Nanjing Yaohan Store is located in Nanjing, a first-tier city in Jiangsu Province in which the department store business is facing comparatively keen competition. The Nanjing Yaohan Store was at its early development stage which was not able to reach the level of profitability within our planned time frame due to a number of factors, including the unexpected change in government's development plan in the area where the department store is located, as a result of which the pedestrian traffic did not reach the level that we had originally anticipated. In line with our business strategies and having considered the prospect of the Nanjing Yaohan Store, we decided to dispose of the Nanjing Yaohan Store in order to devote our resources to other department stores located in the second-tier and third tier cities. Accordingly, on 28 June 2010, we disposed of the entire equity interest in Nanjing Yaohan, our company holding the Nanjing Yaohan Store, to Wuxi Yinian, at nil consideration, save for the right which we reserved for developing the supermarket business at the same location as the Nanjing Yaohan Store. The consideration was reached after taking into account the loss incurred by our Group since the commencement of business of the Nanjing Yaohan Store, and the negative net asset of the Nanjing Yaohan at the time of the disposal. After the disposal, we ceased to have any interest in the Nanjing Yaohan Store.

Wuxi Yinian, a company incorporated in the PRC, is owned as to 90% and managed by Mr Chen Jianhui, a brother of Mr Chen, one of our Controlling Shareholders and our executive Director. Mr Chen Jianhui is a businessman engaged in apparel manufacturing business in the PRC, and after his acquisition of the Nanjing Yaohan Store, also commences his own investment in department store business in Nanjing. Mr Chen Jianhui agreed to acquire the Nanjing Yaohan Store with a view to continue carrying on its business operations and to take advantage of the initial set up costs already invested in the store. Despite that Mr Chen Jianhui does not personally have an established industry experience in managing department stores, he would leverage on the expertise of the Nanjing Yaohan Store's existing management team, who would continue to be responsible for the strategic planning and day-to-day management of the store. Mr Chen Jianhui considered that with appropriate capital investments in the Nanjing Yaohan Store and its continuous business operation and expansion, it would attain a reasonable level of profitability over time.

As part of our arm's length negotiation for the disposal, Wuxi Yinian has granted us an option to acquire the entire interest in Nanjing Yaohan within five years from 28 June 2010, being the completion date of disposal of Nanjing Yaohan, at a consideration based on the lower of (i) net asset value of the latest audited account of Nanjing Yaohan immediately before the exercise of the call option, and (ii) the then market value of the Nanjing Yaohan Store at the time of the exercise of the option. Upon exercise of the call option by our Group, the market value of Nanjing Yaohan will be determined between our Group and Wuxi Yinian with reference to the fair valuation of Nanjing Yaohan, or in the event that the parties fail to reach an agreement on valuation, by an independent valuer or an independent financial adviser appointed jointly by our Group and Wuxi Yinian. Furthermore, Wuxi Yinian also granted us a right of first refusal to acquire the Nanjing Yaohan Store or Nanjing Yaohan as and when Wuxi Yinian intends to dispose of any interest in the Nanjing Yaohan Store or Nanjing Yaohan to a third party, at the same terms and prices offered by such third party.

To avoid conflict of interest with respect to exercise of the call option, any Director who has a material interest in the proposed transaction (including Mr Chen) would abstain from voting in the board meeting in which the exercise of call option to acquire the Nanjing Yaohan Store is proposed. The Directors who are in the position to consider the exercise of call option include our executive Directors (other than Mr Chen), non-executive Directors and the independent non-executive Directors, who collectively have thorough understanding of our business and expansion plan, as well as profound experience in department store business and financial planning. Our exercise of the option to acquire the Nanjing Yaohan Store and/ or Nanjing Yaohan will also constitute a connected transaction of our Company under the Listing Rules, and will be subject to the reporting, announcement and/ or independent shareholders' approval under Chapter 14A of the Listing Rules. An independent financial adviser may also be appointed to advise the fairness of the exercise of the option as required under the Listing Rules. The Board shall ensure that the call option will be exercised in the best interest of our Company and our Shareholders, after taking into account the then operation results and prospects of Nanjing Yaohan Store and our overall business strategy.

Our plan of expanding our supermarket network in Yangtze River Delta region is unaffected by our disposal of the Nanjing Yaohan Store. As part of our business plan with regard to supermarkets, we are planning to open a supermarket at the basement of the building where the Nanjing Yaohan Store is situated, namely the Nanjing Datonghua Store, which is expected to come into operation in October 2010.

Notwithstanding his acquisition of the Nanjing Yaohan Store, to the best of knowledge of our Directors, Mr Chen Jianhui does not currently have any plan to further expand his retail business by opening another store in Nanjing or other cities in the PRC. Our Group does not currently have, and has no plan to open, another department store in Nanjing. As the geographical location of a department store and proximity to customers play a critical role in defining its targeted customers, we do not consider the Nanjing Yaohan Store to be in direct or indirect competition with our department stores located in other cities. Further, we do not expect there to be any competition between the Nanjing Yaohan Store and the supermarket that we plan to open at its basement, as department stores and supermarkets provide different merchandise to serve the diversified needs of their distinct customer group and are therefore complementary to each other. Mr Chen Jianhui has also undertaken to our Company (for itself and as trustee for each of our subsidiaries) that he shall not, other than the operations of the Nanjing Yaohan Store, directly or indirectly carry on or participate in any other business which is in competition or is likely to be in competition with our business.

NON-COMPETITION UNDERTAKING

The Controlling Shareholders have entered into a deed of non-competition (the "Deed") in favour of our Company, pursuant to which the Controlling Shareholders have jointly and severally undertaken to our Company (for itself and as trustee for each of its subsidiaries) that he or it shall not, and he or it shall use his or its best endeavours to procure that his or its associates (which for the purpose of the Deed, shall not include any members of the Group) shall not, during the restricted period set out below, directly or indirectly or as principal or agent, whether on his or its own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of our

Group) carry on, engage, participate or hold any right or interest or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with or is likely to be in competition, directly or indirectly, with any business (the "Business") (including property development of integrated residential and commercial properties) presently carried on by any members of our Group or any other business that may be carried on by any members of our Group from time to time during the term of the Deed (the "Restricted Activity"), whether as a shareholder, director, officer, partner, agent, lender, employee, consultant or otherwise and whether for profit, reward or otherwise and any action which interferes with or disrupts or may interfere with or disrupt the Business including, but not limited to, solicitation of any of the customers, suppliers or employees of any member of our Group, provided that nothing in the Deed shall (i) preclude any of the Controlling Shareholders from having any interest in not more than 5% of the issued shares in any company engaging any Restricted Activity (the "Subject Company") which is or whose holding company is listed on any recognized exchange (as defined under the SFO) and (ii) restrict Mr Chen Jianhui, a brother of Mr Chen, and/or Wuxi Yinian, being a company held as to 90% by Mr Chen Jianhui, from directly or indirectly holding all or any interest in Nanjing Yaohan, which holds the Nanjing Yaohan Store, from directly or indirectly carrying on, engaging, participating or otherwise be involved in the business or operations of the Nanjing Yaohan Store whether as a shareholders, director, officer, partner, agent, lender, employee, consultant or otherwise or whether for profit, reward or otherwise.

Each of the Controlling Shareholders further irrevocably and unconditionally and jointly and severally undertakes to our Company (for itself and as trustee for each of the other member of our Group) that if any new business investment or other business opportunity relating to the Business (the "Business Opportunity") is identified by or made available to him or it or any of their associates, he or it shall and shall procure that their associates (excluding any member of our Group) shall refer such Business Opportunity to our Company on a timely basis and in the following manner:

(a) he or it shall and shall procure that his or its associates (excluding any members of our Group) shall give written notice to our Company of such Business Opportunity within seven days identifying the target company (if relevant) and the nature of the Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Business Opportunity;

(b) our Company shall seek approval from the Board or a board committee comprising only Directors (including independent non-executive Directors) who do not have a material interest in the Business Opportunity (the "Independent Board") as to whether to pursue or decline the Business Opportunity. Any Director who has an actual or potential material interest in the Business Opportunity shall abstain from attending and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such Business Opportunity;

(c) the Independent Board shall consider the financial impact of pursuing the Business Opportunity offered, whether the nature of the Business Opportunity is consistent with our Group's strategies and development plans, the general market conditions in the Business's industry in the PRC and any advice from independent financial advisers, should the appointment of which be deemed necessary by the Independent Board;

(d) if appropriate, the Independent Board may appoint independent financial advisers to assist in the decision-making process in relation to such Business Opportunity;

(e) the Independent Board shall, within 30 days of receipt of the written notice referred to in paragraph (a) above, inform the Controlling Shareholders in writing on behalf of our Company its or his decision whether to pursue or decline the Business Opportunity;

(f) the relevant Controlling Shareholder shall be entitled but not obliged to pursue such Business Opportunity if he or it has received a notice from the Independent Board declining such Business Opportunity; and

(g) if there is any material change in the nature, terms or conditions of such Business Opportunity pursued by the relevant Controlling Shareholder, he or it shall refer such Business Opportunity as so revised to the Company in such manner as if it were a new Business Opportunity.

The undertakings mentioned above are conditional upon Listing. If the Shares are not listed on or before 31 December 2010, the Deed shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed.

The Deed shall take effect from the Listing Date and will be conditional upon Listing and shall continue in full force until the earlier of the date on which such Controlling Shareholder ceases to hold directly or indirectly in aggregate 30% or more of the entire issued share capital, or otherwise ceases to be a controlling shareholder, of our Company or the Shares cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange due to any reason).

Our independent non-executive Directors will review, on an annual basis, the compliance by the Controlling Shareholders with their non-competition undertakings and in particular, the right of first refusal in relation to any Business Opportunities. In this connection, the Controlling Shareholders shall provide all information necessary for the annual review by the independent non-executive Directors in respect of the compliance of the Deed by him or it.

Please refer to the section headed "Underwriting" in this prospectus for more details on the lock-up arrangements restricting the sale or disposal of Shares by certain Shareholders.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe our Group is capable of carrying on its business independently of our Controlling Shareholders and their associates thereof after the Listing Date for the following reasons:

Independence of Business

Other than the Nanjing Yaohan Store in respect of which a call option arrangement is in place, details of which are set out in the paragraph headed "The Nanjing Yaohan Store" in this section, there is no competing business between our Controlling Shareholders or his or its associates and our Group. The Controlling Shareholders have entered into the Deed in favour of our Company.

Management Independence

Our management team is capable of managing our business independently from our Controlling Shareholders. Netsales is an investment holding company having no material business operation and its only assets are the interests in our Company.

Operational Independence

We hold all necessary licences for the operation of our business, and we have sufficient capital and employees to operate our business independently from our Controlling Shareholders. Our operational decisions are made independently by our management team led by our executive Directors and senior management. We have independent access to our suppliers and customers, and conduct our sales and marketing independently of our Controlling Shareholders. Our suppliers are appointed and selected by members of our Group based on its own criteria without the involvement of our Controlling Shareholders.

Financial Independence

We have our own financial management and relevant personnel who are independent from our Controlling Shareholders. We make our financial decisions independently and there are established financial management rules addressed to financial matters of our members. All guarantees or financial assistance provided by our Controlling Shareholders to or for the benefit of our Group will be released before the Listing.

You should read this section in conjunction with our audited and reviewed consolidated financial statements, including notes thereto, as set forth in Appendix I "Accountants' Report". The financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please see the section headed "Risk Factors" in this prospectus.

BASIS OF PRESENTATION

As part of the Reorganisation, our Company, through its wholly owned subsidiaries Cleavebury and Springland International, acquired the entire equity interest in Jiangsu Springland and Hong Kong Springland. Jiangsu Springland is the intermediate holding company of all of our operating subsidiaries in the PRC. As a result of the Reorganisation, our Company became the holding company of our Group. For further details of the Reorganisation, see the section headed "History, Reorganisation and Corporate Structure" in this prospectus.

The Financial Information section herein includes the financial statements of the companies comprising our Group for the Track Record Period. Except for the subsidiaries that were acquired by our Company before the Track Record Period via a business combination under common control, which was accounted for using merger method of accounting, subsidiaries that were historically acquired or disposed of are consolidated using the purchase method of accounting from or to their effective dates of acquisition or disposal, being the respective dates on which our Group obtained control or ceased to have control over such subsidiaries. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within our Group are eliminated on consolidation in full.

In November 2009, our Group acquired a controlling interest in Nantong Department Store Stock Co., Ltd. In October 2009, our Group disposed of its entire 100% equity interest in Jiangsu Spring Trading Co., Ltd. to related parties. For more details on the above acquisition and disposal, see Notes 38 and 39 of the Accountants' Report as set forth in Appendix I to this prospectus. We also disposed of the Nanjing Yaohan Store to Wuxi Yinian, a related party, at nil consideration. The consideration was reached after taking into account the loss incurred by our Group since the commencement of business of the Nanjing Yaohan Store, and the negative net asset of Nanjing Yaohan at the time of the disposal. For more details on this disposal, see the section headed "History, Reorganisation and Corporate Structure — Disposal of Hong Kong Springland and the Nanjing Yaohan Store" to this prospectus.

OVERVIEW

We are a geographically focused and dual-format retail chain operator in the Greater Yangtze River Delta, operating both department stores and supermarkets. We are a market leader in each of the regional markets where we operate. Our stores in Yixing, Jiangyin, Liyang, Danyang, Changshu and Jintan were ranked as the highest grossing department stores and/or supermarkets in 2009 in their respective regions, according to the local branches of MOFCOM in the respective cities. Since the inception of our Group in 1996, we have focused on developing our business in the Greater Yangtze River Delta. As at 30 June 2010. we operated 10 department stores and 16 supermarkets in the Greater Yangtze River Delta. As at the Latest Practicable Date, we also have three department stores and ten supermarkets under construction, which are expected to start operation at various times between the end of 2010 and the fall of 2012. For the years ended 31 December 2007, 2008 and 2009, our Total Sales Proceeds* were approximately RMB3,743.5 million, RMB4,244.7 million and RMB4,734.4 million, respectively, representing a CAGR of approximately 12.5%, and our total revenue was approximately RMB2,001.3 million, RMB2,246.0 million and RMB2,286.1 million, respectively, representing a CAGR of approximately 6.9%. For the six months ended 30 June 2009 and 2010, our Total Sales Proceeds were approximately RMB2,355.1 million and RMB3,325.1 million, respectively, representing an increase of 41.2% and our total revenue was approximately RMB1,158.4 million and RMB1,494.2 million, respectively representing an increase of 29.0%.

We derive revenue primarily from both direct sales and concessionaire sales. We also derive rental income from leasing out a small part of the retail space in our stores to operators of businesses that we believe are complementary to the shopping environment of our stores. In addition, we provide food and beverage services in our supermarkets.

GENERAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Economic conditions of the Yangtze River Delta and the PRC in general

The retail business is particularly sensitive to economic developments. Our stores are focused geographically in the Greater Yangtze River Delta. The Yangtze River Delta is among the most affluent regions in China and has experienced rapid economic growth in recent years. Although representing only approximately 2.1% of China's total area, the Yangtze River Delta accounted for approximately 15.5% of China's total retail sales of consumer goods in 2009. In addition, most of our stores are located in cities with GDP per capita and retail sales of consumer goods that are at the higher end in the Yangtze River Delta. As a result, our continued growth and success in the Yangtze River Delta will, to a large extent, depend on the continued growth of the PRC economy in general.

The economic growth in China over the past three decades, despite a slowdown in growth as a result of the global economic downturn at the end of 2008, has led to a growth in disposable income and has resulted in increased purchasing power and a stronger demand for high quality consumer products. As substantially all of our stores are located in the Yangtze River Delta, the economic conditions of the PRC, and in turn the Yangtze River Delta will have a significant impact on our results of operations.

Customer awareness of our trade names in our market

We believe that customer awareness of our trade names is critical to our business. Throughout our operation history we have strived to build the recognition of our "Springland", "Datonghua" and "Yaohan" trade names, and to establish our stores as the shopping destination of choice by local consumers. We believe that our brand recognition has significantly contributed to our success in the past. Going forward, we will continue to further enhance customer awareness of our trade names.

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* Total Sales Proceeds is not a calculation based on generally accepted accounting principles. For a detailed explanation of this item, See "— Total Sales Proceeds and Gross Profit".

We believe customer awareness of our trade names is contingent upon many factors, including the scale of our stores, the coverage of our network, the brands that we carry in our stores, our marketing strategies and the image of our stores. In addition, the shopping environment, the customer services that we offer at each store and the loyalty of our customers also play a significant role in attracting new and retaining return customers. We intend to continue to invest in these areas to further enhance customer awareness. We believe that enhanced customer awareness of our trade names will attract more customers visiting our stores and increase our sales and increased sales will in turn attract more leading brand companies to cooperate with us, which would further improve the profile of our stores.

Changes in the mix of our concessionaire and direct sales

We sell most of the merchandise in our department stores through concessionaire sales. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, concessionaire sales accounted for 82.0%, 84.5%, 87.3%, 86.7% and 88.3% of the Total Sales Proceeds from our department store business, respectively. Meanwhile we sell most of the merchandise in our supermarkets through direct sales arrangement. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, direct sales accounted for 93.9%, 92.6%, 91.7%, 91.9% and 90.8% of the Total Sales Proceeds from our supermarket business, respectively.

Due to the different revenue recognition policies for concessionaire sales and direct sales and the different sales models, a change in the mix of our concessionaire sales and direct sales will have a direct impact on our results of operations. In particular, as we only recognise the commission income from concessionaire sales as revenue, an increase in the percentage of concessionaire sales as a percentage of our total sales may lead to a decrease in our total revenue and an increase in our profit margin. On the other hand, we do not recognise any cost of inventories and do not bear the risk of inventories for concessionaire sales. In addition, unlike for direct sales where we have to purchase from our suppliers before we sell any goods, we only need to remit the gross sales proceeds after deduction of concessionaire fees to the concessionaires after the goods have been sold.

Commission rates from concessionaire sales and gross margins from direct sales

We derive our revenue primarily from concessionaire sales and direct sales. For concessionaire sales, we recognise the commission we receive as revenue when merchandise are sold in our stores based on an agreed rate. For direct sales, we purchase merchandise from suppliers and sell the merchandise to our customers, and we recognise the entire sales proceeds that we receive from our customers as revenue. The amounts that we pay for our purchases from suppliers are recognised in the "purchase of and changes in inventories" line item in our income statement, which is essentially the cost of sales for our direct sales, although it also include the costs of inventories associated with the provision of food and beverage service which are insignificant. Commission rates from concessionaire sales and gross margins from direct sales are important for our profitability and results of operations. If the commission rates from concessionaire sales or gross margins from direct sales fluctuate significantly, it would have a significant impact on our overall operating profit margin.

Commission rates from concessionaire sales and gross margins for direct sales reflect the equilibrium of supply and demand and the results of negotiation between us and our suppliers. Leveraging our leading position in our regional market, we generally enjoy a strong bargaining position against our suppliers, and can typically obtain higher commission rates or gross margins than smaller retailers in our market. As we continue to enhance our market position and increase our efficiency in our procurement process, we expect to further enhance our bargaining power. However, certain leading brands with high market demand, good sales performance and good credit tend to have larger bargaining power than smaller brands, and may offer us lower commission rates or higher purchase prices. As a result, as we gradually upgrade the portfolio of brands carried by our stores by bringing in more leading brands, we may experience a decrease in average commission rate or gross margin. It is our strategy to continue to focus on partnering with leading brands as we believe that such brands would increase our overall revenue and also attract customers and increase pedestrian traffic to our stores, which could lead to an increase in the sales and gross profit margins of our other brands.

Operational expenses and costs

In our operations, we incur various expenses and costs, including staff costs, depreciation and amortisation, rental expenses, and other expenses such as costs of utilities, advertising and promotion expenses, decoration and renovation expenses, and others. These expenses fluctuate and differ from store to store depending on a variety of factors. In general, we expect the operational expenses as a percentage of sales to be higher for new stores than for mature stores. We also incur significant pre-operation expenses to open a new store. However, the sales at a new store are generally lower than that at a mature store. As a result, opening new stores potentially may lead to higher operational expenses and costs and lower profitability. In addition, we carry out periodic redecorations and renovations of our stores, which we believe are important in maintaining and enhancing the image of our stores and in attracting customers. From our experience, redecorations and renovations generally lead to increases in sales. However, during redecorations and renovations, we may incur significant expenses and may also experience disruptions to the normal operations.

Costs of obtaining prime retail locations

Most of our department stores and supermarkets are located in prime shopping districts of their respective cities, and we believe prime store location is an important factor that has contributed to our success. We secure these prime locations either through ownership or through long-term leases. Going forward, as we open more stores, we will need to secure more retail locations through ownership or long-term leases, as determined on a case-by-case basis.

In recent years property prices have fluctuated but overall have increased significantly in the PRC, including the Greater Yangtze River Delta. This is particularly so for prime retail locations. As a result, we expect our cost of securing new retail locations for our new stores, whether through ownership or through long-term leases, to increase in the near future. In addition, we also expect the rental expenses for the existing store premises to increase. Most of our current leases have a term of 20 years, and provide for an upward adjustment of rental to a pre-agreed amount every three to five years. We believe this significantly reduces our exposure to the fluctuations of real estate rental market. However, when the current leases expire we will need to re-negotiate the rental with the landlord, who may seek to impose a much higher rental. See also the section headed "Risk Factors — Risks relating to our business — We may not be able to renew any of our existing leases for our stores when they expire, or if they are terminated, on terms acceptable to us."

Finance costs

We have historically met our liquidity requirements through a combination of cash flow from operations, internal resources, short-term bank borrowings and increases in our paid-in capital. We have used external financing resources, such as bank borrowings, when our internal capital resources were not sufficient for our operating needs. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, our finance costs, being interest on bank and other borrowings less interest capitalised, were RMB76.3 million, RMB44.3 million, RMB66.3 million, RMB27.7 million and RMB51.1 million, respectively. While our bank and other borrowings increased over the Track Record Period as a result of our expanded operations, the interest rates for these borrowings generally decreased. For 2007, 2008 and 2009, the weighted average effective annual interest rates* of our bank and other borrowings were 7.9%, 6.1% and 5.0%, respectively. However, fluctuations in interest rates and/or our levels of bank borrowings would have an impact on our finance costs which would in turn affect our results of operations.

Taxation

In 2007, companies within our Group established in the PRC were generally subject to the PRC enterprise income tax at the rate of 33%.

On 16 March 2007, the National People's Congress of the PRC promulgated and adopted the new EIT Law which imposed a uniform income tax rate of 25% on all domestic and foreign-invested enterprises in the PRC, effective 1 January 2008. As a result, our PRC subsidiaries were subject to a statutory enterprise income tax rate of 25% for 2008 and 2009. For further details of the new EIT Law and its other implications for our Group, please see the section headed "— Description of Selected Income Statement Line Items — Income tax" in this prospectus.

During the Track Record Period, certain of our subsidiaries benefited from tax holidays and concessions which have since expired. Please see the section headed "— Description of Selected Income Statement Line Items — Income tax" in this prospectus and Note 12 of the Accountants' Report as set forth in Appendix I to this prospectus for further details.

Seasonality

Our retail business is susceptible to seasonal fluctuations and follows traditional seasonal shopping patterns in China. A high proportion of our sales is typically recorded during the New Year holiday, the Chinese New Year holiday in early spring, the Labour Day holiday in early May, Duan Wu Festival, the Mid-Autumn Festival holiday, the National Day holiday in early October and Christmas, as well as our store anniversaries. In addition, a significant part of our merchandise is fashion and apparel products which are generally seasonal in nature and carry higher selling prices for autumn and winter relative to spring and summer. We incur additional expenses in advance of peak selling periods to acquire additional inventory and carry out marketing and advertising activities. Also, as a result of increased sales over that period and the delay between receipt of cash and payment of concessionaires and direct sales suppliers, our cash on hand at the end of December is generally greater than cash on hand at the end of June.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our principal accounting policies, which are important for an understanding of our financial

* The weighted average effective annual interest rate equals total interest expense on bank and other borrowings divided by the average of the balances of total bank and other borrowings at the beginning and the end of the relevant period.

condition and results of operations, are set out in detail in Note 4 of Section II of the Accountants' Report set out in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as judgements by our management relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. We believe the following are our most significant critical accounting policies and our accounting policies involving the most significant estimates and judgements used in preparation of our financial statements.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of our activities. We present our revenue net of value-added tax, estimated returns and discounts. We recognise our revenue items as follows:

- ***Revenue from direct sales of goods.*** We recognise sales of goods when the significant risks and rewards of ownership have been transferred to the buyer, provided that we maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

- ***Commission revenue***. We recognise commission revenue from concessionaire sales upon the sale of goods by the relevant stores. We recognise only our commission and do not recognise the gross revenue from the concessionaire sales.

- ***Rental income***. We recognise rental income on straight-line basis over the terms of the respective leases.

- ***Fee income from suppliers***. We recognise fee income from suppliers according to the underlying terms of our contracts with suppliers, which is when these services have been provided in accordance therewith.

- ***Interest income***. We recognise interest income on an accrual basis using the effective interest method, which applies the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

- ***Dividend income***. We recognise dividend income when the shareholders' right to receive payment has been established.

Property, plant and equipment

We state property, plant and equipment other than construction-in-progress at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets and bringing the assets to their working condition and location for their intended use. We include subsequent costs in the asset's carrying amount or recognise them as a separate asset, as appropriate, only when it can be clearly demonstrated that future economic benefits can be realised from the use of the assets and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

We calculate depreciation using the straight-line method to write off their cost to their residual values over their estimated useful lives, as follows:

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

We review and adjust, if appropriate, the assets' residual values and useful lives at the end of each reporting period.

Inventory

Inventories comprise merchandise purchased for resale and are stated at the lower of cost and net realisable value. We determine the cost of merchandise on a weighted average basis. The cost of merchandise comprises goods purchase cost and other direct cost. Net realisable value of inventories is the estimated selling price, less estimated selling expenses. We base these estimates on the current market condition and the historical experience of selling merchandise of similar nature, which may change significantly as a result of competitor actions in response to severe industry cycles. Our management reassesses the estimates on each the end of each reporting period.

Operating lease commitments — Group as lessor

We have entered into commercial property leases on our property portfolio. We have determined, based on an evaluation of the terms and conditions of the arrangements, that we retain all the significant risks and rewards of ownership of these properties and so have accounted for the contracts as operating leases.

Impairment of goodwill

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us 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. An impairment loss recognised for goodwill is not reversed in a subsequent period. The carrying amount of goodwill as at 31 December 2007, 2008 and 2009 and 30 June 2010 was RMB87.1 million, RMB87.1 million, RMB127.4 million and RMB127.4 million, respectively.

Impairment of non-financial assets (other than goodwill)

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, goodwill and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is 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 any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognised tax losses and deductible temporary differences as at 31 December 2007, 2008 and 2009 and 30 June 2010 were RMB7.7 million, RMB25.4 million, RMB26.3 million and RMB31.5 million, respectively. The amounts of accumulated and unrecognised tax losses as at 31 December 2007, 2008 and 2009 and 30 June 2010 were nil, RMB14.8 million, RMB28.6 million and nil, respectively.

Bonus points liabilities relating to membership cards

Our Group operates a loyalty points programme, which allows customers to accumulate points when they purchase products in our department stores and supermarkets. The points can then be redeemed for coupons and gifts, subject to a minimum number of points being obtained. The coupons are cash-equivalent when customers use them to purchase products from our 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 analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

Put options to non-controlling interest shareholders

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

RESULTS OF OPERATIONS

The table below sets out selected financial information for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	2,001,347	2,245,987	2,286,050	1,158,411	1,494,172
Other income	133,578	195,415	236,099	123,242	158,822
	2,134,925	2,441,402	2,522,149	1,281,653	1,652,994
Purchase of and changes in inventories	(1,304,847)	(1,480,550)	(1,477,285)	(774,427)	(907,933)
Staff costs	(157,683)	(181,048)	(200,068)	(84,795)	(117,990)
Depreciation and amortisation	(101,845)	(127,295)	(146,203)	(71,817)	(99,768)
Rental expenses	(28,974)	(40,638)	(44,217)	(23,868)	(25,684)
Other expenses	(199,495)	(263,892)	(242,298)	(110,495)	(142,912)
Finance costs	(76,306)	(44,337)	(66,283)	(27,677)	(51,109)
Share of profits and losses of associates	(9)	—	1,306	—	—
Profit before tax	265,766	303,642	347,101	188,574	307,598
Income tax expenses	(47,098)	(84,030)	(98,293)	(54,019)	(79,020)
Profit for the year	218,668	219,612	248,808	134,555	228,578
Attributable to:					
Equity holders of the Company	218,668	219,612	247,723	134,555	222,596
Non-controlling interests	—	—	1,085	—	5,982
	218,668	219,612	248,808	134,555	228,578

TOTAL SALES PROCEEDS AND GROSS PROFIT

Total Sales Proceeds is not a calculation based on generally accepted accounting principles, in particular IFRS or US GAAP, and should not be considered in isolation or construed as an alternative to revenue, or as an indicator of our operating performance or other combined operations or cash flow data prepared in accordance with IFRS or US GAAP. Total Sales Proceeds represent the sum of gross revenue from concessionaire sales, revenue from direct sales and rental income. Total Sales Proceeds differ from revenue in that Total Sales Proceeds excludes income from provision of food and beverage services, and includes the entire proceeds from concessionaire sales as opposed to only the commission portion. With respect to concessionaire sales, we are only entitled to recognise the commission portion as revenue. The amounts included in the reconciliation of Total Sales Proceeds are derived from amounts included in the audited financial information as included in the Accountants' Report in Appendix I to this prospectus. We have presented Total Sales Proceeds data in this prospectus as we believe that Total Sales Proceeds is a useful supplement to revenue because it enables us to measure the operating performance of concessionaire sales and direct sales on a comparable basis. Other companies in our industry may calculate Total Sales Proceeds differently or may use Total Sales Proceeds for different purposes, thereby limiting its usefulness as a comparative measure.

The following table sets forth a full quantitative reconciliation of Total Sales Proceeds to its most comparable IFRS measure, revenue, for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(RMB thousands)				
Revenue	2,001,347	2,245,987	2,286,050	1,158,411	1,494,172
Add/(less)					
Provision of food and beverage services	(15,743)	(14,675)	(12,843)	(5,838)	(7,252)
Commission income from concessionaire sales	(444,942)	(485,613)	(536,441)	(252,740)	(409,141)
Gross revenue of concessionaire sales	2,202,849	2,498,996	2,997,632	1,455,253	2,247,282
Total Sales Proceeds	3,743,511	4,244,695	4,734,398	2,355,086	3,325,061

The following table sets forth the Total Sales Proceeds, gross profit, gross margin (each as defined below), and other income of our department store business and supermarket business for the periods indicated.

	Year ended 31 December									Six months ended 30 June					
	2007			2008			2009			2009			2010		
	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total
	(RMB millions)														
Total Sales Proceeds	2,620.1	1,123.4	3,743.5	2,853.0	1,391.7	4,244.7	3,317.1	1,417.3	4,734.4	1,619.2	735.9	2,355.1	2,466.5	858.6	3,325.1
Gross profit(1)	515.6	175.1	690.7	544.6	216.3	760.9	588.4	216.1	804.5	276.3	105.7	382.0	455.8	128.0	583.8
Other income(2)	64.6	59.8	133.6	95.1	91.1	195.4	109.4	100.6	236.1	53.0	57.4	123.2	73.8	73.9	158.8
Gross margin(3)	19.7%	15.6%	18.5%	19.1%	15.5%	17.9%	17.7%	15.2%	17.0%	17.1%	14.4%	16.2%	18.5%	14.9%	17.6%
Other income as a percentage of Total Sales Proceeds	2.5%	5.3%	3.6%	3.3%	6.5%	4.6%	3.3%	7.1%	5.0%	3.3%	7.8%	5.2%	3.0%	8.6%	4.8%

Notes:

(1) Gross profit represents the total sum of (i) revenue from direct sales less purchase of and changes in inventories attributable to direct sales, (ii) commission income from concessionaire sales and (iii) rental income.

(2) Other income for department store and supermarket store together do not equal total other income, because total other income includes certain unallocated income items that are not presented separately in this table, namely interest income, dividend income from available-for-sale investments, subsidy income and others, which in the aggregate amounted to RMB9.2 million, RMB9.2 million, RMB26.1 million, RMB12.8 million and RMB11.1 million for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2009 and 2010, respectively. For further details, please refer to note 7 of the Accountants' Report as set forth in this prospectus.

(3) Gross margin is calculated as gross profit divided by Total Sales Proceeds.

Our gross margin, as defined above, was 18.5%, 17.9%, and 17.0% in 2007, 2008 and 2009, and 16.2% and 17.6% for the six months ended 30 June 2009 and 2010, respectively. The gross margin of our department store business was 19.7%, 19.1%, 17.7%, 17.1% and 18.5% respectively. The gross margin of our supermarket business in 2007, 2008 and 2009 was 15.6%, 15.5% and 15.2%, and 14.4% and 14.9% for the six months ended 30 June 2009 and 2010, respectively.

Other income, which primarily consists of fee income from suppliers, was RMB133.6 million, RMB195.4 million, RMB236.1 million in 2007, 2008 and 2009, respectively, and RMB123.2 million and RMB158.8 million for the six months ended 30 June 2009 and 2010, respectively. Other income as a percentage of Total Sales Proceeds was 3.6%, 4.6%, 5.0%, 5.2% and 4.8% for the same periods. These increases reflect increases in income from some suppliers, as we provided more services to our suppliers, opened more stores, and strengthened our bargaining position with our suppliers, despite a global economic downturn that began in the second half of 2008.

When considered together, the gross margin and other income as a percentage of Total Sales Proceeds for our department store business remained stable during the Track Record Period, while the gross margin and other income as a percentage of Total Sales Proceeds for our supermarket business increased during the Track Record Period.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue. We derive revenue from the commissions from concessionaire sales, direct sales of goods and, to a lesser extent, rental income and income from provision of food and beverage services. For concessionaire sales, we allow the concessionaires to establish sales counters in our department store and we charge them a commission at a percentage of their gross sales proceeds. For direct sales, we purchase merchandise from the suppliers and resell the merchandise in our stores. We derive rental income from renting designated areas in our premises and our leased buildings to operators of businesses that we believe are complementary to our stores. See the section headed “Business” for more information on concessionaire sales, direct sales and rental of store space. Our sales strategies have been, and will continue to be, driven by the relative profit contribution of the products sold, either through concessionaire sales or direct sales. For example, during the Track Record Period, we decreased our sales of household and electronic appliances as a percentage of total sales volume mainly because of the relatively lower profit contributed by these products.

The following table sets out the breakdown of our revenue from concessionaire sales, direct sales, rental income, provision of food and beverage services and other businesses for the periods indicated.

	Year ended 31 December						Six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB million	% of total revenue	RMB million	% of total revenue	RMB million	% of total revenue	RMB million	% of total revenue	RMB million	% of total revenue
Sale of goods - direct sales	1,503.1	75.1	1,711.6	76.2	1,697.1	74.2	880.6	76.0	1,049.0	70.2
Commission income from concessionaire sales	445.0	22.2	485.6	21.6	536.5	23.5	252.7	21.8	409.1	27.4
Total turnover	1,948.1	97.3	2,197.2	97.8	2,233.6	97.7	1,133.3	97.8	1,458.1	97.6
Rental income	37.5	1.9	34.1	1.5	39.7	1.7	19.3	1.7	28.8	1.9
Provision of food and beverage services	15.7	0.8	14.7	0.7	12.8	0.6	5.8	0.5	7.3	0.5
Total revenue	2,001.3	100.0	2,246.0	100.0	2,286.1	100.0	1,158.4	100.0	1,494.2	100.0

Other income. Other income primarily consists of fee income from suppliers, including primarily promotion fees, management fees paid by suppliers for participating in our promotional activities and display fees, which represent charges paid by suppliers for placing and displaying their merchandise on the shelves and counters of our stores. In addition, it also includes dividend income from available-for-sale investments, interest income, subsidy income and others. "Others" mainly include parking fee income, proceeds from the disposal of property, plant and equipment and other miscellaneous income arising from the ordinary course of our business.

Purchases of and changes in inventories. Purchases of and changes in inventories primarily consist of the costs of merchandise that we purchase from our direct sales suppliers for resale, costs relating to food and beverages and provisions for slow-moving inventory.

Staff costs. Staff costs primarily consist of personnel costs including wages, salaries and bonuses, pension costs and welfare, medical and other benefits. Our concessionaires and direct sales suppliers are responsible for all personnel costs relating to their employees who operate the sales counters in our stores.

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

Other expenses. Other expenses primarily consist of costs of utilities, advertising and promotion expenses, office expenses, decoration and renovation expenses, costs of maintenance and consumables, travelling expenses, bank charges, insurance, professional fees, property taxes, entertainment expenses, government surcharges, loss on disposal of subsidiaries, fair value loss on derivative financial liabilities, loss on disposal of property, plant and equipment and various other costs and expenses. We set forth below a breakdown of other expenses for the periods indicated.

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(RMB millions)				
Utilities	56.9	64.9	78.7	33.4	45.2
Advertising and promotion	33.7	39.5	42.7	19.9	21.8
Office expenses	14.2	16.9	20.6	11.5	14.8
Decoration and renovation expenses	12.7	14.4	14.8	7.6	5.0
Maintenance and consumables	17.1	9.0	7.4	4.4	5.1
Travelling expenses	7.5	3.4	5.0	1.5	4.4
Bank charges	6.9	11.5	19.0	8.6	12.2
Insurance	1.1	1.0	1.2	0.5	0.9
Professional fees	5.4	29.5	10.3	6.2	5.7
Property tax	6.9	8.9	10.6	5.4	8.8
Entertainment expenses	9.5	4.9	7.1	2.6	3.3
Government surcharges	10.9	8.1	6.0	3.1	3.9
Loss on disposal of subsidiaries	—	—	6.6	—	0.8
Fair value loss on derivative financial liabilities	4.9	—	—	—	—
Loss/(gain) on disposal of property, plant and equipment	—	33.0	1.4	—	—
Others	11.8	18.9	10.9	5.8	11.0
	199.5	263.9	242.3	110.5	142.9

During the Track Record Period, our Group paid professional fees primarily to our financial advisors, auditors and legal advisors. Professional fees in 2008 increased significantly from 2007 primarily as a result of an increase in fees paid to auditors and legal advisors in connection with our plans to seek equity financing.

Our Group pays property tax for its self-owned properties that it uses for store operations and the properties that it leased out for rental income. Government surcharges include charges for development fund, urban construction fee and other administrative fees.

Others mainly include uniforms for staff, environmental hygiene fee, cost of system maintenance and donation. The increase in others during the Track Record Period was in line with the Group's business expansion during the Track Record Period.

Finance costs. Finance costs primarily consist of interest expenses from our borrowings.

Income tax. Our Group is subject to income tax on an entity basis on profit arising in or derived from the tax jurisdictions where our subsidiaries are domiciled and operate. Our Company is a tax-exempted company in the Cayman Islands. We are not liable for income tax in Hong Kong as we do not have assessable income sourced from Hong Kong.

All of our operating subsidiaries are located in the PRC and were subject to a statutory enterprise income tax rate of 33% in 2007 pursuant to the income tax laws and regulations of the PRC then in effect.

Under the new EIT Law that was passed by the National People's Congress on 16 March 2007 and became effective on 1 January 2008, China adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and revoked the previous tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. As a result, our PRC subsidiaries were subject to a statutory enterprise income tax rate of 25% for 2008 and 2009.

However, a subsidiary of ours, Wuxi Yuandongli Consulting Co., Ltd., was granted a full exemption on its income taxes for the years ended 31 December 2007 and 2008 by the local branch of the state tax bureau with the relevant authority.

Our effective tax rate, calculated as our income tax expenses divided by our profit before tax, was approximately 17.7%, 27.7% and 28.3% in 2007, 2008 and 2009, respectively, and 28.6% and 25.7% for the six months ended 30 June 2009 and 2010, respectively. Our effective tax rate was lower in 2007 because our tax expenses in 2007 were reduced by RMB49.0 million. This is because of the effect of the change in tax rate on deferred tax as the PRC income tax rate for periods commencing on 1 January 2008 was changed from 33% to 25% according to the new EIT Law promulgated in March 2007, following which the deferred tax assets and liabilities on the temporary differences that are expected to be realised or settled in year 2008 and onwards have been measured at the tax rate of 25%.

REVIEW OF HISTORICAL OPERATING RESULTS

Six months ended 30 June 2010 compared to six months ended 30 June 2009

Total Sales Proceeds. Total Sales Proceeds increased by RMB970.0 million, or 41.2%, from RMB2,355.1 million for the six months ended 30 June 2009 to RMB3,325.1 million for the corresponding period in 2010. Total Sales Proceeds from our department store operations increased by RMB847.3 million, or 52.3%, from RMB1,619.2 million for the six months ended 30 June 2009 to RMB2,466.5 million for the corresponding period in 2010. The increase was primarily due to (i) an increase in the sales of our existing stores, including at the Wuxi Yaohan Store subsequent to its renovations and (ii) an increase in sales from the commencement of operations of our new stores, including Zhenjiang Yaohan Store and Ma'anshan Yaohan Store and the acquisition of the Nantong Yaohan Stone at the end of 2009. During the same period, Total Sales Proceeds from our supermarket operations increased by RMB122.7 million, or 16.7%, from RMB735.9 million for the six months ended 30 June 2009 to RMB858.6 million for the corresponding period in 2010 primarily due to (i) increases in sales of our stores, with our community stores having relatively significant growth; and (ii) an increase in sales from the commencement of operation of new stores. The following table sets forth a breakdown of Total Sales Proceeds between our department store business and supermarket business and by concessionaire sales and direct sales for the periods indicated.

	Six months ended 30 June					
	2009			2010		
	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total
	(RMB millions)					
Direct sales	204.5	676.1	880.6	269.1	779.9	1,049.0
Concessionaire sales	1,404.1	51.1	1,455.2	2,178.6	68.7	2,247.3
Rental income	10.6	8.7	19.3	18.8	10.0	28.8
Total Sales Proceeds	1,619.2	735.9	2,355.1	2,466.5	858.6	3,325.1

Revenue. For the six months ended 30 June 2010, our revenue was RMB1,494.2 million, increased by RMB335.8 million, or 29.0%, from RMB1,158.4 million for the corresponding period in 2009. Revenue from our department store business increased by RMB226.3 million, or 49.0%, while revenue from our supermarket business increased by RMB109.5 million, or 15.7%.

The following table sets forth a breakdown of revenue by different business segments and by types of revenue.

	Six months ended 30 June					
	2009			2010		
	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total
	(RMB millions)					
Direct sales	204.5	676.1	880.6	269.1	779.9	1,049.0
Commission income from concessionaire sales	246.5	6.2	252.7	400.0	9.1	409.1
Total turnover	451.0	682.3	1,133.3	669.1	789.0	1,458.1
Rental income	10.6	8.7	19.3	18.8	10.0	28.8
Provision of food and beverage services	—	5.8	5.8	—	7.3	7.3
Total revenue	461.6	696.8	1,158.4	687.9	806.3	1,494.2

Department store business:

Revenue from direct sales. For the six months ended 30 June 2010, our revenue from direct sales in our department store business was RMB269.1 million, an increase of RMB64.6 million, or 31.6%, from RMB204.5 million for the corresponding period in 2009. The increase was primarily due to an increase in sales of our existing stores and the commencement of operations of new stores. Revenue from direct sales as a percentage of revenue of department store business decreased from 44.3% for the six months ended 30 June 2009 to 39.1% for the corresponding period in 2010. The decrease was primarily due to a decrease in sales volume of household and electronic appliances, which we mainly sell through direct sales, as a percentage of total sales of our department store business.

Commission income from concessionaire sales. For the six months ended 30 June 2010, commission income from concessionaire sales in our department store business was RMB400.0 million, an increase of RMB153.5 million, or 62.3%, from RMB246.5 million for the corresponding period in 2009. This increase was partially due to (i) an increase in sales of our existing stores, including at Wuxi Yaohan Store subsequent to its renovation, (ii) an increase in sales as a result of the commencement of operations of Zhenjiang Yaohan Store and Ma'anshan Yaohan Store and the acquisition of the Nantong Yaohan Store at the end of 2009, and (iii) an increase in the rate of commission we charge our concessionaire partners, in part as a result of our ability to leverage our dominant market position in the local regions to increase our bargaining power with such concessionaire partners. Commission income from concessionaire sales as a percentage of revenue of our department store business increased from 53.4% for the six months ended 30 June 2009 to 58.1% for the corresponding period in 2010. Commission income from concessionaire sales as a percentage of concessionaire sales for our department store business increased slightly from 17.6% for the six months ended 31 June 2009 to 18.4% for the corresponding period in 2010.

Rental income. For the six months ended 30 June 2010, our revenue from rental income in our department store business was RMB18.8 million, an increase of RMB8.2 million, or 77.4%, from RMB10.6 million for the corresponding period in 2009. This increase was primarily due to the commencement of operation of Zhenjiang Yaohan Store and Ma'anshan Yaohan Store and the acquisition of the Nantong Yaohan Store.

Supermarket business:

Revenue from direct sales. For the six months ended 30 June 2010, our revenue from direct sales in our supermarket business was RMB779.9 million and increased by RMB103.8 million, or 15.4%, from RMB676.1 million for the corresponding period in 2009. This increase was primarily attributable to increases in sales of our existing stores, with our residential community stores having relatively significant growth, and an increase in sales from new stores. Revenue from direct sales as a percentage of revenue from our supermarket business remained relatively stable decreasing slightly from 97.0% for the six months ended 30 June 2009 to 96.7% for the corresponding period in 2010.

Commission income from concessionaire sales. For the six months ended 30 June 2010, commission income from concessionaire sales in our supermarket business was RMB9.1 million, an increase of RMB2.9 million, or 46.8%, from RMB6.2 million for the corresponding period in 2009. This increase was primarily due to an increase in overall sales.

Rental income. For the six months ended 30 June 2010, our revenue from rental income in our supermarket business was RMB10.0 million, an increase of RMB1.3 million, or 14.9%, from RMB8.7 million for the corresponding period in 2009. This increase was primarily due to an overall increase in our sales and the commencement of operation of new stores.

Provision of food and beverage services. For the six months ended 30 June 2010, our revenue from the provision of food and beverage service s in our supermarket business was RMB7.3 million, an increase of RMB1.5 million, or 25.9%, from RMB5.8 million for the corresponding period in 2009. The increase was primarily due to an overall increase in customer flow to our stores.

Other income. For the six months ended 30 June 2010, our other income was RMB158.8 million, an increase of RMB35.6 million, or 28.9%, from RMB123.2 million for the corresponding period in 2009. This increase was primarily attributable to an increase in fee income from suppliers. Fee income from suppliers increased primarily because we provided more services to our suppliers, opened new stores and increased the fees we charged as we strengthened our bargaining position with our suppliers.

Purchases of and changes in inventories. For the six months ended 30 June 2010, our purchases of and changes in inventories was RMB907.9 million and increased by RMB133.5 million, or 17.2%, from RMB774.4 million for the corresponding period in 2009.

Staff costs. For the six months ended 30 June 2010, our staff costs were RMB118.0 million, an increase of RMB33.2 million, or 39.2%, from RMB84.8 million for the corresponding period in 2009. This increase was primarily due to an increase in labour costs due to increases in wages and an increase in the number of employees relating to the opening of the Ma'anshan Yaohan Store, Zhenjiang Yaohan Store and Zhenjiang Datonghua Store and the acquisition of the Nantong Yaohan Store. Staff costs as a percentage of Total Sales Proceeds was 3.6% for the six months ended 30 June 2009 and 3.5% for the corresponding period in 2010, as our labour costs per person remained relatively stable.

Depreciation and amortisation. For the six months ended 30 June 2010, our depreciation and amortisation was RMB99.8 million, an increase of RMB28.0 million, or 39.0%, from RMB71.8 million for the corresponding period in 2009. This increase was primarily attributable to depreciation arising from property, plant and equipment at new stores which opened at the end of 2009 and during the first half of 2010.

Rental expenses. For the six months ended 30 June 2010, our rental expenses was RMB25.7 million, an increase of RMB1.8 million, or 7.5%, from RMB23.9 million for the corresponding period in 2009. This increase was primarily due to the opening of our Jiangyin Datonghua Store, Hongqiao Branch.

Other expenses. For the six months ended 30 June 2010, our other expenses were RMB142.9 million, an increase of RMB32.4 million, or 29.3%, from RMB110.5 million for the corresponding period in 2009. This increase was primarily attributable to an increase in our utilities expenses as we opened new stores during the first half of 2010.

Finance costs. For the six months ended 30 June 2010, our finance costs was RMB51.1 million, an increase of RMB23.4 million, or 84.5%, from RMB27.7 million for the corresponding period in 2009. This increase was due to a decrease in interests capitalized as we opened our Zhenjiang Yaohan Store and Zhenjiang Datonghua Store and the increase in interest expenses on our long term loans.

Profit before tax. As a result of the foregoing reasons, for the six months ended 30 June 2010 our profit before tax was RMB307.6 million, an increase of RMB119.0 million, or 63.1%, from RMB188.6 million for the corresponding period in 2009.

Income tax expense. For the six months 30 June 2010, income tax expense was RMB79.0 million, an increase of RMB25.0 million, or 46.3%, from RMB54.0 million for the corresponding period in 2009. Our effective income tax rate was 25.7% for the six months ended 30 June 2010 and 28.6% for the corresponding period in 2009.

Profit for the year. For the six months ended 30 June 2010, our profit for the year was RMB228.6 million, an increase of RMB94.0 million, or 69.8%, from RMB134.6 million for the corresponding period in 2009. This increase was primarily due to increases in revenue and other income which outpaced increases in our purchases and changes in inventories.

Our net profit margin increased to 15.3% for the six months ended 30 June 2010 from 11.6% for the corresponding period in 2009. The increase was primarily due to increases in revenue and other income which outpaced increases in our purchases and changes in inventories.

Year ended 31 December 2009 compared to year ended 31 December 2008

Total Sales Proceeds. Total Sales Proceeds increased by RMB489.7 million, or 11.5%, from RMB4,244.7 million in 2008 to RMB4,734.4 million in 2009. Total Sales Proceeds from our department store operations increased by RMB464.1 million, or 16.3%, from RMB2,853.0 million in 2008 to RMB3,317.1 million in 2009. The increase was primarily due to (i) increases in the sales of our existing stores, specifically at the Wuxi Yaohan Store, Yixing Springland Store and Jiangyin Springland Store and (ii) an increase in sales from the commencement of operations of our new store, Ma'anshan Yaohan Store, in 2009. During the same period, Total Sales Proceeds from our supermarket operations remained relatively stable, increasing by RMB25.6 million, or 1.8%, from RMB1,391.7 million in 2008 to RMB1,417.3 million in 2009. The following table sets forth a breakdown of Total Sales Proceeds between our department store business and supermarket business and by concessionaire sales and direct sales for the periods indicated.

	Year ended 31 December					
	2008			2009		
	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total
	(RMB millions)					
Direct sales	422.9	1,288.6	1,711.5	397.3	1,299.8	1,697.1
Concessionaire sales	2,411.6	87.4	2,499.0	2,897.1	100.5	2,997.6
Rental income	18.5	15.7	34.2	22.7	17.0	39.7
Total Sales Proceeds	2,853.0	1,391.7	4,244.7	3,317.1	1,417.3	4,734.4

Revenue. In 2009, our revenue was RMB2,286.1 million, remained relatively stable, increasing by RMB40.1 million, or 1.8%, from RMB2,246.0 million in 2008. Revenue from our department store business increased by RMB24.2 million, or 2.6%, while revenue from our supermarket business remained relatively stable, increasing by RMB15.9 million, or 1.2%.

The following table sets forth a breakdown of revenue by different business segments and by types of revenue.

	Year ended 31 December					
	2008			2009		
	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total
	(RMB millions)					
Direct sales	422.9	1,288.6	1,711.5	397.3	1,299.8	1,697.1
Commission income from concessionaire sales	479.6	6.0	485.6	525.2	11.2	536.4
Total turnover	902.5	1,294.6	2,197.1	922.5	1,311.0	2,233.5
Rental income	18.5	15.7	34.2	22.7	17.0	39.7
Provision of food and beverage services	—	14.7	14.7	—	12.9	12.9
Total revenue	921.0	1,325.0	2,246.0	945.2	1,340.9	2,286.1

Department store business:

Revenue from direct sales. In 2009, our revenue from direct sales in our department store business was RMB397.3 million, a decrease of RMB25.6 million, or 6.1%, from RMB422.9 million in 2008. Revenue from direct sales as a percentage of revenue of department store business decreased from 45.9% in 2008 to 42.0% in 2009. These decreases were primarily due to decreases in sales volume of household and electronic appliances, which we mainly sell through direct sales, as a percentage of total sales of our department store business.

Commission income from concessionaire sales. In 2009, commission income from concessionaire sales in our department store business was RMB525.2 million, an increase of RMB45.6 million, or 9.5%, from RMB479.6 million in 2008. This increase was partially because of our strategy to sell more of our products through the concessionaire sales method. In addition, commission income from concessionaire sales increased also because of (i) increases in sales at our existing stores, specifically Jiangyin Springland Store and Wuxi Yaohan Store, in 2009 and (ii) an increase in sales due to our acquisition of the Nantong Yaohan Store, in 2009. Commission income from concessionaire sales as a percentage of revenue of our department store business increased from 52.1% in 2008 to 55.6% in 2009. Commission income from concessionaire sales as a percentage of concessionaire sales for our department store business remained relatively stable, decreasing slightly from 19.9% in 2008 to 18.1% in 2009.

Rental income. In 2009, our revenue from rental income in our department store business was RMB22.7 million, an increase of RMB4.2 million, or 22.7%, from RMB18.5 million in 2008. This is primarily because of an increase in rental income from our Wuxi Yaohan Store.

Supermarket business:

Revenue from direct sales. In 2009, our revenue from direct sales in our supermarket business was RMB1,299.8 million and remained relatively stable, increasing by RMB11.2 million, or 0.9%, from RMB1,288.6 million in 2008. This increase was primarily attributable to increases in the sales of our existing stores, including Danyang Datonghua Store (Dagang Development Zone Branch) and Liyang Datonghua Branch (Dongmen Branch), among others, which was substantially offset by a decrease in the sales of Wuxi Datonghua Store, also an existing store. Revenue from direct sales as a percentage of revenue from our supermarket business remained relatively stable, decreasing slightly from 97.3% in 2008 to 96.9% in 2009.

Commission income from concessionaire sales. In 2009, commission income from concessionaire sales in our supermarket business was RMB11.2 million, an increase of RMB5.2 million, or 86.7%, from RMB6.0 million in 2008. This increase was primarily due to an increase in sales of new stores and the addition of new brands that we sell through concessionaire sales as part of our efforts to adjust our product mix.

Rental income. In 2009, our revenue from rental income in our supermarket business was RMB17.0 million, an increase of RMB1.3 million, or 8.3%, from RMB15.7 million in 2008. This is because of an increase in the gross floor area that we leased out in 2009 as a result of new stores which opened in late 2008.

Provision of food and beverage services. In 2009, our revenue from the provision of food and beverage services in our supermarket business was RMB12.9 million, decreasing by RMB1.8 million, or 12.2%, from RMB14.7 million in 2008. The decrease was primarily attributable to changes that we instituted at the Liyang Datonghua Store and the Yixing Datonghua Store, where we decided to have more third parties undertake the provision of food and beverage services.

Other income. In 2009, our other income was RMB236.1 million, an increase of RMB40.7 million, or 20.8%, from RMB195.4 million in 2008. This increase was primarily attributable to increases in fee income from suppliers and interest income from our pledged cash . Fee income from suppliers increased primarily because we provided more services to our suppliers, opened new stores and strengthened our bargaining position with our suppliers. Interest income increased as a result of increases in the amount of pledged cash in 2009.

Purchases of and changes in inventories. In 2009, our purchases of and changes in inventories was RMB1,477.3 million and remained relatively stable, decreasing by RMB3.3 million, or 0.2%, from RMB1,480.6 million in 2008.

Staff costs. In 2009, our staff costs were RMB200.1 million, an increase of RMB19.1 million, or 10.6%, from RMB181.0 million in 2008. This increase was primarily due to an increase in labour costs due to increases in wages and an increase in the number of employees relating to the opening of the Ma'anshan Yaohan Store, Zhenjiang Yaohan Store and Zhenjiang Datonghua Store. Staff costs as a percentage of Total Sales Proceeds remained stable at 4.3% in 2008 and 4.2% in 2009, as our labour costs per person remained stable.

Depreciation and amortisation. In 2009, our depreciation and amortisation was RMB146.2 million, an increase of RMB18.9 million, or 14.9%, from RMB127.3 million in 2008. This increase was primarily attributable to the increases in our depreciation expenses arising from our use of additions to property, plant and equipment after our renovation of the Wuxi Yaohan Store.

Rental expenses. In 2009, our rental expenses was RMB44.2 million, an increase of RMB3.6 million, or 8.8%, from RMB40.6 million in 2008. This increase was primarily due to the full year effect of the Nanjing Yaohan Store lease in 2009, which commenced operations in late 2008 and was subsequently disposed of in June 2010.

Other expenses. In 2009, our other expenses were RMB242.3 million, a decrease of RMB21.6 million, or 8.2%, from RMB263.9 million in 2008. This decrease was primarily attributable to a one-time loss on disposal of property, plant and equipment relating to our renovation of the Wuxi Yaohan Store in 2008.

Finance costs. In 2009 our finance costs was RMB66.3 million, an increase of RMB22.0 million, or 49.7%, from RMB44.3 million in 2008. This increase was due to an increase in our bank borrowings, which was primarily related to the construction of the Ma'anshan and Zhenjiang stores and the acquisition of the Nantong Yaohan Store and an increase in the interest capitalised in the construction of our new stores.

Share of profits and losses of an associate. In 2009 our share of profits and losses of an associate was RMB1.3 million, compared to nil in 2008. Our share of profit of an associate in 2009, related to Nantong Department Store Stock Co., Ltd., which was deemed an associate of our Group before we acquired a controlling interest in November 2009.

Profit before tax. As a result of the foregoing reasons, in 2009 our profit before tax was RMB347.1 million, an increase of RMB43.5 million, or 14.3%, from RMB303.6 million in 2008.

Income tax expense. In 2009, income tax expense was RMB98.3 million, an increase of RMB14.3 million, or 17.0%, from RMB84.0 million in 2008. Our effective income tax rate was 28.3% in 2009 and 27.7% in 2008.

Profit for the year. In 2009, our profit for the year was RMB248.8 million, an increase of RMB29.2 million, or 13.3%, from RMB219.6 million in 2008. This increase was primarily due to increases in our revenue and other income whereas our operating expenses remained relatively stable.

Our net profit margin increased to 10.9% in 2009 from 9.8% in 2008. The increase was primarily due to increases in revenue and other income that outpaced increases in operating expenses.

Year ended 31 December 2008 compared to year ended 31 December 2007

Total Sales Proceeds. Total Sales Proceeds increased by RMB501.2 million, or 13.4%, from RMB3,743.5 million in 2007 to RMB4,244.7 million in 2008.

Total Sales Proceeds from our department store business increased by RMB232.9 million, or 8.9%, from RMB2,620.1 million in 2007 to RMB2,853.0 million in 2008. The increase was primarily attributable to significant growth in the sales from our department store business in 2008, particularly our existing stores such as Jiangyin Springland Store, Danyang Springland Store, Yixing Springland Store and Liyang Springland Store. Total Sales Proceeds from our Nanjing Yaohan Store, which commenced operations in late 2008 and was subsequently disposed of in June 2010, also contributed to this growth in Total Sales Proceeds.

Total Sales Proceeds from our supermarket business increased by RMB268.3 million, or 23.9%, from RMB1,123.4 million in 2007 to RMB1,391.7 million in 2008. The increase was primarily attributable to the continuing growth of existing stores such as the Jiangyin Datonghua Store and the Danyang Datonghua Store (Dagang Branch), among others, and the opening of new stores, such as Jiangyin Datonghua Store (Shengang Branch), Liyang Datonghua Store (Dongmen Branch) and Jiangyin Datonghua Store (Chengxi Branch).

The following table sets forth a breakdown of Total Sales Proceeds between our department store business and supermarket business and by concessionaire sales and direct sales for the periods indicated.

	Year ended 31 December					
	2007			2008		
	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total
	(RMB millions)					
Direct sales	448.1	1,055.0	1,503.1	422.9	1,288.6	1,711.5
Concessionaire sales	2,148.3	54.6	2,202.9	2,411.6	87.4	2,499.0
Rental income	23.7	13.8	37.5	18.5	15.7	34.2
Total Sales Proceeds	2,620.1	1,123.4	3,743.5	2,853.0	1,391.7	4,244.7

Revenue. In 2008, our revenue was RMB2,246.0 million, an increase of RMB244.7 million, or 12.2%, from RMB2,001.3 million in 2007. Revenue from our department store business increased by RMB12.4 million, or 1.4%, while revenue from our supermarket store business increased by RMB232.3 million, or 21.3%.

The following table sets forth a breakdown of total revenue by different business segments and by types of revenue for the periods indicated.

	Year ended 31 December					
	2007			2008		
	Department Store business	Supermarket business	Total	Department Store business	Supermarket business	Total
	(RMB millions)					
Direct sales	448.1	1,055.0	1,503.1	422.9	1,288.6	1,711.5
Commission income from concessionaire sales	436.8	8.2	445.0	479.6	6.0	485.6
Total turnover	884.9	1,063.2	1,948.1	902.5	1,294.6	2,197.1
Rental income	23.7	13.8	37.5	18.5	15.7	34.2
Provision of food and beverage services	—	15.7	15.7	—	14.7	14.7
Total revenue	908.6	1,092.7	2,001.3	921.0	1,325.0	2,246.0

Department store business:

Revenue from direct sales. In 2008, our revenue from direct sales in our department store business was RMB422.9 million, a decrease of RMB25.2 million, or 5.6%, from RMB448.1 million in 2007. This decrease was primarily due to decreases in sales volume of household and electronic appliances, which we mainly sell through direct sales, as a percentage of total sales of our department store business.

Commission income from concessionaire sales. In 2008, commission income from concessionaire sales in our department store business was RMB479.6 million, an increase of RMB42.8 million, or 9.8%, from RMB436.8 million in 2007. Commission income from concessionaire sales as a percentage of revenue for our department store business increased from 48.1% in 2007 to 52.1% in 2008. Commission income from concessionaire sales as a percentage of concessionaire sales for our department store business remained relatively stable, decreasing slightly from 20.3% in 2007 to 19.9% in 2008.

Rental income. In 2008, our revenue from rental income in our department store business was RMB18.5 million, a decrease of RMB5.2 million, or 21.9%, from RMB23.7 million in 2007. This is primarily a result of a decrease in the gross floor area that we leased out in 2008, mainly because of our renovation of the Wuxi Yaohan Store during the year.

Supermarket business:

Revenue from direct sales. In 2008, our revenue from direct sales in our supermarket business was RMB1,288.6 million, an increase of RMB233.6 million, or 22.1%, from RMB1,055.0 million in 2007. This increase was attributable to the opening of new stores, which include Jiangyin Datonghua Store (Shengang Branch), Jiangyin Datonghua Store (Chengxi Branch) and Liyang Datonghua Store (Dongmen Branch). Direct sales from our existing supermarkets also increased, particularly for our Danyang Datonghua Store and our Jiangyin Datonghua Store. Revenue from direct sales as a percentage of revenue for our supermarket business was 96.5% in 2007 and 97.3% in 2008.

Commission income from concessionaire sales. In 2008, our revenue from commissions from concessionaire sales in our supermarket business was RMB6.0 million, a decrease of RMB2.2 million, or 27.2%, from RMB8.2 million in 2007. This decrease was primarily attributable to a lower commission rate we charged our suppliers during the global economic crisis at the end of 2008.

Rental income. In 2008, our revenue from rental income in our supermarket business was RMB15.7 million, an increase of RMB1.9 million, or 13.8%, from RMB13.8 million in 2007. This increase was primarily attributable to the opening of new stores as a result of which we leased out more retail space. Rental income under current leases also increased.

Provision of food and beverage services. In 2008, our revenue from provision of food and beverage services in our supermarket business was RMB14.7 million, a decrease of RMB1.0 million, or 6.4%, from RMB15.7 million in 2007.

Other income. In 2008, our other income was RMB195.4 million, an increase of RMB61.8 million, or 46.3%, from RMB133.6 million in 2007. This increase was primarily attributable to an increase in our fee income from suppliers as we provided more services to our suppliers, opened new stores and strengthened our bargaining position with our suppliers.

Purchases of and changes in inventories. In 2008, our purchases of and changes in inventories was RMB1,480.6 million, an increase of RMB175.8 million, or 13.5%, from RMB1,304.8 million in 2007. This increase was primarily attributable to our supermarket business and is a result of the opening of four new supermarkets in 2008.

Staff costs. In 2008, our staff costs were RMB181.0 million, an increase of RMB23.3 million, or 14.8%, from RMB157.7 million in 2007. This increase was primarily due to an increase in number of employees as a result of the opening of four new supermarkets. Staff costs as a percentage of Total Sales Proceeds remained stable at 4.2% in 2007 and 4.3% in 2008, as our labour costs per person remained stable.

Depreciation and amortisation. In 2008, our depreciation and amortisation was RMB127.3 million, an increase of RMB25.5 million, or 25.0%, from RMB101.8 million in 2007. This increase was primarily attributable to the increase in the number of stores, as a result of which assets subject to depreciation and amortisation increased.

Rental expenses. In 2008, our rental expenses was RMB40.6 million, an increase of RMB11.6 million, or 40.0%, from RMB29.0 million in 2007. This increase was primarily attributable to an increase in the number of stores operating on leased premises, including Jiangyin Datonghua Store (Shengang Branch), Jiangyin Datonghua Store (Chengxi Branch) and Liyang Datonghua Store (Dongmen Branch).

Other expenses. In 2008, our other expenses was RMB263.9 million, an increase of RMB64.4 million, or 32.3%, from RMB199.5 million in 2007. This increase was primarily attributable to an increase in our consulting fees relating to our plans to seek equity financing and a loss on the disposal of property, plant and equipment relating to our renovation of the Wuxi Yaohan Store in 2008.

Finance costs. In 2008 our finance costs was RMB44.3 million, a decrease of RMB32.0 million, or 41.9%, from RMB76.3 million in 2007. This decrease was primarily attributable to a decrease in the effective annual interest rate of our bank and other borrowings and an increase in interest capitalised in 2008, primarily relating to our renovation of the Wuxi Yaohan Store and the construction of the Zhenjiang Yaohan Store.

Share of profits and losses of an associate. In 2008 our share of profits and losses of an associate was nil, while we had a share of losses from an associate, Yixing Springland Trading Co., Ltd., in the amount of RMB9,000 in 2007.

Profit before tax. As a result of the above, in 2008 our profit before tax was RMB303.6 million, an increase of RMB37.8 million, or 14.2%, from RMB265.8 million in 2007.

Income tax expense. In 2008, income tax expense was RMB84.0 million, an increase of RMB36.9 million, or 78.3%, from RMB47.1 million in 2007. Our effective income tax rate was 17.7% in 2007 and 27.7% in 2008.

The PRC statutory enterprise income tax rate changed from 33% to 25% as a result of the new EIT Law, which reduced our deferred tax assets and liabilities by RMB49.0 million in 2007. As a result, our income tax expense was reduced and our profit for the year in 2007 reflects this one-time gain. For this reason, our 2008 income tax expense increased from 2007.

Profit for the year. In 2008, our profit for the year remained relatively stable at RMB219.6 million, increasing slightly by RMB0.9 million, or 0.4%, from RMB218.7 million in 2007. Our net profit margin decreased to 9.8% in 2008 from 10.9% in 2007. These changes primarily reflected the one-time reduction of our deferred tax assets and liabilities in 2007 as a result of the change in tax rate under the new EIT Law and an increase in our other expenses in 2008, primarily due to an increase in our consulting fees relating to our plans to seek equity financing and a loss on the disposal of property, plant and equipment relating to our renovation of the Wuxi Yaohan Store in 2008.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION, NET CURRENT ASSETS/ LIABILITIES

The following is a summary of the consolidated statements of financial position of our Group as at 31 December 2007, 2008 and 2009 and 30 June 2010.

	As at 31 December			As at
	2007	2008	2009	30 June 2010
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	2,179,250	2,572,812	3,719,241	3,840,951
Prepaid land premium	259,560	263,489	256,047	327,329
Goodwill	87,122	87,122	127,439	127,439
Investment in an associate	234	—	—	—
Available-for-sale investments	20,000	20,000	110	110
Long term prepayments	54,098	73,350	32,093	123,080
Deferred tax assets	7,745	11,364	15,286	19,355
Total non-current assets	2,608,009	3,028,137	4,150,216	4,438,264
Current assets				
Inventories	274,695	303,161	301,313	258,148
Trade receivables	4,636	12,042	8,984	19,024
Prepayments, deposits and other receivables	355,733	175,391	194,716	229,380
Equity investments at fair value through profit or loss	—	—	12,521	11,096
Pledged deposits	5,572	170,000	742,790	384,814
Cash and cash equivalents	266,227	407,826	612,813	665,239
Total current assets	906,863	1,068,420	1,873,137	1,567,701
Current liabilities				
Interest-bearing bank and other borrowings	1,097,874	1,173,800	1,746,221	1,367,600
Bills payable	5,572	—	57,790	9,814
Trade payables	460,970	562,989	597,545	573,805
Other payables and accruals	574,282	799,347	960,610	1,141,107
Derivative financial liabilities	7,680	—	—	—
Tax payable	58,296	27,633	32,484	26,832
Total current liabilities	2,204,674	2,563,769	3,394,650	3,119,158
Net current liabilities	(1,297,811)	(1,495,349)	(1,521,513)	(1,551,457)
Total assets less current liabilities	1,310,198	1,532,788	2,628,703	2,886,807
Non-current liabilities				
Interest-bearing bank and other borrowings	145,000	150,000	983,000	1,006,500
Long-term payables	3,702	5,819	256,523	271,506
Deferred tax liabilities	160,819	183,798	333,146	338,260
Total non-current liabilities	309,521	339,617	1,572,669	1,616,266
Net assets	1,000,677	1,193,171	1,056,034	1,270,541
Equity				
Equity attributable to equity holders of the Company:				
Issued capital	162	162	150	150
Reserves	1,000,515	1,193,009	1,023,625	1,235,819
Non-controlling interests	—	—	32,259	34,572
Total equity	1,000,677	1,193,171	1,056,034	1,270,541

Description of certain items in the consolidated statements of financial position

Goodwill was RMB87.1 million, RMB87.1 million, RMB127.4 million and RMB127.4 million as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Goodwill increased as at 31 December 2009 as compared to the same date in 2008 primarily due to our acquisition of a controlling interest in Nantong Department Store Stock Co., Ltd. in November 2009.

Our investment in associates was RMB0.2 million as at 31 December 2007 and represented our equity interest in Yixing Springland Trading Co., Ltd. We have since disposed of this interest in 2008.

Our available-for-sale investments include primarily our investment in unlisted equity investments and are presented at cost. We set forth below a breakdown of our available-for-sale investments as at the dates indicated.

	As at 31 December			As at
	2007	2008	2009	30 June 2010
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at cost	20,000	20,000	110	110

The balance of our available-for-sale investments of RMB20.0 million and RMB20.0 million as at 31 December 2007 and 2008, respectively, represented our investment in Jiangsu Yixing Rural Cooperative Bank, in which we hold 4% of the equity interest. We made this investment as we believed it would yield a return higher than a bank deposit. We have since disposed of this equity interest in 2009. The balance of RMB0.1 million as at 31 December 2009 and 30 June 2010 represented certain unlisted equity investments held by Nantong Department Store Stock Co., Ltd., in which we acquired a controlling interest in November 2009. In addition, we had equity investments at fair value through profit or loss of RMB12,521,000 and RMB11,096,000 as at 31 December 2009 and 30 June 2010, respectively, which represented investments made in various unlisted funds. All of these investments were held by the Nantong Yaohan Store at the time it was acquired by our Group in 2009.

The unlisted equity and fund investments were made by the former management of the Nantong Yaohan Store and were not part of our Group's investment strategies. The primary objectives of our 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 our business and maximize shareholder value. We manage our capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. Currently, our investment plan focuses on the investment in our core business such as establishing new stores and acquire supermarket and department store related business in order to develop its core business and have no plan to invest in other businesses.

Our long term prepayments include primarily rental prepayments and prepayments for purchases of leasehold land and buildings. As at 31 December 2007, 2008 and 2009 and 30 June 2010, long term prepayments were RMB54.1 million, RMB73.4 million, RMB32.1 million and RMB123.1 million, respectively. The increase in long term prepayments in 2008 related primarily to our plans to construct and open the Ma'anshan Yaohan Store, which was subsequently capitalised in our consolidated statements of financial position in 2009 as property, plant and equipment. The increase in long term prepayments as at 30 June 2010 was primarily due to land premium paid for the purchase of land on which we plan to open our new stores in Jintan.

Our derivative financial liabilities represent our liabilities under interest and currency swap contracts. We have entered into an interest and currency swap contract which is one-off in nature, to manage our interest and exchange rate exposures relating to our foreign currency loan with nominal amount of US$22 million bearing variable interest rate based on LIBOR, which did not meet the criteria for hedge accounting. Changes in the fair value of interest and currency derivatives amounting to RMB4.9 million were charged to the income statement for the year ended 31 December 2007. Our interest and currency swap contract was subsequently settled in 2008.

Our long-term payables represent primarily put options to non-controlling interest shareholders. In connection with our acquisition of the Nantong Yaohan Store, we have granted put options to the Nantong Promoters to sell their interests in Nantong Department Store (the "non-controlling interests"). Please see the section headed "History, Reorganisation and Corporate Structure — Our History — Acquisition of Nantong Yaohan Store" for further details. Based on the equity per share of Nantong Department Store as at 31 December 2009, upon exercise in full of the put options by the minority shareholders, the total consideration for acquisition of the shares of Nantong Department Store held by them would be approximately RMB258.2 million, which amount was recognised as long-term payables on our consolidated statements of financial position as at 30 June 2010.

Net current liabilities and working capital sufficiency

The following table sets forth our current assets, current liabilities and net current liabilities as at the dates indicated.

	As at 31 December			As at	As at
	2007	2008	2009	30 June 2010	31 August 2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Inventories	274,695	303,161	301,313	258,148	240,042
Trade receivables	4,636	12,042	8,984	19,024	12,878
Prepayments, deposits and other receivables	355,733	175,391	194,716	229,380	181,955
Equity investments at fair value through profit or loss	—	—	12,521	11,096	12,005
Pledged deposits	5,572	170,000	742,790	384,814	326,414
Cash and cash equivalents	266,227	407,826	612,813	665,239	441,929
Total current assets	906,863	1,068,420	1,873,137	1,567,701	1,215,223
Current liabilities					
Interest-bearing bank and other borrowings	1,097,874	1,173,800	1,746,221	1,367,600	1,156,873
Bills payable	5,572	—	57,790	9,814	1,414
Trade payables	460,970	562,989	597,545	573,805	556,038
Other payables and accruals	574,282	799,347	960,610	1,141,107	1,036,626
Derivative financial liabilities	7,680	—	—	—	—
Tax payable	58,296	27,633	32,484	26,832	23,348
Total current liabilities	2,204,674	2,563,769	3,394,650	3,119,158	2,774,299
Net current liabilities	(1,297,811)	(1,495,349)	(1,521,513)	(1,551,457)	(1,559,076)

We had net current liabilities of approximately RMB1,297.8 million, RMB1,495.3 million, RMB1,521.5 million and RMB1,551.5 million as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. As at 31 August 2010, being the latest practicable date for determining indebtedness, we had net current liabilities of approximately RMB1,559.1 million. The nature of our business of retail operation is such that the majority of our liabilities are short term, consisting mainly of (i) short-term bank borrowings, (ii) trade payables and (iii) other payables and accruals, giving rise to our net current liability position.

During the Track Record Period, our net current liabilities were primarily driven by the substantial amount of short-term borrowings that we incurred, mainly to finance our daily operations, expansion plans and renovation work. We had used short-term borrowings to finance the construction and operations of our new stores during the Track Record Period, including Ma'anshan Yaohan Store and Zhenjiang Yaohan Store, and to finance the renovations of our stores, including Wuxi Yaohan Store. We had principally utilised short-term borrowings rather than long-term borrowings because short-term borrowings are easier to obtain in the PRC and short-term borrowings are in substance revolving in nature. The finance costs for short-term borrowings are also lower than for long-term borrowings.

In addition, as we typically do not need to refund the sales proceeds to the concessionaires or pay our direct sale suppliers for our purchases until some time after the actual sales by the concessionaires or our purchases from the direct sale suppliers, as the case may be, at any given point of time we have a significant balance of trade payables, which also contributes to our net current liabilities position. Trade payables increased during the Track Record Period principally due to increases in trade payables to concessionaires and suppliers as we expanded our business.

Cash and cash equivalents decreased from approximately RMB665.2 million as at 30 June 2010 to approximately RMB441.9 million as at 31 August 2010, primarily reflecting the repayment of certain of our bank loans.

Other payables and accruals increased over the Track Record Period. The increase in other payables and accruals between 2007 and 2008 was primarily due to (i) an increase in payables for capital expenditures relating to our plans to construct and open new stores and (ii) an increase in the balance of our advances from customers; partially offset by (iii) a decrease in other payables in 2008 as we settled an advance to Yixing Springland Real Estate Co., Ltd, a former subsidiary of our Group. The increase in other payables and accruals between 2008 and 2009 was due to an increase in the balance of our advances from customers, which was partially offset by a decrease in our payables for capital expenditures. The increase in other payables and accruals between 31 December 2009 and 30 June 2010 was primarily due to increases in (i) the balance of our advances from customers and (ii) payables for capital expenditures, primarily attributable to payables for the construction of our Zhenjiang Yaohan Store and Zhenjiang Datonghua Store. However, other payables and accruals decreased as at 31 August 2010 comparing to as at 30 June 2010, primarily due to the settlement of certain payables relating to capital expenditures.

During the Track Record Period we had not encountered difficulties in discharging our short-term liabilities as they fell due, due to our strong operating cash flows and our good credit history. Our net current liability position did not have any impact on our liquidity. During the Track Record Period, we had net cash inflow from operating activities, and we expect to have net cash inflow from operating activities in the 12 months from the date of this prospectus. We believe we are also able to obtain new banking facilities when our existing short-term bank borrowings fall due, and throughout 2009 we have obtained new short-term and long-term credit facilities from major commercial banks. In addition, with our internal cash and the proceeds from the Global Offering, we believe we also have sufficient sources of funding for our capital commitments. We anticipate the operating cash flow position to continue to improve as the business continues to grow, and we will continue reducing our reliance on short-term borrowings. During the Track Record Period, we sought to balance our financing structure with more long-term borrowings, which we believe is more appropriate for our growth. With our reduced reliance on short-term borrowings and increased long-term borrowings, we expect our net current liability position to improve after the Global Offering. In particular, of the RMB3,119.2 million total current liabilities outstanding as at 30 June 2010, we intend to settle the interest-bearing bank and other borrowings with the proceeds of the Global Offering and our internal cash. With respect to bills payable, trade payables, tax payables and other payables and accruals outstanding as of 30 June 2010, we intend to settle with operating cash flow. Nevertheless, as an on-going business, we will continue to incur current liabilities in the future.

Our Directors confirm that we have sufficient working capital for our requirements for at least 12 months from the date of this prospectus, taking into account the estimated net proceeds from the Global Offering, available banking facilities and cash flows from our operations.

Please see the sections headed "— Indebtedness", "— Inventory Analysis", "— Analysis of Trade Receivables, Advances to Third Parties and Trade Payables" and "— Other Payables and Accruals" in this prospectus for more discussion on some other major in consolidated statements of financial position.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our liquidity requirements principally through a combination of cash flow from operations, internal resources, bank borrowings and increases in our paid-in capital. Our principal uses of cash have been, and are expected to continue to be, operational costs, capital investments and acquisitions of other department stores and supermarkets.

Cash flow

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	(RMB millions)				
Net cash inflows from operating activities	367.6	567.1	641.2	162.9	360.4
Net cash flow from/(used in) investing activities	(600.4)	(400.8)	(1,622.2)	(936.5)	263.7
Net cash flows from/(used in) financing activities	190.1	(24.0)	1,012.2	669.6	(416.4)
Net increase/(decrease) in cash and cash equivalents	(42.7)	142.3	91.3	(104.0)	207.7
Effect of foreign exchange rate exchange, net	5.6	(0.7)	0.7	0.8	2.6
Cash and cash equivalents, as stated in the statement of cash flows at beginning of year/period	303.4	266.2	407.8	407.8	439.8
Cash and cash equivalents, as stated in the statement of cash flows at end of year/period	266.2	407.8	439.8	304.6	650.1

Cash flow from operating activities

For the six months ended 30 June 2010, we had net cash inflow from operating activities in the amount of RMB360.4 million. This was primarily due to net cash generated from operating activities before working capital changes in the amount of RMB449.7 million. Changes in working capital consisted of (i) an increase in trade receivables, prepayments, deposits and other receivables in the amount of RMB49.4 million, (ii) a decrease in trade payables, bills payables, other payables and accruals in the amount of RMB5.3 million, and offset in part by (iii) a decrease in inventories in the amount of RMB44.2 million. The increase in trade receivables, prepayments, deposits and other receivables was due to the expansion of our business operations. The decrease in trade payables, bills payables, other payables and accruals was primarily due to decrease in our purchase volume during show season overall. Inventories decreased primarily because of seasonal fluctuations related to the varied timing of Chinese holidays from year to year and management's focus on tighter inventory controls overall.

In 2009, we had net cash inflow from operating activities in the amount of RMB641.2 million. This was primarily a result of net cash generated from operating activities before working capital changes in the amount of RMB544.3 million. Changes in working capital consisted of (i) an increase in trade payables, bills payables, other payables and accruals in the amount of RMB199.1 million, (ii) an increase in trade receivables, prepayments, deposits and other receivables in the amount of RMB9.9 million, and (iii) a decrease in inventories in the amount of RMB8.5 million. The increase in trade payables, bills payables, other payables and accruals was primarily due to increases in our sales overall. The increase in trade receivables, prepayments, deposits and other receivables was due to the expansion of our business operations. Inventories decreased primarily because of management's focus on tighter inventory controls overall and seasonal fluctuations related to the varied timing of Chinese holidays from year to year.

In 2008, we had net cash inflow from operating activities in the amount of RMB567.1 million. This was primarily a result of net cash generated from operating activities before working capital changes in the amount of RMB503.8 million. Changes in working capital consisted of (i) an increase in trade payables, bills payables, other payables and accruals in the amount of RMB166.9 million, (ii) a decrease in trade receivables, prepayments, deposits and other receivables in the amount of RMB26.8 million, partially offset by (iii) an increase in inventories in the amount of RMB29.5 million. The increase in trade payables, bills payables, other payables and accruals and inventories were primarily due to the expansion of our business operations. The decrease in trade receivables, prepayments, deposits and other receivables primarily related to the repayment in June 2008 of an amount due from a related company, Heungkong (International) Asia Co., Ltd.

In 2007, we had a net cash inflow from operating activities in the amount of RMB367.6 million. This was primarily a result of a net cash generated from operating activities before working capital changes in the amount of RMB444.5 million. Changes in working capital consisted of (i) an increase in trade payables, bills payables, other payables and accruals in the amount of RMB120.0 million, partially offset by (ii) an increase in inventories in the amount of RMB70.1 million and (iii) an increase in trade receivables, prepayments, deposits and other receivables in the amount of RMB63.0 million. The increase in trade payables, bills payables, other payables and accruals, the increase in trade receivables, prepayments, deposits and other receivables and the increase in inventories were primarily due to the expansion of our business operations.

Cash flow from investing activities

Net cash inflow from investing activities for the six months ended 30 June 2010 was RMB263.7 million. This was primarily due to a decrease in pledged deposits in the amount of RMB358.0 million and a decrease in time deposits in the amount of RMB157.9 million, offset in part by cash paid in purchases of property, plant and equipment in the amount of RMB111.6 million and an increase in long-term prepayments in the amount of RMB91.0 million.

Net cash used in investing activities in 2009 was RMB1,622.2 million. This was primarily a result of purchases of property, plant and equipment in the amount of RMB608.3 million, an increase in pledged deposits in the amount of RMB572.8 million, our acquisition of Nantong Department Store Stock Co., Ltd., in the amount of RMB363.8 million and an increase in time deposits in the amount of RMB173.0 million. The RMB608.3 million purchase of property, plant and equipment primarily reflected amounts that we spent to construct and open new stores and also to renovate existing stores.

Net cash used in investing activities in 2008 was RMB400.8 million. This was primarily a result of purchases of property, plant and equipment in the amount of RMB361.4 million and an increase in pledged deposits by RMB164.4 million. The RMB361.4 million purchase of property, plant and equipment primarily reflected amounts that we spent to construct and open new stores and also to renovate existing stores.

Net cash used in investing activities in 2007 was RMB600.4 million. This was primarily a result of purchases of property, plant and equipment in the amount of RMB451.5 million and an increase in amounts due from a related party in the amount of RMB146.1 million. The RMB451.5 million on purchase of property, plant and equipment primarily reflected the amounts that we spent in purchases of land use rights and buildings for Zhenjiang Datonghua Store, the amounts that we spent in purchase of building for Liyang Springland Store, the amounts spent in purchase of land for our new logistics centre, as well as the amounts spent in relation to decoration and renovation of Wuxi Yaohan Store.

Cash flow from financing activities

Net cash used in financing activities for the six months ended 30 June 2010 was RMB416.4 million, primarily as a result of repayments of bank and other borrowings in the amount of RMB1,940.1 million offset by RMB1,585.0 million in new bank and other borrowings that we incurred, partially.

Net cash generated from financing activities in 2009 was RMB1,012.2 million, primarily as a result of RMB3,592.4 million in new bank and other borrowings that we incurred, partially offset by repayments of bank and other borrowings in the amount of RMB2,187.0 million and a repurchase of shares of our Company in the amount of RMB366.7 million.

Net cash used in financing activities in 2008 was RMB24.0 million, primarily as a result of RMB1,279.3 million in new bank and other borrowings that we incurred, partially offset by repayments of bank and other borrowings in the amount of RMB1,198.4 million.

Net cash generated from financing activities in 2007 was RMB190.1 million, primarily as a result of RMB1,176.7 million new bank and other borrowings that we incurred and RMB328.7 million proceeds from issuance of shares in our Company to Well Sea in the second round of investment by CDH private equity funds, partially offset by repayments of bank and other borrowings in the aggregate amount of RMB1,218.7 million.

INDEBTEDNESS

Borrowings

The table below set forth our borrowings as at the dates indicated.

	As at 31 December			As at	As at
	2007	2008	2009	30 June 2010	31 August 2010
					(unaudited)
			(RMB millions)		
Bank loans:					
Secured	1,084.7	1,036.0	2,135.5	2,150.0	2,043.0
Guaranteed	49.0	33.0	—	—	—
Secured and guaranteed	—	156.0	499.8	224.1	112.4
	1,133.7	1,225.0	2,635.3	2,374.1	2,155.4
Other loans:					
Unsecured	109.2	98.8	93.9	—	—
Bank loans repayable:					
Within one year or on demand	988.7	1,075.0	1,652.3	1,367.6	1,156.9
Over one year but within two years	—	15.0	130.0	153.5	154.5
Over two years but within five years	—	135.0	757.5	476.0	467.0
Over five years	145.0	—	95.5	377.0	377.0
	1,133.7	1,225.0	2,635.3	2,374.1	2,155.4
Other loans repayable:					
Within one year or on demand	109.2	98.8	93.9	—	—
Total bank and other borrowings	1,242.9	1,323.8	2,729.2	2,374.1	2,155.4
Less: Portion classified as current liabilities	(1,097.9)	(1,173.8)	(1,746.2)	(1,367.6)	(1,156.9)
Long-term portion	145.0	150.0	983.0	1,006.5	998.5

During the Track Record Period, our total bank loans increased from approximately RMB1,133.7 million as at 31 December 2007 to approximately RMB2,374.1 million as at 30 June 2010, primarily due to our increased expenditures relating to our expansion plans and renovation work during this period, including the construction and operations of our new stores, such as Ma'anshan Yaohan Store and Zhenjiang Yaohan Store, and the renovations of our Wuxi Yaohan Store. The long-term portion of our bank and other borrowings increased from RMB150.0 million as at 31 December 2008 to RMB983.0 million as at 31 December 2009 primarily due to our efforts to gradually balance our financing structure with more long-term borrowings, which we believe is more appropriate for our growth.

Our Group's bank loans included bank loans bearing interest at rates ranging from 6.12% to 7.52% per annum as at 31 December 2007, from 1.64% to 7.50% per annum as at 31 December 2008, from 1.9% to 7.83% per annum as at 31 December 2009 and from 2.73% to 5.94% per annum as at 30 June 2010, respectively.

We will settle the loans of RMB1,367.6 million as at 30 June 2010 that are repayable within a year with the proceeds from the Global Offering and internal cash.

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

(i) As at 31 December 2007, 2008 and 2009 and 30 June 2010, certain of the Group's property, plant and equipment with aggregate net book values of RMB1,324.9 million, RMB1,461.9 million, RMB1,914.1 million and RMB1,415.1 million, respectively, were pledged for bank loans.

(ii) As at 31 December 2007, 2008 and 2009 and 30 June 2010, certain of the Group's prepaid land premium with aggregate net carrying amounts of RMB164.1 million, RMB207.0 million, RMB200.8 million and RMB241.6 million, respectively, were pledged for bank loans.

(iii) As at 31 December 2008 and 2009 and 30 June 2010, certain of the Group's time deposits amounting to RMB170.0 million, RMB685.0 million and RMB375.0 million, respectively, were pledged for bank loans.

(iv) Included in the balance of secured bank loans, an amount of RMB160.7 million as at 31 December 2007 was pledged by the 100% equity interest in Cleavebury Limited. The above said secured bank loans was repaid in year ended 31 December 2008.

(v) Included in the balances of secured and guaranteed amount of RMB225.3 million and RMB224.1 million as at 31 December 2009 and 30 June 2010, respectively, were secured by a pledge of the 100% equity interest in Cleavebury Limited and guaranteed by a Director, Mr Chen Jianqiang. This amount of RMB224.1 million will be settled before Listing Date.

All of the Group's borrowings during the Track Record Period were denominated in RMB, except for a secured bank loan of US$22.0 million (equivalent to approximately RMB160.7 million), a secured and guaranteed bank loan of US$33.0 million (equivalent to approximately RMB225.3 million) and a secured and guaranteed bank loan of US$33.0 million (equivalent to approximately RMB224.1 million) as at 31 December 2007, 31 December 2009 and 30 June 2010, respectively, which were denominated in United States dollars.

Other loans as at 31 December 2007, 2008 and 2009 and 30 June 2010 included: (i) entrusted loans amounting to RMB109.2 million as at 31 December 2007 granted by the Directors which bore interest at a rate of 7.5% per annum and were borrowed through tripartite entrusted loan agreements entered into between the Directors, the Group and the entrusted banks, (ii) a loan amounting to RMB98.8 million as at 31 December 2008 which was granted by Wuxi Yinian Investment Company, which was controlled by a relative of a Director, Mr Chen Jianqiang, and bore interest at a rate of 7.5% per annum, (iii) a loan amounting to RMB5.3 million as at 31 December 2009 which was granted by a certain Director and bore interest at a rate of 2% per annum and was payable on demand, and (iv) loans amounting to RMB88.6 million as at 31 December 2009 which were granted by individuals who were shareholders of our Company and bore interest at a rate of 2% per annum and was payable on demand.

As at 31 August 2010, being the latest practicable date for determining indebtedness, we had total borrowings of RMB2,155.4 million, including bank borrowings of RMB2,155.4 million and other borrowings of nil. As at 31 August 2010, we had total un-utilised banking facilities in the amount of RMB2,263.5 million. As of the date of this prospectus, we do not intend to incur any material debt through external debt financing that is not in the ordinarily course of business in the foreseeable future after Listing.

Capital commitments

	As at 31 December			As at 30 June 2010
	2007	2008	2009	
	(RMB millions)			
Contracted, but not provided for:				
Property, plant and equipment	313.0	266.4	260.2	122.7

We intend to settle the contracted but not provided for capital commitments of RMB122.7 million as at 30 June 2010 with the proceeds from the Global Offering and with internal cash.

Operating lease commitments/arrangements

We lease certain of our stores and office premises under non-cancellable operating lease agreements. The leases primarily relate to our rental of premises for our department stores and supermarkets and have various terms and renewal rights. Our future aggregate minimum lease payments under non-cancellable operating leases as at the dates indicated are set out below.

	As at 31 December			As at 30 June 2010	As at 31 August 2010
	2007	2008	2009		
					(unaudited)
	(RMB millions)				
Within one year	33.0	28.0	40.9	35.4	34.8
In the second to fifth years, inclusive	126.6	119.7	173.7	143.1	140.5
After five years	377.0	298.7	519.7	392.7	387.4
	536.6	446.4	734.3	571.2	562.7

We also lease out certain of our leasehold land and buildings under operating lease arrangements with lease terms primarily under five years. We had the following future minimum rentals receivable under non-cancellable operating leases with its tenants falling due as at the dates indicated:

	As at 31 December			As at 30 June 2010	As at 31 August 2010
	2007	2008	2009		
					(unaudited)
	(RMB millions)				
Within one year	17.3	21.0	37.9	44.3	45.6
In the second to fifth years, inclusive	12.7	24.4	83.6	81.4	83.3
After five years	0.3	11.7	43.4	38.7	36.8
	30.3	57.1	164.9	164.4	165.7

Except as otherwise disclosed in the above table, as at 31 August 2010, being the latest practicable date for determining our indebtedness, we did not have any material contingent liability or guarantees. Save as disclosed above, as at 31 August 2010, being the latest practicable date for determining indebtedness, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditure requirements primarily relate to expansion of our store network. We have funded our historical capital expenditures through internally generated cash and bank and other borrowings. In 2007, 2008 and 2009, our capital expenditures was RMB813.1 million, RMB561.3 million and RMB1,289.1 million, respectively. For the six months ended 30 June 2010, our capital expenditures was RMB314.4 million.

As at the Latest Practicable Date, we had 13 new stores under construction which are expected to open in the next three years, including three new department stores in Changxing, Zhejiang province, Jintan, Jiangsu province, and Changzhou, Jiangsu province, and ten new supermarkets in Nanjing, Ma'anshan, Danyang, Jintan, Jiangyin, Yixing, Changxing, Changzhou and Taixing. We expect to incur substantial capital expenditures in connection with these projects. We may also incur capital expenditures in acquiring interests in other department stores, supermarkets or properties at prime locations in our target cities if attractive opportunities arise.

However, our current plans with respect to future capital expenditures are subject to change based upon the evolution of our business plan, including potential acquisitions, market conditions and our outlook on future business conditions. Other than as required by law and the Listing Rules, we do not undertake any obligation to publish updates of our capital expenditures plans. See the section headed "Forward-looking Statements".

We expect to finance our capital expenditures in 2010 and 2011 through a combination of operating cash flows, our proceeds from the Global Offering and bank loans. Cash requirement relating to our expansion plan may vary significantly based on market opportunities. Our ability to satisfy our capital expenditure requirements may be affected by our financial condition and results of operations and the liquidity of the international and domestic financial markets. We cannot assure you that we will be able to complete our expansion plan on terms acceptable to us or at all or that we will have sufficient financial resources to complete our expansions.

INVENTORY ANALYSIS

Our inventories consist primarily of store merchandise we sell through the direct sales method. As at 31 December 2007, 2008 and 2009 and 30 June 2010, we had inventories of RMB274.7 million, RMB303.2 million, RMB301.3 million and RMB258.1 million, respectively.

The following table sets out a summary of our average inventory turnover for the periods indicated.

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
Turnover of inventory (days)[1]	76.8	74.7	74.4	51.5

Note:

(1) Turnover of inventory (days) is calculated as the balance of inventory as at the year end, divided by purchases of and changes in inventories for the year/period, and multiplied by the 365 days for 2007, 2008 and 2009 and 181 days for the six months ended 30 June 2010.

Turnover days of inventory decreased from 76.8 days in 2007 to 74.7 days in 2008 and decreased further to 74.4 days in 2009 as a result of management's focus on tighter inventory controls and improved logistics. Turnover days of inventory was 51.5 days for the six months ended 30 June 2010, primarily reflecting a lower balance of inventory at the end of the first half of the year as compared to the end of the year when we normally increase our inventory in preparation for the holiday seasons.

ANALYSIS OF TRADE RECEIVABLES, ADVANCES TO THIRD PARTIES AND TRADE PAYABLES

Trade receivables, prepayments, deposits and other receivables

We do not have significant amount of trade receivables as substantially all of our sales are paid at the time of purchase by cash, debit cards or credit cards. The insignificant balances of trade receivables on our consolidated statements of financial position represent the receivables from bulk sale of merchandises which are credit sales. The credit terms offered to customers are generally within one month.

Our prepayments, deposits and other receivables include prepayments to suppliers, prepaid rental and deposits, other deposits and receivables, and value-added tax recoverable. Other deposits and receivables include primarily advances to staff, point of sales receivables and in 2009 a receivable arising from the sale of available-for-sale investments. Also included in prepayments, deposits and other receivables as at 31 December 2007 was an amount due from a related company in the amount of RMB146.1 million, which represented an advance to a related company, Heungkong (International) Asia Co., Ltd., which is incorporated in Hong Kong and is wholly owned by Mr Chen. At the request of this company, Cleavebury Limited borrowed a one-year loan of US$22 million from a bank pursuant to a loan agreement dated 17 June 2007 and advanced US$20 million of the loan proceeds to Heungkong (International) Asia Co., Ltd. The advance is interest-free and is repayable within a year. See Note 26 in Section II of the Accountants' Report. Both the advance and the bank loan were settled in 2008.

As at 31 August 2010, RMB15.3 million and RMB144.5 million of the balances of (i) trade receivables and (ii) other deposits and receivables, respectively, as at 30 June 2010, had been subsequently settled.

Trade and bills payables

Our trade payables represent the portion of gross sales proceeds (after deduction of commissions) that is to be refunded to concessionaires and purchase prices payable to our direct sales suppliers. Our trade payables are non-interest bearing and are normally settled on 0 to 60 day terms. An aged analysis of the trade payable as at the dates indicated, based on invoice date, is as follows.

	As at 31 December			As at
	2007	2008	2009	30 June 2010
	(RMB millions)			
Within three months	427.9	532.1	517.8	471.7
Over three months but within six months	18.0	18.8	58.5	74.8
Over six months but within one year	11.2	5.2	9.8	18.0
Over one year	3.9	6.9	11.3	9.3
	461.0	563.0	597.5	573.8

Our bills payable represent bank acceptance bills that we use to settle for part of our purchases from suppliers. The maturity profiles of our bills payable are as follows:

	As at 31 December			As at
	2007	2008	2009	30 June 2010
	(RMB millions)			
Within three months	5.6	—	45.0	9.8
Three months to one year	—	—	12.8	—
	5.6	—	57.8	9.8

The following table sets forth the turnover of our trade and bills payables for the periods indicated.

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
Turnover of trade and bills payables (days)(1)	55.6	58.8	60.7	38.5
Turnover of trade and bills payables relating to concessionaire sales (days) (2)	47.0	54.6	53.3	31.1
Turnover of trade and bills payables relating to direct sales (days)(3)	67.1	64.6	73.2	53.4

Note:

(1) Turnover of trade and bills payables is calculated as the balance of trade and bills payables as at the end of the year/period, divided by the sum of (a) purchases of and changes in inventories and (b) gross revenue from concessionaire sales less commission income from concessionaire sales, for the year/period and multiplied by 365 days for 2007, 2008 and 2009 and 181 days for the six months ended 30 June 2010.

(2) Turnover of trade and bills payables relating to concessionaire sales is calculated as the balance of trade and bills payables relating to concessionaire sales method as at the end of the year/period, divided by the sum of gross revenue from concessionaire sales less commission income from concessionaire sales, for the year/period and multiplied by 365 days for 2007, 2008 and 2009 and 181 days for the six months ended 30 June 2010.

(3) Turnover of trade and bills payables relating to direct sales is calculated as the balance of trade and bills payables relating to direct sales method as at the end of the year/period, divided by the purchases of and changes in inventories, for the year/period and multiplied by 365 days for 2007, 2008 and 2009 and 181 days for the six months ended 30 June 2010.

Turnover of trade and bills payable days increased from 55.6 days in 2007 to 58.8 days in 2008, and to 60.7 days in 2009. Turnover days increased from 2007 to 2009 primarily as we expanded our business. Turnover days increased from 2008 to 2009 also as a result of the establishment of Jiangsu Huilian Electronic Limited Company, the subsidiary through which we handle our home electronic sales, which used primarily bills payables to settle its outstanding trade related debts. Turnover days was 38.5 days for the six months ended 30 June 2010, primarily reflecting a lower balance of trade and bills payables at the end of the first half of the year as compared to the end of the year, which is in line with our inventory balances, which is normally higher at the end of the year as we prepare for the holiday seasons.

Turnover of trade and bills payable days relating to concessionaire sales increased from 47.0 days in 2007 to 54.6 days in 2008, and decreased to 53.3 days in 2009. Turnover days relating to concessionaire sales increased from 2007 to 2008 primarily because we expanded our department business, where the concessionaire sales method predominates. Turnover days relating to concessionaire sales was 31.1 days for the six months ended 30 June 2010, primarily reflecting a lower balance of trade and bills payables as at 30 June 2010 compared to 31 December 2009.

Turnover of trade and bills payable days relating to direct sales decreased from 67.1 days in 2007 to 64.6 days in 2008, and increased to 73.2 days in 2009. Turnover days relating to direct sales decreased from 2007 to 2008 primarily because we established Huiquan Logistics, a subsidiary which principally engages in logistics and delivery of fresh food products, and centralized our purchasing, logistics and delivery of goods. As a result, the balance of trade and bills payable increased less than the increase in purchases of and changes in inventories between 2007 and 2008. Turnover days relating to direct sales increased between 2008 and 2009 primarily as a result of the establishment of Jiangsu Huilian Electronic Limited Company, the subsidiary through which we handle our home electronic sales, which primarily used bills payables to settle its outstanding trade related debts. Turnover days relating to direct sales was 53.4 days for the six months ended 30 June 2010, primarily reflecting a lower balance of trade and bills payables as at 30 June 2010 compared to 31 December 2009.

OTHER PAYABLES AND ACCRUALS

Other payables and accruals amounted to RMB574.3 million, RMB799.3 million, RMB960.6 million and RMB1,141.1 million as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

Other payables and accruals consists of accrued expenses, deposits from staff and suppliers, value-added taxes and other taxes payable, payable for capital expenditure, payables to suppliers' employees, bonus points liabilities, advances from customers, due to Directors, due to other related parties, due to a related company and other payables. Payables to suppliers' employees mainly represented i) salaries that we would pay on behalf of our concessionaire partners, to their employees who work at our stores and ii) deposits we collected from such employees for the issuance of their uniforms. Such payments and deposits were made in compliance with PRC laws and regulations. All amounts due to Directors and due to other related parties were advanced to us in compliance with PRC laws and regulations. Deposits from suppliers mainly consisted of rental deposits, renovation deposits and concessionaire deposits received from suppliers. The increase in deposits from suppliers during the Track Record Period was mainly due to the increase in number of stores and suppliers as our business expanded during this period. Balances relating to due to Directors and due to other related parties have been completely settled as at 31 December 2009. Bonus points liabilities relating to membership cards are recognised when bonus points are granted to our customers for exchange of gifts or cash voucher.

Advances from customers represented advance payments that our customers made in exchange for pre-paid gift cards. As at 31 December 2007, 2008 and 2009 and 30 June 2010, the balance of our Group's pre-paid gift cards payable was approximately RMB354.0 million, RMB449.6 million, RMB585.2 million and RMB737.0 million, respectively. For further details, please see the section headed "Risk Factors — Risks relating to China — PRC policies, laws and regulations prohibiting the issuance of pre-paid gift cards may have an adverse impact on our operations". When customers use these cards for their purchases at our stores, the pre-paid amounts will be debited. There is no redemption period for our prepaid cards. During 2007, 2008 and 2009 advances from customers increased significantly as a result of the increasing number of pre-paid gift cards we issued to our customers. However, we have not relied on the advanced payments from our customers to finance our working capital needs as the majority of our customers still use cash or credit cards to pay for their purchases at our stores. As at 31 August 2010, RMB218.6 million, or 29.7%, of the advances from customers outstanding as at 30 June 2010, had been settled. We also enjoy credits terms from our suppliers and the average turnover of trade and bills payable for 2009 was 60.7 days. Had there been no issuance of prepaid cards, we would still record net cash inflow from operating activities of RMB543.7 million and RMB505.5 million for the years ended 31 December 2008 and 2009, respectively. Therefore, the Directors believe that the issuance of prepaid cards will have no significant impact on the liquidity of the Group. See Note 32 in Section II of the Accountants' Report.

FINANCIAL INSTRUMENTS

Except as otherwise disclosed, we have not entered into any other financial instruments for hedging purposes.

OFF BALANCE SHEET TRANSACTIONS

Except for the commitments and contingent liabilities set forth above, we have not entered into any material off-balance sheet transactions or arrangements.

MARKET RISKS

In the normal course of business, we are exposed to various types of market risks, including the following:

Inflation risk

Inflation in the PRC has not had a material impact on our results of operations in recent years. According to the National Bureau of Statistics of the PRC, the change in the Consumer Price Index was 4.8%, 5.9% and 5.2% for 2007, 2008 and 2009, respectively.

Foreign exchange rate risk

Our operating activities are all carried out in the PRC and denominated in Renminbi. Most of our assets and liabilities are denominated in RMB, except for a U.S. dollar bank loan and certain bank balances denominated in Hong Kong dollars and U.S. dollars.

The exchange rate between the Renminbi against U.S. dollars was relatively stable during the years and as a result, we consider that we do not have any material foreign exchange risk.

Cash flow interest rate risk

We have no significant interest-bearing assets. Our exposure to changes in market interest rates relates primarily to our bank loans with floating interest rates. We have not used any interest rate swaps to hedge our cash flow interest rate risk.

Credit risk

We have no significant concentrations of credit risk of trade receivables. Sales to retail customers are made in cash or via debit cards or credit cards. Our cash and cash equivalents are mainly deposits with state-owned banks in the PRC. The carrying amounts of other receivables, cash and cash equivalents included in the consolidated statements of financial position represent our maximum exposure to credit risk in relation to our financial assets. We have no other financial assets which carry significant exposure to credit risk.

Liquidity risk

Our management aims to maintain a balance between continuity of funding and flexibility through the use of bank loans, preference shares and other borrowings.

DIVIDEND AND DIVIDEND POLICY

After completion of the Global Offering, our Shareholders will be entitled to receive dividends that we declare. The payment and the amount of any dividends will be at the discretion of our directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law, including the approval of Shareholders. In addition, our Controlling Shareholders will be able to influence the approval by our Shareholders in a general meeting for any payment of dividends.

Subject to the factors above, we currently plan to pay annual dividends of not less than 30% of our annual distributable profit attributable to equity holders of our Company, commencing with respect to the year ending 31 December 2010. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars. Other distributions, if any, will be paid to our Shareholders by any means which our Directors deem legal, fair and practicable.

Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in China. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises, such as some of our subsidiaries in China to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any, restrictive covenants in bank credit facilities, convertible bond instrument or other agreements that we or our subsidiaries may enter into in the future.

During the Track Record Period, we declared dividends in the amount of nil, RMB26.4 million, and RMB26.0 million for the year ended 31 December 2007, 2008 and 2009, respectively, to our shareholders. You should note that historical dividend distributions are not indicative of our future dividend distribution policy.

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 30 June 2010, the Company had a share premium of RMB311.6 million, which is available for distribution to our shareholders.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as at 30 June 2010 as if they had taken place on that date. The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets had the Global Offering been completed as at 30 June 2010 or at any future date.

The unaudited pro forma adjusted consolidated net tangible assets is based on our audited consolidated net assets attributable to the equity holders of the Company as at 30 June 2010 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2010	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	(HK$ equivalent) (Note 4)
Based on an Offer Price of HK$4.85 per Share .	1,108,530	1,975,142	3,083,672	1.23	1.43
Based on an Offer Price of HK$5.93 per Share .	1,108,530	2,427,092	3,535,622	1.41	1.63

Notes:

1. The audited consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2010 is arrived at after deducting the goodwill of RMB127,439,000 and the non-controlling interests of RMB34,572,000 from the audited consolidated net assets of RMB1,270,541,000 as at 30 June 2010, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on the Offer Shares and the estimated Offer Prices of HK$4.85 and HK$5.93, respectively, after deduction of the underwriting fees and related expenses payable by our Company. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB0.8629, the prevailing rate quoted by the People's Bank of China (the "PBOC") on 21 September 2010.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 2,500,000,000 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be offered for sale upon exercise of the Over-allotment Option.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.8629, the prevailing rate quoted by the PBOC on 21 September 2010.
5. As at 31 July 2010, the Group's buildings and land use rights were revalued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer and the relevant property valuation report is set out in Appendix IV — Property Valuation to this prospectus. The net revaluation surplus, representing the excess of market value of the buildings and land use rights over their book values, is approximately RMB3,156.4 million as at 31 July 2010. Such revaluation surplus has not been included in the Group's consolidated financial information as at 30 June 2010. The above adjustment does not take into account the above revaluation surplus. Had the building and land use rights been stated at such valuation, additional depreciation and amortization of approximately RMB123.1 million per annum would be charged against the consolidated income statement.

RECONCILIATION OF APPRAISED PROPERTY VALUES WITH NET BOOK VALUES

Disclosure of the reconciliation between the valuation of the interests in properties attributable to the Group and such property interests in the Group's consolidated statements of financial position as at 30 June 2010 contained in the Accountant's Report set out in Appendix I to this prospectus as required under Rule 5.07 of the Listing Rules, is set forth below.

	RMB'000
Building included in property, plant and equipment	3,308,402
Land use rights	327,329
Net book value as at 30 June 2010	3,635,731
Movement from 1 July 2010 to 31 July 2010	
Add: Additions during the period	—
Less: Depreciation and amortisation during the period	(8,107)
Net book value as at 31 July 2010	3,627,624
Valuation surplus	3,156,376
Valuation as at 31 July 2010	6,784,000

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

Forecast consolidated profit attributable to equity holders of the Company[(1)]	not less than RMB370 million (equivalent to HK$429 million)
Unaudited pro forma forecast earnings per Share[(2)(3)]	no less than RMB0.148 (equivalent to HK$0.172)

(1) The above profit forecast has been prepared on the bases and assumptions set out in Appendix III.

(2) Solely for your convenience, forecast earnings per Share are converted into Hong Kong dollars at the PBOC Rate of HK$1.00 to RMB0.8629 prevailing on 21 September 2010. You should not construe such conversion as a representation that the Renminbi amounts could actually be converted into HK dollar amounts at the rate indicated or at all.

(3) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010, assuming that we had been listed since 1 January 2010 and a total of 2,500,000,000 Shares were issued and outstanding during the entire year.

NO MATERIAL ADVERSE CHANGE

We are not aware of any material adverse change in our financial position since 30 June 2010 (being the date as at which our latest audited consolidated financial statements were prepared as set out in "Appendix I — Accountants' Report" to this prospectus).

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as at the Latest Practicable Date, there is no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND PROSPECTS

See the section headed "Business — Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds to our Company from the Global Offering, after deducting underwriting discounts, commissions incentive fees (if any) and estimated offering expenses payable by us, will be approximately HK$2,551 million, assuming an Offer Price of HK$5.39 per Share, being the midpoint of the Offer Price range set forth on the cover of this prospectus.

We intend to use such net proceeds for the following purposes:

- approximately 60% to develop the network of our stores. This amount of net proceeds will be used as follows:
  - approximately 30% of the net proceeds to be used for the development of our three department stores and ten supermarkets currently under construction;
  - approximately 5% of the net proceeds to be used for refurbishment or expansion of our existing stores, including our Zhenjiang Yaohan Store and Wuxi Yaohan Store; and
  - approximately 25% of the net proceeds for the development of other suitable department store or supermarket opportunities to be used in the Greater Yangtze River Delta area, which we deem to be in line with our long-term development strategy;
- approximately 25% to repay bank loans. As at 30 June 2010, we had total outstanding bank borrowings denominated in RMB in the amount of RMB2,150 million. We plan to use approximately HK$638 million of the net proceeds to us to settle part of our outstanding bank borrowings, if the Offer Price is fixed at HK$5.39 per Offer Share. The annual interest rates of these bank borrowings range from 2.73% to 5.94%. All these loans have been borrowed to fund our needs for working capital;
- approximately 5% to further develop our management system, further enhance our logistics support system and expand our headquarters; and
- the balance of not more than 10% of the net proceeds of the Global Offering for working capital and general corporate purposes.

Upon the registration with SAFE, the net proceeds from the Global Offering will be remitted to PRC by way of capital injection into Jiangsu Springland or through Shareholder's loan or in other manners as permitted by PRC laws or regulations to facilitate our Group's expansion plan. As advised by our PRC legal advisers, we do not expect to encounter any significant PRC regulatory hindrance for the remittance of the net proceeds into PRC.

If the Offer Price is fixed at HK$5.93 per Offer Share, being the higher end of the indicative Offer Price range, the net proceeds to us will be increased by approximately HK$262 million. Our Directors presently intend to use any additional proceeds in the same manner and in the same proportions as described above. If the Offer Price is fixed at HK$4.85 per Offer Share, being the lower end of the indicative Offer Price range, the net proceeds to us will be reduced by approximately HK$262 million. Our Directors presently intend to apply any reduced net proceeds in the same manner and in the same proportion as described above.

We are not issuing any New Shares for the exercise of the Over-allotment Option and will not receive any proceeds from its exercise.

To the extent that the net proceeds are either more or less than expected, we will adjust our allocation of the net proceeds to the above purposes on a pro rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by PRC and Cayman Islands laws and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

We estimate that the Base Offering Selling Shareholders will receive approximately HK$653 million, after deducting the underwriting commissions and fees payable by the Base Offering Selling Shareholders in respect of the Sale Shares (assuming an Offer Price of HK$5.39 per Offer Share, being the mid-point of our indicative Offer Price range) of net proceeds from the Global Offering assuming the Over-allotment Option is not exercised. In the event that the Over-allotment Option is exercised in full, the Over-allotment Selling Shareholders will receive net proceeds of approximately HK$490 million (assuming an Offer Price of HK$5.39 per Offer Share, being the mid-point of our indicative Offer Price range).

We will not receive the net proceeds from the sale of Sale Shares by the Selling Shareholders in the Global Offering.

HONG KONG UNDERWRITERS

Joint Lead Managers

Morgan Stanley Asia Limited
DBS Asia Capital Limited
CCB International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

We, the Controlling Shareholders, the Selling Shareholders, the Hong Kong Underwriters and the Sole Global Coordinator, among others, entered into the Hong Kong Underwriting Agreement on 7 October 2010. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued, and to certain other conditions described in the Hong Kong Underwriting Agreement (including the Sole Global Coordinator, on behalf of the Underwriters, the Selling Shareholders and us agreeing to the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable portion (set out in the Hong Kong Underwriting Agreement) of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and subject to the conditions of this prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

(i) there develops, occurs, exists or comes into force:

(a) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, serious disruption in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a significant devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands, the British Virgin Islands, the United States, the United Kingdom, the European Union (or any member thereof), Japan or Singapore (each a "**Relevant Jurisdiction**"); or

(b) any new law or regulation or any change or development involving a prospective change in existing laws or regulations, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

(c) any event or series of events in the nature of *force majeure* in or affecting any of the Relevant Jurisdictions including without limiting the generality thereof, any act of government, strikes, lock-out, fire, explosion, earthquake, flooding, civil commotion, act of war, riot, public disorder, act of terrorism (whether or not responsibility has been claimed), act of God, epidemic, outbreak of infectious disease (including without limitation SARS or H5N1 or swine or avian influenza or such related/mutated forms), accident or interruption or delay in transportation; or

(d) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(e) (i) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange or (ii) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

(f) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or

(g) any imposition of economic sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions; or

(h) any material adverse change or development or event involving a prospective adverse change in our Company's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects of our Company or any of its subsidiaries or our Company and its subsidiaries as a whole; or

(i) any executive director of our Company being charged with an indictable offence or being prohibited by applicable laws and regulations or otherwise disqualified from acting as a director of a company listed on the Hong Kong Stock Exchange; or

(j) other than with the approval of the Sole Global Coordinator, the issue by our Company of a supplementary prospectus or offering document pursuant to the Companies Ordinance or the Hong Kong Listing Rules in circumstances where the matter to be disclosed is, in the joint opinion of the Sole Global Coordinator, materially adverse to the marketing for or implementation of the Global Offering, or

(k) a petition is presented for the winding up or liquidation of our Company or any of its subsidiaries, or our Company or any of its subsidiaries make any compromise or arrangement with our or its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of its subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or of any of its subsidiaries or anything analogous thereto occurs in respect of our Company or any of its subsidiaries; or

(l) a valid demand by any creditor for repayment or payment of any of our Company's indebtednesses or those of any of its subsidiaries or in respect of which our Company or any of its subsidiaries is liable prior to its stated maturity; or

(m) any material litigation or claim being threatened or instigated against our Company or any of its subsidiaries or the Controlling Shareholders,

and which, in any such case and in the sole opinion of the Sole Global Coordinator (for each of itself and on behalf of the other Hong Kong Underwriters),

(1) is or may or will be, or is likely to be, materially adverse to, or materially and prejudicially affect, the business or financial or trading position or other condition or prospects of the Group as a whole; or

(2) has or may have or will have or is likely to have an adverse effect on the success or the level of applications under the Hong Kong Public Offer or the level of interest under the International Offer and/or make it impracticable for the Global Offering to be performed or implemented as envisaged or incapable for any part of the Hong Kong Underwriting Agreement to be performed or implemented as envisaged; or

(3) makes or may make or will or is likely to make it inadvisable or inexpedient or impracticable to proceed with the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(ii) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters after the date of Hong Kong Underwriting Agreement:

(a) that any statement contained in any of this prospectus and the Application Forms and/or in any announcements issued by our Company in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) or International Offer was or has or may become untrue, incorrect or misleading in any material respect; or

(b) any matter has arisen or has been discovered which would or might, had it arisen immediately before the date of this prospectus or final offering circular to be issued by our Company in connection with the International Offer (the "Offering Circular"), not having been disclosed in this prospectus or the Offering Circular, constitutes a material omission therefrom; or

(c) any of the representations and warranties given by our Company, the Controlling Shareholders or the Selling Shareholders (to the extent it is a party thereto) in Hong Kong Underwriting Agreement or the International Underwriting Agreement is (or would when repeated be) in any material respect untrue, inaccurate or misleading or having been breached in any material respect; or

(d) any matter, event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company or the Controlling Shareholders pursuant to the indemnities given by our Company, the Controlling Shareholders or any of them under Hong Kong Underwriting Agreement; or

(e) any material breach of any of the obligations or undertakings of our Company, the Controlling Shareholders or any other indemnifying party under Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(f) any material adverse change or prospective material adverse change in the condition, business, assets and liabilities, properties, results of operations, in the financial or trading position or prospects of our Company and its subsidiaries as a whole; or

(g) our Company withdraws this prospectus and the Applications Forms on the Global Offering,

then the Sole Global Coordinator, for itself and on behalf of the other Hong Kong Underwriters, may, in its sole discretion and upon giving notice to our Company, terminate Hong Kong Underwriting Agreement with immediate effect.

Undertakings pursuant to the Listing Rules

(A) *Undertaking by Us*

Pursuant to Rule 10.08 of the Listing Rules, no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

(B) *Undertaking by the Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company that, save as disclosed in this prospectus and except pursuant to the Global Offering (including pursuant to the Stock Borrowing Agreement and the proposed sale of the Sale Shares by Netsales if the Over-allotment Option is exercised), it will not, and will procure that none of its controlled companies or associates will:

(a) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which it is or they are shown in this prospectus to be the beneficial owners; and

(b) at any time during the period of six months commencing on the date on which the period referred to in paragraph (a) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would together or any of the Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules).

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders have further undertaken to the Stock Exchange and our Company that it will, within a period of 12 months from the Listing Date, immediately inform our Company and the Stock Exchange of:

(a) any pledge(s) or charge(s) of any Shares or securities of our Company beneficially owned by it in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and

(b) any indication(s) received by it, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or other securities will be sold, transferred or disposed of.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) *Undertaking by Us*

We further undertake to each of the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, and the Controlling Shareholders further undertake to procure that, we will not, without the Sole Global Coordinator's prior written consent and unless in compliance with the Listing Rules, at any time after the date of Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-Month Period**"), (a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell,

sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of its share capital or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein) (the "**Held Interests**"); (b) or enter into any swap, derivative, lending, repurchase, mortgage or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or enter into any transaction with the same economic effect as any transaction described therein; or (c) agree or contract to, or publicly announce any intention to enter into, any transaction described therein; whether any of the foregoing transactions described above is to be settled by delivery of such Held Interests or such other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering.

(B) *Undertaking by the Controlling Shareholders*

Each of the Controlling Shareholders undertakes to each of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that the Controlling Shareholders, will not, without the Sole Global Coordinator's prior written consent and unless in compliance with the Listing Rules:

(a) at any time during the First Six-Month Period: (i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Held Interests; or (ii) enter into any swap, derivative, lending, repurchase, mortgage or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or (iii) enter into any transaction with the same economic effect as any transaction described therein above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described therein above; whether any of the foregoing transactions described in paragraphs therein above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so, and

(b) at any time during the six-month period immediately following the First Six-Month Period (the "**Second Six-Month Period**"), it will not enter into any of the foregoing transactions in paragraphs (a) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances or any other transactions, the Controlling Shareholders will collectively cease to be controlling shareholders (as defined in the Listing Rules) of our Company;

(c) at any time during the period of twelve (12) months after the date on which dealings in the Shares commence on the Hong Kong Stock Exchange, (i) the Controlling Shareholders will, if they pledge or charge any Shares or other securities of our Company in respect of which it is the beneficial owner, immediately inform our Company and the Hong Kong Stock Exchange of any such pledges or charges and the number of Shares or other securities of our Company so pledged or charged, and (ii) the Controlling Shareholders will, if they receive any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform our Company and the Hong Kong Stock Exchange of any such indication.

(C) *Undertaking by CDH and Celestial Spring*

Each of CDH and Celestial Spring undertakes to each of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, it will not, without the Sole Global Coordinator's prior written consent and unless in compliance with the Listing Rules: at any time after the date of Hong Kong Underwriting Agreement up to and including the date during the First Six-Month Period: (i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Held Interests; or (ii) enter into any swap, derivative, lending, repurchase, mortgage or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Held Interests; or (iii) enter into any transaction with the same economic effect as any transaction described therein above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described therein above; whether any of the foregoing transactions described in paragraphs therein above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so.

International Underwriting Agreement

In connection with the International Offer, we, the Selling Shareholders and the Controlling Shareholders expect to enter into the International Underwriting Agreement with the Sole Global Coordinator and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally and not jointly agree to purchase the International Offer Shares being offered pursuant to the International Offer or procure purchasers for such International Offer Shares.

The Over-allotment Selling Shareholders will grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the day on which trading of our Shares commences on the Stock Exchange until 30 days after the last day for lodging of applications under the Hong Kong Public Offer, to require the Over-allotment Selling Shareholders to sell up to 93,750,000 additional Shares, at the Offer Price to cover, among other things, over-allocations in the International Offer.

Commission and expenses

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Offer Shares initially offered under the Global Offering, which are estimated to be approximately HK$84.2 million in aggregate (based on the mid-point of the Offer Price range and assuming the Over-allotment Option is not exercised). We will bear the underwriting commissions payable by us in connection with the sale of the New Shares and other listing expenses. The Selling Shareholders will be responsible for the underwriting commissions attributable to the sale of the Sale Shares, together with Stock Exchange trading fees, SFC transaction levy and any other applicable fees in respect of the Sale Shares. In addition, we may, at our sole discretion, pay the Joint Bookrunners an additional incentive fee for all the Shares sold in the Global Offering.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK$144 million in total (assuming an Offer Price of HK$5.39 per Offer Share, being the mid-point of our indicative price range for the Global Offering).

Indemnity

We and the Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor is independent of us and satisfies the requirements of Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

Our Global Offering consists of the Hong Kong Public Offer and the International Offer. We intend to initially make available up to 625,000,000 Offer Shares under the Global Offering, which comprises (assuming the Over-allotment Option is not exercised):

- the Hong Kong Public Offer of an initial 62,500,000 Offer Shares (subject to adjustment as mentioned below) (representing approximately 10% of the initial total number of Offer Shares) in Hong Kong as described in the paragraph headed "Hong Kong Public Offer" of this section;

- the International Offer of an initial 562,500,000 Offer Shares (subject to adjustment as mentioned below and the Over-allotment Option) (representing approximately 90% of the initial total number of Offer Shares) in the United States with QIBs in reliance on Rule 144A or another available exemption; and outside the United States in accordance with Regulation S.

The 625,000,000 Offer Shares in the Global Offering will represent approximately 25% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option.

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters and the International Offer is expected to be fully underwritten by the International Underwriters. The Hong Kong Public Offer and the International Offer are subject to the conditions described in the section headed "Underwriting" in this prospectus. In particular, we, the Selling Shareholders and the Sole Global Coordinator, on behalf of the Underwriters, must agree on the Offer Price for the Global Offering.

The number of Hong Kong Offer Shares to be offered under the Hong Kong Public Offer and the International Offer respectively may be subject to reallocation as described in the paragraph headed "Hong Kong Public Offer — Reallocation and Clawback" of this section.

DETERMINATION OF THE OFFER PRICE

We expect the Offer Price to be fixed by agreement among us, the Selling Shareholders and the Sole Global Coordinator, on behalf of the Underwriters, on the Price Determination Date when market demand for the Offer Shares will be determined. We expect the Price Determination Date to be on or around Thursday, 14 October 2010 and in any event, no later than Wednesday, 20 October 2010. The Offer Price will not be more than HK$5.93 per Offer Share and is expected to be not less than HK$4.85 per Offer Share. You should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with consent of our Company and the Selling Shareholders, reduce the number of Offer Shares and/or the indicative Offer Price range below that described in this prospectus on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of the reduction in the number of Offer Shares and/or the indicative Offer Price range.

Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator, on behalf of the Underwriters, the Selling Shareholders and us, will be fixed within such revised Offer Price range. In this notice, we will also confirm or revise, as appropriate, the working capital statement as currently disclosed in the section headed "Financial Information — Net current liabilities and working capital sufficiency" of this prospectus, the offering statistics as currently disclosed in the section headed "Summary" of this prospectus, the use of proceeds in the section headed "Future Plans and Use of Proceeds" and any other financial information which may change as a result of such reduction. If you have already submitted an application for Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offer, you will not be allowed to subsequently withdraw your application, even if the number of Offer Shares and/or the Offer Price range is reduced. If we do not publish a notice in the South China Morning Post or the Hong Kong Economic Times of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon by us, will be within the Offer Price range as stated in this prospectus.

If we, Selling Shareholders and the Sole Global Coordinator, on behalf of the Underwriters, are unable to reach an agreement on the Offer Price by Wednesday, 20 October 2010, the Global Offering will not proceed and will lapse.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We intend to allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and that those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

We expect to publish an announcement of the Offer Price, together with the level of interest in the International Offer and the application results and basis of allotment of the Hong Kong Offer Shares, on or around Wednesday, 20 October 2010.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue or to be issued prior to the Listing, the Offer Shares (including options that may be granted pursuant to any Shares that may be allotted and issued pursuant to options that may be granted pursuant to the Share Option Scheme), and such listing and permission not having been subsequently revoked prior to the commencement of dealings in our Shares on the Stock Exchange;

- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective Underwriting Agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the International Offer and the Hong Kong Public Offer is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering would not proceed and will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering in the South China Morning Post and the Hong Kong Economic Times on the day after such lapse.

In the above situation, we will return all application monies to the applicants, without interest and on the terms described in the section headed "How to Apply for Hong Kong Offer Shares — Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares — Despatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Cheques" in this prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banker or other banks licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

We expect to despatch share certificates for the Offer Shares on Wednesday, 20 October 2010. However, these share certificates will only become valid certificates of title on 8:00 a.m. on Thursday, 21 October 2010 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting" in this prospectus has not been exercised.

HONG KONG PUBLIC OFFER

Allocation

The Hong Kong Public Offer is a fully underwritten public offering (subject to agreement as to pricing and satisfaction or waiver of the other conditions contained in the Hong Kong Underwriting Agreement and described in "— Conditions of the Global Offering" above in this prospectus) for the subscription in Hong Kong of, initially, 62,500,000 Offer Shares at the Offer Price (representing approximately 10% of the total number of the Offer Shares initially available under the Global Offering). Subject to the reallocation of Offer Shares between the International Offer and the Hong Kong Public Offer described below, the Hong Kong Offer Shares will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering. The total number of the Offer Shares available under the Hong Kong Public Offer is to be divided equally into two pools for allocation purposes:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and

- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

You should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

You can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within pool A or pool B. In addition, any application for more than 50% of the Hong Kong Offer Shares initially included in the Hong Kong Public Offer (being 31,250,000 Offer Shares) will be rejected. You are required to give an undertaking and confirmation in the application submitted by you that you and any person(s) for whose benefit you are making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offer, and your application will be rejected if such undertaking and/or confirmation is breached and/or untrue, as the case may be. We and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offer from investors who have indicated interest in or have received Offer Shares in the International Offer, and to identify and reject indications of interest in the International Offer from investors who have applied for or have received Offer Shares in the Hong Kong Public Offer.

Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Offer is subject to the following adjustments in the event of over-subscription under the Hong Kong Public Offer:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then International Offer Shares will be reallocated to the Hong Kong Public Offer from the International Offer, so that the total number of the Hong Kong Offer Shares available under the Hong Kong Public Offer will be 187,500,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then the number of International Offer Shares to be reallocated to the Hong Kong Public Offer from the International Offer will be increased so that the total number of the Hong Kong Offer Shares available under the Hong Kong Public Offer will be 250,000,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then the number of International Offer Shares to be reallocated to the Hong Kong Public Offer from the International Offer will be increased, so that the total number of the Hong Kong Offer Shares available under the Hong Kong Public Offer will be 312,500,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

As required by the above-described claw-back provisions, the Sole Global Coordinator may reallocate Offer Shares from the International Offer to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer. If the Hong Kong Public Offer is not fully subscribed, however, the Sole Global Coordinator may reallocate to the International Offer all or any unsubscribed Hong Kong Offer Shares in such numbers as it deems appropriate.

The Offer Shares to be offered in the Hong Kong Public Offer and the International Offer may, in certain circumstances, be reallocated as between these offering at the discretion of the Sole Global Coordinator.

INTERNATIONAL OFFER

Number of Offer Shares Offered

The number of the Offer Shares to be initially offered for sale under the International Offer will be 562,500,000 Offer Shares, representing approximately 90% of the Offer Shares initially available under the Global Offering and approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offer, the International Offer Shares will be conditionally placed on our behalf by the International Underwriters or through selling agents appointed by them. International Offer Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offer Shares in Hong Kong, Europe and other jurisdictions outside the United States (other than mainland China) in offshore transactions meeting the requirements of, and in reliance on, Regulation S, and with QIBs in the United States in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act. The International Offer is subject to the Hong Kong Public Offer becoming unconditional.

Allocation of the International Offer Shares to investors under the International Offer will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is likely to buy further, and/or hold or sell its International Offer Shares after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of an appropriate shareholder base to our benefit and the benefit of our Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offer and who has also made an application under the Hong Kong Public Offer to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that such investor is excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offer.

OVER-ALLOTMENT OPTION AND STABILISATION

Over-allotment Option

In connection with the Global Offering, the Over-allotment Selling Shareholders intend to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator. The Over-allotment Option gives the Sole Global Coordinator the right, exercisable at any time from the day on which trading of our Shares commences on the Stock Exchange until 30 days after the last day for lodging of applications under the Hong Kong Public Offer, to require the Over-allotment Selling Shareholders to sell up to 93,750,000 additional Shares, representing in aggregate approximately 15% of the initial size of the Global Offering at the Offer Price to cover, among other things, over-allocations in the International Offer, if any. The Sole Global Coordinator may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. If the Sole Global Coordinator exercises the Over-allotment Option in full, the additional Offer Shares will represent approximately 3.75% of our enlarged issued share capital following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, we will make a press announcement.

Stock Borrowing Arrangement

In order to facilitate the settlement of over-allotments in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through its affiliates, up to 93,750,000 Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from Over-allotment Selling Shareholders pursuant to the stock borrowing arrangement, or acquire Shares from other sources, including the exercising the Over-allotment Option.

If such stock borrowing arrangement with the Over-allotment Selling Shareholders is entered into, it will only be effected by the Stabilising Manager or its agent for settlement of over-allocation in the International Offer and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to the Over-allotment Selling Shareholders or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full and the relevant Shares subject to the Over-allotment Option have been issued. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to the Over-allotment Selling Shareholders by the Stabilising Manager or its agent in relation to such stock borrowing arrangement.

Stabilising Action

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the International Underwriters, may over-allocate or effect transactions with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions, if commenced, may be discontinued at any time but any stabilising activity is required to be brought to an end no later than the 30th day after the last day for lodging applications under the Hong Kong Public Offer. The Stabilising Manager has been or will be appointed as stabilising manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO and, should stabilising transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilizing Manager.

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market, exercising the Over-allotment Option in full or in part, or by any combination of purchases and the exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilising) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which are the subject of the Over-allotment Option, being 93,750,000 Shares representing approximately 15% of the Shares initially available under the Global Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules, as amended, includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in Shares should note that:

- The Stabilising Manager may, in connection with the stabilising action, maintain a long position in the Shares;

- There is no certainty regarding the extent to which and the time period for which the Stabilising Manager will maintain such a position;

- Liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;

- No stabilising action will be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire at the end of Friday, 12 November 2010, being the last business day before the day which is expected to be the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

- The price of any security (including the Shares) cannot be assured to stay at or above its Offer Price by the taking of any stabilising action; and

- Stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

A public announcement, as required by the Securities and Futures (Price Stabilising) Rules made under the SFO, will be made within seven days of the expiration of the stabilising period.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$5.93 and is expected to be not less than HK$4.85, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offer as further explained above. If you apply for the Offer Shares under the Hong Kong Public Offer, you must pay the maximum Offer Price of HK$5.93 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy. This means that, for every board lot of 1,000 Offer Shares, you must pay HK$5,989.78 at the time of your application.

If the Offer Price, as finally determined in the manner described below, is lower than HK$4.85, we will refund the difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. You may find further details in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 21 October 2010, it is expected that dealings in Shares on the Hong Kong Stock Exchange will commence at 9:30 a.m. on Thursday, 21 October 2010.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Underwriters), us and the Selling Shareholders on the Price Determination Date.

We expect that we will, on or about 14 October 2010, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offer.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed "Underwriting".

There are three channels to make an application for Hong Kong Offer Shares. You may either (i) use a **WHITE** or **YELLOW** Application Form, (ii) apply online through designated website of the White Form eIPO Service Provider, referred to herein as "**White Form eIPO**", or (iii) **electronically instruct** HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through **White Form eIPO** or by giving **electronic application instructions** to HKSCC.

WHICH APPLICATION CHANNEL TO USE

- Use a **WHITE** Application Form if you want the Hong Kong Offer Shares issued in your own name in physical certificate(s).

- Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of **White Form eIPO** by submitting applications online through the designated website of the White Form eIPO Service Provider at **www.eipo.com.hk**. Use **White Form eIPO** if you want the Hong Kong Offer Shares issued in your own name;

- Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

- Instead of using a **YELLOW** Application Form, you may electronically instruct HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf via CCASS. Any Hong Kong Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;

- have a Hong Kong address;

- are outside the United States (within the meaning of Regulation S);

- are not a United States Person (as defined in Regulation S);

- are not a legal or natural person of the PRC (except qualified domestic institutional investors); and

- have not been allocated or have not applied for nor indicated an interest for any Offer Shares under the International Offer.

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and

- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO** service.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name.

If the applicant is a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity.

If your application is made through a duly authorised attorney, we, the Sole Global Coordinator and the Sole Sponsor, as our agent, may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We, the Sole Global Coordinator and the Sole Sponsor, as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The number of joint applicants may not exceed four.

We, the Sole Sponsor (on behalf of the Hong Kong underwriters) or the designated White Form eIPO Service Provider or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Save under the circumstances permitted under the Listing Rules, the Hong Kong Offer Shares are not available to existing beneficial owners of shares in our Company, our directors, supervisors or chief executive officer, the directors, supervisors or chief executive officer of any of our subsidiaries, or their respective associates (as defined in the Listing Rules) or any other connected persons (as defined in the Listing Rules) of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

Our Offer Shares are not available to a person who is not outside the United States and will not be acquiring the Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S) or persons who do not have a Hong Kong address or legal or natural persons of the PRC (except qualified domestic institutional investors).

WHERE TO COLLECT APPLICATION FORMS

You can collect a **WHITE** Application Form and our prospectus during normal business hours from 9:00 a.m. on Friday, 8 October 2010 till 12:00 noon on Wednesday, 13 October 2010 from:

The following addresses of the Hong Kong Underwriters:

Morgan Stanley Asia Limited
Level 46
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

DBS Asia Capital Limited
22nd Floor, The Center,
99 Queen's Road Central
Central, Hong Kong

CCB International Capital Limited
34th Floor, Two Pacific Place
88 Queensway Admiralty
Hong Kong

or any of the following branches of:

Bank of China (Hong Kong) Limited

District	Branch	Address
Central	Bank of China Tower Branch	3/F, 1 Garden Road
Central	Central District (Wing On House) Branch	71 Des Voeux Road Central
North Point	King's Road Branch	131-133 King's Road, North Point
Kwun Tong	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
Tsimshatsui	Tsim Sha Tsui East Branch	Shop G02-03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui
Mong Kok	Mong Kok Branch	589 Nathan Road, Mong Kok
Tsuen Wan	Castle Peak Road (Tsuen Wan) Branch	201-207 Castle Peak Road, Tsuen Wan
Tseung Kwan O	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O

DBS Bank (Hong Kong) Limited

District	Branch	Address
North Point	North Point Branch	G/F, 391 King's Road
Tsimshatsui	Tsimshatsui Branch	G/F, 22-24 Cameron Road
Yuen Long	Yuen Long Branch	G/F, 1-5 Tai Tong Road
Shatin	Shatin Plaza Branch	Shop 47 & 48, Level 1, Shatin Plaza, No. 21-27 Sha Tin Centre Street

You can collect a **YELLOW** Application Form and our prospectus during normal business hours from 9:00 a.m. on Friday, 8 October 2010 till 12:00 noon on Wednesday, 13 October 2010 from:

- the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or

- your stockbrokers, who may have such application forms and this prospectus available.

HOW TO APPLY BY USING A WHITE OR YELLOW APPLICATION FORM

(a) Obtain an Application Form as described in the sub-paragraph headed "Where to Collect Application Forms" above.

(b) Complete the Application Form in English in ink and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

(c) Each Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.

(d) Lodge the **WHITE** or **YELLOW** Application Form in one of the collection boxes by the time and at one of the locations as described in the sub-paragraph headed "Where to Collect Application Forms" above.

You should note that by completing and submitting the Application Form, amongst other things, you:

(a) confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

(b) agree that our Company and the Directors, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, and any other parties involved in Global Offering are liable only for the information and representations contained in this prospectus and any supplement to this prospectus thereto;

(c) undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the International Offer;

(d) agree to disclose to our Company and/or the Hong Kong Share Registrar, receiving bankers, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;

In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the **YELLOW** Application Form as indicated below and sign on the first page of the **YELLOW** Application Form. Only written signatures will be accepted.

(a) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

(i) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

(b) **If the application is made by an individual CCASS Investor Participant:**

(i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card number; and

(ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(c) **If the application is made by a joint individual CCASS Investor Participant:**

(i) the Application Form must contain all joint CCASS Investor Participants' names and Hong Kong Identity Card numbers of all joint CCASS Investor Participants; and

(ii) the participant I.D. must be inserted in the appropriate box in the Application Form.

(d) **If the application is made by a corporate CCASS Investor Participant:**

(i) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and

(ii) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If your application is made through a duly authorised attorney, we, the Sole Global Coordinator and the Sole Sponsor, as our agent, may accept it at our discretion, and subject to any conditions we think fit, including evidence of the authority of your attorney. We, the Sole Global Coordinator and the Sole Sponsor, as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

HOW TO APPLY THROUGH WHITE FORM eIPO

General

(a) If you are an individual and meet the criteria set out in the sub-paragraph headed "Who can Apply for Hong Kong Offer Shares" above, you may apply through **White Form eIPO** by submitting an application through designated website at **www.eipo.com.hk**. If you apply through **White Form eIPO**, the Shares will be issued in your own name.

(b) Detailed instructions for application through the **White Form eIPO** are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated White Form eIPO Service Provider and may not be submitted to our company.

(c) If you give **electronic application instructions** through the designated website at **www.eipo.com.hk**, you will have authorised the designated White Form eIPO Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO**.

(d) In addition to the terms and conditions set out in this prospectus, the designated White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO**. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(e) By submitting an application to the designated White Form eIPO Service Provider through the **White Form eIPO**, you are deemed to have authorised the designated White Form eIPO Service Provider to transfer the details of your application to our company and our Hong Kong Share Registrar.

(f) You may submit an application through the **White Form eIPO** in respect of a minimum of 1,000 Hong Kong Offer Shares. Each **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

(g) You may submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Friday, 8 October 2010 until 11:30 a.m. on Wednesday, 13 October 2010 or such later time as described under the sub-paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 13 October 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" below.

(h) You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, 13 October 2010, or such later time as described under the sub-paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" below, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.eipo.com.hk**.

(i) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.

(j) **Warning:** The application for Hong Kong Offer Shares through the **White Form eIPO** is only a facility provided by the designated White Form eIPO Service Provider to public investors. Our company, our Directors, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** will be submitted to our company or that you will be allotted any Hong Kong Offer Shares.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "Springland International Holdings Limited" White Form eIPO application submitted via **www.eipo.com.hk** to support the funding of the "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your application through the **White Form eIPO**, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO**, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. Please also refer to the sub-paragraph headed "How Many Applications You May Make" below.

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **White Form eIPO** to the White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant. If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Offer Shares for which you have applied, or if your application is otherwise rejected by the designated White Form eIPO Service Provider, the designated White Form eIPO service provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated White Form eIPO Service Provider on the designated website at **www.eipo.com.hk**.

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the paragraph entitled "Refund of Application Monies."

HOW TO APPLY ELECTRONICALLY TO HKSCC VIA CCASS

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) in accordance with the procedures contained in HKSCC's "Operating Guide for Investor Participants" in effect from time to time.

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2nd Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form. Our prospectuses are available for collection at the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to us and our Hong Kong Share Registrar.

Application for Hong Kong Offer Shares by HKSCC Nominees on Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for public offer shares,

(i) HKSCC Nominees is only acting as a nominee for those persons and will not be, and you will be, however, liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees, on your behalf:

- agrees that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of the CCASS Participant who has inputted the **electronic application instruction** on your behalf;

- undertakes and agrees to accept the Hong Kong Offer Shares in respect of which you have given the **electronic application instruction** or any lesser number of such Offer Shares;

- undertakes and confirms that you have not applied for or taken up any International Offer Shares under the International Offer nor otherwise participated in the International Offer;

- (if the **electronic application instruction** is given for your own benefit) declares that only one set of **electronic application instruction** has been given for your benefit;

- (if you are an agent for another person) declares that you have only given one set of **electronic application instruction** for the benefit of such other person and that you are duly authorised to give the instruction as such other person's agent;

- understands that the above declaration will be relied upon by us, our Directors, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers when deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instruction** given by you and that you are subject to prosecution for making any false declaration;

- authorises us to place the name of HKSCC Nominees in our register of members as the holder of the Hong Kong Offer Shares allotted in respect of your **electronic application instruction** and to send share certificate(s) and/or refund money in accordance with the arrangements separately agreed between us and HKSCC;

- confirms that you have read the terms and conditions and application procedures described in this prospectus and agrees to be bound by them;

- confirms that you have only relied on the information and representations contained in this prospectus in giving your **electronic application instruction** or instructing your broker or custodian to give the **electronic application instruction** on your behalf;

- agrees that we, the Hong Kong Underwriters and any other parties involved in the Hong Kong Public Offer are liable only for the information and representations contained in this prospectus;

- agrees to disclose your personal data to us and our Hong Kong Share Registrar, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, receiving bankers, advisers and agents and any additional information which we or they may require about you;

- agrees (without prejudice to any other rights which you may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentations;

- agrees that any application made by HKSCC Nominees on your behalf pursuant to **electronic application instructions** given by you is irrevocable before Monday, 8 November 2010, such agreement to take effect as a collateral contract with us and to become binding when you give such instruction. This collateral contract will be in consideration of our agreement not to offer any Hong Kong Offer Shares to any person before Monday, 8 November 2010 and our agreement to offer Hong Kong Offer Shares by means of one of the procedures described in this prospectus. However, HKSCC Nominees may revoke such instruction before the fifth business day after the time of the opening of the application lists if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section to exclude or limit the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees has been accepted, neither such application nor your **electronic application instruction** can be revoked, and that acceptance of such application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by us;

- agrees to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read together with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to Hong Kong Offer Shares; and
- agrees that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Your Electronic Application Instruction to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian, who is a CCASS Clearing Participant or a CCASS Custodian Participant, to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have taken the following actions. Neither HKSCC nor HKSCC Nominees shall be liable to us or to any other person in connection with the following actions:

- you have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- you have instructed and authorised HKSCC to arrange payment of the maximum indicative Offer Price, with brokerage fee, transaction levy and trading fee, by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum indicative Offer Price per Hong Kong Offer Share you initially paid on application, refund of the application money or the relevant portion of it by crediting your designated bank account; and
- you have instructed and authorised HKSCC to cause HKSCC Nominees to take on your behalf the actions it is stated to take on your behalf in the **WHITE** Application Form.

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit such instruction is given will be treated as an applicant.

Section 40 of the Companies Ordinance

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies Ordinance.

Personal Data

The section of the Application Form captioned "Personal Data" applies to any personal data held by us and our Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for the application, including the procedures and processes of the application, and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised to allow ample time, and not to wait until the last minute, to input their **electronic application instructions** into the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) visit HKSCC's Customer Service Centre to complete an input request form for **electronic application instruction** before 12:00 noon on Wednesday, 13 October 2010.

MINIMUM SUBSCRIPTION AMOUNT AND PERMITTED NUMBERS

You may use the Application Forms to subscribe for a minimum of 1,000 Hong Kong Offer Shares or for one of the numbers set forth in the table in the Application Forms. You may give, if you are a CCASS Investor Participant, or cause your broker or custodian, who is a CCASS Clearing Participant or a CCASS Custodian Participant, to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Such instructions in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Forms.

HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for the Hong Kong Offer Shares only if you are a **nominee**, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number, or
- some other identification code,

for each beneficial owner (or in the case of joint beneficial owners, for each such beneficial owner). If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

It will be a term and condition of all applications that, by completing and delivering an Application Form or by giving an **electronic application instruction**, you:

- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider through **WHITE Form eIPO**; and
- (if you are an agent for another person) warrant that you have made reasonable inquiries of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS, and that you are duly authorised to sign the Application Form as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your applications, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS;
- both apply (whether individually or jointly) on a **WHITE** Application Form and a **YELLOW** Application Form or apply on a **WHITE** or **YELLOW** Application Form and by giving **electronic application instructions** to HKSCC via CCASS or to the White Form eIPO Service Provider through **WHITE Form eIPO**;
- apply (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving an **electronic application instruction** to HKSCC via CCASS for more than 50% of the Hong Kong Offer Shares initially offered for public subscription under the Hong Kong Public Offer; or

- have applied for or taken up, or have indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) any Offer Shares under the International Offer.

All of your applications will also be rejected as multiple applications if more than one application is made for your benefit, (including any application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities, and

- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" in relation to a company means you:

- control the composition of the board of directors of that company;

- control more than half of the voting power of that company; or

- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

If you are suspected of having made multiple electronic applications or if more than one electronic application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instruction** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** by giving **electronic application instructions** through the designated website at **www.eipo.com.hk** and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** and one or more applications by any other means, all of your applications are liable to be rejected.

TIME FOR THE PUBLIC TO APPLY FOR HONG KONG OFFER SHARES

Applications on WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Wednesday, 13 October 2010, or, if the application lists are not open on that day due to bad weather, then by 12:00 noon on the next business day when such lists are open as described in the sub-paragraph headed "— Effect of Bad Weather on the Opening of the Application Lists" below.

Your completed Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches listed above in the paragraph headed "How to Apply For Hong Kong Offer Shares — Where to Collect Application Forms" above at the following times:

Friday, 8 October 2010 — 9:00 a.m. to 5:00 p.m.
Saturday, 9 October 2010 — 9:00 a.m. to 1:00 p.m.
Monday, 11 October 2010 — 9:00 a.m. to 5:00 p.m.
Tuesday, 12 October 2010 — 9:00 a.m. to 5:00 p.m.
Wednesday, 13 October 2010 — 9:00 a.m. to 12:00 noon

The application lists will be open between 11:45 a.m. and 12:00 noon on Wednesday, 13 October 2010.

No proceedings will be taken on applications for our Shares and no allotment of any such Shares will be made until the closing of the application lists. No allocation of any of our Hong Kong Offer Shares will be made later than Wednesday, 13 October 2010.

White Form eIPO

You may submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Friday, 8 October 2010 until 11:30 a.m. on Wednesday, 13 October 2010 or such later time as described under the sub-paragraph headed "Effects of Bad Weather on the Opening of the Application Lists" below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 13 October 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph headed "— Effects of Bad Weather on the Opening of the Application Lists" below.

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

Electronic application instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 8 October 2010 — 9:00 a.m. to 8:30 p.m.(1)
Saturday, 9 October 2010 — 8:00 a.m. to 1:00 p.m.(1)
Monday, 11 October 2010 — 8:00 a.m. to 8:30 p.m.(1)
Tuesday, 12 October 2010 — 8:00 a.m. to 8:30 p.m.(1)
Wednesday, 13 October 2010 — 8:00 a.m.(1) to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 8 October 2010 until 12:00 noon on Wednesday, 13 October 2010 (24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** via CCASS will be 12:00 noon on Wednesday, 13 October 2010, the last application day, or if the application lists are not open on that day, by the time and date stated in the sub-paragraph headed "— Effects of Bad Weather on the Opening of the Application Lists" below.

Effect of Bad Weather on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning signal,

in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon on Wednesday, 13 October 2010. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon. Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

In the event of the above-mentioned tropical cyclone or rainstorm on Wednesday, 13 October 2010, the latest time for lodging your Application Forms and for inputting your **electronic application instructions** will be postponed accordingly to the next business day which does not have either of those warning signals in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon on such day.

PUBLICATION OF RESULTS

We expects to publish the final Offer Price, level of indication of interest in the International Offer, the basis of allocation of the Hong Kong Offer Shares, and the level of applications under the Hong Kong Public Offer in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website at **www.springlandgroup.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk** on Wednesday, 20 October 2010.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be made available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offer will be available from our Company's website at **www.springlandgroup.com.cn** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** on Wednesday, 20 October 2010;

- Results of allocations for the Hong Kong Public Offer will be available from our results of allocations website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Wednesday, 20 October 2010 to 12:00 midnight on Tuesday, 26 October 2010. The user of our results of allocations website at **www.iporesults.com.hk** will be required to key in the Hong Kong identity card/ passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation results;

- Results of allocations will be available from our Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their application has been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 20 October 2010 to Saturday, 23 October 2010; and

- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Wednesday, 20 October 2010 to Saturday, 23 October 2010 at all the receiving bank branches and sub-branches at the addresses set out in the section headed "How to Apply for Hong Kong Offer Shares — Where to Collect the Application Forms".

THE PRICE OF THE HONG KONG OFFER SHARES

You must pay the maximum indicative Offer Price of HK$5.93 per Share, with 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy, in full when you apply for the Hong Kong Offer Shares. As such, for one board lot of 1,000 Shares, you must pay HK$5,989.78 at the time of application. The Application Forms contain tables showing the exact amount payable for certain numbers of Shares up to 31,250,000 Offer Shares. You must pay the amount payable upon application for the Shares by check or banker's cashier order in accordance with the terms contained in the Application Form.

If your application is successful, the brokerage fee will be paid to participants of the Stock Exchange or the Stock Exchange (as the case may be); the Stock Exchange trading fee will be paid to the Stock Exchange; and the SFC transaction levy will be collected by the Stock Exchange on behalf of the SFC.

REFUND OF APPLICATION MONIES

If:

- the Offer Price, as finally determined, is less than HK$4.85 per Share (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee thereon) that you initially paid upon application;
- if your application is partially unsuccessful;
- if your application is wholly unsuccessful;
- the conditions of the Global Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this prospectus; or
- any application is revoked or any allocation pursuant thereto has become void,

we will, in each case, refund the difference per Offer Share and/or your surplus application monies or your application monies, including the 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy that you paid to the extent attributable to the surplus application monies. We will not pay interest on any refunded amount. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

Refund cheque will be crossed "Account Payee Only" made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong Identity Card number/passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number before encashment of your refund check. Inaccurate completion of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

DESPATCH/COLLECTION OF SHARE CERTIFICATES/e-REFUND PAYMENT INSTRUCTIONS/ REFUND CHEQUES

No temporary documents of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. Subject to the provisions below relating to personal collection, share certificates and refund cheques will be sent to you in due course by ordinary post, at your own risk, to the address specified in your Application Form:

- for applications on **WHITE** Application Forms: (i) share certificate(s) for the Hong Kong Offer Shares you have applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Hong Kong Offer Shares you have successfully applied for, if the application is partially successful, and/or

- for applications on **WHITE** or **YELLOW** Application Forms, a refund cheque or refund cheques crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the initial price per Share paid on application in the event that the Offer Price is less than the initial price per Share paid on application, in each case including the related 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy, but without interest.

For wholly successful and partially successful applications on **YELLOW** Application Forms, share that the applicants have successfully applied for will be deposited into CCASS as described in the sub-paragraph headed "— Personal collection for **YELLOW** Application Forms" below.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/ passport number before encashment of your refund check. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject to personal collection mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful under **WHITE** or **YELLOW** Application Forms or the difference between the Offer Price and the initial price per Share paid on application, in each case including 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.003% SFC transaction levy, as well as share certificates for wholly and partially successful applications under **WHITE** Application Forms are expected to be posted on or around Wednesday, 20 October 2010 or, for electronic applicants, are expected to be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 20 October 2010. No interest will be paid thereon. We reserve the right to retain any share certificates and any surplus application monies pending clearance of your cheque(s).

If you apply by giving electronic application instructions to HKSCC, and your application is wholly or partially successful:

(a) your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Wednesday, 20 October 2010 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees; and

(b) refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Hong Kong Offer Share paid on application, in each case including the related brokerage fee of 1%, SFC transaction levy of 0.003%, and Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 20 October 2010. No interest will be paid thereon.

Our share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Thursday, 21 October 2010 provided that:

- the Global Offering has become unconditional in all respects; and
- the right of termination as described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination" in this prospectus has not been exercised.

Personal collection for WHITE Application Forms

If you have (i) applied for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form, (ii) indicated your intention in your Application Form to collect your refund cheque(s) (if applicable) and/or share certificate(s) (if applicable) for Hong Kong Offer Shares from our Hong Kong Share Registrar Computershare Hong Kong Investor Services Limited, and (iii) provided all information required by your Application Form, you may collect (if applicable) refund cheque(s) and (if applicable) share certificate(s) for Hong Kong Offer Shares from our branch registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 20 October 2010 or any other date as notified by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of collection/despatch of share certificates/refund cheques/e-Refund payment instructions. If you are an individual and have elected for personal collection, you may not authorise any other person to make collection on your behalf. If you are a corporate applicant and have elected for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. If you do not collect your refund cheque(s) and share certificate(s) personally within the time specified for collection, they will be promptly sent by ordinary post to the address on your Application Form and at your own risk.

If you have applied for less than 1,000,000 Hong Kong Offer Shares or if you have applied for 1,000,000 Hong Kong Offer Shares or more, whether using a **WHITE** or **YELLOW** Application Form, but have not indicated in your Application Form that you wish to collect your share certificate(s) (if applicable) and/or refund cheque(s) in person, your share certificate(s) (if applicable) and/or refund cheque(s) will be sent to the address on your Application Form on Wednesday, 20 October 2010 by ordinary post and at your own risk.

Personal collection for YELLOW Application Forms

If you have (i) applied for 1,000,000 Hong Kong Offer Shares or more on a **YELLOW** Application Form, (ii) indicated your intention in your Application Form to collect your refund cheque(s) from our Hong Kong Share Registrar, and (iii) provided all information required by your Application Form, you may collect (if applicable) refund cheque(s) from our Hong Kong Share Registrar in the same way as applicants using **WHITE** Application Forms as described above.

If you have applied for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) for Hong Kong Offer Shares you have successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Wednesday, 20 October 2010, or, under contingent situations, on any other date as will be determined by HKSCC or HKSCC Nominees.

If You Are Applying Through a Designated CCASS Participant (Other Than a CCASS Investor Participant):

For Offer Shares credited to the stock account of your designated CCASS Participant (other than CCASS Investor Participant), you can check the number of Offer Shares allotted to you with that CCASS Participant.

If You Are Applying as a CCASS Investor Participant:

We will publish the results of CCASS Investor Participants' applications together with the results of the public offer in the manner specified in the section headed "How to Apply for Hong Kong Offer Shares — Publication of Results" above on Wednesday, 20 October 2010. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 20 October 2010 or any other date HKSCC or HKSCC Nominees Limited chooses. Immediately after the credit of the Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Offer Shares credited to your stock account.

Application made by electronic instructions through HKSCC Nominees

If your electronic application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of your CCASS Investor Participant stock account or the stock account of the CCASS Participant that you have instructed to give the **electronic application instruction** on your behalf, on Wednesday, 20 October 2010 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

We will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the beneficial owner, if supplied), your Hong Kong Identity Card or passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allotment of the Hong Kong Public Offer, in the manner specified in the section headed "How to Apply for Hong Kong Offer Shares — Publication of Results" above on Wednesday, 20 October 2010. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 20 October 2010 or any other date HKSCC or HKSCC Nominees chooses.

If you have applied through a designated CCASS Participant (other than a CCASS Investor Participant) for Hong Kong Offer Shares to be credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you and the amount of refund (if any) payable to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, you can also check the number of Offer Shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System on Wednesday, 20 October 2010. Immediately following the credit of the Offer Shares to your stock account and the credit of the refund monies to your bank account), HKSCC will make available to you an activity statement showing the number of Offer Shares credited to your stock account and the amount of refund money credited to your designated bank account (if any).

Personal collection for application made through White Form eIPO

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 20 October 2010, or such other date as notified by our Company in the newspapers as the date of despatch/collection of refund cheque(s)/share certificate(s)/e-Refund payment instructions.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** on Wednesday, 20 October 2010, by ordinary post and at your own risk.

If you apply through the **White Form eIPO** and paid the application monies from a single bank account, refund monies (if any) will be despatched to the application payment bank account in the form of e-Refund payment instructions; If you apply through **White Form eIPO** and paid the application monies from multiple bank accounts, refund monies (if any) will be despatched to the address as specified on the your **White Form eIPO** application in the form of refund cheque(s), by ordinary post at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated White Form eIPO Service Provider set out in this section headed "How to Apply for Hong Kong Offer Shares — How to Apply through White Form eIPO — Additional Information" of this prospectus.

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares are set out in notes attached to the Application Forms and, whether you are making your application by an Application Form or to the designated White Form eIPO Service Provider via **White Form eIPO** Services or by **electronic application instruction** to HKSCC, you should read them carefully. In particular, you should note the following situations in which Hong Kong Offer Shares will not be allotted to you.

You May Only Revoke Your Application under Limited Circumstances

By completing and submitting an Application Form, or **electronic application instructions** to HKSCC your application or the application made by HKSCC Nominees on your behalf or to the designated White Form eIPO Service Provider via **White Form eIPO** Services may not be revoked on or before Monday, 8 November 2010. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our agreement not to offer any Hong Kong Offer Shares to any person before Monday, 8 November 2010 except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf or to the designated White Form eIPO Service Provider via White Form eIPO Services may only be revoked on or before Monday, 8 November 2010 if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under such section to exclude or limit the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedures provided, all applications that have been submitted will remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application has been accepted or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications that are not rejected will be constituted by notification in the press of the results of allotment, and where such basis of allotment is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

Your Application May Be Accepted or Rejected at Our Discretion or Our Agent's Discretion

We and our agents (including the Sole Global Coordinator) have full discretion to reject or accept any application, or to accept only part of an application. We, the Sole Global Coordinator and the Hong Kong Underwriters, in their capacity as our agents, the White Form eIPO Service Provider and our and their respective agents and nominees, do not have to provide any reason for any rejection or acceptance.

Your Application Will Be Rejected If You Do Not Comply with Certain Conditions

- you have made multiple applications or are suspected of having made multiple applications, including having indicated an interest for, or being placed (including conditionally and/or provisionally), any Offer Shares under the International Offer;

- your Application Form is not completed in accordance with the instructions as stated on such form (if you apply by an Application Form);

- your payment is not made correctly;

- you pay by check or banker's cashier order and such check or banker's cashier order is dishonored on its first presentation;

- you or the person for whose benefit you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Offer. By filling in any of the Application Forms or applying by giving **electronic application instructions** to HKSCC or to the designated White Form eIPO Service Provider through **White Form eIPO** Services, you agree not to apply for Hong Kong Offer Shares as well as Offer Shares in the International Offer. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received Offer Shares in the International Offer, and to identify and reject indications of interest in the International Offer from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer;

- if you apply for more than 50% of the Hong Kong Offer Shares initially being offered in the Hong Kong Public Offer (that is 31,250,000 Offer Shares); and

- our Company, the Sole Global Coordinator or the Sole Sponsor believes that by accepting your application, it would violate the applicable securities or other laws, rules or regulations.

Your Application Will Not Be Accepted under Certain Circumstances

Your application or HKSCC Nominee's application on your behalf will not be accepted if either:

- any Underwriting Agreement does not become unconditional; or
- any Underwriting Agreement is terminated in accordance with its terms.

Your Allotment of Hong Kong Offer Shares Will Be Void under Certain Circumstances

Your allotment of Hong Kong Offer Shares or the allotment of Hong Kong Offer Shares to HKSCC Nominees will be void if the Listing Committee does not grant permission to list our Shares either:

- within three weeks from the closing of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies us of such longer period within three weeks of the closing of the application lists.

DEALINGS AND SETTLEMENT

Commencement of Dealings in Our Shares on the Stock Exchange

Dealings in our Shares on the Stock Exchange are expected to commence at 9:30 a.m. on Thursday, 21 October 2010. Our Shares will be traded on the Stock Exchange in board lots of 1,000 Shares. The stock code of the Shares is 1700.

Our Shares Will Be Eligible for Admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS.

You should seek advice of your stockbroker or other professional adviser for details of the settlement arrangements as such arrangements will affect your rights and interests.

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

8 October 2010

The Directors
Springland International Holdings Limited
Morgan Stanley Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Springland International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2007, 2008 and 2009 and the six-month period ended 30 June 2010 (the "Relevant Periods"), and the six-month period ended 30 June 2009 (the "30 June 2009 Financial Information"), prepared on the basis of preparation set out in note 4.1 of Section II below, for inclusion in the prospectus of the Company dated 8 October 2010 (the "Prospectus") in connection with the proposed listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Financial Information comprises the statements of financial position of the Company and consolidated statements of financial position of the Group as at 31 December 2007, 2008, 2009 and 30 June 2010 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods and a summary of significant accounting policies and other explanatory notes. The 30 June 2009 Financial Information comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the six months ended 30 June 2009, together with the notes thereto.

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 subsidiaries and associates now comprising the Group are set out in note 2 of Section II.

No audited statutory financial statements have been prepared by the Company as it has not carried out any business since the date of its incorporation, save for the acquisition of subsidiaries. The Group is principally engaged in the operation of department stores and supermarkets in Mainland China. The group companies and associates have adopted 31 December as their financial year end date. The audited financial statements or management accounts of the subsidiaries and associates have been prepared in accordance with the relevant accounting principles generally accepted in the place of incorporation/establishment of those companies. The names of the statutory auditors of these companies are set out in note 2 of Section II.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Consolidated Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") as promulgated by the International Accounting Standards Board (the "IASB"). The Directors are responsible for the preparation and the true and fair presentation of the Underlying Consolidated Financial Statements, the Financial Information and the 30 June 2009 Financial Information in accordance with IFRSs. The directors of the respective companies of the Group are responsible for the preparation and the true and fair presentation of the respective financial statements and, where appropriate, management accounts in accordance with the relevant accounting principles and financial regulations applicable to these companies. In preparing the Financial Information and the 30 June 2009 Financial Information, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are reasonable. It is our responsibility to form an independent opinion based on our audit of the Financial Information and to report our opinion thereon to you.

Procedures performed in respect of the Financial Information

The Financial Information has been prepared based on the Underlying Consolidated Financial Statements and in accordance with the basis set out in note 4.1 of Section II. For the purpose of this report, we have carried out an independent audit on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary to adjust the Underlying Consolidated Financial Statements to conform to the accounting policies referred to in note 4.3 of Section II for the Relevant Periods.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

Procedures performed in respect of the 30 June 2009 Financial Information

For the purpose of this report, we have also performed a review of the 30 June 2009 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 ''Review of Interim Financial Information performed by the Independent Auditor of the Entity'' issued by the HKICPA. A review consists of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of any significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2009 Financial Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of preparation as set out in note 4.1 of Section II, the Financial Information gives a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007, 2008, 2009 and 30 June 2010 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the 30 June 2009 Financial Information

Based on our review, which does not constitute an audit, nothing has come to our attention that causes us to believe that the 30 June 2009 Financial Information, for the purpose of this report, does not give a true and fair view of the consolidated results and cash flows of the Group for the six-month period ended 30 June 2009.

I FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December			Six-month period ended 30 June	
	Notes	2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
REVENUE	6	2,001,347	2,245,987	2,286,050	1,158,411	1,494,172
Other income	7	133,578	195,415	236,099	123,242	158,822
Purchase of and changes in inventories		(1,304,847)	(1,480,550)	(1,477,285)	(774,427)	(907,933)
Staff costs		(157,683)	(181,048)	(200,068)	(84,795)	(117,990)
Depreciation and amortization		(101,845)	(127,295)	(146,203)	(71,817)	(99,768)
Rental expenses		(28,974)	(40,638)	(44,217)	(23,868)	(25,684)
Other expenses	8	(199,495)	(263,892)	(242,298)	(110,495)	(142,912)
Finance costs	9	(76,306)	(44,337)	(66,283)	(27,677)	(51,109)
Share of profits and losses of associates	20	(9)	—	1,306	—	—
PROFIT BEFORE TAX	10	265,766	303,642	347,101	188,574	307,598
Income tax expense	12	(47,098)	(84,030)	(98,293)	(54,019)	(79,020)
PROFIT FOR THE YEAR/ PERIOD		218,668	219,612	248,808	134,555	228,578
Attributable to:						
Owners of the parent	13	218,668	219,612	247,723	134,555	222,596
Non-controlling interests		—	—	1,085	—	5,982
		218,668	219,612	248,808	134,555	228,578
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic (RMB)	15	0.14	0.13	0.15	0.08	0.11
Diluted (RMB)	15	0.11	0.10	0.12	0.06	0.11

Details of dividends paid for the year are disclosed in note 14 of Section II to the Financial Information.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six-month period ended 30 June	
	Notes	2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
PROFIT FOR THE YEAR/PERIOD		218,668	219,612	248,808	134,555	228,578
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations		5,607	(711)	720	773	2,634
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		224,275	218,901	249,528	135,328	231,212
Attributable to:						
Owners of the parent	13	224,275	218,901	248,443	135,328	225,230
Non-controlling interests		—	—	1,085	—	5,982
		224,275	218,901	249,528	135,328	231,212

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2007	31 December 2008	31 December 2009	30 June 2010
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	17	2,179,250	2,572,812	3,719,241	3,840,951
Prepaid land premiums	18	259,560	263,489	256,047	327,329
Goodwill	19	87,122	87,122	127,439	127,439
Investments in associates	20	234	—	—	—
Available-for-sale investments	21	20,000	20,000	110	110
Long-term prepayments	22	54,098	73,350	32,093	123,080
Deferred tax assets	23	7,745	11,364	15,286	19,355
Total non-current assets		2,608,009	3,028,137	4,150,216	4,438,264
CURRENT ASSETS					
Inventories	24	274,695	303,161	301,313	258,148
Trade receivables	25	4,636	12,042	8,984	19,024
Prepayments, deposits and other receivables	26	355,733	175,391	194,716	229,380
Equity investments at fair value through profit or loss	27	—	—	12,521	11,096
Pledged deposits	28	5,572	170,000	742,790	384,814
Cash and cash equivalents	28	266,227	407,826	612,813	665,239
Total current assets		906,863	1,068,420	1,873,137	1,567,701
CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	29	1,097,874	1,173,800	1,746,221	1,367,600
Bills payable	30	5,572	—	57,790	9,814
Trade payables	31	460,970	562,989	597,545	573,805
Other payables and accruals	32	574,282	799,347	960,610	1,141,107
Derivative financial liabilities	33	7,680	—	—	—
Tax payable		58,296	27,633	32,484	26,832
Total current liabilities		2,204,674	2,563,769	3,394,650	3,119,158
NET CURRENT LIABILITIES		(1,297,811)	(1,495,349)	(1,521,513)	(1,551,457)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,310,198	1,532,788	2,628,703	2,886,807
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	29	145,000	150,000	983,000	1,006,500
Long-term payables	34	3,702	5,819	256,523	271,506
Deferred tax liabilities	23	160,819	183,798	333,146	338,260
Total non-current liabilities		309,521	339,617	1,572,669	1,616,266
Net assets		1,000,677	1,193,171	1,056,034	1,270,541
EQUITY					
Equity attributable to owners of the parent					
Issued capital	36(a)	162	162	150	150
Reserves		1,000,515	1,193,009	1,023,625	1,235,819
		1,000,677	1,193,171	1,023,775	1,235,969
Non-controlling interests		—	—	32,259	34,572
Total equity		1,000,677	1,193,171	1,056,034	1,270,541

STATEMENTS OF FINANCIAL POSITION

Company

	Notes	31 December 2007	31 December 2008	31 December 2009	30 June 2010
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSET					
Interest in a subsidiary	40	650,109	608,745	241,324	238,942
Net assets		650,109	608,745	241,324	238,942
EQUITY					
Issued capital	36(a)	162	162	150	150
Reserves	36(e)	649,947	608,583	241,174	238,792
Total equity		650,109	608,745	241,324	238,942

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the parent										
	Notes	Issued capital	Share premium	Contributed surplus	Capital reserve	Statutory surplus reserve	Discretionary reserve	Exchange fluctuation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000 Note 36 (a)	RMB'000	RMB'000 Note 36 (b)	RMB'000	RMB'000 Note 36 (c)	RMB'000 Note 36 (d)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2007		150	349,626	(1,512)	23,636	16,481	14,128	(415)	42,659	444,753	—	444,753
Total comprehensive income for the year		—	—	—	—	—	—	5,607	218,668	224,275	—	224,275
Appropriation to statutory surplus reserve		—	—	—	—	11,396	—	—	(11,396)	—	—	—
Appropriation to discretionary reserve		—	—	—	—	—	2,029	—	(2,029)	—	—	—
Issue of shares of the Company		12	328,695	—	—	—	—	—	—	328,707	—	328,707
Liabilities waived by shareholders		—	—	—	2,942	—	—	—	—	2,942	—	2,942
As at 31 December 2007 and 1 January 2008		162	678,321*	(1,512)*	26,578*	27,877*	16,157*	5,192*	247,902*	1,000,677	—	1,000,677
Total comprehensive income for the year		—	—	—	—	—	—	(711)	219,612	218,901	—	218,901
Appropriation to statutory surplus reserve		—	—	—	—	68,047	—	—	(68,047)	—	—	—
Appropriation to discretionary reserve		—	—	—	—	—	17,553	—	(17,553)	—	—	—
Dividends	14	—	—	—	—	—	—	—	(26,407)	(26,407)	—	(26,407)
As at 31 December 2008 and 1 January 2009		162	678,321*	(1,512)*	26,578*	95,924*	33,710*	4,481*	355,507*	1,193,171	—	1,193,171
Total comprehensive income for the year		—	—	—	—	—	—	720	247,723	248,443	1,085	249,528
Appropriation to statutory surplus reserve		—	—	—	—	49,926	—	—	(49,926)	—	—	—
Dividends	14	—	—	—	—	—	—	—	(25,959)	(25,959)	—	(25,959)
Acquisition of subsidiaries	38(a)	—	—	—	—	—	—	—	—	—	252,348	252,348
Put option to non-controlling shareholders		—	—	—	(26,775)	—	—	—	—	(26,775)	(221,174)	(247,949)
Repurchase and cancellation of shares	36(a)	(12)	(366,675)	—	—	—	—	—	—	(366,687)	—	(366,687)
Liabilities waived by shareholders		—	—	—	1,582	—	—	—	—	1,582	—	1,582

	Notes	Issued capital	Share premium	Contributed surplus	Capital reserve	Statutory surplus reserve	Discretionary reserve	Exchange fluctuation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to owners of the parent										
		RMB'000 Note 36 (a)	RMB'000	RMB'000 Note 36 (b)	RMB'000	RMB'000 Note 36 (c)	RMB'000 Note 36 (d)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2009 and 1 January 2010		150	311,646*	(1,512)*	1,385*	145,850*	33,710*	5,201*	527,345*	1,023,775	32,259	1,056,034
Total comprehensive income for the period		—	—	—	—	—	—	2,634	222,596	225,230	5,982	231,212
Dividends paid to non-controlling shareholders		—	—	—	—	—	—	—	—	—	(6,892)	(6,892)
Change in interest in a subsidiary		—	(2,956)	—	—	—	—	—	—	(2,956)	2,956	—
Change in carrying value of the put option to non-controlling shareholders		—	—	—	(10,493)	—	—	—	—	(10,493)	267	(10,226)
Liabilities waived by shareholders		—	—	—	413	—	—	—	—	413	—	413
As at 30 June 2010		150	308,690*	(1,512)*	(8,695)*	145,850*	33,710*	7,835*	749,941*	1,235,969	34,572	1,270,541
Unaudited												
As at 31 December 2008 and 1 January 2009		162	678,321	(1,512)	26,578	95,924	33,710	4,481	355,507	1,193,171	—	1,193,171
Total comprehensive income for the period		—	—	—	—	—	—	773	134,555	135,328	—	135,328
Repurchase and cancellation of shares		(12)	(366,675)	—	—	—	—	—	—	(366,687)	—	(366,687)
Liabilities waived by shareholders		—	—	—	420	—	—	—	—	420	—	420
As at 30 June 2009		150	311,646	(1,512)	26,998	95,924	33,710	5,254	490,062	962,232	—	962,232

* *These reserve accounts comprise the consolidated reserves of RMB1,000,515,000, RMB1,193,009,000, RMB1,023,625,000 and RMB1,235,819,000 in the consolidated statements of financial position as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively.*

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six-month period ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Profit before tax		265,766	303,642	347,101	188,574	307,598
Adjustments for:						
Depreciation	10	94,713	120,061	138,761	68,079	96,050
Amortization of prepaid land premiums	10	7,132	7,234	7,442	3,738	3,718
Share of profits and losses of associates		9	—	(1,306)	—	—
Loss/(gain) on disposal of items of property, plant and equipment	10	(1,447)	33,013	1,373	(18)	15
Loss/(gain) on disposal of subsidiaries	10	—	—	6,628	—	(4,002)
Fair value losses, net:						
Derivative instruments - transactions not qualifying as hedges	10	4,885	—	—	—	—
Equity investments at fair value through profit or loss	10	—	—	—	—	1,425
Finance costs	9	76,306	44,337	66,283	27,677	51,109
Interest income	7	(1,921)	(4,101)	(21,238)	(9,693)	(5,170)
Provision/(write-back of provision) for slow-moving inventories	10	505	1,083	939	(656)	(1,027)
Dividend income from available-for-sale investments	7	(1,400)	(1,507)	(1,700)	(1,700)	—
		444,548	503,762	544,283	276,001	449,716
Decrease/(increase) in inventories		(70,141)	(29,549)	8,530	117,229	44,192
Decrease/(increase) in trade receivables, prepayments, deposits and other receivables		(62,994)	26,844	(9,913)	(10,064)	(49,374)
Increase/(decrease) in trade payables, bills payable, other payables and accruals		120,024	166,910	199,066	(159,234)	(5,276)
Increase/(decrease) in derivative financial liabilities		2,795	(7,680)	—	—	—
Increase in long-term payables		1,770	2,117	1,802	761	4,757
Cash generated from operations		436,002	662,404	743,768	224,693	444,015
Income tax paid		(68,404)	(95,333)	(102,540)	(61,805)	(83,627)
Net cash inflows from operating activities		367,598	567,071	641,228	162,888	360,388
Cash flows from investing activities						
Interest received		1,921	4,101	21,238	9,693	5,170
Purchases of items of property, plant and equipment		(451,494)	(361,402)	(608,259)	(258,923)	(111,635)

	Notes	Year ended 31 December 2007	2008	2009	Six-month period ended 30 June 2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Proceeds from disposal of items of property, plant and equipment		6,060	3,530	2,173	744	1
Payments of prepaid land premiums		—	(11,163)	—	—	(49,768)
Investment in an associate		—	—	(161,100)	—	—
Proceeds from disposal of an associate		—	234	—	—	—
Purchase of available-for-sale investments		—	—	(110)	—	—
Disposal of available-for-sale investments		—	—	20,000	—	—
Acquisition of subsidiaries	38	—	—	(202,848)	—	(3,993)
Disposal of subsidiaries	39	—	—	9,579	—	(1,008)
Decrease/(increase) in long-term prepayments		(7,638)	(19,252)	41,257	61,351	(90,987)
Decrease/(increase) in an amount due from a related company		(146,092)	146,092	—	—	—
Decrease/(increase) in pledged deposits		(4,602)	(164,428)	(572,790)	(638,056)	357,976
Decrease/(increase) in time deposits		—	—	(173,000)	(113,000)	157,891
Dividends received from available-for-sale investments		1,400	1,507	1,700	1,700	—
Net cash flows from/(used in) investing activities		(600,445)	(400,781)	(1,622,160)	(936,491)	263,647
Cash flows from financing activities						
Repayment of bank and other borrowings		(1,218,714)	(1,198,374)	(2,186,957)	(1,108,800)	(1,940,121)
Proceeds from issue of shares of the Company		328,707	—	—	—	—
Repurchase of shares of the Company		—	—	(366,687)	(366,687)	—
New bank and other borrowings		1,176,701	1,279,300	3,592,378	2,189,116	1,585,000
A loan from an associate		—	—	100,000	—	—
Dividends paid		—	(26,407)	(25,959)	—	(6,892)
Interest paid		(96,588)	(78,499)	(100,576)	(44,054)	(54,339)
Net cash flows from/(used in) financing activities		190,106	(23,980)	1,012,199	669,575	(416,352)
Net increase/(decrease) in cash and cash equivalents		(42,741)	142,310	31,267	(104,028)	207,683
Cash and cash equivalents at beginning of year/period		303,361	266,227	407,826	407,826	439,813
Effect of foreign exchange rate changes, net		5,607	(711)	720	773	2,634
Cash and cash equivalents at end of year/period		266,227	407,826	439,813	304,571	650,130
Analysis of balances of cash and cash equivalents						
Cash and bank balances	28	266,227	407,826	439,813	304,571	650,130

II NOTES TO FINANCIAL INFORMATION

1. Corporate information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 June 2006 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KYI-1111, Cayman Islands.

The Group is principally engaged in the operation of department stores and supermarkets in Mainland China. In the opinion of the Directors, the ultimate holding company of the Group is Netsales Trading Limited, a company incorporated in the British Virgin Islands (the "BVI").

2. Particulars of companies comprising the Group and an associate

Particulars of companies comprising the Group and an associate, all of which are private companies (or, if registered outside of Hong Kong, have characteristics substantially similar to a private company incorporated in Hong Kong) during the Relevant Periods, are set out below:

Name of company	Place and date of incorporation/ establishment and operations	Nominal value of registered capital as at 30 June 2010	Percentage of equity interest attributable to the Group as at 31 December 2007	31 December 2008	31 December 2009	30 June 2010	Principal activities
Subsidiaries							
Springland International Group Company Limited[(a)] [(1)]	BVI 12 June 2006	US$ 1	100	100	100	100	Investment holding
Cleavebury Limited[(2)]	Hong Kong 25 January 2006	HK$1	100	100	100	100	Investment holding
Hong Kong Springland International Enterprise (Holdings) Limited[(3)]	Hong Kong 6 July 1993	N/A	100	100	100	N/A	Investment holding
Jiangsu Springland Enterprise Investment Holding (Group) Co., Ltd.[(b)(4)] 江蘇華地國際控股集團有限公司	PRC/Mainland China 12 February 1996	US$ 60,000,000	100	100	100	100	Investment holding
Shanghai Springland Enterprise Investment Co., Ltd[(5)] 上海華地企業投資有限公司	PRC/Mainland China 6 November 1996	RMB 100,000,000	100	100	100	100	Investment holding
Changshu Springland Department Store Co., Ltd[(6)] 常熟華地百貨有限公司	PRC/Mainland China 29 July 2004	RMB 20,000,000	100	100	100	100	Operation of department stores
Danyang Springland Department Store Co., Ltd.[(7)] 丹陽華地百貨有限公司	PRC/Mainland China 17 March 2004	RMB 60,000,000	100	100	100	100	Operation of department stores and supermarkets
Jiangsu Datonghua Shopping Centre Co., Ltd.[(c)] [(4)] 江蘇大統華購物中心有限公司	PRC/Mainland China 14 March 2001	RMB 35,000,000	100	100	100	100	Operation of supermarkets

Name of company	Place and date of incorporation/ establishment and operations	Nominal value of registered capital as at 30 June 2010	Percentage of equity interest attributable to the Group as at 31 December 2007	31 December 2008	31 December 2009	30 June 2010	Principal activities
Jiangsu Spring Trading Co., Ltd.[9] 江蘇春天貿易有限公司	PRC/Mainland China 6 April 2006	N/A	100	100	N/A	N/A	Trading
Jiangyin Springland Department Store Co., Ltd.[10] 江陰華地百貨有限公司	PRC/Mainland China 5 June 2003	RMB 130,000,000	100	100	100	100	Operation of department stores and supermarkets
Jintan Datonghua Shopping Centre Co., Ltd.[11] 金壇大統華購物中心有限公司	PRC/Mainland China 17 April 2003	RMB 15,000,000	100	100	100	100	Operation of supermarkets
Liyang Datonghua Shopping Centre Co., Ltd.[12] 溧陽大統華購物中心有限公司	PRC/Mainland China 28 June 2002	RMB 10,000,000	100	100	100	100	Operation of supermarkets
Liyang Springland Department Store Co., Ltd.[12] 溧陽華地百貨有限公司	PRC/Mainland China 29 April 2002	RMB 110,000,000	100	100	100	100	Operation of department stores
Liyang No.1 Department Store Co., Ltd.[13] 溧陽市中百一店有限公司	PRC/Mainland China 22 May 2001	RMB 1,225,000	100	100	100	100	Property holding
Ma'anshan Yaohan Trading Center Co., Ltd.[8] 馬鞍山八佰伴商貿有限公司	PRC/Mainland China 22 August 2008	RMB 141,000,000	N/A	100	100	100	Operation of department stores
Nanjing Yaohan Commerce & Trade Co., Ltd.[14] 南京八佰伴商貿有限公司	PRC/Mainland China 5 November 2007	N/A	100	100	100	N/A	Operation of department stores
Wuxi Springland Investment Management Co., Ltd.[d] [15] 無錫華地投資管理有限公司	PRC/Mainland China 15 April 1980	RMB 490,000,000	100	100	100	100	Investment holding
Wuxi Angexin Technology Co., Ltd.[4] 無錫安格信科技有限公司	PRC/Mainland China 27 July 2006	RMB 5,000,000	100	100	100	100	Provision of technology service
Wuxi Datonghua Shopping Co., Ltd. [16] 無錫大統華購物有限公司	PRC/Mainland China 25 September 2006	RMB 20,000,000	100	100	100	100	Operation of supermarkets
Wuxi Huiquan Logistics Co., Ltd.[4] 無錫匯全物流有限公司	PRC/Mainland China 26 March 2007	RMB 10,000,000	100	100	100	100	Provision of transportation service
Wuxi Yaohan Economic Management Co., Ltd.[17] 無錫八佰伴經濟管理有限公司	PRC/Mainland China 27 September 2004	N/A	100	N/A	N/A	N/A	Operation of department stores

Name of company	Place and date of incorporation/ establishment and operations	Nominal value of registered capital as at 30 June 2010	Percentage of equity interest attributable to the Group as at 31 December 2007	31 December 2008	31 December 2009	30 June 2010	Principal activities
Wuxi Yaohan Commerce & Trade Centre Co., Ltd.[15] 無錫八佰伴商貿中心有限公司	PRC/Mainland China 25 March 1994	RMB 301,911,000	100	100	100	100	Operation of department stores
Wuxi Yuandongli Consulting Co., Ltd. [4] 無錫源動力咨詢有限公司	PRC/Mainland China 26 April 2006	RMB 2,000,000	100	100	100	100	Provision of consultation service
Yixing Springland Department Store Co., Ltd.[4] 宜興華地百貨有限公司	PRC/Mainland China 24 May 2000	RMB 80,000,000	100	100	100	100	Operation of department stores
Yixing Housa Plaza Co., Ltd.[4] 宜興和信廣場有限公司	PRC/Mainland China 13 February 2004	RMB 30,000,000	100	100	100	100	Operation of department stores
Zhenjiang Yaohan Commerce & Trade Center Co., Ltd.[e] [18] 鎮江市八佰伴商貿有限公司	PRC/Mainland China 28 August 2006	RMB 350,000,000	100	100	100	100	Operation of department stores
Zhenjiang Springland General Merchandize Store Co., Ltd.[f] [19] 鎮江市華地百貨有限公司	PRC/Mainland China 23 January 2008	RMB 700,000	N/A	100	100	100	Operation of department stores
Jiangsu Huilian Electronic Limited Company[20] 江蘇匯聯電器有限公司	PRC/Mainland China 20 April 2009	RMB 10,000,000	N/A	N/A	100	100	Sale of household appliances
Wuxi Finest Property Management Co., Ltd.[20] 無錫菲尼斯特物業管理有限公司	PRC/Mainland China 27 April 2009	RMB 2,000,000	N/A	N/A	100	100	Provision of property management services
Nantong Yaohan Commerce & Trade Joint Stock Company Limited[g] [21] 南通八佰伴商貿股份有限公司	PRC/Mainland China 16 September 1993	RMB 31,938,786	N/A	N/A	66.76	57.45	Operation of department stores and supermarkets
Nantong Baida Household Appliance Installation and Repair Co., Ltd.[22] 南通市百大家電安裝維修有限公司	PRC/Mainland China 13 March 2003	RMB 300,000	N/A	N/A	60.08	51.71	Installation and repair of household appliances
Nantong Boda Tengfei Advertising Co., Ltd.[21] 南通博大騰飛廣告有限公司	PRC/Mainland China 19 January 2006	RMB 500,000	N/A	N/A	60.08	51.71	Provision of advertisement service
Nantong Development Zone Baida Wholesale Co., Ltd.[22] 南通開發區百大百貨批發有限公司	PRC/Mainland China 14 August 1992	N/A	N/A	N/A	53.41	N/A	Operation of wholesale business
Nantong Boda Trading Co., Ltd.[22] 南通市博大貿易有限公司	PRC/Mainland China 21 September 2005	N/A	N/A	N/A	60.08	N/A	Trading

Name of company	Place and date of incorporation/ establishment and operations	Nominal value of registered capital as at 30 June 2010	Percentage of equity interest attributable to the Group as at 31 December 2007	2008	2009	30 June 2010	Principal activities
Wuxi Huixing Gold Store Co., Ltd. 無錫匯興金行有限公司	PRC/Mainland China 9 October 2009	RMB 5,000,000	N/A	N/A	N/A	100	Trading
Wuxi Huichen Clothing & Trading Co., Ltd. 無錫匯成服裝貿易有限公司	PRC/Mainland China 23 October 2009	RMB 1,000,000	N/A	N/A	N/A	100	Trading
Changxing Springland Real Estate Co., Ltd. 長興華地置業有限公司	PRC/Mainland China 17 November 2009	RMB 75,000,000	N/A	N/A	N/A	100	Property holding
Associate							
Yixing Springland Trading Co., Ltd. 宜興市華地商貿有限公司	PRC/Mainland China 23 May 2001	N/A	30	N/A	N/A	N/A	Trading

Notes:

N/A Not yet incorporated/established or acquired by the Group; already dissolved or disposed of by the Group.

(a) On 18 February 2008, the company's name was changed from Million Products Limited to Springland International Group Company Limited.

(b) Approved by the provincial government of Jiangsu on 10 September 1998, the company was reformed into a joint stock limited company named Jiangsu Springland Enterprise Stock Limited Company (江蘇華地企業股份有限公司) from Yixing Springland Enterprise (宜興華地企業), a collectively-owned enterprise. On 22 August 2005, the company's name was further changed to Jiangsu Springland Enterprise (Group) Co., Ltd. (江蘇華地企業集團有限公司) as a result of the reform from a joint stock limited company to a limited liability company as approved by the provincial government of Jiangsu. On 2 April 2009, the company's name was further changed to Jiangsu Springland Enterprise Investment Holding (Group) Co., Ltd. (江蘇華地國際控股集團有限公司).

(c) On 15 November 2006, the company's name was changed from Yixing City Datonghua Shopping Centre Co., Ltd. (宜興市大統華購物中心有限公司) to Jiangsu Datonghua Shopping Centre Co., Ltd. (江蘇大統華購物中心有限公司).

(d) With the approval of the provincial government of Jiangsu on 24 November 2005, Wuxi City Department Store Company (無錫市百貨公司), a state-owned enterprise, was reformed into a limited company named Wuxi Xin De Yuan Investment Management Co., Ltd. (無錫新德緣投資管理有限公司). On 23 October 2006, the company's name was further changed from Wuxi Xin De Yuan Investment Management Co., Ltd. (無錫新德緣投資管理有限公司) to Wuxi Springland Investment Management Co., Ltd. (無錫華地投資管理有限公司).

(e) On 24 July 2008, the company's name was changed from Zhenjiang Springland Department Store Co., Ltd. (鎮江華地百貨有限公司) to Zhenjiang Yaohan Commerce & Trade Center Co., Ltd. (鎮江市八佰伴商貿有限公司).

(f) On 28 July 2008, the company's name was changed from Zhenjiang Run Bai Commerce & Trade Co., Ltd. (鎮江潤佰商貿有限公司) to Zhenjiang Springland General Merchandize Store Co., Ltd. (鎮江市華地百貨有限公司).

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

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

(1) No audited financial statements of the company have been issued since their dates of incorporation as they are not subject to any statutory audit requirements in their jurisdictions of incorporation.

(2) The financial statements of the company for the years ended 31 December 2007, 2008 and 2009 prepared in accordance with Hong Kong Financial Reporting Standards were audited by Alan Chan & Company Certified Public Accountants registered in Hong Kong.

(3) The financial statements of the company for the year ended 31 December 2007 prepared in accordance with Hong Kong Financial Reporting Standards were audited by Y.Y. So & Company registered in Hong Kong. The financial statements of the company for the years ended 31 December 2008 and 2009 prepared in accordance with Hong Kong Financial Reporting Standards were audited by Alan Chan & Company Certified Public Accountants registered in Hong Kong.

(4) The financial statements of the companies for the years ended 31 December 2007, 2008 and 2009 prepared in accordance with the accounting rules and regulations in the People's Republic of China (the "PRC") ("PRC GAAP") were audited by Yixing Fangzheng Certified Public Accountants registered in the PRC.

(5) The financial statements of the company for the years ended 31 December 2007, 2008 and 2009 prepared in accordance with PRC GAAP were audited by Shanghai Tongda Certified Public Accountants registered in the PRC.

(6) The financial statements of the company for the years ended 31 December 2007, 2008 and 2009 prepared in accordance with PRC GAAP were audited by Jiangsu Xinrui Certified Public Accountants registered in the PRC.

(7) The financial statements of the company for the years ended 31 December 2007, 2008 and 2009 prepared in accordance with PRC GAAP were audited by Danyang Zhongxin Certified Public Accountants registered in the PRC.

(8) No audited financial statements of the company have been prepared since its date of incorporation to 31 December 2008 as they were not required under PRC law. The financial statements of the company for the year ended 31 December 2009 prepared in accordance with PRC GAAP were audited by Anhui Jiangnan Certified Public Accountants registered in the PRC.

(9) The financial statements of the company for the years ended 31 December 2007 and 2008 prepared in accordance with PRC GAAP were audited by Yixing Fangzheng Certified Public Accountants registered in the PRC.

(10) The financial statements of the company for the years ended 31 December 2007, 2008 and 2009 prepared in accordance with PRC GAAP were audited by Wuxi Dejia Certified Public Accountants registered in the PRC.

(11) The financial statements of the company for the years ended 31 December 2007, 2008 and 2009 prepared in accordance with PRC GAAP were audited by Jintan Jinxin Certified Public Accountants registered in the PRC.

(12) The financial statements of the companies for the years ended 31 December 2007 and 2008 prepared in accordance with PRC GAAP were audited by Liyang Zhongcheng Certified Public Accountants registered in the PRC and the financial statements for the year ended 31 December 2009 prepared in accordance with PRC GAAP were audited by Dingbang Certified Public Accountants registered in the PRC.

(13) No audited financial statements of the company for the years ended 31 December 2007, 2008 and 2009 have been issued as the company remained dormant as at 31 December 2007, 2008 and 2009.

(14) No audited financial statements of the company have been prepared since its date of incorporation to 31 December 2007 as they were not required under PRC law. The financial statements of the company for the years ended 31 December 2008 and 2009 prepared in accordance with PRC GAAP were audited by Beijing Huatongjian Certified Public Accountants registered in the PRC.

(15) The financial statements of the companies for the year ended 31 December 2007 prepared in accordance with PRC GAAP were audited by Jiangsu Gongzheng Certified Public Accountants registered in the PRC and the financial statements for the years ended 31 December 2008 and 2009 prepared in accordance with PRC GAAP were audited by Wuxi Zhongzheng Certified Public Accountants registered in the PRC.

(16) The financial statements of the company for the years ended 31 December 2007, 2008 and 2009 prepared in accordance with PRC GAAP were audited by Wuxi Xinda Certified Public Accountants registered in the PRC, Wuxi Baoguang Certified Public Accountants registered in the PRC and Jiangsu Tianchen Certified Public Accountants registered in the PRC, respectively.

(17) The financial statements of the company for the year ended 31 December 2007 prepared in accordance with PRC GAAP were audited by Jiangsu Gongzheng Certified Public Accountants registered in the PRC.

(18) The financial statements of the company for the years ended 31 December 2007, 2008 and 2009 prepared in accordance with PRC GAAP were audited by Jiangsu Lixin Certified Public Accountants registered in the PRC.

(19) The financial statements of the company for the years ended 31 December 2008 and 2009 prepared in accordance with PRC GAAP were audited by Jiangsu Lixin Certified Public Accountants registered in the PRC.

(20) The financial statements of the companies for the year ended 31 December 2009 prepared in accordance with PRC GAAP were audited by Jiangsu Tiancheng Certified Public Accountants registered in the PRC.

(21) The financial statements of the companies for the year ended 31 December 2009 prepared in accordance with PRC GAAP were audited by Nantong Xintian Certified Public Accountants registered in the PRC.

(22) No audited financial statements of the companies for the year ended 31 December 2009 have been issued as the companies were in dormant as at 31 December 2009.

3. Net current liabilities

As at 30 June 2010, the current liabilities of the Group exceeded its current assets by approximately RMB1,551 million. The Directors have prepared the Financial Information on a going concern basis notwithstanding the net current liabilities position because the Group has unutilised credit facilities of RMB2,214 million as at 30 June 2010. Furthermore, 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.

4.1 Basis of preparation

The Financial Information has been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the IASB, and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. For the purpose of preparing this Financial Information, the Group has adopted, at the beginning of the Relevant Periods, all new and revised IFRSs applicable to the Relevant Periods, except for the following new and revised IFRSs effective for annual periods beginning on or after 1 July 2009, which have been adopted for the financial statements for the six months period ended 30 June 2010.

The Group has adopted the following new and revised IFRSs for the first time for the financial statements from 1 January 2010.

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

Apart from the above, the Group has also adopted *Improvements to IFRSs 2009* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording.

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

IFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of IFRSs, the amendments have no financial impact on the Group.

The IFRS 1 Amendments provide relief from the full retrospective application of IFRSs for the measurement of oil and gas assets and leases. As a result of extending the options for determining deemed cost to oil and gas assets, the existing exemption relating to decommissioning liabilities has also been revised. As the Group is not a first-time adopter of IFRSs, the amendments have no financial impact on the Group.

The IFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2 — Group and Treasury Share Transactions*. As the Group has no share-based payment plan, the amendments have no financial impact on the Group.

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

The changes introduced by IFRS 3 (Revised) and IAS 27 (Revised) must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transactions with non-controlling interests.

The IAS 39 Amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. As the Group has not entered into any such hedges, the amendment is unlikely to have any financial impact on the Group.

IFRIC 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to IAS 10 *Events after the Reporting Period* and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

The amendments to IFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

Improvements to IFRSs 2009 issued in May 2009 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have a significant financial impact on the Group.

The Financial Information has been prepared under the historical cost convention, except for equity investments at fair value through profit or loss, derivative financial liabilities and put options to non-controlling interest shareholders included in long-term payables, which have been measured at fair value. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The Financial Information includes the financial statements of the companies comprising the Group for the Relevant Periods. Except for the subsidiaries that were acquired by the Company before the Relevant Periods via a business combination under common control which was accounted for using the merger method of accounting, subsidiaries that were historically acquired or disposed of are consolidated using the purchase method of accounting from or to their effective dates of acquisition or disposal, being the respective dates on which the Group obtained control or ceased to have control over such subsidiaries. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The acquisition of subsidiaries during the Relevant Periods has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Non-controlling interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of non-controlling interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

4.2 Issued but not yet effective International Financial Reporting Standards

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

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* [2]
IFRS 9	*Financial Instruments* [4]
IAS 24 (Revised)	*Related Party Disclosures* [3]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues* [1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* [3]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, Improvements to IFRSs 2010 has been issued which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34, and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4.3 Summary of significant accounting polices

Subsidiaries

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

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

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of an associate is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries, after reassessment, is recognised immediately in the income statement.

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

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

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

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 assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables or available-for-sale financial assets depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

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

Loans and receivables

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

Available-for-sale financial investments

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

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets to assess whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement;

and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

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 instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include bills payable, trade and other payables, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Loans and borrowings

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Put options to non-controlling interest shareholders

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Convertible preference shares

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

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as interest rate swaps and foreign currency contracts to hedge its interest rate risk and foreign currency 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.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value of 3% to 5% over its estimated useful life. The estimated useful lives used for this purpose are as follows:

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents stores and storage facilities under construction, or renovation works in progress. Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business. Such properties are measured at cost less accumulated depreciation and provision for any impairment in value.

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

Impairment of non-financial assets other than goodwill

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

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

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

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 5.62% and 6.41% has been applied to the expenditure on the individual assets.

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.

Bonus points liabilities

The Group operates a loyalty points 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.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

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

Revenue recognition

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

- revenue from direct sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

- commission income from concessionaire sales is recognised upon the sale of goods by the relevant stores;

- rental income is recognised on a straight-line basis over the lease terms;

- fee income from suppliers is recognised according to the underlying contract terms with suppliers when these services have been provided in accordance therewith;

- interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

- dividend income, when the shareholders' right to receive payment has been established.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or 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 taxable temporary differences associated with investments in subsidiaries and an associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, 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.

Dividends

Final dividends proposed by the Directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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 benefits 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.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Foreign currencies

The Company and certain subsidiaries incorporated outside Mainland China have Hong Kong dollars ("HK$") and United States dollars ("US$") as their functional currencies, respectively. The functional currency of PRC Subsidiaries is Renminbi. As the Group mainly operates in Mainland China, Renminbi is used as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than Renminbi. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Renminbi at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity 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 RMB 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 RMB at the weighted average exchange rates for the year.

4.4 Significant accounting judgements and estimates

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

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 and so accounts for the contracts as operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units 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 amounts of goodwill at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 were RMB87,122,000, RMB87,122,000, RMB127,439,000 and RMB127,439,000, respectively. More details are given in note 19 below.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognised tax losses and deductible temporary differences at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 were RMB7,745,000, RMB25,409,000, RMB26,324,000 and RMB31,485,000, respectively. The amounts of unrecognised tax losses as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 were nil, RMB14,816,000, RMB28,639,000 and nil, respectively. Further details are contained in note 23 below.

Bonus points liabilities

The amount of revenue attributable to the credit award earned by the customers of the Group's loyalty points 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 amounts of bonus points liabilities at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 were RMB8,234,000, RMB10,776,000, RMB12,502,000 and RMB17,476,000, respectively.

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 such measurement.

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

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

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

Year ended 31 December 2007	Department store	Super-market	Total
	RMB'000	RMB'000	RMB'000
Segment revenue			
Sales to external customers	908,561	1,092,786	2,001,347
Segment results	265,331	91,373	356,704
Reconciliation:			
Interest and dividend income and unallocated gains			3,524
Share of loss of an associate			(9)
Corporate and other unallocated expenses			(18,147)
Finance costs			(76,306)
Profit before tax			265,766
Segment assets	2,675,742	434,517	3,110,259
Reconciliation:			
Corporate and other unallocated assets			404,613
Total assets			3,514,872
Segment liabilities	625,525	316,873	942,398
Reconciliation:			
Corporate and other unallocated liabilities			1,571,797
Total liabilities			2,514,195
Other segment information:			
Depreciation and amortisation	85,064	14,918	99,982
Corporate and other unallocated amounts			1,863
Total depreciation and amortisation			101,845
Capital expenditure Corporate and other unallocated amounts	770,293	34,827	805,120
Corporate and other unallocated amounts			8,018
Total capital expenditure			813,138
Provision for slow-moving inventories	168	337	505

Year ended 31 December 2008	Department store	Super-market	Total
	RMB'000	RMB'000	RMB'000
Segment revenue			
Sales to external customers	921,026	1,324,961	2,245,987
Segment results	230,059	149,356	379,415
Reconciliation:			
Interest and dividend income and unallocated gains			9,249
Corporate and other unallocated expenses			(40,685)
Finance costs			(44,337)
Profit before tax			303,642
Segment assets	3,087,353	356,406	3,443,759
Reconciliation:			
Corporate and other unallocated assets			652,798
Total assets			4,096,557
Segment liabilities	1,011,906	339,317	1,351,223
Reconciliation:			
Corporate and other unallocated liabilities			1,552,163
Total liabilities			2,903,386
Other segment information			
Depreciation and amortisation	103,460	22,019	125,479
Corporate and other unallocated amounts			1,816
Total depreciation and amortisation			127,295
Capital expenditure	475,005	80,851	555,856
Corporate and other unallocated amounts			5,473
Total capital expenditure			561,329
Provision for slow-moving inventories	360	723	1,083

Year ended 31 December 2009	Department store	Super-market	Total
	RMB'000	RMB'000	RMB'000
Segment revenue			
Sales to external customers	945,183	1,340,867	2,286,050
Segment results	272,814	152,523	425,337
Reconciliation:			
Interest and dividend income and unallocated gains			26,097
Share of profit of an associate			1,306
Corporate and other unallocated expenses			(39,356)
Finance costs			(66,283)
Profit before tax			347,101
Segment assets	4,119,554	456,910	4,576,464
Reconciliation:			
Corporate and other unallocated assets			1,446,889
Total assets			6,023,353
Segment liabilities	1,220,595	305,971	1,526,566
Reconciliation:			
Corporate and other unallocated liabilities			3,440,753
Total liabilities			4,967,319

Year ended 31 December 2009	Department store	Super-market	Total
	RMB'000	RMB'000	RMB'000
Other segment information			
Depreciation and amortisation	118,354	23,582	141,936
Corporate and other unallocated amounts			4,267
Total depreciation and amortisation			146,203
Capital expenditure	1,159,313	125,483	1,284,796
Corporate and other unallocated amounts			4,322
Total capital expenditure			1,289,118
Provision for slow-moving inventories	734	205	939

Six-month period ended 30 June 2010	Department store	Super-market	Total
	RMB'000	RMB'000	RMB'000
Segment revenue			
Sales to external customers	687,938	806,234	1,494,172
Segment results	269,822	100,467	370,289
Reconciliation:			
Interest and dividend income and unallocated gains			11,100
Corporate and other unallocated expenses			(22,682)
Finance costs			(51,109)
Profit before tax			307,598
Segment assets	4,217,748	646,947	4,864,695
Reconciliation:			
Corporate and other unallocated assets			1,141,270
Total assets			6,005,965
Segment liabilities	1,735,610	245,162	1,980,772
Reconciliation:			
Corporate and other unallocated liabilities			2,754,652
Total liabilities			4,735,424
Other segment information			
Depreciation and amortization	84,679	13,468	98,147
Corporate and other unallocated amounts			1,621
Total depreciation and amortization			99,768
Capital expenditure	190,813	122,897	313,710
Corporate and other unallocated amounts			709
Total capital expenditure *			314,419
Provision/(write-back of provision) for slow-moving inventories	(1,218)	191	(1,027)

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

Six-month period ended 30 June 2009 (unaudited)	Department store	Super-market	Total
	RMB'000	RMB'000	RMB'000
Segment revenue			
Sales to external customers	461,639	696,772	1,158,411
Segment results	136,155	82,314	218,469
Reconciliation:			
Interest and dividend income and unallocated gains			12,843
Corporate and other unallocated expenses			(15,061)
Finance costs			(27,677)
Profit before tax			188,574
Other segment information			
Depreciation and amortization	59,116	11,832	70,948
Corporate and other unallocated amounts			869
Total depreciation and amortization			71,817
Provision/(write-back of provision) for slow-moving inventories	(1,574)	918	(656)

Geographical information

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

Information about a major customer

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

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 sale taxes and surcharges; and other revenue that arises in the ordinary course of business.

The Group's revenue for the Relevant Periods is set out as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of goods - direct sales	1,503,114	1,711,556	1,697,117	880,589	1,048,949
Commission income from concessionaire sales (Note)	444,942	485,613	536,441	252,740	409,141
Total turnover	1,948,056	2,197,169	2,233,558	1,133,329	1,458,090
Rental income	37,548	34,143	39,649	19,244	28,830
Provision of food and beverage service	15,743	14,675	12,843	5,838	7,252
Total revenue	2,001,347	2,245,987	2,286,050	1,158,411	1,494,172

Note:

The commission income from concessionaire sales is analysed as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Gross revenue from concessionaire sales	2,202,849	2,498,996	2,997,632	1,455,253	2,247,282
Commission income from concessionaire sales	444,942	485,613	536,441	252,740	409,141

7. Other income

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fee income from suppliers	124,376	186,166	210,002	110,399	147,722
Interest income	1,921	4,101	21,238	9,693	5,170
Dividend income from available-for-sale investments	1,400	1,507	1,700	1,700	—
Subsidy income	16	93	624	618	116
Others	5,865	3,548	2,535	832	5,814
	133,578	195,415	236,099	123,242	158,822

8. Other expenses

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

9. Finance costs

An analysis of finance costs is as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank and other borrowings wholly repayable within five years	92,382	68,262	100,198	44,474	44,235
Interest on bank borrowings wholly repayable over five years	7,148	10,237	1,960	—	10,517
Less: Interest capitalized	(23,224)	(34,162)	(35,875)	(16,797)	(3,643)
	76,306	44,337	66,283	27,677	51,109

10. Profit before tax

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

	Notes	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	Six-month period ended 30 June 2009 RMB'000 (unaudited)	2010 RMB'000
Cost of inventories sold		1,304,342	1,479,467	1,476,346	775,083	908,960
Provision/(write-back of provision) for slow-moving inventories		505	1,083	939	(656)	(1,027)
Depreciation	17	94,713	120,061	138,761	68,079	96,050
Amortization of prepaid land premiums	18	7,132	7,234	7,442	3,738	3,718
Loss/(gain) on disposal of items of property, plant and equipment	(i)	(1,447)	33,013	1,373	(18)	15
Loss/(gain) on disposal of subsidiaries	39	—	—	6,628	—	(4,002)
Minimum lease payments under operating leases:						
Land and buildings		27,204	38,521	41,461	23,107	20,928
Auditors' remuneration		227	6,180	1,000	500	1,700
Fair value losses, net:						
Equity investments at fair value through profit or loss						
- held for trading		—	—	—	—	1,425
Derivative financial liabilities						
- transactions not qualifying as hedges		4,885	—	—	—	—
Staff costs including Directors' remuneration (note 11):						
Wages, salaries and bonuses		120,107	138,734	149,261	61,846	93,767
Pension scheme contributions		11,975	14,664	19,777	9,938	10,126
Other social security costs		25,601	27,650	31,030	13,011	14,097

Note:

(i) Included in the loss on disposal of items of property, plant and equipment for the year ended 31 December 2008, there were losses amounting to RMB32,506,000 in connection with the write-off of renovation works of Wuxi Yaohan Commerce & Trade Centre Co., Ltd. ("Wuxi Yaohan") due to the refurbishment of its department store.

11. Directors' and employees' remuneration

Directors' remuneration

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

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fees	—	136	159	80	80
Other emoluments:					
Salaries, allowances and benefits in kind	1,831	3,579	4,212	2,072	1,495
Pension scheme contributions	43	94	51	13	26
	1,874	3,673	4,263	2,085	1,521
	1,874	3,809	4,422	2,165	1,601

(a) *Independent non-executive directors*

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

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Mr Lin Zhijun (i)	—	136	159	80	80
Mr Tong Minqiang (i)	—	—	—	—	—
Mr Zhang Weijiong (i)	—	—	—	—	—
	—	136	159	80	80

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

(i) All independent non-executive directors were appointed on 17 February 2008. Mr Tong Minqiang resigned as an independent non-executive director on 4 February 2009.

(b) *Executive directors and non-executive directors*

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2007				
Executive directors:				
Mr Chen Jianqiang	—	1,168	3	1,171
Mr Tao Qingrong	—	193	32	225
Mr Zhu Tao	—	146	3	149
Mr Fung Hiu Lai	—	184	2	186
Mr Jiang Changlin	—	140	3	143
	—	1,831	43	1,874
Non-executive directors:				
Mr Mike Chen	—	—	—	—
Mr Wang Lin	—	—	—	—
	—	1,831	43	1,874

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2008				
Executive directors				
Mr Chen Jianqiang	—	1,380	20	1,400
Mr Tao Qingrong	—	790	70	860
Mr Zhu Tao	—	427	2	429
Mr Fung Hiu Lai	—	490	—	490
Mr Jiang Changlin	—	492	2	494
	—	3,579	94	3,673
Non-executive directors:				
Mr Mike Chen (i)	—	—	—	—
Mr Wang Lin	—	—	—	—
	—	3,579	94	3,673

(i) Mr Mike Chen resigned as a non-executive director on 17 February 2008.

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2009				
Executive directors				
Mr Chen Jianqiang	—	1,897	3	1,900
Mr Tao Qingrong	—	822	26	848
Mr Zhu Tao	—	505	11	516
Mr Fung Hiu Lai	—	490	—	490
Mr Jiang Changlin	—	498	11	509
	—	4,212	51	4,263
Non-executive director:				
Mr Wang Lin	—	—	—	—
	—	4,212	51	4,263

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Six-month period ended 30 June 2010				
Executive directors:				
Mr Chen Jianqiang	—	385	—	385
Mr Tao Qingrong	—	361	12	373
Mr Zhu Tao	—	252	7	259
Mr Fung Hiu Lai	—	245	—	245
Mr Jiang Changlin	—	252	7	259
Non-executive director:				
Mr Wang Lin	—	—	—	—
	—	1,495	26	1,521

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000
Six-month period ended 30 June 2009 (unaudited)				
Executive directors:				
Mr Chen Jianqiang	—	931	1	932
Mr Tao Qingrong	—	404	10	414
Mr Zhu Tao	—	246	1	247
Mr Fung Hiu Lai	—	245	—	245
Mr Jiang Changlin	—	246	1	247
Non-executive director:				
Mr Wang Lin	—	—	—	—
	—	2,072	13	2,085

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

Employees' remuneration

The number of directors and non-director employees included in the five highest paid employees during the Relevant Periods is as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
Directors	2	3	4	4	4
Non-director employees	3	2	1	1	1
	5	5	5	5	5

Details of the remuneration of the non-director, highest paid employees during the Relevant Periods are as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and benefits in kind	1,128	1,340	868	430	431
Pension scheme contributions	4	97	27	10	12
	1,132	1,437	895	440	443

The respective amounts of remuneration of all the non-director, highest paid employees fell within the range of nil to HK$1 million during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Group to Directors or non-director, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Income tax

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

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

On 16 March 2007, 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, the PRC Subsidiaries are subject to a statutory corporate income tax rate of 25% for the years ended 31 December 2008, 31 December 2009 and the six-month period ended 30 June 2010 and 33% for the year ended 31 December 2007, except for the following income tax concessions granted by relevant local tax authorities:

- Wuxi Yuandongli Consulting Co., Ltd. was granted a full exemption on the income tax for the years ended 31 December 2007 and 2008.

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current - PRC corporate income tax charge for the year	91,114	64,670	98,764	58,546	77,975
Deferred (note 23)	(44,016)	19,360	(471)	(4,527)	1,045
Total tax charge for the year	47,098	84,030	98,293	54,019	79,020

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:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	265,766	303,642	347,101	188,574	307,598
Tax at the statutory tax rate (2007: 33%; 2008, 2009 and 2010: 25%)	87,703	75,911	86,775	47,144	76,900
Lower tax rates for specific provinces/districts	1,628	1,252	—	—	1,364
Expenses not deductible for tax	6,751	8,614	7,097	4,347	3,698
Tax losses not recognized during the year	—	3,704	3,456	2,825	1,791
Recognition of previously unrecognized deductible tax losses	—	—	—	—	(8,951)
Income not subject to tax	—	(377)	(752)	(425)	—
Different tax rate on timing differences	—	(5,829)	—	—	—
Effect of withholding tax at 5% on the distributable profits of the PRC Subsidiaries	—	9,005	9,967	4,253	8,343
Additional deduction on business combination granted by tax authorities	—	(8,250)	(8,250)	(4,125)	(4,125)
Effect of change in tax rate on deferred tax	(48,984)	—	—	—	—
Tax charge at the Group's effective rate	47,098	84,030	98,293	54,019	79,020

13. Profit attributable to owners of the parent

The consolidated profits attributable to owners of the parent for the years ended 31 December 2007, 2008, 2009 and the six-month periods ended 30 June 2009 and 2010 include profits/(losses) of nil, RMB26,787,000, RMB25,574,000, RMB(283,000) and RMB(1,065,000), respectively, which have been dealt with in the financial statements of the Company (note 36 (e)).

14. Dividends

The dividend amounts of RMB26,407,000 and RMB25,959,000 represented final dividends paid to the shareholders of the Company for the years ended 31 December 2008 and 2009, respectively. The dividend rates are not presented as such information is considered not meaningful for the purpose of this report.

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

15. Earnings per share attributable to the ordinary equity holders of the parent

The calculation of basic earnings per share for the three years ended 31 December 2007, 2008 and 2009 and the six-month periods ended 30 June 2009 and 2010 is based on the profit attributable to the ordinary equity holders of the parent for the three years ended 31 December 2007, 2008 and 2009 and the six-month periods ended 30 June 2009 and 2010, adjusted for the after-tax amounts of preference dividends of preference shares classified as equity and the weighted average number of ordinary shares in issue during each of the three years ended 31 December 2007, 2008 and 2009 and the six-month periods ended 30 June 2009 and 2010 as if the Capitalisation Issue, described more fully in the section headed "Share Capital" of the Prospectus, had occurred at the beginning of the Relevant Periods. The calculations of basic earnings per share are based on:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings					
Profit attributable to owners of the parent, adjusted for the preference dividends	218,668	213,927	241,648	134,555	222,596

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	Thousands	Thousands	Thousands	Thousands (unaudited)	Thousands
Shares					
Weighted average number of ordinary shares in issue used in basic earnings per share calculation	1,539,061	1,705,810	1,658,595	1,660,655	2,000,000

The calculation of diluted earnings per share for the three years ended 31 December 2007, 2008 and 2009 and the six-month periods ended 30 June 2009 and 2010 is based on the profit attributable to the ordinary equity holders of the parent for the three years ended 31 December 2007, 2008 and 2009 and the six-month periods ended 30 June 2009 and 2010 and the number of shares as used in the basic earnings per share calculation, adjusted for the weighted average number of ordinary shares assumed to have been issued on the deemed conversion of all convertible preference shares. The calculations of diluted earnings per share are based on:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Earnings					
Profit attributable to owners of the parent	218,668	219,612	247,723	134,555	222,596

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	Thousands	Thousands	Thousands	Thousands (unaudited)	Thousands
Shares					
Weighted average number of ordinary shares in issue used in basic earnings per share calculation	1,539,061	1,705,810	1,658,595	1,660,655	2,000,000
Effect of dilution - weighted average number of ordinary shares:					
Convertible preference shares	468,085	468,085	405,246	468,085	—
	2,007,146	2,173,895	2,063,841	2,128,740	2,000,000

16. Employee retirement benefits

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

17. Property, plant and equipment

	Land and buildings	Renovation	Machinery	Motor vehicles	Furniture and office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2007							
As at 1 January 2007:							
Cost	1,279,200	148,673	135,937	5,104	71,118	15,498	1,655,530
Accumulated depreciation	(83,896)	(36,649)	(38,232)	(2,773)	(28,542)	(—)	(190,092)
Net carrying amount	1,195,304	112,024	97,705	2,331	42,576	15,498	1,465,438
At 1 January 2007, net of accumulated depreciation	1,195,304	112,024	97,705	2,331	42,576	15,498	1,465,438
Additions	177,847	12,524	1,799	1,230	8,350	611,388	813,138
Depreciation provided for the year	(53,824)	(9,510)	(19,218)	(444)	(11,717)	—	(94,713)
Transfers	28,984	12,108	10,065	—	7,047	(58,204)	—
Disposals	(3,812)	—	(156)	(306)	(316)	(23)	(4,613)
At 31 December 2007, net of accumulated depreciation	1,344,499	127,146	90,195	2,811	45,940	568,659	2,179,250
At 31 December 2007 and at 1 January 2008:							
Cost	1,481,776	173,305	147,636	6,028	86,178	568,659	2,463,582
Accumulated depreciation	(137,277)	(46,159)	(57,441)	(3,217)	(40,238)	—	(284,332)
Net carrying amount	1,344,499	127,146	90,195	2,811	45,940	568,659	2,179,250
31 December 2008							
At 1 January 2008, net of accumulated depreciation	1,344,499	127,146	90,195	2,811	45,940	568,659	2,179,250
Additions	61,739	91,300	38,961	535	3,951	353,680	550,166
Depreciation provided for the year	(52,493)	(35,173)	(23,652)	(92)	(8,651)	—	(120,061)
Transfers	305,820	276	72,813	—	3,793	(382,702)	—
Disposals	(1,210)	(33,492)	(1,300)	(75)	(466)	—	(36,543)
At 31 December 2008, net of accumulated depreciation	1,658,355	150,057	177,017	3,179	44,567	539,637	2,572,812
At 31 December 2008 and at 1 January 2009:							
Cost	1,827,664	217,723	261,132	6,307	87,763	539,637	2,940,226
Accumulated depreciation	(169,309)	(67,666)	(84,115)	(3,128)	(43,196)	—	(367,414)
Net carrying amount	1,658,355	150,057	177,017	3,179	44,567	539,637	2,572,812

	Land and buildings	Renovation	Machinery	Motor vehicles	Furniture and office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2009							
At 1 January 2009, net of accumulated depreciation	1,658,355	150,057	177,017	3,179	44,567	539,637	2,572,812
Additions	71,512	55,768	4,426	3,376	7,132	438,974	581,188
Acquisition of subsidiaries (note 38(a))	668,113	1,117	22,125	775	909	14,891	707,930
Depreciation provided for the year	(59,895)	(40,181)	(27,186)	(1,867)	(9,632)	—	(138,761)
Transfers	232,338	6,555	908	—	583	(240,384)	—
Disposals	—	(2,320)	(580)	(550)	(91)	(5)	(3,546)
Disposal of a subsidiary (note 39(a))	—	(320)	—	—	(62)	—	(382)
At 31 December 2009, net of accumulated depreciation	2,570,423	170,676	176,710	4,913	43,406	753,113	3,719,241
At 31 December 2009:							
Cost	2,799,627	277,901	269,404	8,939	95,691	753,113	4,204,675
Accumulated depreciation	(229,204)	(107,225)	(92,694)	(4,026)	(52,285)	—	(485,434)
Net carrying amount	2,570,423	170,676	176,710	4,913	43,406	753,113	3,719,241
30 June 2010							
At 1 January 2010, net of accumulated depreciation	2,570,423	170,676	176,710	4,913	43,406	753,113	3,719,241
Additions	87,171	15,863	16,113	629	9,919	109,712	239,407
Acquisition of subsidiaries (note 38(b))	—	—	—	—	12	—	12
Depreciation provided for the period	(52,163)	(22,526)	(13,752)	(701)	(6,908)	—	(96,050)
Transfers	702,971	—	34,244	—	3,252	(740,467)	—
Disposals	—	—	(13)	—	(3)	—	(16)
Disposal of a subsidiary (note 39(b))	—	(21,155)	—	(167)	(281)	(40)	(21,643)
At 30 June 2010, net of accumulated depreciation	3,308,402	142,858	213,302	4,674	49,397	122,318	3,840,951
At 30 June 2010:							
Cost	3,589,769	268,574	319,733	8,747	108,295	122,318	4,417,436
Accumulated depreciation	(281,367)	(125,716)	(106,431)	(4,073)	(58,898)	—	(576,485)
Net carrying amount	3,308,402	142,858	213,302	4,674	49,397	122,318	3,840,951

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

At 30 June 2010, the application for or change of property ownership certificate of the Group's construction in progress amounting to RMB96,596,000 and land and buildings amounting to RMB1,210,078,000 was still in progress.

18. Prepaid land premiums

	31 December			30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January	266,692	259,560	263,489	256,047
Additions	—	11,163	—	75,000
Recognized as expenses for the year	(7,132)	(7,234)	(7,442)	(3,718)
Carrying amount at 31 December/30 June	259,560	263,489	256,047	327,329

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

19. Goodwill

The amounts of goodwill recognised in the consolidated statement of financial position, arising from the acquisition of subsidiaries (note 38), are as follows:

	RMB'000
At 1 January 2007:	
Cost and net carrying amount	87,122
Cost at 1 January 2007 and 31 December 2007, net of accumulated impairment	87,122
At 31 December 2007 and 1 January 2008:	
Cost and net carrying amount	87,122
Cost at 1 January 2008 and 31 December 2008, net of accumulated impairment	87,122
At 31 December 2008 and 1 January 2009:	
Cost and net carrying amount	87,122
Cost at 1 January 2009, net of accumulated impairment	87,122
Acquisition of subsidiaries (note 38(a))	40,317
Cost and carrying amount at 31 December 2009	127,439
At 31 December 2009 and 1 January 2010:	
Cost and net carrying amount	127,439
Cost at 30 June 2010, net of accumulated impairment	127,439

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the department store cash-generating unit for impairment testing. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation. To calculate such amount, cash flow projections are prepared based on financial budgets as approved by the executive directors which cover a period of five years. The discount rate applied to the cash flow projections is 15% for all years.

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

Key assumptions used in the value in use calculation

The following describes the key assumptions of the cash flow projections.

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 rates: the discount rates used are after tax and reflect 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 believe that no reasonably possible change in any of the above key assumptions would cause the carrying value, including goodwill, of the cash-generating unit to materially exceed the recoverable amount.

20. Investments in associates

		31 December			30 June
	Note	**2007**	**2008**	**2009**	**2010**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
As at 1 January		243	234	—	—
Acquisition		—	—	161,100	—
Share of profits and losses		(9)	—	1,306	—
Disposed of		—	(234)	—	—
Change into a subsidiary upon further acquisition	38(a)	—	—	(162,406)	—
As at 31 December/30 June		234	—	—	—

The financial statements of the associates are coterminous with those of the Group.

The associates have been accounted for using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group's associate extracted from its financial statements:

	31 December			30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Assets	2,713	—	—	—
Liabilities	(1,933)	—	—	—
Revenues	3,700	—	—	—
Loss	(30)	—	—	—

21. Available-for-sale investments

	31 December			30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at cost	20,000	20,000	110	110

The Directors are of the opinion that the underlying values of investments were not less than the carrying values of the investments as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010.

22. Long term prepayments

	31 December			30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Rental prepayments	35,648	14,094	21,593	23,030
Prepayment for purchases of land and buildings	18,450	59,256	10,500	100,050
	54,098	73,350	32,093	123,080

23. Deferred tax

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

Deferred tax assets

	Losses available for offsetting against future taxable profits	Assets disposal loss	Pre-operating expenses	Others[(i)]	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	6,599	—	965	4,745	12,309
Deferred tax charged to the income statement during the year (note 12)	(3,002)	—	(454)	(1,108)	(4,564)
Gross deferred tax assets at 31 December 2007 and 1 January 2008	3,597	—	511	3,637	7,745
Deferred tax credited/(charged) to the income statement during the year (note 12)	4,109	8,126	(220)	5,649	17,664
Gross deferred tax assets at 31 December 2008 and 1 January 2009	7,706	8,126	291	9,286	25,409
Deferred tax credited/(charged) to the income statement during the year (note 12)	(1,936)	(296)	4,049	(902)	915
Gross deferred tax assets at 31 December 2009 and 1 January 2010	5,770	7,830	4,340	8,384	26,324
Deferred tax credited/(charged) to the income statement during the period (note 12)	(1,931)	4,603	242	2,247	5,161
Gross deferred tax assets at 30 June 2010	3,839	12,433	4,582	10,631	31,485

Note:

(i) Others mainly arise from temporary differences caused by 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 such deferred tax assets to be utilised.

The Group has tax losses arising in Mainland China of nil, RMB14,816,000 and RMB28,639,000, and nil as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively, that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	Withholding taxes[i]	Others[ii]	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	207,701	—	1,698	209,399
Deferred tax charged/(credited) to the income statement during the year (note 12)	(54,623)	—	6,043	(48,580)
Gross deferred tax liabilities at 31 December 2007 and 1 January 2008	153,078	—	7,741	160,819
Deferred tax charged/(credited) to the income statement during the year (note 12)	(4,272)	9,005	32,291	37,024
Gross deferred tax liabilities at 31 December 2008 and 1 January 2009	148,806	9,005	40,032	197,843
Acquisition of subsidiaries (note 38)	145,897	—	—	145,897
Deferred tax charged/(credited) to the income statement during the year (note 12)	(4,566)	962	4,048	444
Gross deferred tax liabilities at 31 December 2009 and 1 January 2010	290,137	9,967	44,080	344,184
Deferred tax charged/(credited) to the income statement during the period (note 12)	(3,897)	8,343	1,760	6,206
Gross deferred tax liabilities at 30 June 2010	286,240	18,310	45,840	350,390

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%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

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

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

	31 December			30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognized in the consolidated statements of financial position	7,745	11,364	15,286	19,355
Net deferred tax liabilities recognized in the consolidated statements of financial position	(160,819)	(183,798)	(333,146)	(338,260)
	(153,074)	(172,434)	(317,860)	(318,905)

As disclosed in note 12, the New CIT Law was approved on 16 March 2007 and became effective on 1 January 2008. Under the New CIT Law, the income tax rate became 25% starting from 1 January 2008. Accordingly, the deferred taxes as at 31 December 2007 that are expected to be utilised in the year 2008 and onwards have been provided at an enacted corporate income tax rate of 25%. The effect of the lower tax rate used in the recognition of deferred tax amounting to RMB48,984,000 has been included in the line item of "effect of change in tax rate on deferred tax" during the year ended 31 December 2007.

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

24. Inventories

	31 December			**30 June**
	2007	**2008**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Store merchandise, at cost or net realizable value	274,695	303,161	298,592	255,534
Low value consumables	—	—	2,721	2,614
	274,695	303,161	301,313	258,148

25. 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.

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

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

	31 December			**30 June**
	2007	**2008**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within one month	4,636	12,042	8,984	19,024

26. Prepayments, deposits and other receivables

		31 December			**30 June**
	Notes	**2007**	**2008**	**2009**	**2010**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Value-added tax recoverable		58,218	3,899	2,168	1,064
Prepayments to suppliers		87,745	83,540	78,932	124,032
Prepaid rental and deposits		10,098	25,198	19,673	18,135
Due from related companies	(i)	146,092	—	24,081	29,341
Other deposits and receivables		53,580	62,754	69,862	56,808
		355,733	175,391	194,716	229,380

Notes:

(i) The amount due from related companies as at 31 December 2007 represented an amount due from Heungkong (International) Asia Co., Ltd., which was wholly-owned by Mr Chen Jianqiang, an executive director of the Company. The balance was secured by the pledge of 100% equity interest of Heungkong (International) Asia Co., Ltd. The advance was interest-free and fully repaid in June 2008. The amount due from related companies as at 31 December 2009 represented an amount due from Jiangsu Spring Trading Co., Ltd. ("Spring Trading"), which was controlled by a relative of a Director, Mr Chen Jianqiang. The amount due from related companies as at 30 June 2010 represented an amount due from Nanjing Yaohan Commerce & Trade Co., Ltd. ("Nanjing Yaohan"), which was controlled by a relative of a Director, Mr Chen Jianqiang.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

27. Equity investments at fair value through profit or loss

	31 December			30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted fund investments, at market value	—	—	12,521	11,096

The above equity investments at 31 December 2009 and 30 June 2010 were classified as held for trading.

28. Cash and cash equivalents and pledged deposits

	31 December			30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	266,227	407,826	439,813	650,130
Time deposits	5,572	170,000	915,790	399,923
	271,799	577,826	1,355,603	1,050,053
Less: Pledged deposits	(5,572)	(170,000)	(742,790)	(384,814)
Cash and cash equivalents	266,227	407,826	612,813	665,239

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

	31 December			30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	236,864	565,567	1,332,970	1,034,669
US$	33,887	11,418	21,796	15,384
HK$	1,048	841	837	—
	271,799	577,826	1,355,603	1,050,053

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 one month and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents, term deposits and the pledged bank deposits approximate to their fair values.

Certain of the Group's time deposits are pledged to banks for bank loans and bills payable facilities granted to the Group as disclosed in notes 29 and 30, respectively.

29. Interest-bearing bank and other borrowings

	31 December			30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Bank loans:				
Secured	1,084,701	1,036,000	2,135,500	2,150,000
Guaranteed	49,000	33,000	—	—
Secured and guaranteed	—	156,000	499,831	224,100
	1,133,701	1,225,000	2,635,331	2,374,100
Other loans:				
Unsecured	109,173	98,800	93,890	—
Bank loans repayable:				
Within one year or on demand	988,701	1,075,000	1,652,331	1,367,600
Over one year but within two years	—	15,000	130,000	153,500
Over two years but within five years	—	135,000	757,500	476,000
Over five years	145,000	—	95,500	377,000
	1,133,701	1,225,000	2,635,331	2,374,100
Other loans repayable:				
Within one year or on demand	109,173	98,800	93,890	—
Total bank and other borrowings	1,242,874	1,323,800	2,729,221	2,374,100
Less: Portion classified as current liabilities	(1,097,874)	(1,173,800)	(1,746,221)	(1,367,600)
Long-term portion	145,000	150,000	983,000	1,006,500

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

The Group's bank loans bearing interest at rates ranging from 6.12% to 7.52% per annum as at 31 December 2007, from 1.64% to 7.50% per annum as at 31 December 2008, from 1.9% to 7.83% per annum as at 31 December 2009 and from 2.73% to 5.94% per annum as at 30 June 2010, respectively.

Other loans as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 included:

1) entrusted loans amounting to RMB109,173,000 as at 31 December 2007 granted by the Directors which bore interest at a rate of 7.5% per annum. The entrusted loans were borrowed through tripartite entrusted loan agreements entered into between the Directors, the Group and the entrusted banks;

2) a loan amounting to RMB98,800,000 as at 31 December 2008 granted by Wuxi Yinian Investment Management Co., Ltd. ("Yinian Investment"), which was controlled by a relative of a Director, Mr Chen Jianqiang, which bore interest at a rate of 7.5% per annum;

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

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

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

(i) As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, certain of the Group's property, plant and equipment with aggregate net book values of RMB1,324,911,000, RMB1,461,874,000, RMB1,914,135,000 and RMB1,415,085,000, respectively, were pledged for bank loans.

(ii) As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, certain of the Group's prepaid land premiums with aggregate net carrying amounts of RMB164,139,000, RMB206,997,000, RMB200,817,000 and RMB241,609,000, respectively, were pledged for bank loans.

(iii) As at 31 December 2008, 31 December 2009 and 30 June 2010, certain of the Group's time deposits amounting to RMB170,000,000, RMB685,000,000 and RMB375,000,000, respectively, were pledged for bank loans.

(iv) Included in the balance of secured bank loans was an amount of RMB160,701,000 as at 31 December 2007 which was secured by the pledge of the 100% equity interest in Cleavebury Limited. This secured bank loan was repaid in the year ended 31 December 2008.

(v) Included in the balance of secured and guaranteed bank loans was an amount of RMB225,331,000 and RMB224,100,000 as at 31 December 2009 and 30 June 2010, respectively, which was secured by the pledge of the 100% equity interest in Cleavebury Limited and was guaranteed by a Director, Mr Chen Jianqiang.

The carrying amounts of all the Group's borrowings during the Relevant Periods were denominated in RMB, except for a secured bank loan of US$22,000,000 (equivalent to RMB160,701,000), a secured and guaranteed bank loan of US$33,000,000 (equivalent to RMB225,331,000) and a secured and guaranteed bank loan of US$33,000,000 (equivalent to RMB224,100,000) as at 31 December 2007, 31 December 2009 and 30 June 2010, respectively, which were denominated in United States dollars.

30. Bills payable

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

	31 December			30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within three months	5,572	—	45,040	9,814
Three months to one year	—	—	12,750	—
	5,572	—	57,790	9,814

As at 31 December 2007, 31 December 2009 and 30 June 2010, the Group's bills payable were secured by the pledge of certain of the Group's time deposits amounting to RMB5,572,000, RMB57,790,000 and RMB9,814,000, respectively.

31. Trade payables

The trade payable are non-interest-bearing and are normally settled on 0 to 60-day terms.

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

	31 December			30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within three months	427,881	532,069	517,835	471,733
Over three months but within six months	18,017	18,757	58,546	74,810
Over six months but within one year	11,167	5,221	9,818	18,023
Over one year	3,905	6,942	11,346	9,239
	460,970	562,989	597,545	573,805

Included in the above balances were amounts 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 RMB461,000, RMB563,000, RMB581,000 and RMB271,000 as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively.

Included in the above balances were amounts due to Spring Trading, which was controlled by a relative of a Director, Mr Chen Jianqiang, of RMB2,598,000 and RMB189,000 as at 31 December 2009 and 30 June 2010, respectively.

32. Other payables and accruals

	31 December			30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Accrued expenses	14,283	7,018	5,197	3,715
Payables to suppliers' employees	7,449	13,071	13,521	13,353
Deposits from suppliers	8,011	30,488	31,054	28,755
Value-added taxes	9,527	27,125	28,063	(12,695)
Other tax payable(i)	17,308	10,369	80,629	51,112
Payable for capital expenditure	13,012	167,614	104,668	228,797
Payable for staff costs	70,820	63,241	64,639	48,548
Bonus points liabilities	8,234	10,776	12,502	17,476
Advances from customers	354,035	449,569	585,232	737,042
Due to Directors	4,112	—	—	—
Due to other related parties(ii)	3,951	—	—	—
Due to related companies(iii)	—	4,528	10,200	495
Other payables(iv)	63,540	15,548	24,905	24,509
	574,282	799,347	960,610	1,141,107

Notes:

(i) Included in other tax payable were balances amounting to RMB69,358,000 and RMB39,739,000 as at 31 December 2009 and 30 June 2010, respectively, representing withholding individual income taxes of shareholders of Nantong Yaohan Commerce & Trade Joint Stock Company Limited regarding their share transfer gains arising from the acquisition by the Group (note 38(a)).

(ii) The amounts due to other related parties represent the amount due to individuals who were shareholders of the Company.

(iii) The amounts due to related companies as at 31 December 2008 represents the amount due to Heungkong (International) Asia Co., Ltd., which was wholly owned by a Director, Mr Chen Jianqiang. The amount due to related companies as at 31 December 2009 represents the amount due to Yinian Investment, which was controlled by a relative of a Director, Mr Chen Jianqiang. The amount due to related companies as at 30 June 2010 represents the amount due to Hong Kong Springland International Enterprises (Holdings) Limited ("Hong Kong Springland"), which was controlled by a relative of a Director, Mr Chen Jianqiang.

(iv) Included in other payables was a balance amounting to RMB43,780,000 as at 31 December 2007 representing an advance from Yixing Springland Real Estate Co., Ltd., which was formerly a subsidiary of the Group and was disposed of by the Group in 2006.

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

33. Derivative financial liabilities

	31 December			30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Interest and currency swap	7,680	—	—	—

The carrying amount of the interest and currency swap is the same as its fair value.

The Group has entered into an interest and currency swap contract with no cost to manage its interest and exchange rate exposures related to its foreign currency loan with a nominal amount of US$22,000,000 bearing a variable interest rate associated with LIBOR, which did not meet the criteria for hedge accounting. The term of the interest and currency swap was within one year and swap therefore had been classified as a current liability. Changes in the fair value of interest and currency derivatives amounting to RMB 4,885,000 were charged to the income statement for the year ended 31 December 2007. The loan was repaid in June 2008.

34. Long-term payables

	31 December			30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Long-term portion of accrued rental expenses	3,702	5,819	8,574	13,331
Put options to non-controlling interest shareholders (i)	—	—	247,949	258,175
	3,702	5,819	256,523	271,506

Note:

(i) Put options were granted to certain non-controlling interest shareholders of a subsidiary to sell their equity interest in the subsidiary to the Group at a pre-determined price (note 38(a)) in connection with the acquisition of the subsidiary in November 2009. The put option is exercisable from 1 January 2010 and has no expiry date. Holders of the put option need to notify the Group of the exercise of the option in written form before November of a calendar year and the Group has to complete the required transaction and pay the non-controlling interest shareholders before 1 May of the year subsequent to the year in which the notice of the exercise of put options is received. The balance represents the present value of amounts payable by the Group to acquire the non-controlling interests as if such non-controlling interests were fully acquired at each of the reporting date.

35. Contingent liabilities, operating lease arrangements and capital commitments

(a) *Contingent liabilities*

As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, neither the Group nor the Company had any significant contingent liabilities.

(b) *Operating lease arrangements*

Group as lessee

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

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December			30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	33,000	28,032	40,916	35,344
In the second to fifth years, inclusive	126,583	119,643	173,682	143,126
After five years	376,969	298,712	519,725	392,706
	536,552	446,387	734,323	571,176

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 the end of each reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December			30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	17,264	21,007	37,845	44,253
In the second to fifth years, inclusive	12,722	24,435	83,627	81,426
After five years	308	11,700	43,401	38,701
	30,294	57,142	164,873	164,380

(c) *Capital commitments*

	31 December			30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Property, plant and equipment	312,959	266,366	260,171	122,696

36. Issued share capital and reserves

(a) *Issued share capital*

Authorised

	31 December			30 June
	2007	**2008**	**2009**	**2010**
	Thousands HK$0.01 each	**Thousands HK$0.01 each**	**Thousands HK$0.01 each**	**Thousands HK$0.01 each**
Ordinary shares	35,568	35,568	39,000	39,000
Convertible preferred shares	3,432	3,432	—	—
	39,000	39,000	39,000	39,000

Ordinary shares issued and fully paid

	No. of shares at US$0.10 each Thousands	**No. of shares at HK$0.01 each Thousands**	**RMB'000**
As at 1 January 2007	144	—	115
Split of 144,000 ordinary shares of US$0.10 each into 11,232,000 ordinary shares of HK$0.01 each on 13 December 2007	(144)	11,232	—
1,275,130 ordinary shares of HK$0.01 each issued for cash of US$45,000,000 in total on 17 December 2007	—	1,275	12
As at 31 December 2007 and 31 December 2008	—	12,507	127
1,275,130 ordinary shares of HK$0.01 each repurchased for cash of US$53,670,000 in total on 15 May 2009	—	(1,275)	(12)
3,432,000 convertible preference shares converted into 3,432,000 ordinary shares of HK$0.01 each on 13 November 2009	—	3,432	35
As at 31 December 2009 and 30 June 2010	—	14,664	150

Convertible preference shares issued and fully paid

	No. of shares at US$0.10 each Thousands	No. of shares at HK$0.01 each Thousands	RMB'000
As at 1 January 2007	44	—	35
Split of 44,000 convertible preference shares of US$0.10 each into 3,432,000 convertible preference shares of HK$0.01 each on 13 December 2007	(44)	3,432	—
As at 31 December 2007 and 31 December 2008	—	3,432	35
3,432,000 convertible preference shares converted into 3,432,000 ordinary shares of HK$0.01 each on 13 November 2009	—	(3,432)	(35)
As at 31 December 2009 and 30 June 2010	—	—	—

44,000 convertible preference shares with a nominal value of US$0.10 each were issued on 2 September 2006 at a consideration of US$44,000,000 and were split from each share of US$0.10 to 78 shares of HK$0.01 each on 13 December 2007. Each convertible preference share may be converted into an ordinary share of the Company at the option of the shareholder from time to time at a conversion ratio of one convertible preference share to one ordinary share. Holders of the convertible preference shares are entitled to cumulative discretionary dividends in preference to ordinary shares and rank in preference to the ordinary shares in the event of a liquidation.

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

(b) *Contributed surplus*

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

(c) *Statutory surplus reserve*

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

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

(d) *Discretionary reserve*

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

(e) *Company*

	Share premium	Exchange fluctuation reserve	(Accumulated losses)/ retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	349,626	(6,194)	—	343,432
Total comprehensive loss for the year	—	(22,180)	—	(22,180)
Issue of shares of the Company	328,695	—	—	328,695
At 31 December 2007 and 1 January 2008	678,321	(28,374)	—	649,947
Total comprehensive loss for the year	—	(41,744)	26,787	(14,957)
Dividends	—	—	(26,407)	(26,407)
At 31 December 2008 and 1 January 2009	678,321	(70,118)	380	608,583
Total comprehensive income for the year	—	(349)	25,574	25,225
Dividends	—	—	(25,959)	(25,959)
Repurchase and cancellation of shares	(366,675)	—	—	(366,675)
At 31 December 2009 and 1 January 2010	311,646	(70,467)	(5)	241,174
Total comprehensive income for the period	—	(1,317)	(1,065)	(2,382)
At 30 June 2010	311,646	(71,784)	(1,070)	238,792
Unaudited				
At 31 December 2008 and 1 January 2009	678,321	(70,118)	380	608,583
Total comprehensive income for the period	—	(349)	(283)	(632)
Repurchase and cancellation of shares	(366,675)	—	—	(366,675)
At 30 June 2009	311,646	(70,467)	97	241,276

37. Related party transactions

In addition to the transactions and balances disclosed elsewhere in the Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

Recurring

The Group's transactions with related companies during the Relevant Periods are as follows:

	Year ended 31 December			Six-month period ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Purchase from a related company	—	—	—	—	16,843
Commission income from concessionaire sales from related companies	1,051	1,220	2,101	550	2,453

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

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

Non-recurring

(a) As disclosed in note 29, the Group borrowed money from certain Directors via entrusted loans amounting to RMB109,173,000 which bore interest at a rate of 7.5% per annum in 2007. The interest charged for the loans amounted to RMB11,019,000 and RMB4,078,000 for the years 2007 and 2008, respectively. These loans were unsecured and fully repaid in 2008.

(b) The Group borrowed money from certain Directors which bore interest at a rate of 6% per annum in 2006. The loans were repaid in 2007 and the interest charged for the loans amounted to RMB327,000 for the year 2007.

(c) As disclosed in note 29, the Group borrowed money from certain Directors which bore interest at a rate of 2% per annum in 2009 and the interest charged for the loans amounted to RMB65,000 and RMB3,000 for the year 2009 and the six-month period ended 30 June 2010, respectively. These loans were unsecured and were fully repaid in April 2010.

(d) As disclosed in note 29, the Group borrowed money from individuals who were shareholders of the Company, which bore interest at a rate of 2% per annum in 2009 and the interest charged for the loans amounted to RMB1,517,000 and RMB410,000 for the year 2009 and the six-month period ended 30 June 2010, respectively. These loans were unsecured and were fully repaid in March 2010.

(e) As disclosed in note 29, the Group borrowed money from Yinian Investment which was controlled by a relative of a Director, Mr Chen Jianqiang, which bore interest at a rate of 7.5% per annum in 2008 and the interest charged for the loans amounted to RMB4,867,000 and RMB4,064,000 for the years 2008 and 2009, respectively. These loans were unsecured and fully repaid in 2009.

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

(g) Compensation of key management personnel of the Group who comprises Directors and key employees of the Group has been disclosed in note 11.

(h) As disclosed in note 29, the Group's certain bank loans were guaranteed by, Mr Chen Jianqiang, an executive director of the Company, as at 31 December 2009 and 30 June 2010.

(i) As disclosed in note 38, the Group acquired 100% equity interests in Wuxi Huixing Gold Store Co., Ltd. ("Wuxi Huixing") from Yinian Investment, which was controlled by a relative of a Director, Mr Chen Jianqiang, in March 2010.

(j) As disclosed in note 38, the Group acquired 85% equity interests in Wuxi Huicheng Clothing & Trading Co., Ltd. ("Wuxi Huicheng") from Yinian Investment, which was controlled by a relative of a Director, Mr Chen Jianqiang, and 15% equity interests from an employee of the Group in April 2010.

(k) As disclosed in note 39, the Group disposed of its 50% equity interests in Spring Trading to Yinian Investment, which was controlled by a relative of a Director, Mr Chen Jianqiang and the other 50% equity interests to Yixing Huacheng Consulting Co., Ltd., which was controlled by an employee in 2009.

(j) As disclosed in note 39, the Group disposed of its entire equity interests in Nanjing Yaohan to Yinian Investment, which was controlled by a relative of a Director, Mr Chen Jianqiang, in June 2010. Upon disposal, the Group entered into an agreement with Yinian Investment, which granted the Group a call option to acquire the entire equity interests in Nanjing Yaohan within 5 years from 26 June 2010 at a consideration based on the lower of (i) net assets value of the latest audited financial statements of Nanjing Yaohan or (ii) the market value of Nanjing Yaohan at the time of the exercise of the option.

(m) As disclosed in note 39, the Group disposed of its entire equity interests in Hong Kong Springland to a relative of a Director, Mr Chen Jianqiang, in June 2010.

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

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

38. Business combination

(a) In September 2009, the Group made a cash contribution of RMB161,100,000 to Nantong Yaohan Store, which is engaged in the operation of a department store and a supermarket in Nantong, for the increase in its paid-in capital. With the capital injection, the Group became a shareholder owning a 21.88% equity interest in Nantong Yaohan Store and Nantong Yaohan Store became an associate of the Group. In November and December 2009, the Group acquired a further 44.88% equity interest in Nantong Yaohan Store from the remaining shareholders (the "Acquisition") at a consideration of RMB379,098,000. Thereafter, Nantong Yaohan Store became a subsidiary of the Group. In May 2010, Nantong Yaohan Store reduced its registered capital by repurchasing part of the shares held by the Group. As a result, the Group's interest in Nantong Yaohan Store decreased from 66.76% to 57.45% since then.

In connection with the above share transactions, the Group granted four non-controlling interest shareholders a put option to sell their equity interests in Nantong Yaohan Store at a predetermined price of RMB20.667 per share plus net equity change per share from 31 December 2008 to the latest practical audited financial statements date before the exercise of the option. At 31 December 2009, 29.35% equity interests were held by the four non-controlling interest shareholders. At 30 June 2010, after cancellation of shares, 37.57% equity interests were held by the four non-controlling interest shareholders.

The fair values of the identifiable assets and liabilities of Nantong Yaohan Store and its subsidiaries ("Nantong Yaohan Store Group") as at the date of the Acquisition and the corresponding carrying amounts immediately before the Acquisition were as follows:

	Notes	Fair value recognised on acquisition	Previous carrying amount
		RMB'000	RMB'000
Net assets acquired:			
Property, plant and equipment	17	707,930	124,347
Inventories		22,522	22,522
Trade receivables		819	819
Prepayments, deposits and other receivables		112,432	112,432
Equity investments at fair value through profit or loss		12,521	12,521
Cash and cash equivalents		106,892	106,892
Trade payables		(38,183)	(38,183)
Other payables and accruals		(15,902)	(15,902)
Tax payable		(8,646)	(8,646)
Long-term payables		(953)	(953)
Deferred tax liabilities	23	(145,897)	—
Non-controlling interests		(252,348)	(2,796)
		501,187	313,053
Goodwill on the Acquisition	19	40,317	
		541,504	
Satisfied by:			
Investment in an associate		162,406	
Cash		309,740	
Other payables		69,358	
		541,504	

An analysis of the net outflow of cash and cash equivalents in 2009 in respect of the Acquisition is as follows:

	RMB'000
Cash consideration	(309,740)
Cash and cash equivalents acquired	106,892
Net outflow of cash and cash equivalents in respect of the Acquisition	(202,848)

Since the Acquisition, Nantong Yaohan Store Group contributed RMB11,292,000 to the Group's revenue and RMB2,924,000 to the consolidated profit for the year ended 31 December 2009.

Had the Acquisition taken place at the beginning of the year ended 31 December 2009, the revenue of the Group and profit attributable to owners of the parent for the year ended 31 December 2009 would have been RMB2,400,028,000 and RMB260,557,000, respectively.

(b) The Group acquired Wuxi Huixing from a related party in March 2010 and Wuxi Huicheng from related parties in April 2010 with a total consideration of RMB6,000,000.

The fair values of the identifiable assets and liabilities of Wuxi Huixing and Wuxi Huicheng as at the dates of the acquisition and the corresponding carrying amounts immediately before the acquisitions were as follows:

	Fair value recognised on acquisition	Previous carrying amount
	RMB'000	**RMB'000**
Net assets acquired:		
Property, plant and equipment	12	12
Prepayments, deposits and other receivables	3,981	3,981
Cash and cash equivalents	2,007	2,007
	6,000	6,000
Satisfied by cash	6,000	

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries is as follows:

	As at the acquisition dates
	RMB'000
Cash consideration paid	(6,000)
Cash and cash equivalents acquired	2,007
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(3,993)

Since the acquisition, Wuxi Huixing and Wuxi Huicheng contributed RMB188,000 and RMB1,421,000, respectively, to the Group's revenue and RMB15,000 and RMB143,000, respectively, to the consolidated profit for the six-month period ended 30 June 2010.

Had the acquisition taken place at the beginning of the six-month period ended 30 June 2010, the revenue of the Group and the profit attributable to owners of the parent for the six-month period ended 30 June 2010 would have been RMB1,494,172,000 and RMB222,596,000, respectively.

39. Disposal of subsidiaries

(a) In October 2009, the Group disposed of its entire equity interests in Spring Trading to related parties for cash considerations of RMB10,000,000.

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

	Notes	RMB'000
Net assets disposed of:		
Property, plant and equipment	17	382
Inventories		14,901
Prepayments, deposits and other receivables		6,897
Cash and cash equivalents		421
Trade payables		(1,815)
Other payables and accruals		(4,139)
Tax payable		(19)
		16,628
Loss on disposal of the subsidiary	10	(6,628)
		10,000
Satisfied by cash		10,000

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

	RMB'000
Cash consideration	10,000
Cash and cash equivalents disposed of	(421)
Net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	9,579

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

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

	Notes	RMB'000
Net assets disposed of:		
Property, plant and equipment	17	21,643
Inventories		339
Prepayments, deposits and other receivables		7,518
Cash and cash equivalents		1,008
Trade payables		(4,091)
Other payables and accruals		(31,220)
		(4,803)
Gain on disposal of the subsidiary	10	4,803
		—

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

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

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

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

	Note	RMB'000
Net assets disposed of:		
Prepayments, deposits and other receivables		90,909
Cash and cash equivalents		44
Other payables and accruals		(90,108)
		845
Loss on disposal of the subsidiary	10	(801)
		44
Satisfied by cash		44

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

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

40. Interest in a subsidiary

Company

	31 December			30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	—	—	—	—
Loans to a subsidiary	650,109	608,745	241,324	238,942
	650,109	608,745	241,324	238,942

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

41. Financial instruments by category

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

31 December 2007 **Group**

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Available-for-sale investments	—	20,000	20,000
Trade receivables	4,636	—	4,636
Financial assets included in prepayments, deposits and other receivables	199,672	—	199,672
Pledged deposits	5,572	—	5,572
Cash and cash equivalents	266,227	—	266,227
	476,107	20,000	496,107

31 December 2007 **Group**

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000	RMB'000
Trade and bills payables	—	466,542	466,542
Financial liabilities included in other payables and accruals	—	197,730	197,730
Derivative financial instruments	7,680	—	7,680
Interest-bearing bank and other borrowings	—	1,242,874	1,242,874
	7,680	1,907,146	1,914,826

31 December 2008 **Group**

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Available-for-sale investments	—	20,000	20,000
Trade receivables	12,042	—	12,042
Financial assets included in prepayments, deposits and other receivables	62,754	—	62,754
Pledged deposits	170,000	—	170,000
Cash and cash equivalents	407,826	—	407,826
	652,622	20,000	672,622

31 December 2008

Financial liabilities

	Group
	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	562,989
Financial liabilities included in other payables and accruals	331,984
Interest-bearing bank and other borrowings	1,323,800
	2,218,773

31 December 2009

Financial assets

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

31 December 2009

Financial liabilities

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

30 June 2010 **Group**

Financial assets

	Financial assets at fair value through profit or loss - Held for trading	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale investments	—	—	110	110
Trade receivables	—	19,024	—	19,024
Financial assets included in prepayments, deposits and other receivables	—	86,149	—	86,149
Equity investments at fair value through profit or loss	11,096	—	—	11,096
Pledged deposits	—	384,814	—	384,814
Cash and cash equivalents	—	665,239	—	665,239
	11,096	1,155,226	110	1,166,432

30 June 2010 **Group**

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade and bills payables	583,619
Financial liabilities included in other payables and accruals	382,874
Interest-bearing bank and other borrowings	2,374,100
Financial liabilities included in long-term payables	258,175
	3,598,768

Company

Financial assets

	Year ended 31 December			30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Loans to a subsidiary	650,109	608,745	241,324	238,942

42. Fair value hierarchy

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

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

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

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

As at 31 December 2007, the Group held the following financial instruments measured at fair value:

Liabilities measured at fair value as at 31 December 2007:

	Level 1	Level 2	Level 3	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Derivative financial instruments	—	7,680	—	7,680

As at 31 December 2008, the Group had no financial instruments measured at fair value.

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 December 2009:

	Level 1	Level 2	Level 3	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Equity investments at fair value through profit or loss	12,521	—	—	12,521

As at 30 June 2010, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 30 June 2010:

	Level 1	Level 2	Level 3	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Equity investments at fair value through profit or loss	11,096	—	—	11,096

43. Financial risk management objectives and policies

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

The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is, and has been, throughout the Relevant Periods, the Group's policy that no trading in financial instruments shall be undertaken.

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

Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
		RMB'000	RMB'000
Year ended 31 December 2007			
RMB	50	(725)	(544)
US$	50	(440)	(440)
RMB	(50)	725	544
US$	(50)	440	440
Year ended 31 December 2008			
RMB	50	(948)	(711)
US$	50	(272)	(272)
RMB	(50)	948	711
US$	(50)	272	272
Year ended 31 December 2009			
RMB	50	(2,629)	(1,972)
US$	50	(485)	(485)
RMB	(50)	2,629	1,972
US$	(50)	485	485
Six-month period ended 30 June 2010			
RMB	50	(2,634)	(1,976)
US$	50	(564)	(564)
RMB	(50)	2,634	1,976
US$	(50)	564	564
Six-month period ended 30 June 2009 (unaudited)			
RMB	50	(613)	(460)
US$	50	(116)	(116)
RMB	(50)	613	460
US$	(50)	116	116

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 are denominated in RMB, except for the United States dollar bank loan as disclosed in note 29 and certain bank balances denominated in United States dollars and Hong Kong dollars. The Group has entered into a foreign exchange swap to lower the foreign currency exposures on the United States dollar bank loan.

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

Credit risk

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

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, preference shares and other borrowings.

The tables below summarise the maturity profile of the Group's financial liabilities as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 based on the contractual undiscounted payments.

As at 31 December 2007	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Interest-bearing bank and other borrowings	—	169,166	972,659	43,639	155,667	1,341,131
Trade and bills payables	33,089	433,453	—	—	—	466,542
Financial liabilities included in other payables and accruals	197,730	—	—	—	—	197,730
Derivative financial liabilities	—	—	7,680	—	—	7,680
	230,819	602,619	980,339	43,639	155,667	2,013,083

As at 31 December 2008	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Interest-bearing bank and other borrowings	—	35,076	1,182,337	172,275	—	1,389,688
Trade and bills payables	30,555	532,434	—	—	—	562,989
Financial liabilities included in other payables and accruals	331,984	—	—	—	—	331,984
	362,539	567,510	1,182,337	172,275	—	2,284,661

As at 31 December 2009	**On demand**	**Less than 3months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Interest-bearing bank and other borrowings	319,221	851,140	655,984	1,005,599	105,704	2,937,648
Trade and bills payables	147,350	495,235	12,750	—	—	655,335
Financial liabilities included in other payables and accruals	357,679	—	—	—	—	357,679
Financial liabilities included in long-term payables	—	—	—	247,949	—	247,949
	824,250	1,346,375	668,734	1,253,548	105,704	4,198,611

As at 30 June 2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	—	1,091,270	319,693	718,789	399,937	2,529,689
Trade and bills payables	114,572	469,047	—	—	—	583,619
Financial liabilities included in other payables and accruals	382,874	—	—	—	—	382,874
Financial liabilities included in long-term payables	—	—	—	258,175	—	258,175
	497,446	1,560,317	319,693	976,964	399,937	3,754,357

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 shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other borrowings, trade and bills payables, other payables and accruals less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 were as follows:

	31 December			30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	1,242,874	1,323,800	2,729,221	2,374,100
Trade and bills payables	466,542	562,989	655,335	583,619
Other payables and accruals	574,282	799,347	960,610	1,141,107
Less: Cash and cash equivalents	(266,227)	(407,826)	(612,813)	(665,239)
Net debt	2,017,471	2,278,310	3,732,353	3,433,587
Equity attributable to owners of the parent	1,000,677	1,193,171	1,023,775	1,235,969
Equity and net debt	3,018,148	3,471,481	4,756,128	4,669,556
Gearing ratio	67%	66%	78%	74%

44. Events after the reporting period

There is no material subsequent events undertaken by the Company or by the Group after 30 June 2010.

45. Subsequent financial statements

No audited financial statements have been prepared by the Group, the Company or its subsidiaries in respect of any period subsequent to 30 June 2010.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purpose only, and is set out herein to provide the prospective investors with further financial information about how the proposed listing might have affected (i) the consolidated net tangible assets of the Group after the completion of the Global Offering; and (ii) the forecast earnings per Share of the Group for the year ending 31 December 2010 as if the Global Offering had taken place on 1 January 2010.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position and results.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 June 2010. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial position of the Group.

	Audited consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2010	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	Unaudited pro forma adjusted consolidated net tangible assets per Share
	RMB'000	**RMB'000**	**RMB'000**	**RMB**	**(HK$ equivalent)**
	(Note 1)	**(Note 2)**		**(Note 3)**	**(Note 4)**
Based on an Offer Price of HK$4.85 per Share	1,108,530	1,975,142	3,083,672	1.23	1.43
Based on an Offer Price of HK$5.93 per Share	1,108,530	2,427,092	3,535,622	1.41	1.63

Notes:

1. The audited consolidated net tangible assets attributable to equity holders of the Company as at 30 June 2010 is arrived at after deducting the goodwill of RMB127,439,000 and the non-controlling interests of RMB34,572,000 from the audited consolidated net assets of RMB1,270,541,000 as at 30 June 2010, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on the Offer Shares and the estimated Offer Prices of HK$4.85 and HK$5.93, respectively, after deduction of the underwriting fees and related expenses payable by the Company. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB0.8629, the prevailing rate quoted by the People's Bank of China (the "PBOC") on 21 September 2010.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 2,500,000,000 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be offered for sale upon exercise of the Over-allotment Option.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.8629, the prevailing rate quoted by the PBOC on 21 September 2010.
5. As at 31 July 2010, the Group's buildings and land use rights were revalued by Jones Lang LaSalle Sallmanns Limited, an independent property valuer and the relevant property valuation report is set out in Appendix IV — Property Valuation to this prospectus. The net revaluation surplus, representing the excess of market value of the buildings and land use rights over their book values, is approximately RMB3,156.4 million as at 31 July 2010. Such revaluation surplus has not been included in the Group's consolidated financial information as at 30 June 2010. The above adjustment does not take into account the above revaluation surplus. Had the building and land use rights been stated at such valuation, additional depreciation and amortization of approximately RMB123.1 million per annum would be charged against the consolidated income statement.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The unaudited pro forma forecast earnings per Share of the Group for the year ending 31 December 2010 has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2010. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of the financial results of the Group.

	Forecast for the year ending 31 December 2010
Forecast consolidated profit attributable to equity holders of the Company *(Note 1)*	not less than RMB370 million (equivalent to HK$429 million)
Unaudited pro forma forecast earnings per Share *(Note 2)*	not less than RMB0.148 (equivalent to HK$0.172)

Notes:

1. The forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010 is extracted from the paragraph headed "Profit Forecast For the Year Ending 31 December 2010" in the section headed "Financial Information". The bases and assumptions on which the above forecast for the year ending 31 December 2010 has been prepared are summarised in Appendix III to this prospectus.
2. The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010 and on the assumptions that a total of 2,500,000,000 Shares were in issue during the year ending 31 December 2010. The unaudited pro forma forecast earnings per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB0.8629, the prevailing rate quoted by the PBOC on 21 September 2010.

C. LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, received from the reporting accountants of the Company, Ernst & Young, prepared for inclusion in this prospectus, in respect of the Group's unaudited pro forma financial information.

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

8 October 2010

The Directors
Springland International Holdings Limited
Morgan Stanley Asia Limited

Dear Sirs,

We report on the unaudited pro forma adjusted consolidated net tangible assets and unaudited pro forma forecast earnings per share (the "Unaudited Pro Forma Financial Information") of Springland International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company (the "Directors"), for illustrative purposes only, to provide information about how the Global Offering of 625,000,000 shares of HK$0.01 each in the capital of the Company might have affected the financial information of the Group presented, for inclusion in sections A and B of Appendix II, respectively, to the prospectus dated 8 October 2010 (the "Prospectus") issued by the Company.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion solely to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2010 or any future date; or
- the forecast earnings per share of the Group for the year ending 31 December 2010 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;

(b) such bases are consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The forecast of the Group's consolidated profit attributable to the equity holders of the Company for the year ending 31 December 2010 is set out in the paragraph headed "Profit Forecast For the Year Ending 31 December 2010" in the section headed "Financial Information" in this prospectus.

A. BASES AND ASSUMPTIONS

The Directors have prepared the forecast of the Group's consolidated profit attributable to the equity holders of the Company for the year ending 31 December 2010 based on the audited consolidated results of the Group for the six-month period ended 30 June 2010, the unaudited consolidated results of the Group for the one-month period ended 31 July 2010 and a forecast of the consolidated results of the Group for the remaining five-month period ending 31 December 2010. The forecast has been prepared on a basis consistent in all material respects with the accounting policies currently adopted by the Group as summarised in Appendix I to this prospectus and is based on the following principal assumptions:

(i) there will be no material changes in the existing political, legal, fiscal, market or economic conditions in the PRC or any other country or territory where the Group carries on its business or from which it imports or sources its merchandise;

(ii) there will be no material changes in policies, legislation, regulations or rules in the PRC or any other country or territory where the Group carries on its business or with which it has arrangements or agreements, which may have a material adverse effect on its business;

(iii) there will be no material changes in the bases or rates of taxation or duties, both direct or indirect, in the PRC or any other country or territory where the Group carries on its business, except as otherwise disclosed in this prospectus;

(iv) there will be no material changes in the rates of inflation, interest, or foreign currency exchange from those prevailing as at the date of last audited statement of financial position;

(v) the Group's operations and business will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Group, including but not limited to the occurrence of natural disasters, epidemics or serious accidents;

(vi) The Group's operations and financial performance will not be materially and adversely impacted by any of the risk factors set out in the section headed "Risk Factors" in this prospectus; and

(vii) under the new PRC Enterprise Income Tax Law ("PRC EIT Law") and implementation regulation issued by authorities, PRC income tax at the rate of 10% (5% for qualified companies in Hong Kong) is applicable to dividends payable to investors that are "non-resident enterprises". As Cleavebury Limited (an intermediate holding company within the Group, who owns 100% interest in Jiangsu Springland Enterprise Investment Holding (Group) Co., Ltd., which is the domestic intermediate holding company owning, directly or indirectly, the entire interest in all of the other subsidiaries in the PRC) is registered and operated in Hong Kong, the dividend income received from the PRC subsidiaries of the Group would be subject to PRC income tax at the preferential rate of 5% if Cleavebury Limited were regarded as a non-resident enterprise and obtained approval from the competent tax authority for enjoying the preferential tax rate under the new PRC EIT Law. The Directors consider Cleavebury Limited should be regarded as a non-resident enterprise and will obtain relevant approval under the said law and thus the dividend income tax impact on the forecast profit made by the PRC subsidiaries for the Forecast Period has been calculated at 5% in the Profit Forecast.

B. LETTERS

The following is the text of a letter, received from the reporting accountants of the Company, Ernst & Young, prepared for inclusion in this prospectus in connection with the forecast of the Group's consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010.

ERNST & YOUNG

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

8 October 2010

The Directors
Springland International Holdings Limited
Morgan Stanley Asia Limited

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the consolidated profit attributable to the equity holders of Springland International Holdings Limited (the "Company", together with its subsidiaries, hereinafter collectively referred to as the "Group") for the year ending 31 December 2010 (the "Profit Forecast") as set out in the section headed "Financial Information" in the prospectus of the Company dated 8 October 2010 (the "Prospectus") for which the directors of the Company (the "Directors") are solely responsible.

We conducted our work with reference to Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast has been prepared by the Directors based on the audited consolidated results of the Group for the six-month period ended 30 June 2010, the unaudited consolidated results of the Group for the one-month period ended 31 July 2010 and a forecast of the consolidated results of the Group for the remaining five-month period ending 31 December 2010.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the Directors as set out in Section A — Bases and Assumptions of Appendix III to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our Accountants' Report dated 8 October 2010, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a letter, prepared for inclusion in this prospectus by the Sole Sponsor in connection with the profit forecast of the Group for the year ending 31 December 2010.

Morgan Stanley Asia Limited
46F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

8 October 2010

The Directors
Springland International Holdings Limited

Dear Sirs,

We refer to the forecast consolidated profit attributable to the equity holders of Springland International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ending 31 December 2010 (the "Forecast") as set out in the prospectus issued by the Company dated 8 October 2010 (the "Prospectus").

The Forecast, for which the Directors of the Company are solely responsible, has been prepared by them based on the audited consolidated results of the Group for six months ended 30 June 2010, the unaudited consolidated results of the Group for the one-month period ended 31 July 2010 and a forecast of the consolidated results of the Group for the remaining five-month period ending 31 December 2010.

We have discussed with you the bases and assumptions made by the Directors of the Company as set out in Appendix III to the Prospectus upon which the Forecast has been made. We have also considered and relied upon, the letter dated 8 October 2010 addressed to yourselves and ourselves from Ernst & Young regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the information comprising the Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we are of the opinion that the Forecast, for which you as Directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Morgan Stanley Asia Limited
George Taylor
Managing Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 July 2010 of the property interests of the Group.

Jones Lang LaSalle Sallmanns Limited
17/F Dorset House Taikoo Place
979 King's Road Quarry Bay Hong Kong
tel +852 2169 6000 fax +852 2169 6001
Licence No: C-030171

8 October 2010

The Board of Directors
Springland International Holdings Limited
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Dear Sirs,

In accordance with your instructions to value the properties in which Springland International Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 July 2010 (the "date of valuation").

Our valuation of the property interests represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

In valuing the property interests of property nos. 1 to 9 and 11 in Group I and property nos. 13 and 14 in Group III , which are held and occupied by the Group in the PRC, we have adopted the direct comparison approach and by making reference to the comparables sales transactions as available in the relevant markets and where appropriate on the basis of capitalisation of the net income shown on the documents handed to us. We have allowed for outgoings and, in appropriate cases, made provisions for reversionary income potential.

Where, due to the nature of the buildings of the property interest of property no. 10 in Group I and the particular locations in which it is situated, there is unlikely to be relevant market comparable sales readily available, the property interest has therefore been valued on the basis of its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization". It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

In valuing the property interest in Group II which are currently under construction, we have assumed that it will be developed and completed in accordance with the Group's latest development proposal provided to us. In arriving at our opinion of value, we have also taken into account the construction cost and professional fee relevant to the stage of construction as at the date of valuation and the remainder of the cost and fee to be expended to complete the development.

For the property interest in Group IV, which is contracted to be acquired by the Group in the PRC, the Group has entered into an agreement with relevant owner of the property, while the Group has not yet obtained the Building Ownership Certificate and the payment has not yet been fully settled as at the date of valuation. We have attributed no commercial values to the property interest.

For the property interests in Groups V, VI and VII, which are the property interests rented by the Group in the PRC, we have ascribed no commercial value to them primarily due to the prohibition against assignment or subletting or otherwise due the lack of substantial profit rent.

For the purpose of area measurement in our valuation, the Gross Floor Area of a property is abbreviated to GFA.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Commerce & Finance Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarised below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: *Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.*

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Capital value in existing state as at 31 July 2010 RMB	Interest attributable to the Group	Capital value attributable to the Group as at 31 July 2010 RMB
1.	Basement Level 1 and Levels 1 to 9 of a building known as Yixing Springland Department Store No. 227 Renmin Middle Road Yixing City Jiangsu Province The PRC	449,000,000	100%	449,000,000
2.	Basement Level 1 and Levels 1 to 17 of a building known as Yixing Springland Store (Hexin Branch) No. 228 Renmin Middle Road Yixing City Jiangsu Province The PRC	528,000,000	100%	528,000,000
3.	Basement Level 1 and Levels 1 to 8 of a building (main building) and a 2-storey ancillary building together known as Liyang Springland Department Store No. 2 Yanshan Road Liyang City Jiangsu Province The PRC	291,000,000	100%	291,000,000
4.	Basement Level 1 and Levels 1 to 7 of a building known as Danyang Springland Department Store and Datonghua Store No. 2 Xinming Middle Road Danyang City Jiangsu Province The PRC	780,000,000	100%	780,000,000

No.	Property	Capital value in existing state as at 31 July 2010 RMB	Interest attributable to the Group	Capital value attributable to the Group as at 31 July 2010 RMB
5.	Basement Levels 1 to 2 and Levels 1 to 6 of a building known as Jiangyin Springland Department Store and Datonghua Store No. 18 Renmin Middle Road Jiangyin City Jiangsu Province The PRC	1,214,000,000	100%	1,214,000,000
6.	Basement Levels 1 to 2 and Levels 1 to 8 of a building known as Wuxi Yaohan Department Store and a supermarket No. 168 Zhongshan Road Wuxi City Jiangsu Province The PRC	2,156,000,000	100%	2,156,000,000
7.	Basement Level 1 and Levels 1 to 6 of a building known as Yixing Datonghua Store No. 237 Renmin Middle Road Yixing City Jiangsu Province The PRC	218,000,000	100%	218,000,000
8.	Basement Levels 1 and 2 and Levels 1 to 11 of a building and an ancillary building together known as Nantong Yaohan Department Store No. 47 Renmin Middle Road Nantong City Jiangsu Province The PRC	No commercial value	57.45%	No commercial value

No.	Property	Capital value in existing state as at 31 July 2010 RMB	Interest attributable to the Group	Capital value attributable to the Group as at 31 July 2010 RMB
9.	Basement Level 1 and Levels 1 to 5 of a building known as Ma'anshan Yaohan Department Store located at the junction of Hudong Road and Hunan Road Ma'anshan City Anhui Province The PRC	No commercial value	100%	No commercial value
10.	A parcel of land and 3 blocks of buildings located at the western side of Qingyuan Avenue Yixing Economic Development Zone Logistics Park Yixing City Jiangsu Province The PRC	72,000,000	100%	72,000,000
11.	Basement Level 1 and Levels 1 to 4 of a building known as Jiangyin Datonghua Store (Xiake Branch) No.5 Jindu Street Jiangyin City Jiangsu Province The PRC	No commercial value	100%	No commercial value
	Sub-total:	5,708,000,000		5,708,000,000

Group II — Property interest held under development by the Group in the PRC

No.	Property	Capital value in existing state as at 31 July 2010 RMB	Interest attributable to the Group	Capital value attributable to the Group as at 31 July 2010 RMB
12.	Basement Levels 1 and 2 and Levels 1 to 17 of a building known as Zhenjiang Yaohan Department Store and Datonghua Store Nos. 288 and 344 Zhongshan East Road Zhenjiang City Jiangsu Province The PRC	923,000,000	100%	923,000,000
	Sub-total:	923,000,000		923,000,000

Group III — Property interests held for future development by the Group in the PRC

No.	Property	Capital value in existing state as at 31 July 2010 RMB	Interest attributable to the Group	Capital value attributable to the Group as at 31 July 2010 RMB
13.	A parcel of land located at the eastern side of Wenhua Road the western side of Changtang Road and the northern side of Heng Street Jintan City Jiangsu Province The PRC	72,000,000	100%	72,000,000
14.	A parcel of land located at the junction of Jiefang West Road and Jinling West Road Changxing County Huzhou City Zhejiang Province The PRC	81,000,000	100%	81,000,000
	Sub-total:	153,000,000		153,000,000

Group IV — Property interest contracted to be acquired by the Group in the PRC

No.	Property	Capital value in existing state as at 31 July 2010 RMB	Interest attributable to the Group	Capital value attributable to the Group as at 31 July 2010 RMB
15.	A parcel of land located at Xinsheng Road Huashi Town Jiangyin City Jiangsu Province The PRC	No commercial value	100%	No commercial value
	Sub-total:	Nil		Nil

Group V — Property interests rented and occupied by the Group in the PRC

No.	Property	Capital value attributable to the Group as at 31 July 2010 RMB
16.	Levels 1 to 3 of a building known as Danyang Datonghua Store (Dagang Branch) No. 51 Zhaosheng Road Zhenjiang New District Zhenjiang City Jiangsu Province The PRC	No commercial value
17.	Basement Level 1 and Levels 1 to 4 of a building known as Wuxi Datonghua Store No. 68 Jianzhu Road Wuxi City Jiangsu Province The PRC	No commercial value

No.	Property	Capital value attributable to the Group as at 31 July 2010 RMB
18.	Levels 1 to 4 of a building known as Changshu Springland Department Store No. 9 Fangta East Road Changshu City Jiangsu Province The PRC	No commercial value
19.	Basement Level 1 under Jinsha Square known as Jintan Datonghua Store located at Jinsha Square Jintan City Jiangsu Province The PRC	No commercial value
20.	Levels 1 to 2 of a building known as Danyang Datonghua Store (Danyang Development Zone Branch) No. 135 Jinlin West Road Danyang Development Zone Danyang City Jiangsu Province The PRC	No commercial value
21.	Levels 1 to 3 of a building known as Yixing Datonghua Store (Huankeyuan Branch) Block A Huankeyuan Zone Longchi Road Yixing City Jiangsu Province The PRC	No commercial value

No.	Property	Capital value attributable to the Group as at 31 July 2010 RMB
22.	Levels 1 to 3 of a building known as Liyang Datonghua Store (City Centre) No. 252 Pingling Middle Road Liyang City Jiangsu Province The PRC	No commercial value
23.	Levels 1, 2 and a portion of Level 3 of Jiahua Plaza known as Yixing Datonghua Store (Dingshan Branch) Nos. 70, 180 and 186 Huanglong Shan Street Dingshu Town Yixing City Jiangsu Province The PRC	No commercial value
24.	Levels 1 to 4 of a building known as Jiangyin Datonghua Store (Chengxi Branch) No. 178 Wenfu North Road Jiangyin City Jiangsu Province The PRC	No commercial value
25.	Levels 1 to 4 of a building known as Liyang Datonghua Store (Dongmen Branch) No. 166 Kunlun South Road Liyang City Jiangsu Province The PRC	No commercial value

No.	Property	Capital value attributable to the Group as at 31 July 2010 RMB
26.	Levels 1 and 2 of a building known as Jiangyin Datonghua Store (Shengang Branch) No. 161 Shenpu Road Jiangyin City Jiangsu Province The PRC	No commercial value
27.	Level 26 of Poly Plaza No. 1 Xianqian East Street Wuxi City Jiangsu Province The PRC	No commercial value
28.	Basement Level 1 and Level 1 of a building known as Jiangyin Datonghua Store (Hongqiao Branch) No. 28 Wenhua West Road Hongqiao Town Jiangyin City Jiangsu Province The PRC	No commercial value
29.	A single-storey building located at Shanhua Fruit Market Trading Centre No. 1366 Caoyang Road Putuo District Shanghai The PRC	No commercial value
	Sub-total:	Nil

Group VI — Property interests rented and to be occupied by the Group in the PRC

No.	Property	Capital value attributable to the Group as at 31 July 2010 RMB
30.	Levels 1 and 2 of a building No. 8 Zhongxin Avenue Houxiang Town Danyang City Jiangsu Province The PRC	No commercial value
31.	A parcel of land located at Renmin West Road Gaocheng Town Yixing City Jiangsu Province The PRC	No commercial value
32.	Basement Level 1 and Levels 1 to 4 of Wujin Shopping Centre located at the south-eastern side of the junction of Wuzhong Road and Anding Road Changzhou City Jiangsu Province The PRC	No commercial value
33.	Levels 1 to 3 of Phase I of International Hotel located at junction of Guoqing Road and Fuqian Road Taixing City Jiangsu Province The PRC	No commercial value
	Sub-total:	Nil

Group VII — Property interest rented by the Group in Hong Kong subsequent to the date of valuation

No.	Property	Capital value attributable to the Group as at 31 July 2010 RMB
34.	Unit 2502 25th Floor of Sino Plaza Nos. 255 to 277 Gloucester Road Causeway Bay Hong Kong	No commercial value
	Sub-total:	Nil

	Capital value in existing state as at 31 July 2010 RMB	Capital value attributable to the Group as at 31 July 2010 RMB
Grand Total:	6,784,000,000	6,784,000,000

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
1.	Basement Level 1 and Levels 1 to 9 of a building known as Yixing Springland Department Store No. 227 Renmin Middle Road Yixing City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 4,426.8 sq.m. and a 9-storey commercial building with a single level basement having a total GFA of approximately 34,227.35 sq.m. erected thereon. The commercial building was completed in 1994. The area breakdown of the property in respect of its usage is set out as follows: **Usage** — **GFA (sq.m.)** Department store — 28,579.08 Ancillary — 5,648.27 **Total:** — **34,227.35** The land use rights of portions of the property have been granted for a term of 40 years expiring on 14 July 2043 for commercial use. Portions of the property with a total GFA of approximately 5,500 sq.m. are leased from an independent third party for a term commencing from 1 May 2003 and expiring on 30 April 2013.	The property is currently occupied by the Group for department store and ancillary purposes.	449,000,000 100% interest attributable to the Group: RMB449,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate - Yi Guo Yong (2003) Zi Di No. 041091093 (宜國用(2003)字第041091093號), the land use rights of a parcel of land with a site area of approximately 4,426.8 sq.m. have been granted to Yixing Springland Department Store Co., Ltd. ("Yixing Springland", 宜興華地百貨有限公司), an indirect wholly-owned subsidiary of the Company, for a term of 40 years expiring on 14 July 2043 for commercial use.
2. Pursuant to a Building Ownership Certificate - Yi Fang Quan Zheng Yi Cheng Zi Di No. A0027235 (宜房權證宜城字第A0027235號), the building ownership rights of a portion of the property with a total GFA of 25,486.35 sq.m. are owned by Yixing Springland.
3. Pursuant to a Tenancy Agreement entered into between Yixing Real Estate Management Office ("Yixing Real Estate Management", 宜興市房地產管理處, an independent third party) and Yixing Springland Plaza Co, Ltd. ("Yixing Springland Plaza", 宜興華地廣場有限公司, the former name of Yixing Springland), portions of the property with a total GFA of approximately 5,500 sq.m. are leased to Yixing Springland from Yixing Real Estate Management for a term commencing from 1 May 2003 and expiring on 30 April 2013 at a total annual rent of RMB1,000,000.
4. For the remaining portion of the property with a total GFA of approximately 3,241 sq.m., the Group has not provided with the relevant Building Ownership Certificate.

5. In the valuation of this property, we have attributed no commercial value to the portions of the property with a total GFA of approximately 8,741 sq.m. which have not obtained any proper title certificates (refer to notes 3 and 4). However, for reference purpose, we are of the opinion that the capital value of the portion of the property with a GFA of approximately 3,241 sq.m. stated in note 4 as at the date of valuation would be RMB39,000,000 assuming all relevant title certificates have been obtained and the portion of the property could be freely transferred. We have not attributed any reference value to the portion of building with a GFA of approximately 5,500 sq.m. (stated in note 3) which is leased from an independent third party.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers which contains, inter alia, the following:

   a). Yixing Springland has legally obtained the land use rights by way of granting;

   b). The land premium of the land use rights of the property has been fully settled;

   c). Yixing Springland has the rights to transfer, lease and mortgage the land use rights of the property or use the land use rights for operation;

   d). Yixing Springland has obtained the building ownership rights of a portion of the property with a total GFA of approximately 25,486.35 sq.m. Yixing Springland is entitled to use, transfer, lease, mortgage or otherwise dispose of the building ownership rights;

   e). The portion of the property with a GFA of approximately 3,241 sq.m. has not properly registered with the relevant government authorities. However, as confirmed by Yixing Real Estate Management (宜興市房產管理處), Yixing Springland has the legal rights to operate this portion of the property. The non-registration of legal title for the portion of the property will not affect normal operation of Yixing Springland Department Store;

   f). Pursuant to a Mortgage Contract dated 28 August 2009 entered into between Bank of China, Yixing Sub Branch and Yixing Springland and an Other Rights Certificate - Yi Ta Xiang (2009) Di No. 601023 (宜他項(2009)第601023號), the land use rights of the property under the State-owned Land Use Rights Certificate - Yi Guo Yong (2003) Zi Di No. 041091093 are subject to a mortgage in favour of Bank of China, Yixing Sub Branch as security for borrowing bank loan with a maximum amount of RMB37 million for a term commencing from 31 August 2009 and expiring on 30 September 2018;

   g). Pursuant to a Mortgage Contract dated 28 August 2009 entered into between Bank of China, Yixing Sub Branch and Yixing Springland and an Other Rights Certificate - Yi Fang Ta Zheng Yi Cheng Zi Di No. 1000005766 (宜房他証宜城字第1000005766號), the building ownership rights of the property under the Building Ownership Certificate - Yi Fang Quan Zheng Yi Cheng Zi Di No. A0027235 are subject to a mortgage in favour of Bank of China, Yixing Sub Branch as security for borrowing bank loan with a maximum amount of RMB104 million for a term commencing from 31 August 2009 and expiring on 30 September 2018;

   h). It is not observed that the property is subject to sequestration, mortgage and other forms of other rights or any third party interests (except those parts which have been mortgaged) which may restrict the land use rights and building ownership rights;

   i). The Tenancy Agreement has been properly registered with the relevant government department authority;

   j). The Tenancy Agreement is legally binding and enforceable; and

   k). The Group is legally entitled to use the property during the term stipulated in the Tenancy Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
2.	Basement Level 1 and Levels 1 to 17 of a building known as Yixing Springland Store (Hexin Branch) No. 228 Renmin Middle Road Yixing City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 9,226.7 sq.m. and a 17-storey composite building with a single level basement having a total GFA of approximately 45,171.99 sq.m. erected thereon. The composite building was completed in 1994. The area breakdown of the property in respect of its usage is set out as follows: **Usage** — **GFA (sq.m.)** Department Store — 30,251.2 Office and ancillary — 14,920.79 **Total:** — **45,171.99** The land use rights of the property have been granted for a term of 40 years expiring on 10 February 2044 for commercial use.	The property is currently occupied by the Group for department store, office and ancillary purposes.	528,000,000 100% interest attributable to the Group: RMB528,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate - Yi Guo Yong (2004) Zi Di No. 041062017 (宜國用(2004)字第041062017號), the land use rights of a parcel of land with a site area of approximately 9,226.7 sq.m. have been granted to Yixing City Hexin Plaza Co., Ltd. ("Yixing City Hexin", 宜興市和信廣場有限公司), an indirect wholly-owned subsidiary of the Company, for a term of 40 years expiring on 10 February 2044 for commercial use.

2. Pursuant to 2 Building Ownership Certificates - Yi Fang Quan Zheng Yi Cheng Zi Di Nos. A0030705 and A0030706 (宜房權證宜城字第A0030705, A0030706號), the building ownership rights of the property with a total GFA of 45,171.99 sq.m. are owned by Yixing City Hexin.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a). Yixing City Hexin has legally obtained the land use rights by way of granting;

   b). The land premium of the land use rights of the property has been fully settled;

   c). Yixing City Hexin has the rights to transfer, lease and mortgage the land use rights of the property or use the land use rights for operation;

   d). Yixing City Hexin has obtained the building ownership rights of the property, Yixing City Hexin is entitled to use, transfer, lease or otherwise dispose of the building ownership rights;

   e). Pursuant to 2 Mortgage Contracts all dated 28 August 2009 entered into between Bank of China, Yixing Sub Branch and Yixing City Hexin, and 2 Other Rights Certificates - Yi Ta Xiang (2009) Di Nos. 601024 and 601026 (宜他項(2009)第601024號 and 601026號), the land rights of property under the State-owned Land Use Rights Certificate - Yi Guo Yong (2004) Zi Di No. 041062017 are subject to mortgage in favour of Bank of China, Yixing Sub Branch as security for borrowing bank loans with a total maximum amount of RMB600 million and RMB32 million for a term commencing from 31 August 2009 and expiring on 30 August 2011;

f) Pursuant to 2 Mortgage Contracts all dated 28 August 2009 entered into between Bank of China, Yixing Sub Branch and Yixing City Hexin, and 4 Other Rights Certificates - Yi Fang Ta Zheng Yi Cheng Zi Di Nos. 1000005764, 1000005765, 1000005794 and 1000005782 (宜房他證宜城字第1000005764號，1000005765號，1000005794號及1000005782號), the building ownership rights of the property under the Building Ownership Certificates - Yi Fang Quan Zheng Yi Cheng Zi Di Nos. A003075 and A003076 are subject to a mortgage in favour of Bank of China, Yixing Sub Branch as security for borrowing bank loan with a maximum amount of RMB40 million, RMB60 million, RMB240 million and RMB40 million respectively for a term commencing from 31 August 2009 and 30 August 2011; and

g). It is not observed that the property is subject to sequestration, mortgage and other forms of other rights or any third party interests (except those parts which have been mortgaged) which may restrict the land use rights and building ownership rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
3.	Basement Level 1 and Levels 1 to 8 of a building (main building) and a 2-storey ancillary building together known as Liyang Springland Department Store No. 2 Yanshan Road Liyang City Jiangsu Province The PRC	The property comprises 5 parcels of land with a total site area of approximately 4,473.1 sq.m. and a 8-storey commercial building with a single level basement and 2-storey ancillary buildings having a total GFA of approximately 40,020.53 sq.m. erected thereon. The commercial building was completed in 1997. The area breakdown of the property in respect of its usage is set out a follows: **Usage** — **GFA (sq.m.)** Department store — 27,527.7 Ancillary — 12,492.83 **Total:** — **40,020.53** The land use rights of the property have been granted for a term of 40 years expiring on 13 March 2037 for commercial use. Portions of the property with a total GFA of approximately 15,268.81 sq.m. are leased from various independent third parties for various terms expiring between 31 December 2010 and 31 March 2023.	The property is currently occupied by the Group for department store and ancillary purposes.	291,000,000 100% interest attributable to the Group: RMB291,000,000

Notes:

1. Pursuant to a Sale and Purchase Agreement entered into between Liyang No. 1 Department Store Co., Ltd. (溧陽市第一百貨公司) and Liyang Springland Department Store Co., Ltd. ("Liyang Springland", 溧陽華地百貨有限公司), an indirect wholly-owned subsidiary of the Company, the portions of the property with a total GFA of approximately 17,690.97 sq.m. together with the corresponding land use rights were acquired by Liyang Springland at a consideration of RMB77,000,000.
2. Pursuant to a Sale and Purchase Agreement entered into between Li Lufu, Li Xin and Liyang Sanwei Manufactory Co., Ltd. (李魯夫, 李昕, 溧陽三維鑄造有限公司) and Liyang Springland, a portion of the property with a GFA of approximately 1,504 sq.m. together with the corresponding land use rights was acquired by Liyang Springland at a consideration of RMB44,800,000.
3. Pursuant to a Sale and Purchase Agreement entered into between Liyang Springland and Liyang Lida Group Company (溧陽市立達集團公司), a portion of the property with a GFA of approximately 522.88 sq.m. together with the corresponding land use rights was acquired by Liyang Springland at a consideration of RMB2,614,400.
4. Pursuant to 4 State-owned Land Use Rights Certificates - Li Guo Yong (2004) Di No. 05171, Li Guo Yong (2007) Di Nos. 08687, 09148 and Li Guo Yong (2009) Di No. 07346 (溧國用(2004)第05171號, 溧國用(2007)第08687, 09148號, 溧國用(2009)第07346號)), the land use rights of 4 parcels of land with a total site area of approximately 3,304.2 sq.m. have been granted to Liyang Springland, for a term of 40 years expiring on 13 March 2037 for commercial use.

5. Pursuant to a State-owned Land Use Rights Certificate - Li Guo Yong (2001) Di No. 01791 (溧國用(2001)第01791號), the land use rights of a parcel of land with a site area of approximately 1,168.9 sq.m. have been granted to Liyang No.1 Department Store Co., Ltd. ("Liyang Zhongbai", 溧陽市中百一店有限公司), an indirect wholly-owned subsidiary of the Company, for a term of 40 years expiring on 13 March 2037 for commercial use.

6. Pursuant to 11 Building Ownership Certificates - Li Fang Quan Zheng Li Jiao Zi Di Nos. 57929, 55874, 57928, 57923, 57924, 57925, 57927, 57926, 40210, 57922 and 79270 (溧房權證溧交字第57929, 55874, 57928, 57923, 57924, 57925, 57927, 57926, 40210, 57922和79270號), the building ownership rights of the portions of the property with a total GFA of 20,206.34 sq.m. are owned by Liyang Springland.

7. Pursuant to 3 Building Ownership Certificates - Li Fang Quan Zheng Li Jiao Zi Di Nos. 29754, 29753 and 32163 (溧房權證溧交字第29754, 29753和32163號), the building ownership rights of the portions of the property with a total GFA of 4,545.38 sq.m. are owned by Liyang Zhongbai.

8. Pursuant to a Tenancy Agreement and a Supplementary Agreement entered into between Liyang Licheng Town Tangjia Residential Committee (溧陽市溧城鎮唐家居民委員會) and Liyang Springland, a portion of the property with a total GFA of approximately 12,000 sq.m. is leased to the Liyang Springland for a term commencing from 21 January 2008 and expiring on 31 March 2023 at a total annual rent of RMB2,300,000 from 2008 to 2013, RMB2,415,000 from 2013 to 2018 and RMB2,535,750 thereafter.

9. Pursuant to a Tenancy Agreement entered into between Pan Gencai (潘根才) and Shanghai Springland Enterprise Investment Co., Ltd. ("Shanghai Springland" 上海華地企業投資有限公司), an indirect wholly owned subsidiary of the Company, a portion of the property with a total GFA of approximately 768.81 sq.m. is leased to Shanghai Springland from Pan Gencai for a term commencing from 1 August 2003 and expiring on 31 December 2010 at a total current annual rent of RMB146,800.

10. Pursuant to a Tenancy Agreement entered into between Wang Wenhua and Wang Shuyu and Liyang Zhongbai, a portion of the property with a total GFA of approximately 2,500 sq.m. is leased to Liyang Zhongbai from Wang Wenhua and Wang Shuyu for a term commencing from 1 July 2005 and expiring on 31 December 2010 at a total annual current rent of RMB160,000.

11. In the valuation of this property, we have attributed no commercial value to the portions of the property with a total GFA of approximately 15,268.81 sq.m. which are leased from various independent third parties (refer to notes 8 to 10).

12. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

    a). Liyang Zhongbai and Liyang Springland have legally obtained the portions of land use rights of the property by way of granting stated in notes 4 and 5;

    b). Liyang Zhongbai and Liyang Springland have the rights to transfer, lease and mortgage the portions of land use rights of the property or use the land use rights for operation stated in notes 4 and 5;

    c). Liyang Zhongbai and Liyang Springland have obtained the building ownership rights of the portions of the property stated in notes 6 and 7. Liyang Zhongbai and Liyang Springland are entitled to use, transfer, lease, mortgage or otherwise dispose of the building ownership rights;

    d). Pursuant to 2 Mortgage Contracts dated 22 December 2008 and 25 December 2008 respectively entered into between Agricultural Bank of China, Liyang Sub Branch and Liyang Springland, and an Other Rights Certificate - Li Ta Xiang (2008) Di No. 177 (溧他項(2008) 第177號), the land use rights of the property under the State-owned Land Use Rights Certificate - Li Guo Yong (2004) Di No. 05171 and Li Guo Yong (2007) Di Nos. 09148 and 08687 are subject to a mortgage in favour of Agricultural Bank of China, Liyang Sub Branch as a security for borrowing bank loan with a maximum amount of RMB16.9 million for a term commencing from 25 December 2008 and 22 December 2010;

    e). Pursuant to 3 Mortgage Contracts dated 22 December 2008 and 25 December 2008 respectively entered into between Agricultural Bank of China, Liyang Sub Branch and Liyang Springland, and 10 Other Rights Certificates - Li Fang Li Ta Zi Di Nos. 19854, 19855, 19856, 19857, 19858, 19859, 19860, 19861, 19862 and 19863 (溧房溧他字第19854, 19855, 19856, 19857, 19858, 19859, 19860, 19861, 19862 和 19863號), the building ownership rights of the property under the Building Ownership Certificates - Li Fang Quan Zheng Li Jiao Zi Di Nos. 40210, 57922, 55874, 57926, 57927, 57925, 57924, 57923, 57929 and 57928 are subject to a mortgage in favour of Agricultural Bank of China, Liyang Sub Branch as a security for borrowing bank loan for a term commencing from 22 December 2008 and 22 December 2010;

f). Pursuant to 2 Mortgage Contracts dated 22 December 2008 and 25 December 2008 respectively entered into between Agricultural Bank of China, Liyang Sub Branch and Liyang Springland, and an Other Rights Certificate - Li Ta Xiang (2008) No. 176 (溧他項(2008)第176號), the land use rights of the property under the Building Ownership Certificate - Li Guo Yong (2001) Di No. 01791 are subject to a mortgage in favour of Agricultural Bank of China, Liyang Sub Branch as a security for borrowing bank loan with a maximum amount of RMB6 million for a term commencing from 25 December 2008 and 22 December 2010;

g). Pursuant to a Mortgage Contract dated 25 December 2008 entered into between Agricultural Bank of China, Liyang Sub Branch and Liyang Springland, 3 Other Rights Certificates - Li Fang Li Ta Zi Di Nos. 19864, 19865 and 19866 (溧房溧他字第19864, 19865 and 19866號), the building ownership rights of the property under the Building Ownership Certificate - Li Fang Quan Zheng Li Jiao Zi Di Nos. 29754, 29753 and 32163 are subject to a mortgage in favour of Agricultural Bank of China, Liyang Sub Branch as a security for borrowing bank loan for a term commencing from 22 December 2008 and 22 December 2010;

h). It is not observed that the property is subject to sequestration, mortgage, and other forms of other rights or any third party interests (except those parts which have been mortgaged) which may restrict the land use rights or building ownership rights;

i). For the portions of property with GFA of approximately 3,268.81 sq.m. stated in notes 9 and 10, the Tenancy Agreements have been properly registered with the relevant government authority. The Tenancy Agreements are legally binding and enforceable. The Group is legally entitled to use the property during the term stipulated in the Tenancy Agreements; and

j). The non-registration of the Tenancy Agreement stated in note 8 will not affect the validity of the Tenancy Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
4.	Basement Level 1 and Levels 1 to 7 of a building known as Danyang Springland Department Store and Datonghua Store No. 2 Xinming Middle Road Danyang City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 12,935.5 sq.m. and a 7-storey commercial building having a single level basement with a total GFA of approximately 43,728.19 sq.m. erected thereon. The commercial building was completed in 2004. The area breakdown of the property in respect of its usage is set out as follows: **Usage** / **GFA (sq.m.)** Department Store 35,124.29 Supermarket 7,800.00 Ancillary 803.90 **Total: 43,728.19** The land use rights of the property have been granted for a term of 50 years expiring on 29 June 2052 for commercial use.	The property is currently occupied by the Group for department store, supermarket and ancillary purposes.	780,000,000 100% interest attributable to the Group: RMB780,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate - Dan Guo Yong (2004) Di No. 1284 (丹國用(2004)第1284號), the land use rights of a parcel of land with a site area of approximately 12,935.5 sq.m. have been granted to Danyang Springland Department Store Co., Ltd. ("Danyang Springland", 丹陽華地百貨有限公司), an indirect wholly-owned subsidiary of the Company, for a term of 50 years for commercial use expiring on 29 June 2052.

2. Pursuant to a Building Ownership Certificate - Dan Fang Quan Zheng Yun Yang Zi Di No. 01015171 (丹房權證雲陽字第01015171號), the building ownership rights of the property with a total GFA of 43,728.19 sq.m. are owned by Danyang Springland.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a). Danyang Springland legally owns the land use rights by way of legal investment by Shanghai Springland Enterprise Investment Co., Ltd.;

   b). The land premium of the land use rights of the property has been fully settled;

   c). Danyang Springland has the rights to transfer, lease and mortgage the land use rights of the property or use the land use rights for operation;

   d). Danyang Springland has obtained the building ownership rights of the property. Danyang Springland is entitled to use, transfer, lease, mortgage, transfer or otherwise dispose of the building ownership rights;

e). Pursuant to a Mortgage Contract dated 24 March 2010 entered into between Bank of China, Jiangsu, Yixing and Danyang Sub Branches and Danyang Springland, and an Other Rights Certificate - Dan Ta Xiang (2010) Di No. 207 (丹他項(2010)第207號), the land use rights of the property under the State-owned Land Use Rights Certificate - Dan Guo Yong (2004) Di No. 1284 are subject to a mortgage in favour of Bank of China, Jiangsu, Yixing and Danyang Sub Branches as a security for borrowing bank loan with a maximum amount of RMB230 million for a term commencing from 25 April 2010 and 25 April 2019;

f). Pursuant to a Mortgage Contract dated 24 March 2010 entered into between Bank of China, Jiangsu, Yixing and Danyang Sub Branches and Danyang Springland and an Other Rights Certificate - Da Fang Ta Zheng Yun Yang Zi Di No. 20099687 (丹房他證雲陽字第20099687), the building ownership rights of the property under the Building Ownership Certificate - Dan Fang Quan Zheng Yun Yang Zi Di No. 01015171 are subject to a mortgage in favour of Bank of China, Jiangsu, Yixing and Danyang Sub Branches as a security for borrowing bank loan with a maximum amount of RMB200 million; and

g). It is not observed that the property is subject to sequestration, mortgage and other forms of other rights or any third party interests (except those parts which have been mortgaged) that may restrict the land use rights or building ownership rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
5.	Basement Levels 1 to 2 and Levels 1 to 6 of a building known as Jiangyin Springland Department Store and Datonghua Store No. 18 Renmin Middle Road Jiangyin City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 11,555.2 sq.m. and a 6-storey commercial building having 2 level basement with a total GFA of approximately 53,700.05 sq.m. erected thereon. The commercial building was completed in 2005. The area breakdown of the property in respect of its usage is set out as follows: **Usage** — **GFA (sq.m.)** Department Store — 37,929.65 Supermarket — 7,983.61 Ancillary — 7,786.79 **Total:** — **53,700.05** The land use rights of the property have been granted for a term of 40 years expiring on 30 March 2043 for commercial use.	The property is currently occupied by the Group for department store, supermarket and ancillary purposes.	1,214,000,000 100% interest attributable to the Group: RMB1,214,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate - Cheng Tu Guo Yong (2003) Zi Di No.006147 (澄土國用(2003)字第006147號), the land use rights of a parcel of land with a site area of approximately 11,555.2 sq.m. have been granted to Jiangyin Springland Department Store Co., Ltd. ("Jiangyin Springland", 江陰華地百貨有限公司), an indirect wholly-owned subsidiary of the Company, for a term of 40 years expiring on 30 March 2043 for commercial use.
2. Pursuant to a Building Ownership Certificate - Fang Quan Zheng Cheng Zi Di No. 010509433 (房權證澄字第010509433號), the building ownership rights of the property with a GFA of 53,700.05 sq.m. are owned by Jiangyin Springland.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a). Jiangyin Springland legally owns the land use rights by way of legal investment by Shanghai Springland Enterprise Investment Co., Ltd.;
   b). The land premium of the land use rights of the property has been fully settled;
   c). Jiangyin Springland has the rights to transfer, lease and mortgage the land use rights of the property or use the land use rights for operation;
   d). Jiangyin Springland has obtained the building ownership rights of the property. Jiangyin Springland is entitled to use, transfer, lease, mortgage or otherwise dispose of the building ownership rights;
   e). Pursuant to 2 Mortgage Contracts all dated 14 September 2009 entered into between DBS Bank (China) Co., Ltd., Suzhou Sub Branch and Jiangyin Springland, and 2 Other Rights Certificates - Cheng Tu Ta Xiang (2009) Di No. 2180 (澄土他項(2009)第2180號) and Cheng Tu Ta Xiang (2009) Di No. 2251 (澄土他項(2009)第2251號), the land use rights of the property under the State-owned Land Use Rights Certificate - Cheng Tu Guo Yong (2003) Zi Di No. 006147 are subject to a mortgage in favour of DBS Bank (China) Co., Ltd., Suzhou Sub Branch as a security for borrowing bank loan with a maximum amount of RMB151,710,000 and RMB61,221,000 respectively for a term commencing from 14 September 2009 and 13 September 2012;

f). Pursuant to 2 Mortgage Contracts all dated 14 September 2009 entered into between DBS Bank (China) Co., Ltd., Suzhou Sub Branch and Jiangyin Springland, and 2 Other Rights Certificates - Cheng Fang Ta Zheng Jiang Yin Zi Di Nos. f200909394 and f200909971 (澄房他證江陰字第f200909394 and f200909971), the building ownership rights of the property under the Building Ownership Certificate - Fang Quan Zheng Cheng Zi Di No. 010509433 are subject to a mortgage in favour of DBS Bank (China) Co., Ltd., Suzhou Sub Branch as a security for borrowing bank loan with a maximum amount of RMB285 million and RMB115 million respectively; and

g). It is not observed that the property is not subject to sequestration, mortgage and other forms of other rights or any third party interests (except those parts which have been mortgaged) which may restrict the land use rights and building ownership rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
6.	Basement Levels 1 to 2 and Levels 1 to 8 of a building known as Wuxi Yaohan Department Store and a supermarket No. 168 Zhongshan Road Wuxi City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 16,798.6 sq.m. and a 8-storey commercial building with a 2 level basement having a total GFA of approximately 105,654.86 sq.m. erected thereon. The commercial building was completed in 2008. The area breakdown of the property in respect of its usage is set out as follows: **Usage** — **GFA (sq.m.)** Department store — 74,154.99 Supermarket — 1,045.00 Ancillary — 30,454.87 **Total:** — **105,654.86** The land use rights of the property have been granted for a term of 40 years expiring on 18 October 2043 for commercial use.	The property is currently occupied by the Group for department store, supermarket and ancillary purposes.	2,156,000,000 100% interest attributable to the Group: RMB2,156,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate - Xi Chong Guo Yong (1994) Zi Di No. 00100 (錫崇國用(1994)字第00100號), the land use rights of a parcel of land with a site area of approximately 16,798.6 sq.m. have been granted to Wuxi Yaohan Commerce and Trade Centre Co., Ltd. ("Wuxi Yaohan Commerce & Trade", 無錫八佰伴商貿中心有限公司), an indirect wholly-owned subsidiary of the Company, for a term of 40 years expiring on 18 October 2043 for commercial use.

2. Pursuant to a Building Ownership Certificate - Xi Fang Quan Zheng Chong An Zi Di No. WX1000151149 (錫房權證崇安字第WX1000151149), the building ownership rights of a portion of the property with a GFA of 73,788.63 sq.m. are owned by Wuxi Yaohan Commerce & Trade.

3. Pursuant to a Building Ownership Certificate - Xi Fang Quan Zheng Chong An Zi Di No. WX1000151161 (錫房權證崇安字第WX1000151161), the building ownership rights of the remaining portion of the property with a GFA of 31,866.23 sq.m. are owned by Wuxi Yaohan Commerce & Trade.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a). Wuxi Yaohan Commerce & Trade has legally obtained the land use rights by way of granting;

   b). Wuxi Yaohan Commerce & Trade has the rights to transfer, lease and mortgage the land use rights of the property or use to land use rights for operation;

   c). Wuxi Yaohan Commerce & Trade has obtained the building ownership rights of the property. Wuxi Yaohan Commerce & Trade is entitled to use, transfer, lease, mortgage or otherwise dispose of the building ownership rights;

   d). Pursuant to a Mortgage Contract dated 17 March 2010 entered into between Bank of China, Wuxi City North Sub Branch and Wuxi Yaohan Commerce & Trade, and an Other Rights Certificate - Xi Chong Ta Xiang (2010) Di No.

018 (錫崇他項(2010)第018號), the land use rights of the property under the State-owned Land Use Rights Certificate - Xi Chong Guo Yong (1994) Zi Di No. 00100 are subject to a mortgage in favour of Bank of China, Wuxi City North Sub Branch as a security for borrowing bank loan with a maximum amount of RMB176 million for a term commencing from 17 March 2010 and 19 July 2012;

e). Pursuant to a Mortgage Contract dated 17 March 2010 entered into between Bank of China, Wuxi City North Sub Branch and Wuxi Yaohan Commerce & Trade, and an Other Rights Certificate - Xi Chong Ta Xiang (2010) Di No. 020 (錫崇他項(2010)第020號), the land use rights of the property under the State-owned Land Use Rights Certificate - Xi Chong Guo Yong (1994) Zi Di No. 00100 are subject to a mortgage in favour of Bank of China, Wuxi City North Sub Branch as a security for borrowing bank loan with a maximum amount of RMB140.8 million for a term commencing from 17 March 2010 and 19 July 2012;

f). Pursuant to a Mortgage Contract dated 17 March 2010 entered into between Bank of China, Wuxi City North Sub Branch and Wuxi Yaohan Commerce & Trade, and an Other Rights Certificate - Xi Chong Ta Xiang (2010) Di No. 021 (錫崇他項(2010)第021號), the land use rights of the property under the State-owned Land Use Rights Certificate - Xi Chong Guo Yong (1994) Zi Di No. 00100 are subject to a mortgage in favour of Bank of China, Wuxi City North Sub Branch as a security for borrowing bank loan with a maximum amount of RMB31.68 million for a term commencing from 17 March 2010 and 19 July 2012;

g). Pursuant to a Mortgage Contract dated 17 March 2010 entered into between Bank of China, Wuxi City North Sub Branch and Wuxi Yaohan Commerce & Trade, and an Other Rights Certificate - Xi Chong Ta Xiang (2010) Di No. 022 (錫崇他項(2010)第022號), the land use rights of the property under the State-owned Land Use Rights Certificate - Xi Chong Guo Yong (1994) Zi Di No. 00100 are subject to a mortgage in favour of Bank of China, Wuxi City North Sub Branch as a security for borrowing bank loan with a maximum amount of RMB21.12 million for a term commencing from 17 March 2010 and 19 July 2012;

h). Pursuant to a Mortgage Contract dated 17 March 2010 entered into between Bank of China, Wuxi City North Sub Branch and Wuxi Yaohan Commerce & Trade, and 2 Other Rights Certificates - Xi Fang Ta Zheng Chong An Zi Di Nos. WX1000134637 and WX1000134540 (錫房他證崇安字第WX1000134637 and WX1000134540), the building ownership rights of the property under the Building Ownership Certificates - Xi Fang Quan Zheng Chong An Zi Di Nos. WX1000151149 and WX1000151161 are subject to a mortgage in favour of Bank of China, Wuxi City North Sub Branch as a security for borrowing bank loan with a maximum amount of RMB286 million and RMB88 million respectively;

i). Pursuant to a Mortgage Contract dated 17 March 2010 entered into between Bank of China, Wuxi City North Sub Branch and Wuxi Yaohan Commerce & Trade, and 2 Other Rights Certificates - Xi Fang Ta Zheng Chong An Zi Di Nos. WX1000134821 and WX1000134824 (錫房他證崇安字第WX1000134821 and WX1000134824), the building ownership rights of the property under the Building Ownership Certificates - Xi Fang Quan Zheng Chong An Zi Di Nos. WX1000151149 and WX1000151161 are subject to a mortgage in favour of Bank of China, Wuxi City North Sub Branch as a security for borrowing bank loan with a maximum amount of RMB228.8 million and RMB70.4 million respectively;

j). Pursuant to a Mortgage Contract dated 17 March 2010 entered into between Bank of China, Wuxi City North Sub Branch and Wuxi Yaohan Commerce & Trade, and 2 Other Rights Certificates - Xi Fang Ta Zheng Chong An Zi Di Nos. WX1000134835 and WX1000134838 (錫房他證崇安字第WX1000134835 and WX1000134838), the building ownership rights of the property under the Building Ownership Certificates - Xi Fang Quan Zheng Chong An Zi Di Nos. WX1000151149 and WX1000151161 are subject to a mortgage in favour of Bank of China, Wuxi City North Sub Branch as a security for borrowing bank loan with a maximum amount of RMB51.48 million and RMB15.84 million respectively;

k). Pursuant to a Mortgage Contract dated 17 March 2010 entered into between Bank of China, Wuxi City North Sub Branch and Wuxi Yaohan Commerce & Trade, and 2 Other Titles Certificates - Xi Fang Ta Zheng Chong An Zi Di Nos. WX1000134840 and WX1000134841 (錫房他證崇安字第WX1000134840 and WX1000134841), the building ownership rights of the property under the Building Ownership Certificates - Xi Fang Quan Zheng Chong An Zi Di Nos. WX1000151149 and WX1000151161 are subject to a mortgage in favour of Bank of China, Wuxi City North Sub Branch as a security for borrowing bank loan with a maximum amount of RMB34.32 million and RMB10.56 million respectively; and

l). It is not observed that the property is subject to sequestration, mortgage and other forms of other rights or any third party interests (except those parts which have been mortgaged) that may restrict the land use rights or building ownership rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
7.	Basement Level 1 and Levels 1 to 6 of a building known as Yixing Datonghua Store No. 237 Renmin Middle Road Yixing City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 2,426.6 sq.m. and a 6-storey commercial building with a single level basement having a total GFA of approximately 12,233.12 sq.m. erected thereon. The commercial building was completed in 1999. The land use rights of the property have been granted for a term of 40 years expiring on 12 June 2047 for commercial use.	The property is currently occupied by the Group for supermarket purpose.	218,000,000 100% interest attributable to the Group: RMB218,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate - Yi Guo Yong (2007) Zi Di No. 103700 (宜國用(2007)字第103700號), the land use rights of a parcel of land with a site area of approximately 2,426.6 sq.m. have been granted to Jiangsu Datonghua Shopping Centre Co., Ltd. ("Jiangsu Datonghua", 江蘇大統華購物中心有限公司), an indirect wholly-owned subsidiary of the Company, for a term of 40 years expiring on 12 June 2047 for commercial use.

2. Pursuant to a Building Ownership Certificate - Yi Fang Quan Zheng Yi Cheng Zi Di No. A0067216 (宜房權證宜城字第A0067216號), the building ownership rights of the property with a GFA of 12,233.12 sq.m. are owned by Jiangsu Datonghua.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a). Jiangsu Datonghua has legally obtained the land use rights by way of granting;

   b). Jiangsu Datonghua has the rights to transfer, lease, mortgage the land use rights of the property or use the land use rights for operation;

   c). Jiangsu Datonghua has obtained the building ownership rights of the property. Jiangsu Datonghua is entitled to use, transfer, lease, mortgage or otherwise dispose of the building ownership rights;

   d). Pursuant to a Mortgage Contract dated 28 August 2009 entered into between Bank of China, Yixing Sub Branch and Jiangsu Datonghua, and an Other Rights Certificate - Yi Ta Xiang (2009) Di No. 601025 (宜他項(2009)第601025號), the land use rights of the property under the State-owned Land Use Rights Certificate - Yi Guo Yong (2007) Zi Di No. 103700 are subject to a mortgage in favour of Bank of China, Yixing Sub Branch as a security for borrowing bank loan with a maximum amount of RMB21.5 million for a term commencing from 31 August 2009 and 30 September 2018;

   e). Pursuant to a Mortgage Contract dated 28 August 2009 entered into between Bank of China, Yixing Sub Branch and Jiangsu Datonghua and an Other Rights Certificate - Yi Fang Ta Zheng Yi Cheng Zi Di No. 1008006763 (宜房他證宜城字第1008006763號), the building ownership rights of the property under the Building Ownership Certificate - Yi Fang Quan Zheng Yi Cheng Zi Di No. A0067216 are subject to a mortgage in favour of Bank of China, Yixing Sub Branch as a security for borrowing bank loan with a maximum amount of RMB48.5 million for a term commencing from 31 August 2009 and 30 September 2018; and

   f). It is not observed that the property is subject to sequestration, mortgage and other forms of other rights or any third party interests (except those parts which have been mortgaged) that may restrict the land use rights and building ownership rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
8.	Basement Levels 1 and 2 and Levels 1 to 11 of a building and an ancillary building together known as Nantong Yaohan Department Store No. 47 Renmin Middle Road Nantong City Jiangsu Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 12,501.91 sq.m., a 11-storey commercial building with a 2 level basement (the "Extended Building") having a total GFA of approximately 62,623.03 sq.m. and a 3-storey ancillary building (the "Ancillary Building") having a total GFA of approximately 1,911.24 sq.m. erected thereon. The commercial building of the property originally had a total GFA of approximately 13,334.03 sq.m. (the "Old Part") and was renovated into a 11-storey commercial building completed in about June 2006 with a total extended GFA of approximately 49,289 sq.m. The Extended Building comprises Basement Levels 1 and 2 and Levels 1 to 11 above ground. The area breakdown of the property in respect of its usages are set out as follows:	The property is currently occupied by the Group for department store, supermarket and ancillary purposes.	No commercial value

Usage	GFA (sq.m.)
Department Store and supermarket	58,521.63
Ancillary	4,101.40
The Extended Building Sub-total	**62,623.03**
The Ancillary Building	**1,911.24**
Total:	**64,534.27**

The land use rights of a parcel of land of the property with a site area of approximately 3,505.63 sq.m. have been granted for a term of 50 years expiring on 29 August 2051 for commercial use. (refer to note 1). The remaining parcel of land of the property with a site area of approximately 8,996.28 sq.m. was allocated. (refer to note 2).

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate - Su Tong Guo Yong (2001) Zi Di No. 0102020 (蘇通國用(2001)字第0102020號), the land use rights of a parcel of land with a site area of approximately 3,505.63 sq.m. have been granted to Nantong Department Store Joint Stock Company Limited ("Nantong Department Store", 南通市百貨大樓股份有限公司, the former name of Nantong Yaohan Commerce & Trade Co., Ltd., ("Nantong Yaohan & Commerce", 南通八佰伴商貿有限公司)) for a term of 50 years expiring on 29 August 2051 for commercial use.

2. Pursuant to a State-owned Land Use Rights Certificate - Su Tong Guo Yong (2001) Zi Di No. 0102020 (蘇通國用(2001)字第0102020號), the land use rights of the remaining parcel of land with a site area of approximately 8,996.28 sq.m. have been allocated to Nantong Department Store, a 57.45% interest owned subsidiary of Company, for commercial use.

3. Pursuant to a Building Ownership Certificate - Nan Tong Fang Quan Zheng Zi Di No. 12107796 (南通房權證字第12107796號), the building ownership rights of the Old Part of the property with a total GFA of approximately 13,334.03 sq.m. are owned by Nantong Department Store.

4. Pursuant to a Construction Work Planning Permit - NTF-20040062 in favour of Nantong Department Store, a portion of the Extended Building of the property with a total planned GFA of approximately 47,209 sq.m. has been approved for construction.

   Pursuant to a Construction Work Commencement Permit - Tong Jian Shi Xu Ke (2004) No. 172 (通建施許可(2004)172號) in favour of Nantong Department Store, permission by the relevant government authorities was given to commence the construction work of the development of the above portion.

5. Pursuant to a Construction Work Planning Permit - Jian Bian Hao No. (92) Di No. 146 (建編號(92)第146號) in favour of Nantong Department Store, the remaining portion of the Extended Building of the property with a total planned GFA of approximately 2,080 sq.m. has been approved for construction. However, no Construction Work Commencement Permit was shown to us.

6. For the Extended Building (excluding the Old Part) and the Ancillary Building, the Group has not provided us with the relevant Building Ownership Certificate.

7. In valuation of the property, we have attributed no commercial value to the property which has not obtained proper title certificate. However, for reference purpose, we are of opinion that that the capital value of the property as at the date of valuation would be RMB685,000,000 assuming all relevant certificates have been obtained and the property could be freely transferred.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a). Nantong Department Store has legally obtained a portion of the land use rights with a site area of approximately 3,505.63 sq.m. by way of granting as stated in note 1;

       Nantong Department Store has the rights to transfer, lease, mortgage, and operate the portion of the land use rights of the property or use the land use rights for operation stated in note 1; Nantong Department Store is applying for changing the relevant legal title names to Nantong Yaohan Commerce & Trade. There is no material legal impediment in changing the legal title names;

   b) Nantong Department Store has obtained a portion of the land use rights by way of allocation stated in note 2 during its historical reorganisation. As an operating company, Nantong Department Store occupying and using the allocated land is against the PRC's laws. The allocated land may be revoked by the relevant government or forced to change the land use rights to granted land nature;

   c) Nantong Department Store has obtained a portion of the building ownership rights with a GFA of approximately 13,334.03 sq.m. as stated in note 3. Nantong Department Store is entitled to use, transfer, lease or otherwise dispose of the building ownership rights;

   d). The portion of land use rights in note 1 and the portion the building ownership rights in note 3 are not subject to sequestration, mortgage, or other forms of rights that may restrict the land use rights and building ownership rights;

   e). Nantong Department Store has obtained the requisite planning approvals. Nantong Department Store has legal and complete construction rights regarding the Extended Building; and

   f). There will be no material impediment to obtain the Building Ownership Certificate after the Construction Works Completion Certificate has been obtained.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
9.	Basement Level 1 and Levels 1 to 5 of a building known as Ma'anshan Yaohan Department Store located at the junction of Hudong Road and Hunan Road Ma'anshan City Anhui Province The PRC	The property comprises a 5-storey building with a single level basement having a total GFA of approximately 36,181.15 sq.m. erected thereon. The commercial building was completed in November 2009. The area breakdown of the property in respect of its usage is set out as follows: **Usage** — **GFA (sq.m.)** Department store — 32,358.75 Ancillary — 3,822.40 **Total:** — **36,181.15** The land use rights of the property have been granted for a term of 40 years.	The property is currently occupied by the Group for department store and ancillary office purposes.	No commercial value

Notes:

1. Pursuant to a Pre-sale Contract entered into between Shanghai Springland Enterprise Investment Co., Ltd. ("Shanghai Springland", 上海華地企業投資有限公司), an indirect wholly-owned subsidiary of Company and Dahua Group Ma'anshan Investment Development Co., Ltd. ("Dahua Group", 大華集團馬鞍山投資發展有限公司), the property with a GFA of approximately 33,700 sq.m. together with the corresponding land use rights was acquired by Shanghai Springland at a consideration of RMB194,800,000.
2. Pursuant to a Supplementary Agreement entered into between Ma'anshan Yaohan Commerce & Trade Co., Ltd. ("Ma'anshan Yaohan Commerce & Trade", 馬鞍山八佰伴商貿中心有限公司), an indirect wholly-owned subsidiary of the Company, Shanghai Springland and Dahua Group, Shanghai Springland and Dahua Group agreed to transfer the rights and liabilities stipulated in the Pre-sale Contract to Ma'anshan Yaohan Commerce & Trade.
3. Pursuant to a Pre-sale Permit - Ma Fang Yu Xu Zi No. (2008) No. 36 (馬房預許字(2008)第36號) in favour of Dahua Group, Dahua Group is entitled to sell the portions of the property with a total GFA of approximately 32,358.75 sq.m.;
4. For the remaining portion of the property with a total GFA of approximately 3,822.4 sq.m., we have not been provided with any Pre-sale Permit.
5. In the valuation of the property, we have attributed no commercial value to the property which has not obtained proper title certificate. However, for reference purpose, we are of opinion that the capital value of the property as at the date of valuation would be RMB308,000,000 assuming all relevant certificates have been obtained and the property could be freely transferred.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a). The Pre-sale Contract became binding on both parties as of the date it was signed;
   b). The Pre-sale Contract took effect when Dahua Group obtained the Pre-sale Permit;
   c). Disposal of the real rights associated with the subject property is not valid unless Ma'anshan Yaohan Commerce & Trade gives the consent; and
   d). The anticipated real rights of Ma'anshan Yaohan Commerce & Trade are protected by the PRC's laws from the effective date of the Pre-sale Contract.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
10.	A parcel of land and 3 blocks of buildings located at the western side of Qingyuan Avenue Yixing Economic Development Zone Logistics Park Yixing City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 39,892.5 sq.m. and 3 blocks of buildings erected thereon which were completed in about 2008. The buildings have a total GFA of approximately 24,217 sq.m. The area breakdown of the property in respect of its usage is set out as follows: **Usage** — **GFA (sq.m.)** Warehouse and office — 22,912 Ancillary — 1,305 **Total:** — **24,217** The land use rights of the property have been granted for a term of 50 years expiring on 19 February 2057 for storage use.	The property is currently occupied by the Group for warehouse, office and ancillary uses.	72,000,000 100% interest attributable to the Group: RMB72,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract - Yi Tu Chu He Zi (2007) No. 160 (宜土出合字(2007)第160號) dated 20 February 2007 entered into between Jiangsu Springland Enterprise (Group) Co., Ltd. ("Jiangsu Springland", 江蘇華地企業集團有限公司, the shareholder of Wuxi Huiquan Logistic Co., Ltd. ("Huiquan Logistic", 無錫匯全物流有限公司)) and Yixing State-owned Land and Resources Bureau (宜興市國土資源局), the land use rights a parcel of land with a site area of approximately 39,962.7 sq.m. were contracted to be granted to Jiangsu Springland for a term of 50 years for industrial use at a total consideration of RMB11,029,705. Pursuant to a Confirmation Letter dated 4 August 2010, Yixing State-owned Land and Resources Bureau agreed to adjust the site area to approximately 39,892.5 sq.m.

2. Pursuant to a State-owned Land Use Rights Certificate - Yi Guo Yong (2010) Di No. 24600144 (宜國用(2010)第24600144號), the land use rights of a parcel of land with a site area of approximately 39,892.5 sq.m. have been granted to Huiquan Logistic, an indirect wholly-owned subsidiary of the Company, for a term of 50 years expiring on 19 February 2057 for storage use.

3. Pursuant to 3 Construction Work Planning Permits - Yi Jing Kai Jian (2007) No. 245, Yi Jing Kai Jian (2009) Nos. 032 and 031 (宜經開建(2007)245號 and 宜經開建(2009)032和031號), the buildings of the property with a total planned GFA of approximately 24,217 sq.m. have been approved for construction.

4. Pursuant to 2 Construction Commencement Permits -3202822008060400002A and 3202822008060400002B, permissions by the relevant local government authorities were given to commence the construction work of the property.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a). Huiquan Logistic has obtained the land use right by way of granting;

   b). The land premium of the land use rights of the property has been fully settled;

   c). Huiquan Logistic has the rights to transfer, lease, mortgage the land use rights of the property or use the land use rights for operation;

d). It is not observed that the property is subject to sequestration, mortgage and other forms of other rights or any third party interests (except those parts which have been mortgaged) that may restrict the land use rights and building ownership rights;

e). Huiquan Logistic has obtained the requisite planning approvals. Huiquan Logistic has legal and complete construction rights of the property; and

f). There will be no legal impediment in obtaining the Building Ownership Certificate after the Construction Works Completion Certificate has been obtained.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
11.	Basement Level 1 and Levels 1 to 4 of a building known as Jiangyin Datonghua Store (Xiake Branch) No. 5 Jindu Street Jiangyin City Jiangsu Province The PRC	The property comprises a 4-storey commercial building having single basement with a total GFA of approximately 7,732 sq.m. The commercial building was completed in July 2010.	The property is currently vacant.	No commercial value

Notes:

1. Pursuant to a Sale and Purchase Agreement entered into between Jiangyin Springland Department Store Co., Ltd. ("Jiangyin Springland", 江陰華地百貨有限公司), an indirect wholly owned subsidiary of the Company, and Jiangyin Fangjian Property Development Co., Ltd. ("Jiangyin Fangjian", 江陰房建置業有限公司), the property with a total GFA of approximately 7,732 sq.m. together with the corresponding land use rights land was acquired by Jiangyin Springland at a consideration of RMB24,380,000.
2. Pursuant to a Pre-sale Permit - (2009) Yu Xiao Zhun Zi Di No. 037((2009)預銷准字第037號) in favour of Jiangyin Fangjian, Jiangyin Fangjian is entitled to sell the property;
3. In the valuation of this property, we have attributed no commercial value to the property which has not obtained proper title certificate. However, for reference purpose, we are of opinion that the capital value of the property as at the date of valuation would be RMB47,000,000 assuming all relevant title certificates have been obtained and property could be freely transferred.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   - a). The Sale and Purchase Agreement is legally binding and enforceable and it has been properly registered with the relevant government department;
   - b). Jiangyin Springland has obtained the anticipated real rights of the property;
   - c). Disposal of the real rights associated with the subject property is not valid unless Jiangyin Springland gives the consent; and
   - d). There will be no legal impediment for Jiangyin Springland in obtaining the Building Ownership Certificate.

VALUATION CERTIFICATE

Group II — Property interest held under development by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
12.	Basement Levels 1 and 2 and Levels 1 to 17 of a building known as Zhenjiang Yaohan Department Store and Datonghua Store Nos. 288 and 344 Zhongshan East Road Zhenjiang City Jiangsu Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 18,888.1 sq.m. on which is constructed a 17-storey composite building having a 2 level basement. The building comprises a supermarket (Basement Level 1), department store (Levels 1 to 7), car parking (Basement Level 2, portions of Levels 1 to 5), hotel (portion of Level 1 and Levels 8 to 17) and ancillary. The supermarket and department store were opened for trading in January 2010. Final completion and opening of the hotel is pending cosmetic completion and negotiation with a suitable hotel management group. The total GFA of the property is approximately 140,666.1 sq.m. and breakdown of the property in respect of its usage is set out as follows:	The property is currently occupied by the Group for department store, supermarket, car parking and ancillary purposes except for the hotel portion of the property which is pending imminent completion.	923,000,000 100% interest attributable to the Group: RMB923,000,000

Usage	GFA (sq.m.)
Department Store	70,740.54
Supermarket	13,248.93
Hotel	26,545.75
Car parking	29,846.25
Ancillary	284.63
Total:	140,666.10

The land use rights of the property have been granted for a term of 40 years expiring between 17 August 2047 and 29 August 2047 for commercial use.

Notes:

1. Pursuant to a State-owned Land Use Rights Transfer Contract - Zhen Di Zhuan Jiao (2007) Di No. 51 (鎮地轉交(2007)第51號) entered into between Zhenjiang Huijiang Property Development Co., Ltd. (鎮江匯江房地產開發有限公司) and Zhenjiang Springland Department Store Co., Ltd. ("Zhenjiang Springland", 鎮江華地百貨有限公司, the former name of Zhenjiang Yaohan Commerce & Trade Co., Ltd. ("Zhenjiang Yaohan Commerce & Trading", 鎮江市八佰伴商貿有限公司)), the land use rights of a portion of the property with a site area of approximately 10,521.4 sq.m. were contracted to be granted to Zhenjiang Springland for a term of 40 years for commercial use at a total consideration of RMB16,000,000.

2. Pursuant to an Assets Transfer Contract, the property was acquired by Shanghai Springland Enterprise Investment Co., Ltd. ("Shanghai Springland", 上海華地企業投資有限公司, an indirect wholly owned subsidiary of the Company), at a consideration of RMB16,200,000.

3. Pursuant to a State-owned Land Use Rights Grant Contract entered into between Zhenjiang Springland, an indirect wholly-owned subsidiary of the Company, and Zhenjiang State-owned Land and Resources Bureau (鎮江市國土資源管理局), the land use rights of the portion of the property with a site area of approximately 8,367 sq.m. were contracted to be granted to Zhenjiang Springland for commercial use at a total consideration of RMB77,000,000.

4. Pursuant to 2 State-owned Land Use Rights Certificates - Zheng Guo Yong (2007) Di Nos. 2987 and 2472 (鎮國用(2007)第2987 and 2472號), the land use rights of two parcels of land with a total site area of approximately 18,888.1 sq.m. have been granted to Zhenjiang Springland, for a term of 40 years expiring between 17 August 2047 and 29 August 2047 for commercial use.

5. Pursuant to 7 Building Ownership Certificates - Zhen Fang Quan Zheng Jing Zi Di Nos. 70011321, 70011326, 70011325, 70011324, 70011322, 70011323 and 70011327 (鎮房權證京字第70011321, 70011326, 70011325, 70011324, 70011322, 70011323 and 70011327), the building ownership rights of a portion of the property with a total GFA of approximately 55,287 sq.m. are owned by Zhenjiang Springland.

6. Pursuant to a Construction Work Planning Permit - Jian Zi Di No. 321100200800005 (建設第321100200800005) in favour of Zhenjiang Springland, the property with a total GFA of approximately 54,395 sq.m. has been approved for construction.

7. Pursuant to a Construction Work Commencement Permit - 3211002009110600001A in favour of Zhenjiang Springland, permission by the relevant government authorities was given to commence the construction work of the property.

8. Pursuant to a Real Estate Area Survey Result issued by Zhenjiang Survey Institute of Surveying Mapping in favour of Zhenjiang Springland, the total GFA of the property is 140,666.1 sq.m.

9. As advised by the Group, the total development cost (excluding land, marketing, finance and other costs) of the property is estimated to be approximately RMB831,000,000, of which RMB649,000,000 has been paid up to the date of valuation.

10. The Gross Development Value (the "GDV") of the property as if completed as at the date of valuation would be approximately RMB1,260,000,000.

11. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

    a). Zhenjiang Springland has legally obtained the land use rights of 2 parcels of land with a total site area of approximately 18,888.1 sq.m. by way of granting stated in note 4;

    b). Zhenjiang Springland has the rights to freely transfer, lease and mortgage the land use rights of the property or use to land use rights for operation;

    c). Zhenjiang Springland has obtained the building ownership rights of a portion of the property with a GFA of approximately 55,287 sq.m. stated in note 5. Zhenjiang Springland is entitled to use, transfer, lease or otherwise dispose of the building ownership rights.

    d). Zhenjiang Springland has obtained the requisite planning approvals. Zhenjiang Springland has legal and complete construction rights stated in notes 6 and 7.

    e). It is not observed that the property is subject to sequestration, mortgage and other forms of other rights or any third party interests that may restrict the land use rights and the building ownership rights;

    f). There will be no legal impediment for Zhenjiang Springland in obtaining the Building Ownership Certificate after the Construction Works Completion Certificates have been obtained; and

    g). Zhenjiang Springland is applying for changing the relevant legal title names to Zhenjiang Yaohan Commerce & Trade. There is no material legal impediment in changing these legal title names of the property.

VALUATION CERTIFICATE

Group III — Property interests held for future development by the Group in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 July 2010 RMB**
13.	A parcel of land located at the eastern side of Wenhua Road, the western side of Changtang Road and the northern side of Heng Street Jintan City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 17,581 sq.m. which is planned to be developed into a supermarket and department store. As advised by the Group, the development is scheduled to be commenced in about January 2011. As advised by the Group, the total planned GFA of the property upon completion will be approximately 47,031 sq.m. The land use rights of the property have been granted for a term of 40 years for commercial use expiring on 5 April 2050.	The property is currently vacant.	72,000,000 100% interest attributable to the Group: RMB72,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract - 3204822010CR0063 dated 9 March 2010 entered into between Jintan Stated-owned Land and Resources Bureau and Jintan Datonghua Shopping Centre Co., Ltd. ("Jintan Datonghua", 金壇大統華購物中心有限公司, an indirect wholly owned subsidiary of the Company), the land use rights of a parcel of land with a site area of approximately 17,581 sq.m. were contracted to be granted to Jintan Datonghua for a term of 40 years for commercial use at a total consideration of RMB68,500,000.
2. Pursuant to a State-owned Land Use Rights Certificate - Tan Guo Yong (2010) Di No. 8962 (壇國用(2010)第8962號), the land use rights of a parcel of land with a site area of approximately 17,581 sq.m. were granted to Jintan Datonghua for a term of 40 years expiring on 5 April 2050 for commercial use.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a). Jintan Datonghua has legally obtained the land use rights by way of granting;
   b). Jintan Datonghua has rights to freely transfer, lease and mortgage the land use rights of the property or use the land use rights for operation; and
   c). It is not observed that the property is subject to sequestration, mortgage and other forms of rights or any third party interests that may restrict the land use rights or building ownership rights.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
14.	A parcel of land located at the junction of Jiefang West Road and Jinling West Road Changxing County Huzhou City Zhejiang Province The PRC	The property comprises a parcel of land with a site area of approximately 10,000 sq.m. which is planned to be developed into a department store and supermarket complex. As advised by the Group, the development is scheduled to be commenced in about July 2010. As advised by the Group, the total planned GFA of the property upon completion will be approximately 51,000 sq.m.. The land use rights of the property have been granted for a term of 40 years for commercial use for commercial use expiring on 22 April 2050.	The property is currently vacant.	81,000,000 100% interest attributable to the Group: RMB81,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract - Chang Guo Rang He Zi (2008) Di No. 3 (長國讓合字(2008)第3號) dated 2 January 2008 entered into between Zhejiang Changxing Stated-owned Land and Resources Bureau and Green Town Property Development Group Co., Ltd. ("Green Town Group", 綠城房地產集團有限公司), the land use rights of a parcel of land with a site area of approximately 39,383 sq.m. were contracted to be granted to Green Town Group for a term of 40 years for commercial and office uses at a total consideration of RMB201,390,000.
2. Pursuant to a State-owned Land Use Rights Certificate - Chang Tu Guo Yong (2010) Di No. 00102355 (長土國用(2010)第00102355號), the land use rights of a parcel of land with a site area of approximately 10,000 sq.m. were granted to Changxing Springland Real Estate Co., Ltd. ("Changxing Springland", 長興華地置業有限公司), an indirect wholly owned subsidiary of the Company, for a term of 40 years expiring on 22 April 2050 for commercial use.
3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a). Changxing Springland has legally obtained the land use rights of the property by way of granting;
   b). Changxing Springland has the rights to freely transfer, lease, mortgage the land use rights of the property or use the land use rights for operation; and
   c). It is not observed that the property is subject to sequestration, mortgage and other forms of other rights or any third party interests that may restrict the land use rights and the building ownership rights.

VALUATION CERTIFICATE

Group IV — Property interest contracted to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
15.	A parcel of land located at Xinsheng Road Huashi Town Jiangyin City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 22,096 sq.m., which is planned is be developed into a supermarket. As advised by the Group, the development is scheduled to be completed in about May 2012. As advised by the Group, the total planned GFA of the property upon completion will be approximately 10,600 sq.m..	The property is currently vacant.	No commercial value

Notes:

1. Pursuant to a Sale and Purchase Agreement entered into between Jiangyin Springland Department Store Co., Ltd. ("Jiangyin Springland", 江陰華地百貨有限公司), an indirect wholly owned subsidiary of the Company and Jiangsu Green Town Property Development Co., Ltd. ("Jiangsu Green Town" ,江蘇綠城房地產開發有限公司), the property with a total GFA of approximately 10,600 sq.m. together with the corresponding land use rights with a site area of approximately 22,096 sq.m. was acquired by Jiangyin Springland at a consideration of RMB59,360,000.
2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a). The Sale and Purchase Agreement took formation upon signed on it and it is binding on both parties;

   b). The Sale and Purchase Agreement will take effect after Jiangsu Green Town obtains the Pre-sale Permit;

   c). Jiangyin Springland will obtain the anticipated real rights after both parties complete registration of the Sale and Purchase Agreement with relevant government authority; and

   d). Disposal of the real rights associated with the subject property is not valid unless Jiangyin Springland gives the consent.

VALUATION CERTIFICATE

Group V — Property interests rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
16.	Levels 1 to 3 of a building known as Danyang Datonghua Store (Dagang Branch) No. 51 Zhaosheng Road Zhenjiang New District Zhenjiang City Jiangsu Province The PRC	The property comprises a 3-storey building completed in about 2006. The property has a GFA of approximately 6,224.89 sq.m. The property is leased from an independent third party for a term commencing from 18 September 2007 and expiring on 17 September 2027.	The property is currently occupied by the Group for supermarket purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement and a Supplementary Agreement entered into between Zhou Qingwu, Xu Xianwu, Li Yilong and Zhu Xinghua (周慶伍、徐賢伍、李益龍、朱欣華, independent third parties), and Danyang Springland Department Store Co., Ltd., ("Danyang Springland", an indirect wholly-owned subsidiary of the Company), the property with a GFA of approximately 6,224.89 sq.m. is leased to Danyang Springland from Zhou Qingwu, Xu Xianwu, Li Yilong and Zhu Xinghua for a term commencing from 18 September 2007 and expiring on 17 September 2027 at a total annual rent of RMB1,400,000 from 2007 to 2011, RMB1,475,000 from 2011 to 2013, RMB1,550,000 from 2013 to 2017, RMB1,700,000 from 2017 to 2021, RMB1,800,000 from 2021 to 2023 and RMB1,900,000 from 2023 to 2027.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement and the Supplementary Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a). The Tenancy Agreement has been properly registered with the relevant government authority;

   b). The Tenancy Agreement and the Supplementary Agreement are binding and enforceable; and

   c). The Group is legally entitled to use the property during the term stipulated in the Tenancy Agreement and the Supplementary Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
17.	Basement Level 1 and Levels 1 to 4 of a building known as Wuxi Datonghua Store No. 68 Jianzhu Road Wuxi City Jiangsu Province The PRC	The property comprises a 4-storey building with a single level basement completed in about 2006. The property has a GFA of approximately 14,402 sq.m. The property is leased from an independent third party for a term commencing from 1 December 2006 and expiring on 30 November 2026.	The property is currently occupied by the Group for supermarket and ancillary office purposes.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement and a Supplementary Agreement entered into between Wuxi Xinan Industrial Co., Ltd. ("Wuxi Xinan Industrial", 無錫市溪南實業公司, an independent party), and Shanghai Springland Enterprise Investment Co., Ltd. ("Shanghai Springland", 上海華地企業投資有限公司, an indirect wholly-owned subsidiary of the Company), the property with a GFA of approximately 14,402 sq.m. is leased to Shanghai Springland from Wuxi Xinan Industrial for a term commencing from 1 December 2006 and expiring on 30 November 2026 at a total annual rent of RMB3,400,000 for the first four years, RMB3,570,000 from the fifth to eighth years, RMB3,748,500 from the ninth to the eleventh years, RMB3,936,000 from the twelfth to the fourteen years, RMB4,132,700 for the fifteenth to the seventeenth years and RMB4,339,300 from the eighteenth to the twentieth years.

2. Pursuant to a Supplementary Agreement of the Tenancy Agreement dated 1 October 2009 entered into between Wuxi Xinan Industrial, Shanghai Springland, Wuxi Datonghua Shopping Centre Co., Ltd. ("Wuxi Datonghua", 無錫大統華購物有限公司, an indirect wholly-owned subsidiary of the Company) and Wuxi Huiquan Logistic Co., Ltd. ("Huiquan Logistic", 無錫匯全物流有限公司, an indirect wholly-owned subsidiary of the Company), the total annual rent of property is adjusted to RMB3,060,000 in 2008 and RMB2,600,000 from 2009 to 2010.

3. We have been provided with a legal opinion on the legality of the Tenancy Agreement and the Supplementary Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a). The Tenancy Agreement has been properly registered with the relevant government authority;

   b). The Tenancy Agreement and the Supplementary Agreement are binding and enforceable; and

   c). The Group is legally entitled to use the property during the term stipulated in the Tenancy Agreement and the Supplementary Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
18.	Levels 1 to 4 of a building known as Changshu Springland Department Store No. 9 Fangta East Road Changshu City Jiangsu Province The PRC	The property comprises a 4-storey building completed in about 2004. The property has a GFA of approximately 26,624.57 sq.m. The property is leased from an independent third party for a term commencing from 18 December 2004 and expiring on 17 December 2024.	The property is currently occupied by the Group for department store purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Changshu City Management Investment Co., Ltd. ("Changshu City Management", 常熟市城市經營投資有限公司, an independent third party), and Shanghai Springland Enterprise Investment Co., Ltd. ("Shanghai Springland", 上海華地企業投資有限公司, an indirect wholly-owned subsidiary of the Company), the property with a GFA of approximately 26,624.57 sq.m. is leased to Shanghai Springland from Changshu City Management for a term commencing from 18 December 2004 and expiring on 17 December 2024 at a total annual rent of RMB7,000,000 for first five years, RMB8,000,000 for second five years, RMB10,500,000 for third five years and RMB12,500,000 for fourth five years.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a). The Tenancy Agreement has been properly registered with the relevant government authority;

   b). The Tenancy Agreement is binding and enforceable; and

   c). The Group is legally entitled to use the property during the term stipulated in the Tenancy Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
19.	Basement Level 1 under Jinsha Square known as Jintan Datonghua Store located at Jinsha Square Jintan City Jiangsu Province The PRC	The property comprises Basement Level 1 of a single-storey building completed in about 2003. The property has a GFA of approximately 14,833 sq.m. The property is leased from an independent third party for a term commencing from 20 May 2003 and expiring on 20 May 2023.	The property is currently occupied by the Group for supermarket purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Jintan Demolishment and Construction Co., Ltd. ("Jintan Demolishment", 金壇市拆建總公司, an independent third party) and Shanghai Springland Enterprise Investment Co., Ltd. ("Shanghai Springland" 上海華地企業投資有限公司, an indirect wholly-owned subsidiary of the Company), the property with a GFA of approximately 14,833 sq.m. is leased to Shanghai Springland from Jintan Demolishment for a term commencing from 20 May 2003 and expiring on 20 May 2023 at a total annual rent of RMB2,600,000.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a). The Tenancy Agreement has been properly registered with the relevant government authority;

   b). The Tenancy Agreement is binding and enforceable; and

   c). The Group is legally entitled to use the property during the term stipulated in the Tenancy Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
20.	Levels 1 to 2 of a building known as Danyang Datonghua Store (Danyang Development Zone Branch) No. 135 Jinlin West Road Danyang Development Zone Danyang City Jiangsu Province The PRC	The property comprises a 2-storey building completed in about 2006. The property has a GFA of approximately 3,212 sq.m. The property is leased from an independent third party for a term commencing from 30 September 2006 and expiring on 29 September 2016.	The property is currently occupied by the Group for supermarket purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement and a Supplementary Agreement entered into between Danyang Huaheng Garment Co., Ltd. ("Danyang Huaheng", 丹陽華恒服飾有限公司, an independent third party), and Danyang Springland Department Store Co., Ltd. ("Danyang Springland", 丹陽華地百貨有限公司, an indirect wholly-owned subsidiary of the Company), the property with a GFA of approximately 3,212 sq.m. is leased to Danyang Springland from Danyang Huaheng for a term commencing from 30 September 2006 and expiring on 29 September 2016 at a total annual rent of RMB580,000 between 2006 and 2008, RMB600,000 between 2008 and 2009, RMB680,000 between 2009 and 2011, RMB700,000 between 2011 and 2012, RMB800,000 between 2012 and 2016.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement and the Supplementary Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a). The Tenancy Agreement has been properly registered with the relevant government department authority;

   b). The Tenancy Agreement and the Supplementary Agreement are binding and enforceable; and

   c). The Group is legally entitled to use the property during the term stipulated in the Tenancy Agreement and the Supplementary Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
21.	Levels 1 to 3 of a building known as Yixing Datonghua Store (Huankeyuan Branch) Block A Huankeyuan Zone Longchi Road Yixing City Jiangsu Province The PRC	The property comprises a 3-storey building completed in about 2005. The property has a GFA of approximately 6,000 sq.m. The property is leased from an independent third party for a term commencing from 1 January 2006 and expiring on 31 December 2015.	The property is currently occupied by the Group for supermarket purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Yixing Hongyuan Property Development Co., Ltd. ("Yixing Hongyuan", 宜興市宏遠房地產開發有限公司, an independent third party), and Jiangsu Datonghua Shopping Centre Co., Ltd. ("Jiangsu Datonghua", 江蘇市大統華購物中心有限公司, an indirect wholly-owned subsidiary of the Company), the property with a GFA of approximately 6,000 sq.m. is leased to Jiangsu Datonghua from Yixing Hongyuan for a term commencing from 1 January 2006 and expiring on 31 December 2015 at a total annual rent of RMB600,000 for the first two years, RMB700,000 from the third to the fifth years and RMB800,000 thereafter.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a). The Tenancy Agreement has been properly registered with the relevant government authority;

   b). The Tenancy Agreement is binding and enforceable; and

   c). The Group is legally entitled to use the property during the term stipulated in the Tenancy Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
22.	Levels 1 to 3 of a building known as Liyang Datonghua Store (City Centre) No. 252 Pingling Middle Road Liyang City Jiangsu Province The PRC	The property comprises a 3-storey building completed in about 2000. The property has a GFA of approximately 15,822 sq.m. The property is leased from an independent third party for a term with the expiry date on 4 April 2022.	The property is currently occupied by the Group for supermarket purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Liyang Highway Transportation Co., Ltd. ("Liyang Highway", 溧陽市公路運輸有限公司, an independent third party) and Liyang Springland Department Store Co., Ltd. ("Liyang Springland", 溧陽市華地百貨有限公司, an indirect wholly-owned subsidiary of the Company), a portion of the property with a GFA of approximately 960 sq.m. is leased to Liyang Springland from Liyang Highway for a term commencing from 1 July 2002 and expiring on 4 April 2022 at a total annual rent of RMB140,000 from the first year to the third year, RMB147,000 from the fourth to the sixth year, RMB151,400 from the seventh to the ninth year, RMB156,000 from the tenth to the twelfth year, RMB160,600 from the thirteen to the fifteenth year, RMB165,400 from the sixteenth to the eighteenth year and RMB170,400 for last two years.

2. Pursuant to a Tenancy Agreement entered into between Liyang Highway and Liyang Springland, the remaining portion of the property with a total GFA of approximately 14,862 sq.m. is leased to Liyang Springland from Liyang Highway for a term commencing from 5 April 2002 and expiring on 4 April 2022 at a total annual rent of RMB2,800,000 from the first year to the third year, RMB2,940,000 from the fourth to the sixth year, RMB3,028,200 from the seventh to the ninth year, RMB3,119,000 from the tenth to the twelfth year, RMB3,212,600 from the thirteen to the fifteenth year, RMB3,309,000 from the sixteenth to the eighteenth year and RMB3,408,200 for last two years.

3. We have been provided with a legal opinion on the legality of the Tenancy Agreements to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a). The Tenancy Agreements have been properly registered with the relevant government department authority;

   d). The Tenancy Agreements are binding and enforceable; and

   c). The Group is legally entitled to use the property during the term stipulated in the Tenancy Agreements.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
23.	Levels 1, 2 and a portion of Level 3 of Jiahua Plaza known as Yixing Datonghua Store (Dingshan Branch) Nos. 70, 180 and 186 Huanglong Shan Street Dingshu Town Yixing City Jiangsu Province The PRC	The property comprises Levels 1, 2 and a portion of Level 3 of a 3-storey building completed in about 2007. The property has a GFA of approximately 14,890.67 sq.m. The property is leased from an independent third party for a term with the expiry date on 7 September 2027.	The property is currently occupied by the Group for supermarket purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Yixing Jiahua Property Development Co., Ltd., ("Yixing Jiahua", 宜興市嘉華房地產開發有限公司, an independent third party), and Jiangsu Datonghua Shopping Center Co., Ltd, Dingshan Sub Branch ("Jiangsu Datonghua, Dingshan Sub Branch", 江蘇大統華購物中心有限公司丁山分公司, an indirect wholly-owned subsidiary of the Company), a portion of the property with a GFA of approximately 14,456.8 sq.m. is leased to Jiangsu Datonghua, Dingshan Sub Branch from Yixing Jiahua for a term commencing from 8 September 2007 and expiring on 7 September 2027 at an annual rent of RMB1,800,000 for the first three years, RMB2,000,000 for the second three years, RMB2,200,000 for the next four years and RMB2,500,000 thereafter.

2. Pursuant to a Tenancy Agreement entered into between Yixing Jiahua and Jiangsu Datonghua, Dingshan Sub Branch, the remaining portion of the property with a GFA of approximately 433.87 sq.m. is leased to Jiangsu Datonghua, Dingshan Sub Branch from Yixing Jiahua for a term commencing from 8 September 2007 and expiring on 7 September 2027 at an annual rent of RMB35,000 for the first three years, RMB38,890 for the second three years, RMB42,780 for the third four years and RMB48,610 thereafter.

3. We have been provided with a legal opinion on the legality of the Tenancy Agreements to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a). The Tenancy Agreement with the portion of the property stated in note 1 has been properly registered with the relevant government department authority.

   The Tenancy Agreement stated in note 1 is binding and enforceable.

   The Group is legally entitled to use the property during the term stipulated in the Tenancy Agreement.

   b). For the remaining portion of the property stated in note 2, we have not provided any Building Ownership Certificate.

   The remaining portion of the property with a total GFA of approximately 433.87 sq.m. has not properly registered in to relevant government department authority.

   The non-registration of the Tenancy Agreement stated in note 2 will not affect the validity of the Tenancy Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
24.	Levels 1 to 4 of a building known as Jiangyin Datonghua Store (Chengxi Branch) No. 178 Wenfu North Road Jiangyin City Jiangsu Province The PRC	The property comprises a 4-storey building completed in about January 2008. The property has a GFA of approximately 11,000 sq.m. The property is leased from an independent third party for a term of 20 years.	The property is currently occupied by the Group for supermarket purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Jiangyin Chengjiang Neighborhood Fuqiao Village Committee ("Jiangyin Neighborhood", 江陰市澄江街道浮橋村村民委員會, an independent third party), and Jiangyin Springland Department Store Co., Ltd. ("Jiangyin Springland", 江陽華地百貨有限公司, an indirect wholly-owned subsidiary of the Company), the property with a GFA of approximately 11,000 sq.m. is leased to Jiangyin Springland from Jiangyin Neighborhood for a term of 20 years at a total annual rent of RMB1,750,000 from 2007 to 2009, RMB1,830,000 from 2009 to 2012, RMB1,920,000 from 2012 to 2015, RMB2,010,000 from 2015 to 2018, RMB2,110,000 thereafter.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a). We have not been provided any Building Ownership Certificate in relation to the property;

   b). The Tenancy Agreement has been properly registered with the relevant government department authority;

   c). The Tenancy Agreement is binding and enforceable; and

   d). The Group is legally entitled to use the property during the term stipulated in the Tenancy Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
25.	Levels 1 to 4 of a building known as Liyang Datonghua Store (Dongmen Branch) No. 166 Kunlun South Road Liyang City Jiangsu Province The PRC	The property comprises a 4-storey building completed in about 2008. The property has a GFA of approximately 8,911.6 sq.m. The property is leased from an independent third party for a term commencing from 1 July 2008 and expiring on 30 June 2028.	The property is currently occupied by the Group for supermarket purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Liyang Kuntai Property Development Co., Ltd. ("Liyang Kuntai", (溧陽坤泰置業有限公司), an independent third party), and Liyang Datonghua Shopping Centre Co., Ltd. ("Liyang Datonghua", 溧陽大統華, an indirect wholly-owned subsidiary of the Company), the property with a GFA of approximately 8,911.6 sq.m. is leased to Liyang Datonghua from Liyang Kuntai for a term commencing from 1 July 2008 and expiring on 30 June 2028 at a total annual rent of RMB1,400,000 from 2008 to 2013, RMB1,470,000 from 2013 to 2018, RMB1,540,000 from 2018 to 2023, RMB1,620,000 thereafter.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a). The Tenancy Agreement has been properly registered with the relevant government department authority;

   b). The Tenancy Agreement is binding and enforceable; and

   c). The Group is legally entitled to use the property during the term stipulated in the Tenancy Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
26.	Levels 1 and 2 of a building known as Jiangyin Datonghua Store (Shengang Branch) No. 161 Shenpu Road Jiangyin City Jiangsu Province The PRC	The property comprises Levels 1 and 2 of a 3-storey commercial building completed in about September 2007. The property has a GFA of approximately 6,000 sq.m. The property is leased from an independent third party for a term commencing from 1 February 2008 and expiring on 31 January 2018.	The property is currently occupied by the Group for supermarket purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between He Wenwei (何文偉, an independent third party) and Jiangyin Springland Department Store Co., Ltd. ("Jiangyin Springland", 江陰華地百貨有限公司, an indirect wholly-owned subsidiary of the Company), the property with a GFA of approximately 6,000 sq.m. is leased to Hewen Wei from Jiangsu Springland for a term commencing from 1 February 2008 and expiring on 31 January 2018 at a total annual rent of RMB1,360,000 for the first year, RMB1,380,000 for the second year, RMB1,500,000 for the third year, RMB1,590,000 from the fourth to the sixth year and RMB1,680,000 thereafter.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a). The Tenancy Agreement has been properly registered with the relevant government department authority;

   b). The Tenancy Agreement is binding and enforceable; and

   c). The Group is legally entitled to use the property during the term stipulated in the Tenancy Agreement.

VALUATION CERTIFICATE

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 July 2010 RMB**
27.	Level 26 of Poly Plaza No. 1 Xianqian East Street Wuxi City Jiangsu Province The PRC	The property comprises various office units on Level 26 of a 29-storey building completed in about 2007. The property has a GFA of approximately 1,183.24 sq.m. The property is leased from an independent third party for a term commencing from 10 October 2007 and expiring on 10 October 2012.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Wuxi Poly Property Development Co., Ltd. ("Wuxi Poly", 無錫保利置業有限公司, an independent third party), and Jiangsu Springland Enterprise (Group) Co., Ltd. ("Jiangsu Springland", 江蘇華地企業集團有限公司, an indirect wholly owned subsidiary of the Company), the property with a GFA of approximately 1,183.24 sq.m. is leased to Jiangsu Springland from Wuxi Poly for a term commencing from 11 October 2007 and expiring on 10 October 2012 at a total annual rent of RMB1,166,083.02.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company' PRC legal advisers, which contains, inter alia, the following:

   a). The Tenancy Agreement has not been properly registered with the relevant government department authority; and

   b). The non-registration of the Tenancy Agreement will not affect the validity of the Tenancy Agreement.

VALUATION CERTIFICATE

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 July 2010 RMB**
28.	Basement Level 1 and Level 1 of a building known as Jiangyin Datonghua Store (Hongqiao Branch) No. 28 Wenhua West Road Hongqiao Town Jiangyin City Jiangsu Province The PRC	The property comprises Basement level 1 and Level 1 of a 19-storey commercial building completed in about May 2010. The property has a GFA of approximately 9,800 sq.m. The property is leased from an independent third party for a term expiring on 30 April 2030.	The property is currently occupied by the Group for supermarket purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Jiangyin Baiye Property Development Co., Ltd. ("Jiangyin Baiye", 江陰市百業房地產開發有限公司, an independent third party), and Jiangyin Springland Department Store Co., Ltd. ("Jiangyin Springland", 江陰華地百貨有限公司, an indirect wholly-owned subsidiary of the Company), the property with a GFA of approximately 9,800 sq.m. is leased to Jianyin Springland from Jiangyin Baiye for a term expiring on 30 April 2030 at a total annual rent of RMB1,260,000 for the first three years, RMB1,930,000 for the second three years, RMB2,130,000 for the third three years, RMB2,330,000 for the fourth three years, RMB2,550,000 for the fifth three years, RMB2,780,000 for the sixth three years and RMB3,020,000 thereafter.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   a). The Tenancy Agreement has not been proper registered with the relevant government department authority; and

   b). The non-registration of the Tenancy Agreement will not affect the validity of the Tenancy Agreement.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
29.	A single-storey building located at Shanhua Fruit Market Trading Centre No. 1366 Caoyang Road Putuo District Shanghai The PRC	The property comprises a single-storey commercial building completed in about 1995. The property has a GFA of approximately 280 sq.m. The property is leased from an independent third party for a term expiring on 9 April 2011.	The property is currently occupied by the Group for retail purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Shanghai Huasheng Guopin Hang ("Shanghai Huasheng", 上海華盛果品行, an independent third party), and Yixing Datonghua Shopping Centre Co. Ltd. ("Yixing Datonghua", 宜興市大統華購物中心有限公司, the former name of Jiangsu Datonghua Shopping Centre, 江蘇大統華購物中心有限公司), an indirect wholly-owned subsidiary of the Company), the property with a GFA of approximately 280 sq.m. is leased to Shanghai Huasheng from Yixing Datonghua for a term expiring on 9 April 2011 at a total annual rent of RMB750,000.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   a). Pursuant to the relevant PRC's laws, there is no requirement for the Tenancy Agreement to be registered with the relevant government department;

   b). The Tenancy Agreement is binding and enforceable; and

   c). The Group is legally entitled to use the property during the term stipulated in the Tenancy Agreement.

VALUATION CERTIFICATE

Group VI — Property interests rented and to be occupied by the Group in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Capital value in existing state as at 31 July 2010 RMB**
30.	Levels 1 and 2 of a building No. 8 Zhongxin Avenue Houxiang Town Danyang City Jiangsu Province The PRC	The property comprises Levels 1 and 2 of a 6-storey building which is planned to be developed into a supermarket. As advised by the Group, the development is scheduled to be completed in about December 2011. The total planned GFA of the property upon completion is approximately 7,100 sq.m. The property is leased from an independent third party for a term commencing from 1 February 2011 and expiring on 31 January 2026.	The property is currently under construction.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Danyang Youbang Instrument Co., Ltd. ("Youbang Instrument", 丹陽市友邦工具有限公司, an independent third party), and Danyang Springland Department Store Co., Ltd. ("Danyang Springland", 丹陽華地百貨有限公司, an indirect wholly-owned subsidiary of the Company), the property with a GFA of approximately 7,100 sq.m. is leased to Youbang Instrument from Danyang Springland for a term commencing from 1 February 2011 and expiring on 31 January 2026 at a total annual rent of RMB1,380,000 from 2011 to 2012, RMB1,480,000 from 2012 to 2014, RMB1,520,000 from 2014 to 2017, RMB1,560,000 from 2017 to 2020 and RMB1,600,000 from 2020 to 2023 and RMB1,640,000 from 2023 to 2026.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   a). The Tenancy Agreement is in compliance with the PRC's laws; and

   b). Danyang Springland will have the legal rights to use the property during the term prescribed in the Tenancy Agreement and the legal rights will be protected by the PRC's laws after Youbang Instrument obtains the Building Ownership Certificate of the property and properly registers the lease with the relevant government authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
31.	A parcel of land located at Renmin West Road Gaocheng Town Yixing City Jiangsu Province The PRC	The property comprises a parcel of land which is planned to be developed into a supermarket. As advised by the Group, the development is scheduled to be completed in about February 2012. The total planned GFA of the property upon completion is approximately 3,360 sq.m. The property is leased from an independent third party for a term of 20 years.	The property is currently vacant.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Jiangsu Wanyuan Property Development Co., Ltd. ("Jiangsu Wanyuan", 江蘇萬源置業有限公司, an independent third party), and Jiangsu Datonghua Shopping Centre Co., Ltd. ("Jiangsu Datonghua", 江蘇大統華購物中心有限公司, an indirect wholly-owned subsidiary of the Company), the property with a GFA of approximately 3,360 sq.m. is leased to Jiangsu Datonghua from Jiangsu Wanyuan for a term of 20 years at a total annual rent of RMB670,000 for the first year, RMB680,000 for the second year, RMB690,000 for the third year, RMB700,000 for the fourth year, RMB710,000 for the fifth year, RMB720,000 for the sixth year, RMB730,000 for the seventh year, RMB740,000 for the eighth year, RMB750,000 for the ninth year, RMB760,000 for the tenth year, RMB770,000 for the eleventh year, RMB780,000 for the twelfth year, RMB790,000 for the thirteenth year, RMB800,000 for the fourteenth year, RMB810,000 for the fifteenth year, RMB820,000 for the sixteenth year, RMB830,000 for the seventieth year, RMB840,000 for the eighteenth year, RMB850,000 for the nineteenth year and RMB860,000 for the twentieth year.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   a). The Tenancy Agreement is in compliance with the PRC's laws; and

   b). Jiangsu Datonghua will have the legal rights to use the property during the term prescribed in the Tenancy Agreement and the legal rights will be protected by the PRC's laws after Jiangsu Wanyuan obtains the Building Ownership Certificate of the property and properly registers the lease with the relevant government authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
32.	Basement Level 1 and Levels 1 to 4 of Wujin Shopping Centre located at the south-eastern side of the junction of Wuzhong Road and Anding Road Changzhou City Jiangsu Province The PRC	The property comprises a 4-storey building with a single level basement which is planned to be development into a department store and supermarket. As advised by the Group, the development is scheduled to be completed in about November 2010. The total planned GFA of the property upon completion is approximately 31,662.4 sq.m. The property is leased from an independent third party for a term of 20 years commencing from 1 February 2011 and expiring on 31 January 2031 with a 30 months rent-free period.	The property is currently under construction.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Changzhou Tianlu Zhongchuang Construction Development Co., Ltd. ("Changzhou Tianlu", 常州天祿中創建設開發有限公司, an independent third party) and Wuxi Springland Investment Management Co., Ltd. ("Wuxi Springland Investment", 無錫華地投資管理有限公司, an indirect wholly-owned subsidiary of the Company), the property with a GFA of approximately 31,662.4 sq.m. is leased to Wuxi Springland Investment from Changzhou Tianlu for a term of 20 years commencing from 1 February 2011 and expiring on 31 January 2031. The key terms stipulated in the Tenancy Agreement are set out as follows:

   (i) The rent-free period is a 30 months from the date of operation;

   (ii) The annual rent will be 4% and 2.5% of business income ("turnover rent") for the department store and supermarket respectively from the third year to the fifth year;

   (iii) The annual rent will be the basic rent or turnover rent from the sixth to the tenth year, whichever is higher. The basic rent is RMB5,339,088.6 per annum. The turnover rent is 4.5% and 2.5% of business income for the department store and supermarket respectively;

   (iv) The annual rent will be the basic rent or turnover rent from the eleventh to the fifth year, whichever is higher. The basic rent is RMB7,118,784.8 per annum. The turnover rent is 5% and 3% of business income for the department store and supermarket respectively; and

   (v) The annual rent will be the basic rent or turnover rent from the sixteenth to the twentieth year, which is higher. The basic rent is RMB7,118,784.8 per annum. The turnover rent is 5.5% and 3% of business income for the department store and supermarket respectively.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   a). The Tenancy Agreement is in compliance with the PRC's laws; and

   b). Wuxi Springland Investment will have the legal rights to use the property during the term prescribed in the Tenancy Agreement and the legal rights will be protected by the PRC's laws after Changzhou Tianlu obtains the Building Ownership Certificate of the property and properly registers the lease with the relevant government authority.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
33.	Levels 1 to 3 of Phase I of International Hotel located at junction of Guoqing Road and Fuqian Road Taixing City Jiangsu Province The PRC	The property comprises a 3-storey building which is planned to be development into a supermarket. As advised by the Group, the development is scheduled to be completed in about October 2010. The total planned GFA of the property upon completion is approximately 18,295.80 sq.m. The property is leased from an independent third party for a term commencing from 1 January 2011 and expiring on 31 December 2025.	The property is currently under construction.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement entered into between Ma Fenying and Chengang (馬粉英 and 陳剛, two independent third parties) and Jiangsu Datonghua Shopping Centre Co., Ltd. ("Jiangsu Datonghua", 江蘇大統華購物中心有限公司, an indirect wholly-owned subsidiary of the Company), the property with a total gross floor area of approximately 18,295.80 sq.m. is leased to Jiangsu Datonghua from Ma Fenying and Chengang for a term commencing from 1 January 2011 and expiring on 31 December 2025, at an annual rent of base rent or turnover rent, whichever is higher. The base rent will be RMB10,790,000 for the first year, RMB11,000,000 from the second year to the third year, RMB11,440,000 from the fourth year to the sixth year, RMB11,896,000 from the seventh year to the ninth year, RMB12,373,504 from the tenth year to the twelfth year and RMB12,868,444 from the thirteenth year to the fifteenth year, exclusive of management fees, water and electricity charges. The turnover rent will be equivalent to 2.5% of the increment of RMB200,000,000 of business income if the business income excluding taxes is more than RMB200,000,000.

2. We have been provided with a legal opinion on the legality of the Tenancy Agreement to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

   a). The Tenancy Agreement is in compliance with the PRC's laws; and

   b). Jiangsu Datonghua will have the legal rights to use the property during the term prescribed in the Tenancy Agreement and the legal rights will be protected by the PRC's laws after Ma Fenying and Chengang obtains the Building Ownership Certificate of the property and properly registers the lease with the relevant government authority.

VALUATION CERTIFICATE

Group VII — Property interest rented by the Group in Hong Kong subsequent to the date of valuation

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 July 2010 RMB
34.	Unit 2502 25th Floor of Sino Plaza Nos. 255 to 257 Gloucester Road Causeway Bay Hong Kong	The property comprises an office unit on level 25 of a 30-storey composite building completed in about 1992. The unit has a lettable area of approximately 134.71 sq.m. (1,450 sq.ft.). The property is leased from an independent third party for a term of 2 years commencing from 18 August 2010 and expiring on 17 August 2012.	The property is currently occupied by the Group for office purpose.	No commercial value

Notes:

1. The registered owner of this property is Quality Investment Limited vide UB4677878 dated 14 December 1990.
2. Pursuant to a Tenancy Agreement entered into between Quality Investment Limited, an independent third party, and Cleavebury Limited, an indirect wholly owned subsidiary of the Company, a unit with a gross floor area of approximately 134.71 sq.m. (1,450 sq.ft.) is leased to Cleavebury Limited from Quality Investment Limited for a term of 2 years commencing from 18 August 2010 and expiring on 17 August 2012 at monthly rent of HK$50,754, exclusive of government rates, service charges and other outgoings.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 June 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 30 September 2010. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) *Remuneration*

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) *Proceedings of the Board*

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) *Register of Directors and Officers*

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every statement of financial position and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and statement of financial position and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 4 July 2006.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A FURTHER INFORMATION ABOUT OUR COMPANY

1 Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 21 June 2006. We have established a place of business in Hong Kong at Suite No.2, 25/F Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong and have been registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance under the same address. Mr Chen has been appointed as our agent for the acceptance of service of process and notices under the same address. As we are incorporated in the Cayman Islands, our corporate structure, and our Memorandum of Association and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum of Association and Articles of Association and certain relevant aspects of the Cayman Companies Law are set out in the section headed "Summary of the Constitution of Our Company and Cayman Islands Company Law" in Appendix V to this prospectus.

2 Changes in share capital

As at the date of our incorporation, our authorised share capital was US$50,000 divided into 500,000 US$ Shares. The following sets out the changes in our share capital since the date of our incorporation:

(a) On 21 June 2006, one US$ Share was allotted and issued as fully paid to Netsales as the initial subscriber.

(b) On 2 September 2006, a shareholders' resolution was passed pursuant to which:

(i) the authorised share capital of our Company of US$50,000 divided into 500,000 US$ Shares was reclassified into 456,000 US$ Shares and 44,000 US$ Preference Shares; and

(ii) the then existing issued US$ Shares shall remain as US$ Shares.

(c) On 2 September 2006, 143,999 US$ Shares were allotted and issued as fully paid to Netsales at a consideration of US$14,399.90 and 44,000 US$ Preference Shares were allotted and issued as fully paid to CDH Resource at a consideration of US$44,000,000.

(d) On 13 December 2007, a shareholders' resolution was passed to re-denominate the authorised share capital from US$50,000 to HK$390,000 by the following resolutions:

(i) the par value and denomination of each authorised and issued US$ Share and US$ Preference Share be altered from US$0.10 to HK$0.01 by dividing each such share by 78 to create 78 shares each of par value HK$0.01;

(ii) the 144,000 issued and outstanding US$ Shares be re-denominated and divided into 11,232,000 Shares, comprised of 10,998,000 Shares issued to Netsales and 234,000 Shares issued to CDH Resource;

(iii) 44,000 issued and outstanding US$ Preference Shares be re-denominated and divided into 3,432,000 Preference Shares issued to CDH Resource.

(e) On 17 December 2007, 1,275,130 Shares were allotted and issued credited as fully paid to Well Sea at a consideration of US$45,000,000.

(f) On 15 May 2009, our Company repurchased 1,275,130 Shares from Well Sea at a consideration of US$53,669,601.92. Such Shares repurchased by our Company from Well Sea were cancelled immediately upon completion of such transfer.

(g) On 13 November 2009, the 3,432,000 Preference Shares held by CDH Resource were converted into 3,432,000 Shares based on the conversion ratio of one Preference Share to one Share.

(h) On 30 September 2010, shareholders' resolutions were passed to approve, among other things, (i) the increase of authorised share capital of our Company and (ii) the Capitalisation Issue, details of which are set out below.

Immediately after the Global Offering becomes unconditional and the Offer Shares and the Shares under the Capitalisation Issue are issued, our authorised share capital upon completion of the Capitalisation Issue and the Global Offering will be HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each of which 2,500,000,000 Shares will be allotted and issued as fully paid or credited as fully paid. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders at a general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this Appendix, there has been no alteration in our share capital since the date of our incorporation.

3 Resolutions of our Shareholders

Pursuant to the resolutions passed by our Shareholders on 30 September 2010:

(a) the 3,432,000 Preference Shares in the authorised share capital of the Company be redesignated as 3,432,000 Shares;

(b) immediately after the redesignation of 3,432,000 Preference Shares referred to in paragraph (b) above, the authorised share capital of the Company be increased from HK$390,000 to HK$100,000,000 by the creation of 9,961,000,000 new Shares;

(c) the Memorandum of Association was approved and adopted with immediate effect;

(d) conditional on (i) the Listing Committee granting the approval for the Listing of, and permission to deal in, the Shares in issue and the new Shares to be issued as mentioned in this prospectus proposed to be issued by our Company in connection with the Global Offering (including any Shares which will be issued pursuant to the options granted under the Share Option Scheme) and the listing approval not having been subsequently revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and (ii) the obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) thereunder by the Sole Global Coordinator, on behalf of the Underwriters) and such obligations not having been terminated in accordance with the terms of the respective Underwriting Agreements or otherwise, in each case on or before 8:00 a.m. on the Listing Date:

(i) the Global Offering and the granting of the Over-allotment Option by the Over-allotment Selling Shareholders were approved;

(ii) the Articles of Association were approved and adopted;

(iii) subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Global Offering, our Directors were authorised to capitalise the sum of HK$19,853,360 from the amount standing to the credit of the share premium account of our Company by applying the said sum in paying up in full 1,985,336,000 Shares at par to the holders of Shares whose names appear on the register of members of our Company as at 30 September 2010 (as nearly as possible without involving fractions so that no fraction of a share shall be allotted and issued) in our Company (the "Capitalisation Issue");

(iv) the Share Option Scheme was approved and adopted and our Directors and our company secretary were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of the options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary and/or desirable to implement and give effect to the Share Option Scheme;

(v) a general unconditional mandate was granted to our Directors to allot, issue and deal with the Shares with an aggregate nominal value not exceeding the sum of:

    (A) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the Global Offering and the completion of the Capitalisation Issue referred to in sub-paragraph (ii) above; and

    (B) the aggregate nominal amount of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in sub-paragraph (v) below,

    and our Directors were authorized to make any offer or agreement or grant any option which would or might require such Shares to be allotted and issued and to make any offer or agreement or grant any option which would or may require such Shares to be allotted and issued. This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or the options to be granted under the Share Option Scheme. Such mandate will expire:

    (A) at the conclusion of the next annual general meeting of our Company;

(B) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association, the Cayman Companies Law or the applicable laws of the Cayman Islands to be held; or

(C) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors,

whichever occurs first.

(vi) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the Capitalisation Issue and the Global Offering (excluding Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme):

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will expire:

(A) at the conclusion of the next annual general meeting of our Company;

(B) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association, the Cayman Companies Law or the applicable laws of the Cayman Islands to be held; or

(C) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors,

whichever occurs first.

4 Changes in share capital of our subsidiaries

Our subsidiaries are referred to in the Accountants' Report on our Company as set out in the section headed "Accountants' Report" in Appendix I to this prospectus. The following alterations in the share capital (or registered capital, as the case may be) of our subsidiaries have taken place within the two years preceding the date of this prospectus:

(a) *Jiangsu Springland*

On 14 December 2009, the registered capital of Jiangsu Springland was increased from US$45,000,000 to US$60,000,000 and was fully paid up. On the same day, the total investment of Jiangsu Springland was increased from US$90,000,000 to US$120,000,000 and was fully paid up.

(b) *Yixing Springland*

On 14 October 2008, the registered capital of Yixing Springland was increased from RMB40,000,000 to RMB80,000,000 and was fully paid up.

(c) *馬鞍山八佰伴商貿有限公司 (Ma'anshan Yaohan Commerce & Trade Co., Ltd.)*

On 15 December 2008, the registered capital of 馬鞍山八佰伴商貿有限公司 (Ma'anshan Yaohan Commerce & Trade Co., Ltd.) was increased from RMB1,000,000 to RMB 41,000,000 and was fully paid up. On 6 November 2009, its registered capital was further increased from RMB 41,000,000 to RMB141,000,000 and was fully paid up.

(d) *鎮江市八佰伴商貿有限公司 (Zhenjiang Yaohan Commerce & Trade Co., Ltd.)*

On 29 December 2008, the registered capital of 鎮江市八佰伴商貿有限公司 (Zhenjiang Yaohan Commerce & Trade Co., Ltd.) was increased from RMB150,000,000 to RMB350,000,000 and was fully paid up.

(e) *Nantong Department Store*

On 3 December 2008, the registered capital of Nantong Department Store was increased from RMB17,743,770 to RMB31,938,786 and was fully paid up. Subsequently on 30 September 2009, the registered capital of Nantong Department Store was further increased from RMB31,938,786 to RMB40,888,786 and was fully paid-up. On 11 May 2010, the registered capital of Nantong Department Store was decreased from RMB40,888,786 to RMB31,938,786.

(f) *長興華地置業有限公司 (Changxing Springland Real Estate Co., Ltd.)*

On 18 June 2010, the registered capital of 長興華地置業有限公司 (Changxing Springland Real Estate Co., Ltd.) was increased from RMB50,000,000 to RMB75,000,000 and was fully paid-up.

5 The Reorganisation

For further information about our Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure — The Reorganisation".

6 Repurchases of our own securities

This section includes information relating to the repurchase of our Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) *Relevant Legal and Regulatory Requirements*

The Listing Rules permit our Shareholders to grant to our Directors a general mandate to repurchase our Shares that are listed on the Stock Exchange. Such mandate is required to be given by way of an ordinary resolution passed by our Shareholders at a general meeting.

(b) *Shareholders' Approval*

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by ordinary resolutions of our Shareholders at a general meeting, either by way of general mandate or by specific approval of a particular transaction.

On 30 September 2010, conditional on the conditions for completion of the Global Offering being fulfilled, our Directors were granted a general unconditional mandate to repurchase on the Stock Exchange or any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the Capitalisation Issue and completion of the Global Offering (excluding Shares pursuant to the exercise of the options which may be granted under the Share Option Scheme). This mandate will expire at the earliest of (i) the conclusion of our next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association, the Cayman Companies Law or the applicable laws of the Cayman Islands to be held; or (iii) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying the authority given to our Directors (the "Relevant Period").

(c) *Source of Funds*

Our repurchase of the Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with our Memorandum of Association and Articles of Association and the applicable laws of the Cayman Islands. We may not repurchase our Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, we may make repurchases out of our profit or out of the proceeds of a fresh issue of Shares for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of our Shares to be repurchased must be out of profits of our Company or out of our Company's share premium account. If authorised by our Articles of Association and subject to the Companies Law, repurchase may also be made out of capital.

(d) *Reasons for Repurchases*

Our Directors believe that it is in our and our Shareholders' best interests for our Directors to have general authority to execute repurchases of our Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

(e) *Funding of Repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Articles of Association and the Listing Rules.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors believe that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(f) *Share Capital*

The exercise in full of the current repurchase mandate, on the basis of 2,500,000,000 Shares in issue immediately after the Global Offering (without taking into account issuance of Shares upon exercise of options which may be granted under the Share Option Scheme), could accordingly result in up to 250,000,000 Shares being repurchased by us during the Relevant Period.

(g) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any of our Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum of Association and Articles of Association, the Cayman Companies Law and any other applicable laws of the Cayman Islands.

If, as a result of any repurchase of our Shares, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Code on Takeovers and Mergers and Share Repurchases, (as amended from time to time) (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Our Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

No connected person as defined by the Listing Rules has notified us that he has a present intention to sell his Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

B FURTHER INFORMATION ABOUT OUR BUSINESS

1 Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(1) a strategic equity joint venture cooperation framework agreement (關於江蘇華地集團與南通百貨大樓股份公司戰略合資合作總體框架協議) relating to Nantong Department Store dated 10 August 2009 entered into between each of the Nantong Promoters and Jiangsu Springland in relation to the acquisition of a controlling interest by our Group in Nantong Department Store at a consideration of RMB20.667 per share;

(2) an equity interest transfer agreement dated 11 March 2010 entered into between 無錫億年投資管理有限公司 (Wuxi Yinian Investment Management Co., Ltd.) ("Wuxi Yinian") and 無錫八佰伴商貿中心有限公司 (Wuxi Yaohan Commerce & Trade Centre Co., Ltd.) ("Wuxi

Yaohan Commerce & Trade") pursuant to which Wuxi Yinian transferred 85% interest in 無錫匯成服裝貿易有限公司 (Wuxi Huicheng Clothing & Trading Co., Ltd.) to Wuxi Yaohan Commerce & Trade at a consideration of RMB850,000;

(3) an equity interest transfer agreement dated 11 March 2010 made between each of Wuxi Yinian, 楊建祥 (Mr Yang Jianxiang), 崔向華 (Mr Cui Xianghua), 劉毅 (Mr Liu Yi), 徐翔 (Mr Xu Xiang) and Wuxi Yaohan Commerce & Trade pursuant to which each of Wuxi Yinian, 楊建祥 (Mr Yang Jianxiang), 崔向華 (Mr Cui Xianghua), 劉毅 (Mr Liu Yi) and 徐翔 (Mr Xu Xiang) transferred 85%, 6%, 4%, 2.5% and 2.5% of its/his/her respective interest in 江蘇滙聯電器有限公司 (Jiangsu Huilian Electronic Appliances Co., Ltd.) to Wuxi Yaohan Commerce & Trade at a consideration of RMB8,500,000, RMB600,000, RMB400,000, RMB250,000 and RMB250,000 respectively;

(4) an equity interest transfer agreement dated 11 March 2010 made between Wuxi Yinian and Wuxi Yaohan Commerce & Trade pursuant to which Wuxi Yinian transferred the entire interest in 無錫匯興金行有限公司 (Wuxi Huixing Gold Store Co., Ltd.) to Wuxi Yaohan Commerce & Trade at a consideration of RMB5,000,000;

(5) an equity interest transfer agreement dated 11 March 2010 entered into between each of Wuxi Yinian, 薛海濤 (Mr Xue Haitao), 張國棟 (Mr Zhang Guodong) and Wuxi Yaohan Commerce & Trade pursuant to which each of Wuxi Yinian, 薛海濤 (Mr Xue Haitao) and 張國棟 (Mr Zhang Guodong) transferred its/his 85%, 10% and 5% interest in 無錫菲尼斯特物業管理有限公司 (Wuxi Feinisite Property Management Co., Ltd.) to Wuxi Yaohan Commerce & Trade at a consideration of RMB1,700,000, RMB200,000 and RMB100,000 respectively;

(6) an equity interest transfer agreement dated 29 April 2010 entered into between 葉峰 (Mr Ye Fung) and Wuxi Yaohan Commerce & Trade pursuant to which 葉峰 (Mr Ye Fung) transferred 15% interest in 無錫匯成服裝貿易有限公司 (Wuxi Huicheng Clothing & Trading Co., Ltd.) to Wuxi Yaohan Commerce & Trade at a consideration of RMB150,000;

(7) an equity interest transfer agreement dated 18 May 2010 entered into between 無錫華地投資管理有限公司 (Wuxi Springland Investment Management Co., Ltd.) ("Wuxi Springland") and 長興綠城房地產開發有限公司 (Changxing Lucheng Real Estate Development Co., Ltd.) pursuant to which 長興綠城房地產開發有限公司 (Changxing Lucheng Real Estate Development Co., Ltd.) transferred the entire equity interest in 長興華地置業有限公司 (Changxing Springland Real Estate Co., Ltd.) to Wuxi Springland at a consideration of RMB50,000,000;

(8) an equity interest transfer agreement dated 20 June 2010 entered into between Wuxi Yinian and Wuxi Yaohan Commerce & Trade pursuant to which Wuxi Yaohan Commerce & Trade transferred the entire equity interest in 南京八佰伴商貿有限公司 (Nanjing Yaohan Commerce & Trade Co., Ltd.) ("Nanjing Yaohan") to Wuxi Yinian at nil consideration, together with a supplemental agreement dated 29 September 2010 in relation to the grant of call option by Wuxi Yinian to Wuxi Yaohan Commerce & Trade to acquire the entire or any portion of the interest in Nanjing Yaohan;

(9) a sales and purchase agreement dated 29 June 2010 entered into between Springland International, Hong Kong Springland and Mr Chen Jianhui pursuant to which Springland International disposed of the entire issued share capital of, and transferred the outstanding indebtedness owing to, Hong Kong Springland, to Mr Chen Jianhui, at a consideration of HK$50,000;

(10) a deed of non-competition dated 30 September 2010 entered into between each of the Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries), details of which are set out in the section headed "Relationship with Controlling Shareholders — Non-Competition Undertaking" in this prospectus;

(11) a deed of non-competition dated 30 September 2010 entered into between Mr Chen Jianhui in favour of our Company (for itself and as trustee for each of our subsidiaries) regarding non-competition undertakings given by Mr Chen Jianhui, details of which are set out in the section headed "Relationship with Controlling Shareholders — The Nanjing Yaohan Store" in this prospectus;

(12) a deed of indemnity dated 30 September 2010 entered into between each of the Controlling Shareholders in favour of our Company (for itself and as trustee for our subsidiaries), details of which are set out in the section headed "Tax and other indemnity" in this Appendix; and

(13) the Hong Kong Underwriting Agreement dated 7 October 2010 entered into amongst our Company, the Controlling Shareholders, the Selling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters in relation to the underwriting of the Hong Kong Public Offer by the Hong Kong Underwriters as referred to in the section headed "Underwriting" in this prospectus.

2 Intellectual property rights

As of the Latest Practicable Date, our Company has registered or has applied for the registration of the following intellectual property rights.

A *Trademarks*

(a) *Trademarks applied for by our Company for which registration has been granted*

As of the Latest Practicable Date, we have applied for and have been granted the registration of a number of trademarks, details of which are as follows:

Trademark	Name of Registrant	Place of Registration	Class	Registration Number	Effective Period
			(Note)		
華地	Yixing Springland	PRC	35	899715	14 November 2006 - 13 November 2016
	Yixing Springland	PRC	27	937803	28 January 2007 - 27 January 2017
	Yixing Springland	PRC	31	868963	7 September 2006 - 6 September 2016
華地	Yixing Springland	PRC	39	875831	28 September 2006 - 27 September 2016
	Yixing Springland	PRC	20	925621	7 January 2007 - 6 January 2017
	Yixing Springland	PRC	12	876532	7 October 2006 - 6 October 2016
華地	Yixing Springland	PRC	42	863987	14 August 2006 - 13 August 2016

Trademark	Name of Registrant	Place of Registration	Class	Registration Number	Effective Period
			(Note)		
	Yixing Springland	PRC	11	882419	14 October 2006 - 13 October 2016
華地	Yixing Springland	PRC	41	867865	28 August 2006 - 27 August 2016
華地	Yixing Springland	PRC	36	865838	21 August 2006 - 20 August 2016
大统华	Jiangsu Datonghua	PRC	25	1800867	7 July 2002 - 6 July 2012
大统华 Datonghua	Jiangsu Datonghua	PRC	35	3882932	7 June 2006 - 6 June 2016
小佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	40	6653494	7 April 2010 - 6 April 2020
	Wuxi Yaohan Commerce & Trade	PRC	43	6653497	7 May 2010 - 6 May 2020

Note:

Class 11 relates to environmental control apparatus - Apparatus for lighting, heating, steam generating, cooking, refrigerating, drying, ventilating, water supply and sanitary purposes.

Class 12 relates to motor vehicle, carrier used on land, in air or at sea.

Class 20 relates to furniture and articles not otherwise classified - furniture, mirrors, frames, goods (not included in other classes) of wood, cork, reed, cane, wicker, horn, bone, ivory, whalebone, shell, amber, mother-of-pearl, meerschaum and substitutes for all these materials, or of plastics.

Class 25 relates to clothing — clothing, footwear, headgear.

Class 27 relates to carpet, floor mat, mat item, oil mat, and other flooring items, non-woven curtain for walls.

Class 31 relates to agricultural, gardening and forestry produce, and non-classified grain, livestock, fresh fruits and vegetable, seeds, grass, wood and flowers, animal feeds, malts.

Class 35 relates to advertising and business - advertising; business management; business administration; office functions.

Class 36 relates to insurance, financial and monetary matters, and matters relating to real estate.

Class 39 relates to transportation, the packaging and warehousing of commodity, travel planning.

Class 40 relates to treatment of materials.

Class 41 relates to education and entertainment — education; providing of training; entertainment; sporting and cultural activities.

Class 42 relates to computer, scientific & legal — scientific and technological services and research and design relating thereto: industrial analysis and research services; design and development of computer hardware and software; legal services.

Class 43 relates to services for providing food and drink; temporary accommodation.

(b) *Trademarks under application*

As of the Latest Practicable Date, we have also applied for the registration of a number of trademarks, details of which are as follows:

Trademark	Name of Applicant	Place of Applicant	Class *(Note)*	Application Number	Application Date
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	5	8399331	17 June 2010
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	9	8399430	17 June 2010
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	14	8399578	17 June 2010
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	16	8399604	17 June 2010
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	21	8399641	17 June 2010
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	28	8399683	17 June 2010
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	29	8399706	17 June 2010
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	30	8399760	17 June 2010
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	31	8399783	17 June 2010
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	32	8399790	17 June 2010
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	33	8402789	18 June 2010
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	35	8402802	18 June 2010
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	34	8402811	18 June 2010
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	38	8402819	18 June 2010
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	39	8402840	18 June 2010
八佰伴 YAOHAN	Wuxi Yaohan Commerce & Trade	PRC	42	8403559	18 June 2010

Trademark	Name of Applicant	Place of Applicant	Class (Note)	Application Number	Application Date
SPRINGLAND	our Company	Hong Kong	16	301674702	28 July 2010
SPRINGLAND	our Company	Hong Kong	35	301674702	28 July 2010
SPRINGLAND	our Company	Hong Kong	16	301674702	28 July 2010
SPRINGLAND	our Company	Hong Kong	35	301674702	28 July 2010

Note:

Class 5 relates to pharmaceutical and veterinary preparations; sanitary preparations for medical purposes; dietetic substances adapted for medical use, food for babies; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.

Class 9 relates to scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signalling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; automatic vending machines and mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment and computers; fire-extinguishing apparatus.

Class 14 relates to precious metals and their alloys and goods in precious metals or coated therewith, not included in other classes; jewellery, precious stones; horological and chronometric instruments.

Class 16 relates to paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); printers' type; printing blocks.

Class 21 relates to household or kitchen utensils and containers; combs and sponges; brushes (except paint brushes); brush-making materials; articles for cleaning purposes; steelwool; unworked or semi-worked glass (except glass used in building); glassware, porcelain and earthenware not included in other classes.

Class 28 relates to games and playthings; gymnastic and sporting articles not included in other classes; decorations for Christmas trees.

Class 29 relates to meat, fish, poultry and game; meat extracts; preserved, frozen, dried and cooked fruits and vegetables; jellies, jams, compotes; eggs, milk and milk products; edible oils and fats.

Class 30 relates to coffee, tea, cocoa, sugar, rice, tapioca, sago, artificial coffee; flour and preparations made from cereals, bread, pastry and confectionery, ices; honey, treacle; yeast, baking-powder; salt, mustard; vinegar, sauces (condiments); spices; ice.

Class 31 relates to agricultural, horticultural and forestry products and grains not included in other classes; live animals; fresh fruits and vegetables; seeds, natural plants and flowers; foodstuffs for animals, malt.

Class 32 relates to beers; mineral and aerated waters and other non-alcoholic drinks; fruit drinks and fruit juices; syrups and other preparations for making beverages.

Class 33 relates to alcoholic beverages (except beers).

Class 34 relates to tobacco; smokers' articles; matches.

Class 35 relates to advertising; business management; business administration; office functions.

Class 38 relates to telecommunications.

Class 39 relates to transport; packaging and storage of goods; travel arrangement.

Class 42 relates to scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.

B *Domain Names*

As at the Latest Practicable Date, we have registered the following domain names:

Domain Name	Expiry Date	Registrant
springland.cn	17 March 2012	Jiangsu Springland
datonghua.com.cn	29 September 2011	Jiangsu Springland
datonghua.cn	29 September 2011	Jiangsu Springland
springland.com.cn	16 November 2011	Jiangsu Springland
www.cnyaohan.com	30 November 2012	Wuxi Yaohan Commerce & Trade
www.springlandgroup.com.cn	8 November 2010	Jiangsu Springland
springlandgroup.cn	8 November 2010	Jiangsu Springland
cnyaohan.net	30 November 2012	Wuxi Yaohan Commerce & Trade
www.cnyaohan.cn	30 November 2012	Wuxi Yaohan Commerce & Trade
www.cnyaohan.com.cn	30 November 2012	Wuxi Yaohan Commerce & Trade

C FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS

1 Disclosure of Interests

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the exercise of the Over-allotment Option and any Shares that may be issued upon exercise of option which may be granted upon the Share Option Scheme), the interests of the Directors and chief executive of our Company in our Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) once our Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once our Shares are listed, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange once our Shares are listed will be as follows:

(a) **Interest and short positions in our Shares:**

Name of Director	Nature of interest	Number and class of securities(1)	Percentage of interest in our Company immediately after the Global Offering
Chen Jianqiang	Interest in controlled corporation(2)	1,393,000,000 Shares (L)	55.72%

Notes:

(1) The letter "L" denotes the person's long position in such Shares. The number of securities represents the number of Shares immediately after completion of the Global Offering but without taking into account the exercise of the Over-allotment Option.

(2) Mr Chen, as the sole shareholder of Netsales, is deemed to be interested in 1,393,000,000 Shares held by Netsales.

(b) **Interests and short positions in securities of associated corporations:**

Name of Director	Name of associated corporation	Nature of interest	Number and class of securities [1]	Percentage of interest in the associated corporation
Chen Jianqiang	Netsales Trading Limited [2]	Beneficial interest	56/75 ordinary share (L)	100%

Notes:

(1) The letter "L" denotes the person's long position in such shares of the associated corporation.

(2) Netsales will be interested in approximately 55.72% of interest in the Company upon Listing (without taking into account the Sale Shares that may be offered for sale by Netsales upon exercise of the Over-allotment Option) and is therefore a holding company of the Company. Mr Chen is the sole shareholder of Netsales.

2 Substantial shareholders

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account the exercise of the Over-allotment Option and any Shares that may be issued upon exercise of option which may be granted upon the Share Option Scheme), the following persons, not being a Director of chief executive of the Company, will have an interest or short position in Shares or underlying shares of our Company which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholders	Nature of interest	Number and class of securities[1]	Percentage of interest in our Company immediately after the Global Offering
Netsales Trading Limited[2]	Beneficial interest	1,393,000,000 Shares (L)	55.72%
CDH Resource Limited[3]	Beneficial interest	437,000,000 Shares (L)	17.48%
CDH China Growth Capital Fund II, L.P.[3]	Interest in controlled corporation	437,000,000 Shares (L)	17.48%
CDH China Growth Capital Holdings Company Limited[3]	Interest in controlled corporation	437,000,000 Shares (L)	17.48%
China Diamond Holdings II, L.P.[3]	Interest in controlled corporation	437,000,000 Shares (L)	17.48%
China Diamond Holdings Company Limited[3]	Interest in controlled corporation	437,000,000 Shares (L)	17.48%

Notes:

(1) The letter "L" denotes the person's long position in such Shares, respectively. The number of securities represents the number of Shares immediately after completion of the Global Offering but without taking into account the exercise of the Over-allotment Option.

(2) Netsales is a wholly-owned subsidiary of Mr Chen.

(3) CDH Resource, a limited liability company incorporated in the BVI, 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.

3 Particulars of service contracts

Each of Mr Chen, Mr Tao Qingrong and Mr Fung Hiu Lai, being our executive Director, has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date, until terminated by not less than three calendar months' notice in writing served by either party on the other. The aggregate annual fees (excluding discretionary performance bonuses and other allowances) payable to each of Mr Chen, Mr Tao Qingrong and Mr Fung Hiu Lai under their respective service contracts are RMB1,200,000, RMB600,000 and RMB420,000, respectively.

Each of Mr Wang Lin and Mr Fung Hiu Chuen, John, being our non-executive Director and each of Dr Lin Zhijun, Dr Zhang Weijiong and Mr Wang Shuaiting, being our independent non-executive Director, has entered into a letter of appointment with our Company. Each letter of appointment is for an initial term of three years commencing from the Listing Date. The aggregate annual fees payable to our independent non-executive Directors and the non-executive Directors under the letters of appointment are HK$240,000.

None of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation).

4 Directors' remuneration

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and discretionary bonuses) which were paid to our Directors for each of the years ended 31 December 2007, 2008 and 2009 and the six month ended 30 June 2010 were approximately RMB1.9 million, RMB3.8 million, RMB4.4 million and RMB1.6 million, respectively.

Under our arrangements currently in force as at the date of this prospectus, the aggregate remuneration of our Directors for the year ending 31 December 2010 is estimated to be equivalent to approximately RMB3.2 million.

5 Fees or commissions received

Save as disclosed in this prospectus, none of the Directors nor any of the persons whose names are listed in the section headed "Statutory and General Information — Other Information — Consents" in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of our Company or any of our subsidiaries from our Company within the two years preceding the date of this prospectus.

6 Related party transactions

During the two years preceding that date of this prospectus, we were engaged in related party transactions as described in note 37 to the section headed "Notes to Financial Information" set out in Appendix I to this prospectus.

7 Interest in our largest suppliers or customers

Save as disclosed in this prospectus, none of the Directors nor their associates, nor any Shareholder (which to the knowledge of the Directors owns more than 5% of our Company's share capital) has any interest in our five largest suppliers or our five largest customers.

D DISCLAIMERS

Save as disclosed in this prospectus:

(a) none of the Directors nor any of the parties listed in the section headed "Statutory and General Information — Other Information — Consents" in this Appendix has any direct or indirect interest in the promotion of our Company or any of our subsidiaries, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(b) none of the Directors nor any of the parties listed in the section headed "Statutory and General Information — Other Information — Consents" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(c) save for the Underwriting Agreements, none of the parties listed in the section headed "Statutory and General Information — Other Information — Consents" in this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for securities in our Company or in any of our subsidiaries;

(d) none of the equity and debt securities of our Company is listed or dealt in any other stock exchange nor is any listing or permission to deal is being or is proposed to be sought from any other stock exchange;

(e) we have no outstanding convertible debt securities;

(f) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries;

(g) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in or debentures of our Company; and

(h) no amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this prospectus to any promoter nor is any such securities or amount or benefit intended to be paid or allotted or given.

E SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted pursuant to the written resolutions of the Shareholders passed on 30 September 2010:

1 Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is for our Group to attract, retain and motivate talented Participants (as defined below), to strive for future developments and expansion of our Group. The Share Option Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of our Group and allow the participants to enjoy the results of our Company attained through their efforts and contributions.

2 Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The Board may from time to time grant options to (i) any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of our Group, (ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of our Group, (iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to our Group, (iv) any provider of goods and/or services to our Group or (v) any other persons who the Board considers, in its sole discretion, has contributed to our Group (the "Participants" and each, a "Participant").

3 Status of the Share Option Scheme

(a) ***Conditions of the Share Option Scheme***

The Share Option Scheme shall take effect subject to: (i) the Listing Committee granting approval (whether subject to conditions or not) of the Share Option Scheme and any right to subscribe for Shares pursuant to the Share Option Scheme which may be granted thereunder, and the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options; (ii) the Global Offering taking place in accordance with its terms; and (iii) the passing of the necessary resolutions to adopt the Share Option Scheme by the Shareholders (the "Conditions").

Application has been made to the Listing Committee for listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(b) ***Life of the Share Option Scheme***

Subject to the fulfillment of the Conditions, the Share Option Scheme shall be valid and effective for 10 years (the "Scheme Period") from the date (the "Adoption Date") on which the last of the

Conditions is fulfilled until the end of the Scheme Period, after which time no further option may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of the Scheme Period shall continue to be valid and exercisable after the end of the Scheme Period in accordance with the terms of the Share Option Scheme.

4 Grant of options

(a) ***Making of offer***

An offer of the grant of an option shall be made to a Participant by letter ("Offer Letter") and in writing in such form as the Board may in its sole and absolute discretion from time to time determine, requiring the Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme (including any operational rules made under the Share Option Scheme). The offer shall remain open for acceptance for a period of five Business Days from the date on which it is made ("Offer Date") except that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the termination of the Share Option Scheme. There shall be no performance target for the exercise of options. Upon making an offer of grant of options to a Participant, our Company will publish an announcement disclosing information in relation to the offer in accordance with the Listing Rules.

(b) ***Acceptance of option***

An option shall be deemed to have been accepted by the Participant (the "Grantee") and to have taken effect when the duplicate Offer Letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance set out in paragraph 4(a) above. The remittance is not in any circumstances refundable. Once accepted, the option is granted as from the Offer Date.

(c) ***Restriction on time of grant***

(i) No grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until the price sensitive information has been announced pursuant to the requirements of the Listing Rules or the price sensitive matter has been terminated or aborted (as the case may be), whichever is earlier. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:

(1) the date of the Board meeting as such date is first notified to the Stock Exchange in accordance with the Listing Rules for the approval of our Company's results for any year, half-year or quarter or any other interim period (whether or not required under the Listing Rules); or

(2) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules or quarter or other interim period (whether or not required under the Listing Rules),

and ending the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(ii) No grant of options shall be made to a Participant who is a Director during a period in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers or our Company's own equivalent Code.

(d) ***Grant to connected persons***

Any grant of options to a connected person must be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is also a proposed Grantee of the options). Upon making an offer of grant of options to a connected person, our Company will publish an announcement disclosing information in relation to the offer (including the name of the connected person to whom the offer is made and the number of options offered to such connected person) in accordance with the Listing Rules.

(e) ***Grants to substantial shareholders and independent non-executive Directors***

Without prejudice to paragraph 4(d) above, any grant of options to a substantial shareholder or an independent non-executive Director of our Company or any of their respective associates must be approved by the Shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him/her (whether exercised, cancelled or outstanding) in the 12 month period up to and including the Offer Date:

(i) would represent in aggregate more than 0.1 per cent of the Shares then in issue; and

(ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

(f) ***Proceedings in general meeting to approve the grant of option***

At the general meeting to approve the proposed grant of options under paragraph 4(e) above, all connected persons of our Company must abstain from voting unless intending to vote against the proposed grant. At the general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the relevant provisions of the Listing Rules.

5 Subscription price

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "Subscription Price") shall, subject to any adjustment pursuant to paragraph 7 below, 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;

except that for the purposes of calculating the Subscription Price under paragraph 5(ii) above for an option offered within five Business Days of the Listing Date, the price at which the Shares are to be offered for subscription pursuant to the Global Offering shall be used as the closing price for any Business Day falling within the period before the Listing Date.

6 Maximum number of Shares available for subscription

(a) ***Scheme Mandate***

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at the Listing Date ("Scheme Mandate") which is expected to be 250,000,000 Shares (or such number of Shares result from a sub-division or consolidation of such 250,000,000 Shares from time to time). For the purpose of calculating the Scheme Mandate, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

(b) ***Refreshment of Scheme Mandate***

Our Company may seek approval by our Shareholders in general meeting for refreshing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of our Company under the Scheme Mandate as refreshed, must not exceed 10% of the total number of Shares in issue as of the date of Shareholders' approval. For these purposes, options previously granted under the Share Option Scheme and any other share option schemes of our Company, including those outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted.

(c) ***Grant of options beyond Scheme Mandate***

Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Mandate provided that the options in excess of the Scheme Mandate are granted only to Participants who are specifically identified before such approval is sought. A circular will be sent by our Company to our Shareholders in accordance with the Listing Rules.

(d) ***Maximum number of Shares issued pursuant to options***

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company must not exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

(e) ***Grantee's maximum holding***

Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that Grantee 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.

7 Reorganisation of capital structure

(a) ***Adjustment to options***

If there is any alteration in the capital structure of our Company whilst any option becomes or remains exercisable (whether that alteration is by way of a capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of our Company but not including an issue of Shares as consideration in respect of a transaction to which our Company is a party), the Board shall make (and shall notify to the Grantee) such corresponding alterations (if any) in:

(i) the number and description of Shares subject to each option;

(ii) the Subscription Price;

(iii) the method of exercise of the option; and/or

(iv) the number of Shares subject to the Share Option Scheme;

that are required to give each Grantee the same proportion of the share capital as that to which the Grantee was previously entitled, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value.

(b) ***Auditors' certificate***

On any capital reorganisation other than a capitalisation issue, the auditors of our Company as appointed from time to time or an independent financial adviser shall certify in writing to the Board that the adjustments made by the Board pursuant to sub-paragraph 7(a) above are in their opinion fair and reasonable.

The capacity of the auditors of our Company as appointed from time to time or the independent financial adviser in this paragraph is that of experts and not of arbitrators and their certification shall be final and binding on our Company and the Grantees.

8 Cancellation of options

Subject to the consent from the relevant Grantee, the Board may at its discretion cancel options previously granted to and yet to be exercised by a Grantee.

A Grantee whose options are cancelled under the paragraph above may be issued new options in accordance with the provisions of the Share Option Scheme, provided that the issue of such new options is made with available unissued options (excluding the cancelled options) within the limit approved by the shareholders as mentioned in paragraphs 6(a) to (c) above.

9 Assignment of options

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so. Our Company may, after having reasonably satisfied itself that a Grantee has breached this paragraph, revoke the option granted to that Grantee (to the extent not already exercised) by notice. Such revocation notice shall be final and binding on the Grantee.

10 Rights attaching to Shares

The Shares to be allotted upon exercise of an option will be subject to all the provisions of our Articles of Association and will rank pari passu with the fully paid Shares in issue on the date of allotment. Accordingly the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment provided that the record date for the dividend or distribution is a date after the date of allotment.

A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the Grantee or his nominee as the holder of the Share on the register of members of our Company.

11 Exercise of options

(a) ***General***

An option (to the extent that it is vested and/or exercisable pursuant to the terms and conditions set out in the Share Option Scheme in the Offer Letter) may be exercised by the Grantee at any time during a period of 10 years commencing on the Listing Date (the "Option Period") provided that the option has not lapsed for any reason set forth in paragraphs 11(b) to (f) below.

(b) ***Rights of Grantee upon his retirement or death***

If the Grantee (being an individual) ceases to be a Participant by reason of retirement or death, the Grantee or his legal personal representative shall be entitled within a period of 24 months from the date of retirement or death (or within such longer period as the Board may determine) to exercise the option (to the extent not already exercised but whether vested or not).

(c) ***Rights of Grantee upon his cessation of employment under certain circumstances***

If the Grantee (being an employee) ceases to be a Participant for any reason other than his retirement or death or termination of his employment on one or more of the grounds specified in sub-paragraph 12(v) below, the Grantee may exercise the option (to the extent not already exercised but whether vested or not) up to the date of cessation (which date shall be the last actual working day with our Company or the relevant subsidiary of our Company, whether salary is paid in lieu of notice or not) or for such longer period as is determined by the Board.

(d) ***Rights on a takeover***

If a general offer (whether by way of takeover offer, scheme of arrangement or otherwise) is made to all the holders of Shares (or all holders other than the offeror and its concert parties and persons controlled by the offeror) and the offer becomes or is declared unconditional during the Option Period of an outstanding option, the Grantee shall be entitled to exercise the option (to the extent not already exercised but whether vested or not) at any time before the expiry of the period of 10 Business Days following the date on which the offer becomes or is declared unconditional.

(e) ***Rights on a voluntary winding up***

If a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each of our Shareholders give notice to all Grantees (together with a notice of the existence of the provisions of this paragraph). Upon receipt of such notice, each Grantee shall be entitled to exercise all or any of the option (to the extent not already exercised but whether vested or not) at any time not later than 2 Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given. Upon receipt of such notice together with the remittance by our Company, our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid. The allotted Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

(f) ***Rights on a compromise or arrangement***

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to the Grantee on the same day as it gives notice of the meeting to its shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the Grantee may, during the period commencing on the date of the notice and ending on the earlier of:

(i) the date two calendar months thereafter; and

(ii) the date on which such compromise or arrangement is sanctioned by the court;

exercise the option (to the extent not already exercised but whether vested or not), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Our Company may require the Grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. Upon such compromise or arrangement becoming effective, all options for the time being outstanding shall lapse except insofar as previously exercised under this paragraph.

12 Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of the periods referred to in sub-paragraphs 11(b) to (d) above;

(iii) the date of the commencement of the winding-up of our Company in respect of the situation contemplated by paragraph 11(e) above;

(iv) the date the scheme or compromise referred to in paragraph 11(f) becomes effective;

(v) the date on which the Grantee (being an employee) ceases to be a Participant by reason of the termination of his/her employment on any one or more of the following grounds:

(a) that he/she has been guilty of misconduct;

(b) that he/she has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally;

(c) that he/she has been convicted of a criminal offence involving his integrity or honesty; or

(d) on any other ground on which an employer would be entitled to immediately terminate his/her employment pursuant to applicable laws or under the Grantee's employment contract;

and a resolution of the Board (or the board of directors of the relevant subsidiary of our Company) to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 12(v) shall be conclusive;

(vi) the date on which the Grantee commits a breach of paragraph 9 above;

(vii) if an option was granted subject to certain conditions, restrictions or limitation, the date on which the Board resolves that the Grantee has failed to satisfy or comply with such conditions, restrictions or limitation;

(viii) where the Grantee is a supplier, consultant or adviser (whether an individual or a corporation), the date on which the Board resolves that the supplier, consultant or adviser has ceased to qualify as a Participant by reason of:

(a) the termination of its business relationship with the relevant member of our Group;

(b) its failure to comply with any provision of the relevant contracts, or breaches its fiduciary duty under the common law; or

(c) any other grounds that the Board considers appropriate.

(ix) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Letter.

13 Amendment of the Share Option Scheme

(a) ***Amendments requiring Board approval***

Any amendment to the Share Option Scheme other than those set out in sub-paragraph 13(b) below must be approved by a resolution of the Board or the scheme administrator appointed by the Board to administer the day-to-day running of the Share Option Scheme.

(b) ***Amendments requiring shareholder approval***

The following matters require the prior sanction of a resolution of the Shareholders in general meeting:

(i) any change to the provisions relating to:

(1) the purpose of the Share Option Scheme;

(2) the definitions of "Grantee", "Vesting Option", "Option Period", "Participant" and "Scheme Period" contained in the Share Option Scheme;

(3) the provisions relating the Scheme Period, the basis of eligibility for options, the offer of grant of options, the method of making an offer, restriction on time of grant, the contents of offer letter, the acceptance of option, part acceptance, lapse of offer, the Subscription Price, granting options to connected persons, the exercise of options, the lapse of options, the maximum number of shares available for subscription, cancellation of options, reorganisation of capital structure, termination and amendments of the Share Option Scheme;

which operates to the advantage of Participants or Grantees;

(ii) any change to the authority of the Board or the scheme administrator appointed by the Board to administer the day-to-day running of the Share Option Scheme;

(iii) any amendment to the terms and conditions of the Share Option Scheme which are of a material nature; and

(iv) any change to the terms of options granted.

(c) ***Amendments requiring the super majority consent from the Grantees***

Notwithstanding any approval obtained pursuant to sub-paragraphs 13(b) above, no amendment shall operate so as to adversely affect the terms of issue of any options granted or agreed to be granted except with the consent or sanction in writing of the number of Grantees that together hold options in respect of not less than three-quarters (in nominal value) of those Shares over which options have been granted, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

14 Termination

Our Company may at any time terminate the operation of the Share Option Scheme by resolution of the Board or resolution of our Shareholders in general meeting and in such event no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects. In particular, all options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

As at the date of the prospectus, no option has been granted by our Company under the Share Option Scheme.

F OTHER INFORMATION

1 Tax and other indemnity

Netsales and Mr Chen, being our Controlling Shareholders (the "Indemnifiers"), have entered into a deed of indemnity in favour of our Company (for ourself and as trustee for our subsidiaries) to provide the following indemnities in favour of our Group.

Under the deed of indemnity, amongst others, the Indemnifiers will indemnify each of our Company and our subsidiaries on demand against (a) any depletion in or diminution in value of our assets as a direct or indirect consequence of, and in respect of any amount which our Group may after the Listing Date become liable to pay, any duty which is or thereafter becomes payable by our Group by virtue of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong); (b) taxation falling on our Group resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the Listing Date; or (c) any actions, claims, losses, damages, costs, charges or expenses which may be made, suffered or incurred by our Group in respect of or arising directly or indirectly from any incidents in which our Group have failed to comply with or breach of any relevant laws or regulations in the PRC or any other part of the world regarding the use of pre-paid gift cards at any time on or before the Listing Date.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation where, among others, (a) provision has been made for such taxation in the audited accounts of our Companies or any of our subsidiaries for an accounting period ending on or before 30 June 2010; (b) falling on our Group in respect of any accounting period commencing on or after 1 July 2010 unless liability for such taxation would not have arisen but for some event entered into by, the Indemnifiers or our Group (whether alone or in conjunction with some other event whenever occurring) otherwise than in the course of normal day to day trading operations on or before Listing Date; and (c) the taxation arises or is incurred as a consequence of any change in the law or the interpretation thereof or practice by the Hong Kong Inland Revenue Department or any other relevant authority anywhere having retrospective effect coming into force after the Listing Date or to the extent that such taxation arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands or the PRC.

2 Litigation

As at the date of the prospectus, save as disclosed in the section headed "Business — Legal and compliance and litigation" in this prospectus, we are not involved in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Company and our subsidiaries.

3 Application for Listing

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

4 Preliminary expenses

The estimated preliminary expenses incurred or proposed to be incurred by our Company are approximately US$3,500 and are payable by our Company.

5 Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

6 Qualifications of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
Morgan Stanley Asia Limited	A registered institution licensed to conduct Type 1 (dealing in securities), Type 4 (advising in securities), Type 5 (advising in futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance
Ernst & Young	Certified public accountants
Commerce & Finance Law Offices	PRC legal advisers
Jones Lang LaSalle Sallmanns Limited	Property valuers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law

7 Consents

Each of Morgan Stanley Asia Limited, Ernst & Young, Commerce & Finance Law Offices, Jones Lang LaSalle Sallmanns Limited and Conyers Dill & Pearman, has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its reports and/or letters and/or valuation certificates and/or the references to its name included herein in the form and context in which they are respectively included. None of the experts named above has any shareholding in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8 Share register

The register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

9 Particulars of Selling Shareholders

The particulars of the Selling Shareholders are set out as follows:

Name	:	Netsales Trading Limited
Place of incorporation	:	British Virgin Islands
Date of incorporation	:	20 February 2006
Registered office	:	Offices of Trident Trust Company (B.V.I.) Limited, Trident Chambers, P.O. Box 146, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold as part of the Global Offering (assuming that the Over-allotment Option is not exercised)	:	Nil
Number of additional Sale Shares to be sold if the Over-allotment Option is exercised in full	:	28,750,000 Shares
Total Sale Shares	:	28,750,000 Shares

Name	:	CDH Resource Limited
Place of incorporation	:	British Virgin Islands
Date of incorporation	:	24 February 2006
Registered office	:	P.O. Box 173, Kingston Chambers, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold as part of the Global Offering (assuming that the Over-allotment Option is not exercised)	:	63,000,000
Number of additional Sale Shares to be sold if the Over-allotment Option is exercised in full	:	55,000,000 Shares
Total Sale Shares	:	118,000,000 Shares

Name	:	Celestial Spring Limited
Place of incorporation	:	British Virgin Islands
Date of incorporation	:	10 November 2009
Registered office	:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold as part of the Global Offering (assuming that the Over-allotment Option is not exercised)	:	Nil
Number of additional Sale Shares to be sold if the Over-allotment Option is exercised in full	:	10,000,000 Shares
Total Sale Shares	:	10,000,000 Shares

Name	:	Fit Master Limited
Place of incorporation	:	British Virgin Islands
Date of incorporation	:	10 November 2009
Registered office	:	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands
Number of Sale Shares to be sold as part of the Global Offering (assuming that the Over-allotment Option is not exercised)	:	62,000,000 Shares
Number of additional Sale Shares to be sold if the Over-allotment Option is exercised in full	:	Nil
Total Sale Shares	:	62,000,000 Shares

10 Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash; and

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued or agreed to issue any founder shares, management shares or deferred shares;

(d) since 30 June 2010 (being the date to which the latest audited consolidated financial statements of our Group were made up), there has been no material adverse change in the financial or trading position or prospects of our Company;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) the Global Offering does not involve the exercise of any right of pre-emption or the transfer of subscription rights;

(g) as at the date of this prospectus, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong;

(h) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this prospectus;

(i) the English text of this prospectus shall prevail over the Chinese text; and

(j) none of our Company or any of our subsidiaries is presently listed on any stock exchange or traded on any trading system.

11 Binding effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

12 Compliance Adviser

Our Company will appoint Guotai Junan Capital Limited as our compliance adviser upon listing in compliance with Rule 3A.19 of the Listing Rules.

We expect to enter into a compliance adviser's agreement with our compliance adviser, the material terms of which we expect to be as follows:

(a) we will appoint the compliance adviser as our compliance adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;

(b) the compliance adviser shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and other applicable laws, regulations and codes, and to act as one of our principal channels of communication with the Stock Exchange;

(c) we will agree to indemnify the compliance adviser for certain actions against and losses incurred by the compliance adviser arising out of or in connection with the performance by the compliance adviser of its duties under the agreement, or any material breach or alleged breach by us of the provisions of the agreement; and

(d) we may terminate the appointment of any compliance adviser if the compliance adviser's work is of an unacceptable standard as permitted by Rule 3A.26 of the Listing Rules. The compliance adviser may resign or terminate its appointment by service of three months' notice to us.

13 Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the Application Forms;

(b) the written consents referred to in the section headed "Statutory and General Information — Other Information — Consents" in Appendix VI to this prospectus;

(c) copies of the material contracts referred to in the section headed "Statutory and General Information — Further Information about Our Business — Summary of material contracts" in Appendix VI to this prospectus; and

(d) particulars of the Selling Shareholders.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Norton Rose Hong Kong at 38th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum of Association and Articles of Association;

(b) the Accountants' Report, the text of which is set out in the section headed "Accountants' Report" in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information, the text of which is set out in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus;

(d) the letters relating to profit forecast of our Company, the text of which are set out in the section headed "Profit Forecast" in Appendix III to this prospectus;

(e) the consolidated audited financial statements of our Company and our subsidiaries for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010;

(f) the letter and valuation certificate relating to our property interests prepared by Jones Lang LaSalle Sallmanns Limited, the texts of which are set out in the section headed "Property Valuation" in Appendix IV to this prospectus;

(g) the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to the section headed "Summary of the Constitution of Our Company and Cayman Islands Company Law" in Appendix V to this prospectus;

(h) the Companies Law;

(i) the PRC legal opinions issued by Commerce & Finance Law Offices;

(j) the material contracts referred to in the section headed "Statutory and General Information — Further Information about Our Business — Summary of material contracts" in Appendix VI to this prospectus;

(k) particulars of the Selling Shareholders; and

(l) the written consents referred to in the section headed "Statutory and General Information — Other Information — Consents" in Appendix VI to this prospectus.