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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

HIGHLIGHTS OF FINAL RESULTS

- **Total Sales Proceeds ("TSP")[1] recorded RMB10,889 million, representing a YoY increase of 1.8%; TSP from the department store division recorded RMB8,041 million, representing a YoY increase of 1.7% and TSP from the supermarket division recorded RMB2,848 million, representing a YoY increase of 2.2%**
- **Same store sales YoY change[2] for department store division and supermarket division remained at -5.8% and -8.7% respectively**
- **Profit attributable to owners of the parent was RMB325 million, representing a YoY drop of 32.3%**
- **Earnings per share was RMB14 cents**
- **Proposed final dividend of HK5 cents per share**

1 TSP represents the sum of gross revenue from concessionaire sales, revenue from direct sales and rental income.

2 Same store sales YoY change represents change in total gross sales proceeds for stores having operations through the comparable period.

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The board (the "Board") of directors (the "Directors") of Springland International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively hereafter referred to as the "Group") for the year ended 31 December 2016, together with comparative figures for the previous year of 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	4	4,192,723	4,167,905
Other income and gains	5	711,317	606,359
Purchase of and changes in inventories		(2,480,538)	(2,413,998)
Staff costs		(667,339)	(610,233)
Depreciation and amortisation		(438,871)	(345,390)
Rental expenses		(94,076)	(118,308)
Other expenses	6	(651,506)	(553,969)
Finance costs	7	(75,282)	(33,768)
Share of loss of a joint venture		-	(2,991)
PROFIT BEFORE TAX		496,428	695,607
Income tax expense	8	(174,041)	(205,401)
PROFIT FOR THE YEAR		322,387	490,206
Attributable to:			
Owners of the parent		325,058	480,288
Non-controlling interests		(2,671)	9,918
		322,387	490,206
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	10	0.14	0.20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2016

	2016 RMB'000	2015 RMB'000
PROFIT FOR THE YEAR	322,387	490,206
OTHER COMPREHENSIVE INCOME		
Exchange differences:		
Exchange differences on translation of foreign operations	(74,285)	(54,702)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(74,285)	(54,702)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(74,285)	(54,702)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	248,102	435,504
Attributable to:		
Owners of the parent	250,773	425,586
Non-controlling interests	(2,671)	9,918
	248,102	435,504

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		8,772,195	8,199,356
Prepaid land premiums		1,676,148	1,680,781
Other intangible assets		29,199	35,286
Goodwill	11	250,384	304,440
Available-for-sale investments		2,550	110
Long-term prepayments		19,371	75,791
Deferred tax assets		111,290	91,727
Restricted cash	14	108,908	104,725
Long-term time deposits at banks	14	177,979	170,141
Due from the Controlling Shareholder	13	117,974	-
Total non-current assets		11,265,998	10,662,357
CURRENT ASSETS			
Inventories		417,646	322,969
Trade receivables	12	10,663	9,781
Prepayments, deposits and other receivables		316,945	276,357
Due from the Controlling Shareholder	13	-	182,000
Derivative financial instruments		11,487	-
Restricted cash	14	-	132,872
Cash and cash equivalents	14	401,592	629,061
		1,158,333	1,553,040
Assets of a disposal group classified as held for sale		26,400	26,400
Total current assets		1,184,733	1,579,440
CURRENT LIABILITIES			
Short-term financing notes	15	-	506,747
Interest-bearing bank borrowings	16	1,739,204	1,591,115
Trade payables	19	1,290,133	1,123,786
Other payables and accruals		2,471,663	2,208,522
Tax payable		56,547	78,430
		5,557,547	5,508,600
Liabilities directly associated with the assets classified as held for sale		4,769	4,769
Total current liabilities		5,562,316	5,513,369
NET CURRENT LIABILITIES		(4,377,583)	(3,933,929)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,888,415	6,728,428

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	16	-	877,750
Medium term financing notes	17	309,074	-
Corporate bonds	18	814,670	-
Long-term payables		62,614	73,370
Deferred tax liabilities		561,625	559,600
Total non-current liabilities		1,747,983	1,510,720
Net assets		5,140,432	5,217,708
EQUITY			
Equity attributable to owners of the parent			
Issued capital	20	20,127	20,907
Treasury shares	20	(112)	-
Reserves		4,951,352	5,006,911
		4,971,367	5,027,818
Non-controlling interests		169,065	189,890
Total equity		5,140,432	5,217,708

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Springland International Holdings Limited was incorporated as an exempted company with limited liability in the Cayman Islands on 21 June 2006 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 October 2010.

The Group are 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 Octopus Holdings Foundation, a company incorporated in the Cayman Islands.

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards and Interpretations) issued by the International Accounting Standards Board (the "IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance (Cap. 622). They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated. In this year, the Group has applied a number of revised IFRSs. The adoption of the new and revised IFRSs has had no significant financial effect on the consolidated financial statements of the Group for the current accounting period.

3. Operating segment information

For management purposes, the Group is organized 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 resource 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, share of loss of a joint venture, dividend income, fair value gains from the Group's financial instruments, fair value gains on disposal available-for-sale listed investments, gains on disposal of unquoted current investments, stated at cost as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude the Group's available-for sale investments, deferred tax assets, restricted cash, long-term time deposits at banks, tax recoverable, amounts due from the Controlling Shareholder, derivative financial instruments, cash and cash equivalents, assets of a disposal group classified as held for sale and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude short-term financing notes interest-bearing bank borrowings, derivative financial instruments, tax payable, liabilities directly associated with the assets classified as held for sale, medium term financing notes, corporate bonds, 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.

3. Operating segment information (continued)

Year ended 31 December 2016	Department store RMB'000	Supermarket RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	1,620,961	2,571,762	4,192,723
Segment results	601,963	85,190	687,153
Reconciliation:			
Interest and dividend income and unallocated gains			66,235
Corporate and other unallocated expenses			(181,678)
Finance costs			(75,282)
Profit before tax			496,428
Segment assets	9,746,224	1,691,330	11,437,554
Reconciliation:			
Corporate and other unallocated assets			986,777
Assets of a disposal group classified as held for sale			26,400
Total assets			12,450,731
Segment liabilities	2,990,995	869,004	3,859,999
Reconciliation:			
Corporate and other unallocated liabilities			3,445,531
Liabilities directly associated with the assets classified as held for sale			4,769
Total liabilities			7,310,299
Other segment information			
Depreciation and amortisation	347,824	86,940	434,764
Corporate and other unallocated amounts			4,107
Total depreciation and amortisation			438,871
Provision/(write-back of provision) for slow-moving inventories	783	(648)	135
Impairment of goodwill	54,056	-	54,056
Capital expenditure	706,864	334,523	1,041,387
Corporate and other unallocated amounts			11,871
Total capital expenditure*			1,053,258

3. Operating segment information (continued)

Year ended 31 December 2015	**Department store RMB'000**	**Supermarket RMB'000**	**Total RMB'000**
Segment revenue			
Sales to external customers	1,623,725	2,544,180	4,167,905
Segment results	676,162	112,181	788,343
Reconciliation:			
Interest and dividend income and unallocated gains			66,559
Corporate and other unallocated expenses			(122,536)
Share of loss of a joint venture			(2,991)
Finance costs			(33,768)
Profit before tax			695,607
Segment assets	9,303,281	1,394,762	10,698,043
Reconciliation:			
Corporate and other unallocated assets			1,517,354
Assets of a disposal group classified as held for sale			26,400
Total assets			12,241,797
Segment liabilities	2,723,719	787,682	3,511,401
Reconciliation:			
Corporate and other unallocated liabilities			3,507,919
Liabilities directly associated with the assets classified as held for sale			4,769
Total liabilities			7,024,089
Other segment information			
Depreciation and amortisation	264,445	76,495	340,940
Corporate and other unallocated amounts			4,450
Total depreciation and amortisation			345,390
Provision / (write-back of provision) for slow-moving inventories	847	(546)	301
Impairment of property, plant and equipment	33,000	-	33,000
Capital expenditure	2,676,971	292,846	2,969,817
Corporate and other unallocated amounts			10,539
Total capital expenditure*			2,980,356

3. Operating segment information (continued)

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

Geographical information

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

Information about major customers

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

4. Revenue

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

An analysis of revenue is as follows:

	2016 RMB'000	2015 RMB'000
Sales of goods - direct sales	2,788,789	2,754,409
Commission income from concessionaire sales (Note)	1,235,436	1,278,120
Total turnover	4,024,225	4,032,529
Rental income	166,690	133,987
Provision of food and beverage services	1,808	1,389
Total revenue	4,192,723	4,167,905

Note:

The commission income from concessionaire sales is analysed as follows:

	2016 RMB'000	2015 RMB'000
Gross revenue from concessionaire sales	7,933,697	7,807,255
Commission income from concessionaire sales	1,235,436	1,278,120

5. Other income and gains

	2016 RMB'000	2015 RMB'000
Other income		
Fee income from suppliers	632,283	534,379
Interest income	30,815	47,900
Subsidy income	15,949	17,461
Others	20,783	5,094
	699,830	604,834
Gains		
Gains on disposal of investments at fair value through profit or loss	-	1,430
Gains on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss	-	95
Fair value gains, net:		
Derivative instruments		
- transactions not qualifying as hedges	11,487	-
	11,487	1,525
	711,317	606,359

6. Other expenses

Other expenses mainly include impairment of goodwill, impairment of property, plant and equipment, utility expenses, advertising and promotion expenses, loss on disposal of property, plant and equipment, office expenses, maintenance costs, travelling expenses, entertainment expenses, property tax and government surcharges and other miscellaneous expenses.

7. Finance costs

An analysis of finance costs is as follows:

	2016 RMB'000	2015 RMB'000
Interest on short-term financing notes	12,503	8,247
Interest on medium term financing notes	11,775	-
Interest on corporate bonds	21,870	-
Interest on bank borrowings wholly payable within five years	78,415	92,720
Less: Interest capitalised	(49,281)	(67,199)
	75,282	33,768

8. Income tax

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

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

Under the People's Republic of China (the "PRC") Corporate Income Tax Law (the "New CIT Law"), the income tax rate became 25% starting from 1 January 2008. Therefore, provision for the PRC income tax has been made at the applicable income tax rate of 25% (2015: 25%) on the assessable profits of the subsidiaries of the Group established in Mainland China (the "PRC Subsidiaries").

	2016 RMB'000	2015 RMB'000
Current - PRC corporate income tax charge for the year	178,980	207,390
Deferred	(4,939)	(1,989)
Total tax charge for the year	174,041	205,401

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:

	2016 RMB'000	2015 RMB'000
Profit before tax	496,428	695,607
Tax at the statutory tax rate of 25% (2015: 25%)	124,107	173,902
Expenses not deductible for tax	19,630	14,343
Losses attributable to a joint venture	-	748
Effect of withholding tax on the distributable profits of the PRC Subsidiaries	10,983	13,057
Tax losses not recognised	19,321	3,351
Tax charge at the Group's effective rate	174,041	205,401

9. Dividends

	2016 RMB'000	2015 RMB'000
Interim – HK3 cents (2015: HK4 cents) per ordinary share	61,238	80,535
Proposed final – HK5 cents (2015: HK7 cents) per ordinary share	103,332	142,332
	164,570	222,867

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

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

10. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of RMB325,058,000 (2015: RMB480,288,000), and the weighted average number of ordinary shares of 2,383,042,762 (2015: 2,435,780,337) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2016 and 2015.

11. Goodwill

	2016 RMB'000	2015 RMB'000
As at 1 January		
Cost	329,440	206,494
Accumulated impairment (*Note*)	(25,000)	(25,000)
Net carrying amount	304,440	181,494
Cost at 1 January, net of accumulated impairment	304,440	181,494
Acquisition of a subsidiary	-	122,946
Impairment during the year (*Note*)	(54,056)	-
Cost and net carrying amount at 31 December	250,384	304,440
As at 31 December		
Cost	329,440	329,440
Accumulated impairment	(79,056)	(25,000)
Net carrying amount	250,384	304,440

11. Goodwill (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the department store cash-generating unit for impairment testing. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 13.5% (2015: 13.5%).

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

Assumptions were used in the value in use calculation of the department store cash-generating unit for 31 December 2016 and 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

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

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

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

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

Sensitivity to changes in assumptions

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

11. Goodwill (continued)

Notes:

As at 31 December 2014, as the progress of extension and renovation of existing property of Yangzhou Fengxiang Commerce Co., Ltd. ("Yangzhou Fengxiang") did not meet management's expectation, management recognised an impairment charge of RMB25,000,000 against the carrying amount of RMB56,728,000. As at 31 December 2016, the operating outcome continued not to meet the management's expectation, and management recognised a full impairment against the net carrying amount of RMB31,728,000.

As at 31 December 2016, as the operating result of Nanjing Yaohan Commerce & Trade Co., Ltd. did not meet management's expectation which relates to municipal reconstruction of Hunan road in Nanjing, the management closed the department store and recognised a full impairment against the carrying amount of RMB22,328,000.

12. Trade receivables

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

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

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

	2016 RMB'000	2015 RMB'000
Within one month	10,663	9,781

13. Due from the Controlling Shareholder

The Group had an outstanding balance due from the Controlling Shareholder of RMB118,000,000 as principal and RMB26,000 as interest prepayment at 31 December 2016 (2015: RMB182,000,000). This balance is unsecured, bearing interest at a rate of 3.5% per annum from 1 January 2017 and shall be repaid on or before 31 December 2019.

14. Cash and cash equivalents and restricted cash

	2016 RMB'000	2015 RMB'000
Cash and bank balances	337,394	504,393
Time deposits	351,085	532,406
	688,479	1,036,799
Less: Restricted cash with maturity date within one year	-	(132,872)
Restricted cash with maturity date over one year	(108,908)	(104,725)
Long-term time deposits at banks	(177,979)	(170,141)
Cash and cash equivalents	401,592	629,061

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

	2016 RMB'000	2015 RMB'000
RMB	601,695	941,127
US$	61,621	74,682
HK$	21,997	19,073
SGD$	3,166	1,917
	688,479	1,036,799

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and five years depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks. The carrying amounts of the cash and cash equivalents and time deposits approximate to their fair values.

Pursuant to the relevant rules and regulations issued by the Ministry of Commerce of the PRC, the Group was required to deposit bank balances (or through issuing the letter of bank guarantee to deposit) in the Group's designated accounts, which amount was no less than 30% of the balance of advances from customers for sales of prepaid cards. As at 31 December 2016, certain of the Group's cash amounting to RMB108,908,000 (2015: RMB104,725,000) represents the above balances in the Group's designated accounts.

As at 31 December 2015, certain of the Group's cash amounting to RMB132,872,000 was restricted to use to secure bank loan facilities granted to the Group.

15. Short-term financing notes

On 7 August 2015, the Group has issued its short-term financing notes at par value of RMB500 million to domestic institutional investors in the PRC. The nominal interest rate is 3.85% per annum and the effective interest rate is 4.16% per annum. The term of the financing notes was 366 days from the date of issuance. On 5 August 2016, the Group has repaid all of the short-term financing notes.

16. Interest-bearing bank borrowings

	2016 RMB'000	2015 RMB'000
Bank loans:		
Secured	-	417,635
Unsecured	1,739,204	2,051,230
	1,739,204	2,468,865
Bank loans repayable:		
Within one year or on demand	1,739,204	1,591,115
Over one year but within two years	-	877,750
	1,739,204	2,468,865
Total bank borrowings	1,739,204	2,468,865
Less: Portion classified as current liabilities	(1,739,204)	(1,591,115)
Long-term portion	-	877,750

Bank loans bear interest at fixed rates or floating rates.

The Group's bank loans bore interest at effective interest rates ranging from 1.8% to 4.8% per annum as at 31 December 2016 and 1.9% to 4.9% per annum as at 31 December 2015.

As at 31 December 2015, certain of the Group's cash amounting to RMB132,872,000 was restricted to use to secure the bank loan facilities granted to the Group.

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

	2016 RMB'000	2015 RMB'000
RMB	310,000	800,000
US$	1,366,589	1,204,887
HK$	62,615	463,978
	1,739,204	2,468,865

17. Medium term financing notes

The aggregate principal amount of up to RMB2.0 billion approved by the National Association of Financial Market Institutional Investors, the Group issued its first tranche of medium term financing notes at par value of RMB300 million to domestic institutional investors in the PRC on 25 March 2016. The nominal interest rate is 4.78% per annum and the effective interest rate is 5.13% per annum. The term of the medium term financing notes was 3 years from the date of issuance. The interest shall be paid on an annual basis.

18. Corporate bonds

The aggregate principal amount of up to RMB2.0 billion approved by the China Securities Regulatory Commission and the Shanghai Stock Exchange in May 2016, the Group issued its first tranche of corporate bonds at par value of RMB800 million to public qualified investors in the PRC on 21 June 2016. The nominal interest rate is 4.87% per annum and the effective interest rate is 5.22% per annum. The term of the corporate bonds was 3 years from the date of issuance. The interest shall be paid on an annual basis.

19. Trade payables

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

	2016 RMB'000	2015 RMB'000
Within three months	1,101,521	945,780
Over three months but within six months	90,563	91,463
Over six months but within one year	55,075	50,028
Over one year	42,974	36,515
	1,290,133	1,123,786

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

20. Issued capital

	2016 RMB'000	2015 RMB'000
Issued and fully paid 2,330,760,000 (2015: 2,421,050,000) ordinary shares	20,127	20,907

A summary of the movements of the Company's issued capital is as follows:

	No. of shares at HK$0.01 each Thousands	RMB'000
At 1 January 2015	2,460,700	21,249
Shares repurchased and cancelled	(27,730)	(240)
Cancellation of treasury shares	(11,920)	(102)
At 31 December 2015 and 1 January 2016	2,421,050	20,907
Shares repurchased and cancelled	（90,290)	(780)
At 31 December 2016	2,330,760	20,127

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of shares at HK$0.01 each Thousands	Price per share Highest HK$	 Lowest HK$	Aggregate consideration HK$'000	Equivalent to RMB'000
April 2016	5,740	1.54	1.40	8,518	7,092
May 2016	11,785	1.33	1.00	14,289	12,101
June 2016	20,160	1.04	0.95	20,151	17,222
July 2016	11,412	1.06	1.00	11,750	10,076
August 2016	5,130	1.04	0.98	5,236	4,516
September 2016	24,220	1.29	1.02	29,892	25,390
October 2016	2,144	1.20	1.16	2,551	2,225
November 2016	9,912	1.21	1.17	11,884	10,552
December 2016	12,774	1.30	1.17	15,880	14,201
	103,277			120,151	103,375

20. Issued capital (continued)

The Company repurchased 103,277,000 shares during the year ended 31 December 2016. The nominal value of approximately HK$1,033,000, equivalent to RMB892,000 (2015: HK$277,000, equivalent to RMB240,000) was credited to issued capital account, and the premium paid or payable and the related costs incurred for the share repurchase of approximately HK$ 119,118,000, equivalent to RMB 102,483,000 (2015: HK$61,377,000, equivalent to RMB49,662,000) was charged against share premium account of the Company.

Included in the repurchased shares, 90,290,000 shares were cancelled during the year ended 31 December 2016. The nominal value of approximately HK$903,000, equivalent to RMB780,000 (2015: HK$ 396,000 , equivalent to RMB 342,000) was credited to issued capital account from treasury shares accounts.

The remaining 12,987,000 shares were not cancelled and still recognised as treasury shares as at 31 December 2016. The nominal value was approximately HK$130,000, equivalent to RMB112,000 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The sluggish and complex global economy was the result of several international black swan events in 2016. It was against such background that the Chinese economy maintained a GDP growth of 6.5% with the support of a variety of consumption stimulus, including the government-led supply-side reform, Two-child policy and favourable policies for consumer finance.

Nevertheless, given the rising operating costs, changing supply and demand structure in consumption, rapid development of online retail and exponential growth of similar businesses along with other factors, the development of physical retail remained stagnant, hence the constant efforts in self-remaking and iterative studies in search of new possibilities for growth.

Regardless of the challenging business environment, the Group managed to achieve the business target set at the beginning of 2016. The total sales proceeds of the Group went slightly up by 1.8% to RMB10,889 million as compared with 2015, while the consolidated profit attributable to equity holders of the parent amounted to approximately RMB325 million, down by 32.3% as compared with 2015. The basic earnings per share was RMB14 cents. In light of the financial performance of the Group, the Board proposes a final dividend of HK$5 cents per share for the year ended 31 December 2016.

Strategies

Both consumption demand and market competition underwent drastic changes in the new retail industry, where physical retail faced competitions online and offline while increasingly sophisticate consumers shifted towards reasonable spending and personalized goods. In response, the Group adhered to the demand-driven strategy in accelerating its return to commercial retail, so as to create value for customers and enhance its business efficiency.

The department store business integrated hardware adjustment and software upgrade. On the one hand, it renovated physical stores by incorporating visual, touch and motion elements as it speeded up brand replacement and structural adjustment in product mix through introduction of catering, entertainment and leisure services to optimize shopping experience. On the other hand, it quickened store transformation with intelligent facilities and implemented intelligent upgrade in payment method, data connection, mobile connectivity, customer monitoring and parking system. It also adopted a variety of new digital media in marketing, which built close member communities in different dimensions for enhancing customer loyalty.

Community supermarkets with Datonghua features remained the development focus of the supermarket business. Regarding the current retail industry, it is every retailer's target to provide services to consumers in proximity. The Group repeatedly tested and gradually optimized the community supermarket model while achieved economies of scale by increasing store density. In 2016, it newly opened 14 supermarkets, mainly community store, establishing presence in four cities namely Jiaxing, Tongzhou, Anqing and Gaochun.

The Group also carried out the reform of supermarket business with emphasis on products and logistics. During the year, it expanded and deepened the product mix as a result of the enhancement and expansion of its agriculture production base, commencement of construction of the food processing centre and introduced a wide range of imported products. Furthermore, the Group co-operated with professional e-commerce company and launched WeChat membership card system, being the start of online consumption channel development.

During the period under review, the Group actively achieved upstream expansion of value chain and supply chain as well. It combined the trial operation of juice bars, catering with special features, maternal and child stores and lifestyle home products shops with stores of the Group to create synergy, it also enriched the product offering and distinguished itself by acquiring long-term exclusive distribution rights of high quality products within and outside of the country through agency and equity investment.

Our commitment to innovation reflected in our organisation structure and management culture. The Group streamlined the management by daringly delegating authority to business departments and stores while integrating the platform resources from front and back offices, thereby offering strong support and protection to the Company. We also focused more on staff development and happiness to incentivise their growth with us.

Operations review

Reshape department store positioning to create new consumer experiences

With the increasing consumption demands, consumers more concerned about product's brand, quality and service provided. In order to meet such demand, the Group practised the capitalized approach "One store, One strategy" for store management and continued to modify the positioning of department stores that fit the local market. This approach maintained the Group's retail edge by increasing experiential consumption and making advantages of department store and shopping mall in the commercial complex. The stores have their own operating characteristics and organize in-depth experiential marketing campaigns, which based on the customer's preference, including holding exhibitions and culture activities.

The department store business actively responded to consumer needs and continued to optimize in-store merchandise mix and "new elements" were enriched. New elements have the characteristics of lifestyle concept, shopping mall style, cost-effective and youth. They cover the current consumption hot spots, including fast fashion, accessories, beauty and personal care as well as lifestyle home products, which meet the demand of new consumption generation.

Expand experiential business such as food and beverage

During the period under review, the Group continued to add in-store recreational facilities such as food and beverage, children's education and fitness centers. The Group introduced self-developed food and beverage brand and private labels for Maternal and Child stores and lifestyle home products shops to provide differential products.

Enrich product supply & optimize product portfolio

Retail is to sell merchandise to customers. Therefore, we provided products with competitive prices and good quality which meet the customer's demands on health and safety. Supermarket division continuous improved the competitiveness of products by investing in self-own agriculture production base and food processing facilities as well as importing high quality imported products.

During the period under review, soil fertility, crop rotation and reformed the mode of production gradually improved the planting efficiency of vegetable farm. We also set up cooperative agricultural model, which including construct rice cultivation base and purchase from vegetable economic organizations (planting cooperative and buyer, etc), to meet the Group's demand around the year.

The fresh and cold chain logistic processing center with areas of over 90 acres and construction area of 48,000 square meters passed the environmental review by the end of 2016. The processing center will transform raw food ingredients and other agricultural products to produce marketable food products including split meat, prepared food, cooked food, pastry, packed vegetable, etc. In addition, sales of imported products demonstrated a high growth potential which was similar with the market trend. In 2016, the proportion of imported products accounted for 4.6% with a year-on-year growth of 21%.

Marketing strategies

Upgrade information system & improve management efficiency

The new CRM system will analyze large amount of member data and provide information on customer's personal attributes, user's active attributes and product brand and transaction attributes. An accurate analysis on consumer's behaviour will support effective marketing approach. The system delivers the correct incentive for the right identified consumer and promoted store visiting frequency and stock turn rate. Portable terminals and printers, which optimize the process and improve efficiency, supported the selling of fresh food anywhere in the store. Price control by using electronic scale allows automatic price synchronization which improved the efficiency of price change and flexible price adjustment. The introduction of mobile payments makes shopping more convenient and being a way to collect data.

Full range of marketing practices to meet customer scenario of consumption

Marketing campaigns are important mean to drive sales in the retail industry. In the year, the Group strengthens the marketing efforts of the headquarters, deploys O2O all-channel marketing and encourages cross-industry collaboration. Department store will be added shopping mall elements and created with "interactive scene experience", "interactive entertainment", 'integration of digital media", "cross-industry service experience". At the same time, we actively integrate brand, alliance unit, media and social resources, cooperation in the region, co-organised cyber game competition and singing contest with TV channels, co-operated with school to held graduation ceremony in the mall, co-operated events with banks. All strengthen competitiveness of our stores and attract more customers.

Embrace internet & increase interactive experience

Under the new retail era, companies make use of effective online resources which bring sales and reputation to the business. Jiangxing Yaohan being our first department store introduces WeChat service number that enhances member touchpoints experience and accelerates creation of multichannel interactive digital media system. The Group's unique theme of marketing was widely use of social networks such as the combined of WeChat push advertisement and spread of content through social networks. Large promotional activities on Women Day, Brand Day and Store Anniversary become the city's annual festival for economy on spending. Supermarket business co-operates with professional e-commerce company and launches WeChat membership card system. We expands online consumption channel through new digital media and mobile payments.

Free WIFI and mobile payment are available in all our stores. Most of the marketing and interaction with customers are now being done through social media networks to gain customer's loyalty. Also, the Group will continues to develop its social networks relationship management as well as membership system and construct our own "big data" database to improve business intelligence system.

Network expansion

In January 2016, the Group introduced the second comprehensive lifestyle shopping mall in Jiaxing City, Zhejiang Province. Jiaxing Yaohan Lifestyle Shopping Mall is located at the core business areas in Jiaxing with a total gross floor area of approximately 166,000 square meters. In December 2016, launching of phase II of Danyang store marked by the completion of upgrading on Danyang Yaohan store. The enlarged mall has a total gross floor area of approximately 90,000 square meters and with integrated fashion shopping, catering, entertainment, leisure and culture activities and bringing an innovative lifestyle shopping and entertainment experience to customers. Anqing Yaohan Lifestyle Shopping Mall, being the Group's third stores in Anhui Province commenced operation in the same month. The mall has a total gross floor area of approximately 90,000 square meters and has introduced various features and fashionable brands for shopping, catering, entertainment and culture activities along with a comprehensive range of business forms. The Group carried through its "1+N" expansion strategy in supermarket business to expand its foothold by opening 14 supermarkets, mainly community store, which are located along existing logistic routes.

As at 31 December 2016, the Group operated 19 department stores and comprehensive lifestyle shopping malls and manage one department store, with gross floor areas of 972,000 square meters and 39,000 square meters respectively. The Group operated gross floor areas increased 21.5% from 806,000 square meters in 31 December 2015. The Group also operated 51 supermarkets, with gross floor area of 441,000 square meters (2015: 373,000 square meters), representing an increase of 18.3% from 2015.

Prospects

Looking ahead, the consumer market is not expected to offset the economic shortfall from the slowdown in the manufacturing industry and export market. At the same time, the combined effect of Brexit, Donald Trump being President of the United States and rise in anti-establishment sentiment in Europe, along with increasing economic and political unpredictability, will cast uncertainties over future.

Opportunities coexist with challenges. China's emerging middle class, increasing spending power and more specific consumption demands present valuable business opportunities to retailers. The “Opinion on Promoting Innovation and Transformation of Physical Retail” promulgated by the General Office of the State Council of the PRC government on November 2016 signals the Government's strong support to the physical retail industry through a number of measures. Under such context, an enterprise which can transform and upgrade successfully and provide real customer-centred lifestyle solutions will become the survivor and winner in the ever-changing retail market.

This will not be an easy task, but where there is a will, there is a way. With the aim of becoming the most professional retailer in China, the Group will focus on store renovation, business model upgrade, supply chain optimisation and service enhancement. As it continues to optimise basic management, the department store business will develop a model comprising three major products, which are modern department stores, shopping centres and commercial properties. Meanwhile, through active expansion of business, operational efficiency enhancement and product mix diversification, the supermarket business will achieve its goal of building an excellent retail platform for the Yangtze River Delta in five years or less, thereby maximising shareholders' return.

FINANCIAL RESULTS

The Group's TSP were RMB10,889 million for the year ended 31 December 2016. Profit for the year was RMB322 million. The Directors of the Company recommended the payment of a final dividend for the year ended 31 December 2016 of HK$5 cents per share.

Revenue & TSP

	Year ended 31 December 2016			Year ended 31 December 2015		
	Department store division	Supermarket division	Total	Department store division	Supermarket division	Total
	RMB million			RMB million		
Revenue						
Direct sales	**323**	**2,466**	**2,789**	309	2,446	2,755
Commission income from concessionaire sales	**1,188**	**47**	**1,235**	1,234	44	1,278
Rental income	**108**	**59**	**167**	81	53	134
Provision of food and beverage services	**2**	**-**	**2**	-	1	1
Total	**1,621**	**2,572**	**4,193**	1,624	2,544	4,168
TSP						
Direct sales	**323**	**2,466**	**2,789**	309	2,446	2,755
Gross revenue of concessionaire sales	**7,610**	**323**	**7,933**	7,517	290	7,807
Rental income	**108**	**59**	**167**	81	53	134
Total	**8,041**	**2,848**	**10,889**	7,907	2,789	10,696
Same store sales change	**-5.8%**	**-8.7%**		-5.1%	-4.1%	

DEPARTMENT STORE DIVISION:

TSP from the department store division increased to RMB8,041 million (2015: RMB7,907 million), however same store sales dropped by approximately 5.8%. Direct sales as a percentage of TSP from the department store division was 4.0% (2015: 3.9%) while gross revenue of concessionaire sales as a percentage of TSP from the department store division was 94.7% (2015: 95.1%) in the year ended 31 December 2016.

TSP BY MERCHANDISE CATEGORIES

In 2016, fashion and apparel accounted for approximately 39.1% (2015: 38.7%); merchandise related to cosmetics accounted for approximately 6.0% (2015: 5.7%); watches, gold and jewelry accounted for approximately 23.8 % (2015:24.8%); foot wear accounted for approximately 9.1% (2015: 10.0%) and the remaining categories including athletic apparel and casual wear, children's and home furnishing, household and electronic appliances, rental income and others accounted for the remaining 22.0% (2015: 20.8%) of TSP of the department stores division.

COMMISSION RATE FROM CONCESSIONAIRE SALES AND COMPREHENSIVE GROSS MARGIN[3]

In 2016, the commission rate from concessionaire sales was 15.6%, representing a drop of 0.8 percentage point from 16.4% in 2015. The Comprehensive Gross Margin of department store division was 21.1% which is same as that of 2015.

SUPERMARKET DIVISION:

In 2016, TSP of the supermarket division reached RMB2,848 million (2015: RMB2,789 million). It resulted from the net off of drop in same store sales of 8.7% and sales contributed from newly opened supermarkets.

TSP BY MERCHANDISE CATEGORIES

Fresh food accounted for approximately 41.8% (2015: 40.9%), dry foods accounted for approximately 30.3% (2015: 30.1%), non-food accounted for approximately 23.6% (2015: 24.8%) and the remaining categories including rental income and others accounted for the remaining 4.3% (2015: 4.2%) of the TSP of the supermarket division.

DIRECT SALES MARGIN AND COMPREHENSIVE GROSS MARGIN

Revenue from direct sales in the supermarket division increased from RMB2,446 million in 2015 to RMB2,466 million in 2016, representing a slightly increase of 0.8%. The direct sales margin recorded at 11.4% (2015: 12.6%). The Comprehensive Gross Margin maintained at 23.2% (2015: 22.5%). The Group intended to maintain the Comprehensive Gross Margin stable by increasing investments in equipment and technology to expand the contribution from fresh food and to enhance products quality and reduce wastage.

Rental income

Rental income increased by 24.4% to RMB167 million in 2016 from RMB134 million in 2015, mainly due to increased rentable area and improved tenant mix in the year.

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

Fee income from suppliers

In 2016, fee income from suppliers increased to RMB632 million (2015: RMB534 million), fee income from suppliers as a percentage of TSP increased to approximately 5.8% for 2016 from 5.0% for 2015. Fee income from suppliers including promotion fees, management fees paid by suppliers for participating in promotional activities, reimbursing electricity charge and material, etc.

Purchase of and changes in inventories

The purchase of and changes in inventories represents the cost of sales for direct sales of goods. It increased by 2.8% to RMB2,481 million in 2016 from RMB2,414 million in 2015.

Expenses

	Year ended 31 December 2016					Year ended 31 December 2015				
	Department store division	Supermarket division	Head quarter	Total	% of TSP	Department store division	Supermarket division	Headqu arter	Total	% of TSP
	(RMB'million)					(RMB'million)				
Staff costs	**321**	**263**	**83**	**667**	**6.1%**	303	238	69	610	5.7%
Depreciation and amortisation	**348**	**87**	**4**	**439**	**4.0%**	264	77	4	345	3.2%
Rental expenses	**16**	**72**	**6**	**94**	**0.9%**	44	69	6	119	1.1%
Other expenses	**410**	**153**	**89**	**652**	**6.0%**	380	130	44	554	5.2%
Total	**1,095**	**575**	**182**	**1,852**	**17.0%**	991	514	123	1,628	15.2%

Expenses consisted of staff costs, depreciation and amortisation, rental expenses and other expenses. Other expenses mainly include impairment of goodwill, impairment of property, plant and equipment, utility expenses, advertising and promotion expenses, loss on disposal of property, plant and equipment, office expenses, maintenance costs, travelling expenses, entertainment expenses, property tax and government surcharges as well as other miscellaneous expenses.

In 2016, total expenses of the Group as a percentage of TSP were 17.0% (2015: 15.2%) and total expenses increased by 13.7% to RMB1,852 million from RMB1,628 million in 2015. The growth was primarily attributable to the increase in the number of stores in accordance with the expansion of store network, which resulting the rise in staff costs, depreciation and amortization and other operating expenses; one-off impaired on property, plant and equipment for shut down of stores and impairment of goodwill.

Staff costs increased by 9.4% to RMB667 million in 2016 from RMB610 million in 2015, mainly due to the expansion of retail network opening of supermarkets which was partially offset by the continuous efforts by management to carry our labour cost optimization measures. Depreciation and amortization increased by 27.2% to RMB439 million in 2016 from RMB345 million in 2015, primarily due to fully year depreciation and amortization provided for Yixing Yaohan Shopping Mall and Jiaxing Yaohan Shopping Mall in 2016. Other expenses also increased by 17.6% to RMB652 million in 2016 from RMB554 million in 2015. The increased was primarily due to expansion of retail network resulted in increase in water and electricity, property tax and impaired on property, plant and equipment for shut down of stores and impairment of goodwill.

Operating Profit

Operating profits for the Group (excluded impairment of goodwill, share of loss of a joint venture, interest and dividend income and unallocated gains, corporate and other unallocated expenses and finance costs) decreased to approximately RMB687 million in 2016 from RMB788 million for the same period in 2015, representing a year-on-year decrease of 12.8%. Operating profits for the department store division decreased from RMB676 million in 2015 to approximately RMB602 million in 2016, representing a year-on-year decrease of 11.0%. The operation margin as a percentage of TSP for the department store division was 7.5%, representing a decline of 1.1 percentage point from 8.6% in 2015. For the supermarket division, operating profits decreased from RMB112 million in 2015 to approximately RMB85 million in 2016, representing a year-on-year decrease of 24.1%. The operating margin as a percentage of TSP for the supermarket division was 3.0%, representing a decline of 1.0 percentage point from 4.0% in 2015. The drop in operating profits for the Group, department store and supermarket divisions was mainly attributable to cost incurred by new stores during their ramp up period and higher operating costs contributed by them; and the increasingly competitive landscape of the retail sector as well as impaired on property, plant and equipment for shut down of stores which has led to drops in profit.

Net finance cost

Net finance cost comprised interest income from surplus cash net interest expenses on interest-bearing debts. The increase in net finance cost mainly was the resulted of the drop in interest income from surplus cash that was more than the cut in interest expenses for borrowing.

Income tax expenses

Result from the decrease in profit before tax, income tax expenses for the current year dropped RMB31 million from the previous year. The effective tax rate increased to 35.1% (2015: 29.5%).

Property, plant and equipment, prepaid land premium and long term prepayments

Property, plant and equipment, prepaid land premium and long term prepayments amounted to approximately RMB10,468 million (2015: RMB9,956 million). Those assets were held for long-term operation used by the Group.

Capital expenditure of the Group during 2016 amounted to approximately RMB1,053 million (2015: RMB2,980 million). Capital expenditure consisted of additions to property, plant and equipment and prepaid land premiums.

Capital commitments as of 31 December 2016 amounted to RMB757 million (2015: RMB685 million), representing mainly construction items which contracted but not provided for of Xishan and Wuhu projects.

Cash and cash equivalents and time deposits

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one month and five years depending on the immediate cash requirements of the Group and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks. The carrying amounts of the cash and cash equivalents and time deposits approximate to their fair values.

Cash and cash equivalents and time deposits decreased from RMB799 million as at 31 December 2015 to RMB580 million as at 31 December 2016 mainly result from payment of cost for new stores and ongoing projects. About 85% cash and cash equivalents were denominated as RMB.

Restricted cash

Pursuant to the relevant rules and regulations issued by the Ministry of Commerce of the PRC, the Group was required to deposit bank balances in the Group's designated accounts or through issuing the letter of bank guarantee, total amount of which shall not be less than 30% of the balance of advances from customers for sales of prepaid cards. As at 31 December 2016, certain of the Group's cash amounting to RMB109 million (2015: RMB105 million) in the Group's designated accounts.

EQUITY AND FINANCING

Equity

As at 31 December 2016, the equity attributable to owners of the parent amounted to RMB4,971 million, representing a decrease of RMB57 million from 31 December 2015. During the year ended 31 December 2016, the Company repurchased approximately 103.3 million shares for a total consideration (including expenses) of approximately HK$120 million.

Funding Model

The Group has actively diversified the funding sources, maintained strong long-term relations with lenders as well as investors and has spread out maturities to reduce refinancing risk.

The Group's cash and cash equivalents, time deposits and total restricted cash stood at RMB689 million (2015: RMB1,037 million). Net bank borrowings, short-term financing notes, medium term financing notes and corporate bonds of the Group represented bank borrowings, financing notes and corporate bonds (net of cash and cash equivalents, time deposits and restricted cash), that amounted to RMB2,174 million as at 31 December 2016 (2015: RMB 1,939 million). The increase in net bank borrowings, financing notes and corporate bonds during 2016 was mainly due to cash is used in new stores opening and ongoing projects. As a result, the decrease in the cash and cash equivalents is recorded.

In February 2016, the Group obtained approval from the National Association of Financial Market Institutional Investors to issue medium-term financing notes in one tranche or more than one tranches with an aggregate principal amount of up to RMB2.0 billion with a term of 3 years from the date of issuance. On 25 March 2016, the Group issued the first tranche of medium-term financing notes at par value of RMB300 million with the nominal interest rate of 4.78% per annum and the effective interest rate of 5.13% per annum. The interest shall be paid on an annual basis. The medium-term financial notes were issued to institutional investors in the interbank Bond Market in the PRC.

In May 2016, the Group obtained approval from the China Securities Regulatory Commission and the Shanghai Stock Exchange to issue the domestic corporate bonds in one or more tranches with an aggregate principal amount of up to RMB2 billion with a term of no more than 5 years from the date of issuance. On 21 June 2016, the Group issued the first tranche of the corporate bonds at par value of RMB800 million with a term of 3 years from the date of issuance with the nominal interest rate of 4.87% per annum and the effective interest rate of 5.22% per annum. The interest shall be paid on an annual basis. The corporate bonds are issued to qualified investors in the PRC as well as listed and traded on the Shanghai Stock Exchange.

Debt management

As at 31 December 2016, the total interest bearing borrowings of the Group were RMB2,863 million, lower than last year end by RMB113 million. The Group decreased borrowing denominated in foreign currencies and increased the interest bearing RMB borrowing to lower foreign exchange risk. The Group maintained an appropriate mix of fixed/floating interest rate loans and maturity profile to mitigate interest rate and re-financing risks.

Liquidity, foreign exchange and interest rate exposure

The Group's financing and treasury activities are centrally managed and controlled at the corporate level. The Group conducted its business operations in the PRC and its revenues and expenses were denominated in RMB. The Group relies principally on cash flow generated from its operating activities as a primary source of liquidity. The Group has always pursued a stable treasury management policy and is in a strong liquidity position with sufficient standby banking facilities to cope with daily operations and future development demands for capital. Certain of the Group's bank borrowings and bank balances were denominated in HK$, SGD or US$ which exposed the Group to foreign exchange risks attributable to fluctuations in exchange rates between HK$, SGD or US$ and RMB.

The Group manages its foreign exchange risk and interest rate exposure by performing regular reviews of the Group's interest rate and net foreign exchange exposures. The Group's exposure to the risk of changes in market interest rates related primarily to the Group's bank loans with floating interest rates. The Group also use derivative financial instruments for controlling or hedging foreign exchange risk exposures. Use of such instruments for speculative purposes is strictly prohibited. Full amount of HK$ bank loan and a portion of USD bank loan borrowings have been hedged by capped forward cross currency swap contracts.

For the year ended 31 December 2016, the Group recorded net foreign exchange losses of approximately RMB10 million (2015: net losses of RMB20 million).

Gearing

The Group has been careful and healthy in using debt gearing to expand our business in accordance with our business strategy. As at 31 December 2016, the Group's gearing ratio stayed at 54% (2015: 51%). The gearing ratio is calculated by net debt (including bank borrowings, short-term financing notes, medium term financing notes, corporate bonds, trade payables and other payables and accruals minus cash and cash equivalents, time deposits and restricted cash) divided by the capital plus net debt of the Group.

Contingent liabilities

As at 31 December 2016 and 31 December 2015, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 31 December 2016, we employed a total of 9,086 staff, including 3,988 served the department store division and 4,933 served the supermarket division (2015: a total of 8,215 staff, including 3,713 served the department store division and 4,398 served the supermarket division).

Employees included management staff, salesmen, workers for the logistics supporting system and other supporting staff. The Group has been trying its best to provide employees with a stimulating and harmonious working environment advocating lifelong learning, offering training and encouraging them to broaden their field of vision, improving the standard of our employees, supporting their personal growth and offering promotion opportunities. The Group provided additional support for staff training to enhance their performance in their current roles or prepare them for further advancement. While staff costs continuously grew stably during the year, employee remuneration packages are maintained at competitive levels and employees are rewarded on a performance-related basis.

EVENTS AFTER THE REPORTING PERIOD

On 22 January 2017, the Group extended the Interest-bearing bank borrowings from DBS Bank Ltd., Hong Kong Branch with principal amounting to USD85,000,000.

On 25 January 2017, the Group extended the Interest-bearing bank borrowings from The Hongkong and Shanghai Banking Corporation Limited with principal amounting to USD60,000,000.

On 17 February 2017, the Company wrote off the subsidiary company Nantong Boda Tengfei Advertising Co., Ltd.

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

During the year, pursuant to the general mandate given to the Directors of the Company, the Company repurchased a total of 103,277,000 ordinary shares of HK$0.01 each of the Company on the Stock Exchange at an aggregate consideration of approximately HK$120 million. Included in the repurchased shares, 90,290,000 shares were cancelled during the year. The remaining 12,987,000 shares were not cancelled and recognised as treasury share with nominal value of approximately HK$129,870, equivalent to RMB112,000 as at 31 December 2016. The number of issued shares of the Company as of 31 December 2016 and the date of the Report was 2,330,760,000 shares.

Particulars of the shares repurchased during the year are as follows:

Month of repurchase	No. of shares at HK$0.01 each	Price per share		Aggregate consideration
		Highest	Lowest	
	Thousands	HK$	HK$	HK$'000
April 2016	5,740	1.54	1.40	8,518
May 2016	11,785	1.33	1.00	14,289
June 2016	20,160	1.04	0.95	20,151
July 2016	11,412	1.06	1.00	11,750
August 2016	5,130	1.04	0.98	5,236
September 2016	24,220	1.29	1.02	29,892
October 2016	2,144	1.20	1.16	2,551
November 2016	9,912	1.21	1.17	11,884
December 2016	12,774	1.30	1.17	15,880
Total	103,277			120,151

The repurchases were made for the benefit of the Company and its shareholders as a whole with a view to enhancing the earnings per share and net asset value per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE PRACTICES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2016, the Company complied with all the code provisions (the “Code Provision”) set out in the Code on Corporate Governance Practice (the “Corporate Governance Code”) under Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange, except for certain derivations specified with considered reasons below. No incident of non-compliance by Directors was noted by the Company in 2016.

Under Code Provision E.1.2, the chairman of the Board should attend the annual general meeting (the “AGM”) of the Company. Due to other pre-arranged business commitments which has to be attended by Chen Jianqiang, the Chairman, he was not present at the 2016 AGM held on 16 May 2016. However, Mr. Tao Qingrong, being an Executive Director and the Chief Executive Officer of the Company, was present at the 2016 AGM and was elected chairman in accordance with the Articles of Association of the Company to effective communication with shareholders present.

AUDIT COMMITTEE

The Audit Committee is appointed by the Board and has three members, all of whom were Independent Non-executive Directors. The principal responsibilities of the Audit Committee include the review of both the Group’s consolidated financial statements and the effectiveness of its risk management and internal control systems. The Audit Committee also oversees the engagement of the external auditor of the Group and reviews its independence as well as the effectiveness of the audit process. The Board expects the Audit Committee members to exercise independent judgment in conducting the business of the Audit Committee. A high level review of the effectiveness of the risk management and internal control systems of the Group is performed at each year end. The Audit Committee has reviewed the Group’s audited consolidated financial statements for the year ended 31 December 2016, including the accounting principles and practices adopted by the Group.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for each financial period, which give a true and fair view of the state of affairs of the Group at the end of the financial year and profit or loss for the financial year. The auditor is responsible to form an independent opinion, based on the audit, on the financial statements prepared by the directors and reports the opinion solely to the shareholders of the Company.

The auditor gives an unqualified opinion on the consolidated financial statements of the Group as at 31 December 2016 and for the year then ended.

THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Specific confirmation has been obtained from each Director to confirm compliance with the required standards set out in the Model Code for the year ended 31 December 2016.

AGM

It is proposed that the AGM will be held on Friday, 26 May 2017 at Conference Room, 26th Floor, Wuxi Jinling Hotel, No.1 Xianqian East Street, Wuxi, Jiangsu, PRC (the "2017 AGM"). A formal notice of the 2017 AGM will be published and dispatched to shareholders of the Company as required by the Listing Rules in due course.

DIVIDEND

The Board recommended the payment of a final dividend for the year ended 31 December 2016 of HK$5 cents in cash per ordinary share to shareholders who names appeared on the register of members of the Company as at 9 June 2017. Subject to the approval of the shareholders of the Company at the forthcoming AGM to be held on 26 May 2017, the final dividend will be paid on 21 June 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 May 2017 (Wednesday) to 26 May 2017 (Friday) (both days inclusive), during which period no transfer of share(s) will be effected. In order to be eligible to attend and vote at the 2017 AGM of the Company to be held on 26 May 2017 (Friday), all transfers documents, accompanied by the relevant share certificates, must be lodged with Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 23 May 2017 (Tuesday).

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the 2017 AGM. For the purpose of determining the entitlement to the final dividend for the year ended 31 December 2016 (if approved), the register of members of the Company will be closed from 7 June 2017 (Wednesday) to 9 June 2017 (Friday) (both dates inclusive), during which period no transfer of share(s) will be effected. To be entitled to the final dividend for the year ended 31 December 2016 (if approved), all transfers documents, accompanied by the relevant share certificates, must be lodged with Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 6 June 2017 (Tuesday).

DISCLOSURE OF INFORMATION ON WEBSITES

This announcement will be published on the websites of the Stock Exchange and the Company (www.springlandgroup.com.cn). The annual report for the year will be dispatched to shareholders of the Company and published on the above mentioned websites in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank all the shareholders, customers and partners for their immense confidence and support to the Group. My gratitude also goes to the management and all staff members for their efforts and contribution.

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

Hong Kong, 16 March 2017

As at the date of this announcement, the Board comprises three executive directors, namely Mr Chen Jianqiang, Mr Tao Qingrong and Mr Yu Yaoming; one non-executive director, namely Mr Fung Hiu Chuen, John; and three independent non-executive directors, namely Dr Lin Zhijun, Dr Zhang Weijiong and Mr. Cheung Yat Ming.