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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS OF FINAL RESULTS

- **Total Sales Proceeds ("TSP")[1] recorded RMB11,637 million, representing a YoY increase of 4.0%; TSP from the department store division recorded RMB8,653 million, representing a YoY increase of 5.3% and TSP from the supermarket division recorded RMB2,984 million, representing a YoY increase of 0.4%**
- **Same store sales YoY change[2] for department store division and supermarket division improved at 3.8% and -1.0% respectively**
- **Profit attributable to equity holders of the parent was RMB400 million, representing a YoY increase of 17.6%**
- **Earnings per share was RMB19 cents**
- **Proposed final dividend of HK$7 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 2018

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 2018, together with comparative figures for the previous year of 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
REVENUE	*4*	**4,607,943**	4,444,039
Other income and gains	*5*	**702,776**	671,601
Purchase of and changes in inventories		**(2,578,595)**	(2,600,439)
Staff costs		**(700,123)**	(702,988)
Depreciation and amortisation		**(523,007)**	(485,287)
Rental expenses		**(99,752)**	(106,292)
Other expenses	*6*	**(683,326)**	(623,621)
Finance costs	*7*	**(109,746)**	(65,751)
Share of profits and losses of associates		**(71)**	–
PROFIT BEFORE TAX		**616,099**	531,262
Income tax expense	*8*	**(219,750)**	(192,767)
PROFIT FOR THE YEAR		**396,349**	338,495
Attributable to:			
Owners of the parent		**400,017**	340,019
Non-controlling interests		**(3,668)**	(1,524)
		396,349	338,495
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*10*	**0.19**	0.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2018

	2018 RMB'000	2017 RMB'000
PROFIT FOR THE YEAR	**396,349**	338,495
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(68,787)**	73,069
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(68,787)**	73,069
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**–**	–
Income tax effect	**–**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(68,787)**	73,069
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**327,562**	411,564
Attributable to:		
Owners of the parent	**331,230**	413,088
Non-controlling interests	**(3,668)**	(1,524)
	327,562	411,564

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2018

	Notes	**2018**	2017
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**8,938,005**	9,124,065
Prepaid land premiums		**1,579,888**	1,627,588
Other intangible assets		**24,544**	26,955
Goodwill	*11*	**250,384**	250,384
Investments in associates		**5,117**	–
Available-for-sale investments		**–**	5,188
Long-term prepayments		**7,757**	12,942
Deferred tax assets		**113,800**	111,151
Restricted cash	*14*	**–**	113,158
Due from the controlling shareholder	*12*	**–**	99,984
Total non-current assets		**10,919,495**	11,371,415
CURRENT ASSETS			
Inventories		**367,859**	351,108
Trade receivables	*13*	**7,796**	6,412
Due from the controlling shareholder	*12*	**99,962**	–
Prepayments and other receivables		**414,979**	430,792
Restricted cash	*14*	**117,408**	–
Cash and cash equivalents	*14*	**617,441**	511,198
Total current assets		**1,625,445**	1,299,510
CURRENT LIABILITIES			
Interest-bearing bank borrowings	*15*	**1,054,083**	1,467,948
Medium-term financing notes	*16*	**310,874**	–
Corporate bonds	*17*	**819,470**	–
Trade payables	*18*	**1,178,020**	1,278,855
Other payables and accruals		**2,408,530**	2,449,601
Derivative financial instruments		**–**	13,270
Tax payable		**76,788**	50,875
Total current liabilities		**5,847,765**	5,260,549
NET CURRENT LIABILITIES		**(4,222,320)**	(3,961,039)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,697,175**	7,410,376

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 DECEMBER 2018

	Notes	**2018** **RMB'000**	2017 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*15*	**910,165**	396,000
Medium-term financing notes	*16*	**–**	309,974
Corporate bonds	*17*	**–**	817,070
Long-term payables		**74,623**	77,107
Deferred tax liabilities		**552,557**	559,733
Total non-current liabilities		**1,537,345**	2,159,884
Net assets		**5,159,830**	5,250,492
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*19*	**17,703**	19,146
Treasury shares	*19*	**(56)**	(54)
Reserves		**4,982,267**	5,066,312
		4,999,914	5,085,404
Non-controlling interests		**159,916**	165,088
Total equity		**5,159,830**	5,250,492

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

2.1 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 ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. 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.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

2.2 Changes in Accounting Policies and Disclosures (continued)

Except for the amendments to IFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement
The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

2.2 Changes in Accounting Policies and Disclosures (continued)

(b) (continued)

Classification and measurement (continued)

		IAS 39 Measurement					IFRS 9 measurement	
	Notes	**Category**	**Amount** *RMB'000*	**Re-classification** *RMB'000*	**ECL** *RMB'000*	**Other** *RMB'000*	**Amount** *RMB'000*	**Category**
Financial assets								
Equity investments designated at fair value through other comprehensive income		N/A	–	5,188	–	–	5,188	FVOCI[1]
From: Available-for-sale investments	*(i)*			5,188	–	–		
Available-for-sale investments		AFS[2]	5,188	(5,188)	–	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income	*(i)*			(5,188)	–	–		
Trade receivables		L&R[3]	6,412	–	–	–	6,412	AC[4]
Due from the controlling shareholder		L&R	99,984	–	–	–	99,984	AC
Financial assets included in prepayments and other receivables		L&R	279,653	–	–	–	279,653	AC
Time deposit		L&R	348,625	–	–	–	348,625	AC
Cash and cash equivalents		L&R	275,731	–	–	–	275,731	AC
			1,015,593	–	–	–	1,015,593	
Total assets			1,015,593	–	–	–	1,015,593	
Financial liabilities								
Trade and bills payables		AC	1,278,855	–	–	–	1,278,855	AC
Financial liabilities included in other payables and accruals		AC	869,430	–	–	–	869,430	AC
Corporate bonds		AC	817,070	–	–	–	817,070	AC
Medium-term financing notes		AC	309,974	–	–	–	309,974	AC
Derivative financial instruments		FVPL[5]	13,270	–	–	–	13,270	FVPL
Interest-bearing bank borrowings		AC	1,863,948	–	–	–	1,863,948	AC
			5,152,547	–	–	–	5,152,547	
Total liabilities			5,152,547	–	–	–	5,152,547	

1. FVOCI: Financial assets at fair value through other comprehensive income
2. AFS: Available-for-sale investments
3. L&R: Loans and receivables
4. AC: Financial assets or financial liabilities at amortised cost
5. FVPL: Financial assets or financial liabilities at fair value through profit or loss

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale investments as equity investments designated at fair value through other comprehensive income.

2.2 Changes in Accounting Policies and Disclosures (continued)

(b) (continued)

Impairment

The Group performed a detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its financial assets in accordance with the requirements of IFRS 9. The adoption of IFRS 9 has had no significant impact on the impairment of the financial assets of the Group. No additional credit loss allowance has been recognised against accumulated profits as the amounts involved are insignificant as at 1 January 2018.

Impact on reserves and retained profits

The transition to IFRS 9 had no impact on reserves and retained profits as at 1 January 2018.

(c) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 4 and 6 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition to the financial statements.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018. The impacts of the adoption of IFRS 15 on the Group's financial statements are as follows:

(i) Consideration received from customers in advance.

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as other payables. Under IFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB1,281,052,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

(d) Amendments to IAS 40, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

2.2 Changes in Accounting Policies and Disclosures (continued)

(e) IFRIC Interpretation 22, provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a nonmonetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the nonmonetary asset (such as a prepayment) or nonmonetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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, fair value gains from the Group's financial instruments, 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, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, derivative financial instruments, tax payable, 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 2018	Department store RMB’000	Supermarket RMB’000	Total RMB’000
Segment revenue *(Note 4)*			
Sales to external customers	1,979,513	2,619,509	4,599,022
Management service	8,921	–	8,921
	1,988,434	2,619,509	4,607,943
Segment results	754,089	35,773	789,862
Reconciliation:			
Interest income and unallocated gains			37,549
Corporate and other unallocated expenses			(101,566)
Finance costs			(109,746)
Profit before tax			616,099
Segment assets	9,970,604	1,558,874	11,529,478
Reconciliation:			
Corporate and other unallocated assets			1,015,462
Total assets			12,544,940
Segment liabilities	2,772,687	781,655	3,554,342
Reconciliation:			
Corporate and other unallocated liabilities			3,830,768
Total liabilities			7,385,110
Other segment information			
Depreciation and amortisation	428,487	91,842	520,329
Corporate and other unallocated amounts			2,678
Total depreciation and amortisation			523,007
Provision/(write-back of provision) for slow-moving inventories	(311)	651	340
Impairment of property, plant and equipment	–	27,283	27,283
Impairment of other intangible assets	–	3,697	3,697
Capital expenditure	229,353	131,631	360,984
Corporate and other unallocated amounts			5,459
Total capital expenditure*			366,443

3. Operating segment information (continued)

Year ended 31 December 2017	Department store RMB'000	Supermarket RMB'000	Total RMB'000
Segment revenue *(Note 4)*			
Sales to external customers	1,767,320	2,676,719	4,444,039
Segment results	625,288	66,995	692,283
Reconciliation:			
Interest income and unallocated gains			37,323
Corporate and other unallocated expenses			(132,593)
Finance costs			(65,751)
Profit before tax			531,262
Segment assets	10,094,446	1,570,634	11,665,080
Reconciliation:			
Corporate and other unallocated assets			1,005,845
Total assets			12,670,925
Segment liabilities	2,880,976	812,688	3,693,664
Reconciliation:			
Corporate and other unallocated liabilities			3,726,769
Total liabilities			7,420,433
Other segment information			
Depreciation and amortisation	391,459	90,584	482,043
Corporate and other unallocated amounts			3,244
Total depreciation and amortisation			485,287
Provision/(write-back of provision) for slow-moving inventories	(1,938)	855	(1,083)
Impairment of property, plant and equipment	1,759	6,387	8,146
Impairment of other intangible assets	–	2,838	2,838
Capital expenditure	752,916	79,145	832,061
Corporate and other unallocated amounts			1,023
Total capital expenditure*			833,084

3. Operating segment information (continued)

* Capital expenditure consists of additions to property, plant and equipment, prepaid land premiums, and other intangible assets 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

An analysis of revenue is as follows:

	2018	2017
	RMB'000	RMB'000
Revenue from contracts with customers		
Sale of goods - direct sales	**2,973,916**	2,950,247
Commission income from concessionaire sales *(Note)*	**1,336,396**	1,280,122
Provision of management services	**8,921**	–
Provision of food and beverage services	**7,204**	6,011
	4,326,437	4,236,380
Revenue from other sources		
Rental income	**281,506**	207,659
Total revenue	**4,607,943**	4,444,039

Note:
The commission income from concessionaire sales is analysed as follows:

	2018	2017
	RMB'000	RMB'000
Gross revenue from concessionaire sales	**8,381,597**	8,029,994
Commission income from concessionaire sales	**1,336,396**	1,280,122

4. Revenue (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	**Department store RMB'000**	**Supermarket RMB'000**	**Total RMB'000**
Types of goods or services			
Sale of goods – direct sales	496,900	2,477,016	2,973,916
Commission income from concessionaire sales	1,273,799	62,597	1,336,396
Provision of management services	8,921	–	8,921
Provision of food and beverage services	7,204	–	7,204
Total revenue from contracts with customers	1,786,824	2,539,613	4,326,437

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods – direct sales/Commission income from concessionaire sales
The performance obligation is satisfied upon delivery of the goods to the customers.

Management services
The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Management service contracts are for periods of five to twenty years, or are billed based on the time incurred.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	16,000
More than one year	167,500
	183,500

The amounts disclosed above do not include variable consideration which is constrained.

5. Other income and gains

	2018	2017
	RMB'000	RMB'000
Other income		
Fee income from suppliers	**651,245**	622,455
Interest income	**19,442**	20,766
Subsidy income	**7,171**	16,835
Others	**11,231**	11,455
	689,089	671,511
Gains		
Fair value gains, net:		
Derivative instruments		
– transactions not qualifying as hedges	**13,270**	–
Foreign exchange difference	**–**	90
Gain on disposal of a subsidiary	**417**	–
	13,687	90
	702,776	671,601

6. Other expenses

Other expenses mainly include utility expenses, advertising and promotion expenses, loss on disposal of items of property, plant and equipment, impairment of property, plant and equipment, impairment of other intangible assets, net fair value losses of derivative instruments of which the transaction is not qualified as hedges, 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:

	2018	2017
	RMB'000	RMB'000
Interest on medium-term financing notes	**15,240**	15,240
Interest on corporate bonds	**41,360**	41,360
Interest on bank borrowings wholly payable within five years	**75,380**	62,119
Less: Interest capitalised	**(22,234)**	(52,968)
	109,746	65,751

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 becomes 25% starting from 1 January 2008. Therefore, a provision for the PRC income tax has been made at the applicable income tax rate of 25% (2017: 25%) on the assessable profits of the PRC Subsidiaries.

	2018	2017
	RMB'000	RMB'000
Current - PRC corporate income tax charge for the year	**198,092**	180,069
Deferred	**21,658**	12,698
Total tax charge for the year	**219,750**	192,767

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:

	2018	2017
	RMB'000	RMB'000
Profit before tax	**616,099**	531,262
Tax at the statutory tax rate of 25% (2017: 25%)	**154,025**	132,816
Different tax rate applicable to company	**5,045**	5,894
Expenses not deductible for tax	**13,122**	17,942
Tax losses utilised from previous periods	**(2,131)**	(1,074)
The share of tax attributable to associates	**(18)**	–
Effect of withholding tax on the distributable profits of the PRC Subsidiaries	**23,643**	11,608
Tax losses not recognised	**26,064**	25,581
Tax charge at the Group's effective rate	**219,750**	192,767

9. Dividends

	2018	2017
	RMB'000	RMB'000
Interim – HK$3 cents (2017: HK$3 cents) per ordinary share	**54,225**	58,640
Proposed final – HK$7 cents (2017: HK$5 cents) per ordinary share	**121,218**	88,890
	175,443	147,530

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 RMB400,017,000 (2017: RMB340,019,000), and the weighted average number of ordinary shares of 2,119,066,718 (2017: 2,289,041,027) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

11. Goodwill

	2018	2017
	RMB'000	RMB'000
At 1 January:		
Cost	**329,440**	329,440
Accumulated impairment	**(79,056)**	(79,056)
Net carrying amount	**250,384**	250,384
Impairment during the year	**–**	–
At 31 December:		
Cost	**329,440**	329,440
Accumulated impairment	**(79,056)**	(79,056)
Net carrying amount	**250,384**	250,384

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the department store cash-generating units for impairment testing, including Wuxi Yaohan Commerce & Trade Center Co., Ltd. ("Wuxi Yaohan"), Zhenjiang Baisheng Commercial Co., Ltd ("Zhenjiang Baisheng") and Nantong Yaohan Commerce & Trade Joint Stock Company Ltd ("Nantong Yaohan"). The recoverable amount of the cash-generating units have 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 all cash flow projections is 13.5% (2017: 13.5%).

The growth rate used to extrapolate the cash flows of the cash-generating units beyond the five-year period from the end of the reporting period are 2% for all years. The growth rates are 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.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Wuxi Yaohan		Zhenjiang Baisheng		Nantong Yaohan		Total	
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Carrying amount of goodwill	**87,122**	87,122	**122,945**	122,945	**40,317**	40,317	**250,384**	250,384

Assumptions were used in the value-in-use calculation of the department store cash-generating units for 31 December 2018 and 31 December 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

11. Goodwill (continued)

Impairment testing of goodwill (continued)

Store revenue:
the bases used to determine the future earnings potential are the 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 are after tax and reflect 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.

The values assigned to the key assumptions on discount rates are consistent with external information sources.

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.

12. Due from the Controlling Shareholder

The Group had an outstanding balance due from the Controlling Shareholder of RMB100,000,000 as principal and RMB38,000 as interest received in advance as at 31 December 2018 (2017: RMB100,000,000 as principle and RMB16,000 as interest received in advance). This balance is unsecured, bears interest at a rate of 3.5% from 1 January 2017 and shall be repaid on/ before 31 December 2019.

13. 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 term offered to customers is generally one month.

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

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

	2018 **RMB'000**	2017 RMB'000
Within one month	**7,796**	6,412

14. Cash and cash equivalents and restricted cash

	2018 **RMB'000**	2017 RMB'000
Cash and bank balances	**617,441**	275,731
Time deposits	**117,408**	348,625
	734,849	624,356
Less: Restricted cash with maturity within one year	**(117,408)**	–
Restricted cash with maturity over one year	**–**	(113,158)
Unrestricted time deposits over three months	**–**	(157,650)
Cash and cash equivalents	**617,441**	353,548

14. Cash and cash equivalents and restricted cash (continued)

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

	2018	2017
	RMB'000	RMB'000
RMB	**695,545**	523,391
US$	**1,826**	47,297
HK$	**36,489**	51,884
SGD	**977**	1,777
EUR€	**12**	7
	734,849	624,356

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.

Pursuant to the relevant rules and regulations issued by the Ministry of Commerce of the People's Republic of China, 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 amounted to no less than 30% of the balance of advances from customers for sales of prepaid cards. As at 31 December 2018, certain of the Group's cash amounting to RMB117,408,000 (2017: RMB113,158,000) represent the above balances in the Group's designated accounts.

15. Interest-bearing bank borrowings

	2018	2017
	RMB'000	RMB'000
Bank loans:		
Unsecured	**1,964,248**	1,863,948
	1,964,248	1,863,948
Bank loans repayable:		
Within one year or on demand	**1,054,083**	1,467,948
Over one year but within two years	**710,165**	3,000
Over two year but within five years	**200,000**	393,000
	1,964,248	1,863,948
Total bank borrowings	**1,964,248**	1,863,948
Less: Portion classified as current liabilities	**(1,054,083)**	(1,467,948)
Long-term portion	**910,165**	396,000

Bank loans bear interest at fixed rates or floating rates.

The Group's bank loans bore interest at effective interest rates ranging from 2.6% to 4.8% per annum as at 31 December 2018 and 2.5% to 4.8% per annum as at 31 December 2017.

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

	2018	2017
	RMB'000	RMB'000
RMB	**645,500**	649,000
US$	**1,046,138**	1,122,493
HK$	**272,610**	92,455
	1,964,248	1,863,948

16. Medium-term financing notes

An aggregate principal amount of up to RMB2.0 billion of medium-term financing notes was approved by the National Association of Financial Market Institutional Investors and 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. In March 2018, the Group paid the interest for the second year in the amount of RMB14.3 million.

17. Corporate bonds

An aggregate principal amount of up to RMB2.0 billion of corporate bonds was approved by the China Securities Regulatory Commission and the Shanghai Stock Exchange in May 2016 and 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. In June 2018, the Group paid the interest for the second year in the amount of RMB39.0 million.

18. Trade payables

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

	2018 **RMB'000**	2017 RMB'000
Within three months	**1,050,378**	1,024,983
Over three months but within six months	**53,563**	150,185
Over six months but within one year	**41,035**	57,989
Over one year	**33,044**	45,698
	1,178,020	1,278,855

Included in the trade payables are trade payables of RMB12,762,000 due to associates which are repayable within 90 days, which represents credit terms similar to those offered by the associates to their major customers.

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

19. Issued capital

	2018	2017
	RMB'000	RMB'000
Issued and fully paid 2,050,000,000 (2017: 2,217,185,000) ordinary shares	**17,703**	19,146

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

	No. of shares at HK$0.01 each in thousands	RMB'000
At 1 January 2017	2,330,760	20,127
Shares repurchased and cancelled	(113,575)	(981)
At 31 December 2017 and 1 January 2018	2,217,185	19,146
Shares repurchased and cancelled	(167,185)	(1,443)
At 31 December 2018	2,050,000	17,703

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

Month of repurchase		Price per share			Equivalent to
	No. of shares at HK$0.01 each in thousands	Highest HK$	Lowest HK$	Aggregate consideration HK$'000	RMB'000
January 2018	10,950	1.90	1.74	20,457	16,574
March 2018	9,557	1.87	1.70	17,113	13,717
April 2018	22,823	2.23	1.85	45,683	36,910
May 2018	29,580	2.05	1.88	59,902	48,978
June 2018	34,096	2.05	2.00	70,057	59,070
July 2018	18,458	2.05	2.03	37,886	32,910
August 2018	22,966	1.93	1.82	43,192	37,560
September 2018	12,520	1.85	1.78	22,664	19,948
December 2018	6,448	1.60	1.40	10,068	8,822
	167,398			327,022	274,489

The Company repurchased 167,398,000 shares during the year ended 31 December 2018. The nominal value of approximately HK$1,674,000, equivalent to RMB1,445,000 (2017: HK$1,068,000, equivalent to RMB923,000), was credited to the issued capital account, and the premium paid or payable and the related costs incurred for the share repurchase of approximately HK$325,348,000, equivalent to RMB273,044,000 (2017: HK$163,836,000, equivalent to RMB139,268,000), was charged against the share premium account of the Company.

19. Issued capital (continued)

Included in the repurchased shares were 167,185,000 cancelled shares during the year ended 31 December 2018. The nominal value of approximately HK$1,672,000, equivalent to RMB1,443,000 (2017: HK$1,136,000, equivalent to RMB981,000), was credited to the issued capital account from the treasury share account.

The remaining 6,448,000 shares were not cancelled and still recognised as treasury shares as at 31 December 2018. The nominal value was approximately HK$64,000, equivalent to RMB56,000 (2017: HK$62,000, equivalent to RMB54,000).

Subsequent to 31 December 2018 and up to the date of this announcement, the Company repurchased a total of 18,552,000 shares at an aggregate consideration of HK$30,437,000. 25,000,000 repurchased shares were cancelled in February 2019. The number of issued shares of the Company as at the date of this announcement was 2,025,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

2018 is a year full of unexpected events. With the unpredictably intensified trade dispute between China and the U.S., it casted uncertainties to China's economy. While the private sector economy which accounts for 60% of China's GDP also encountered unprecedented difficulties during the time when the goal of financial deleveraging was basically achieved. Nevertheless, under the pressure of these theatrical changes, China's overall economy still sustained steady growth, with its national GDP reached over RMB90 trillion, representing a year-over-year increase of 6.6%. Growth of China's economy contributed about 30% to global economic growth. Against the backdrop of decreasing momentum in global economic growth; the decelerating rate of growth in global trade; increasing hurdles and uncertainties, such a national growth was not achieved easily.

At the same time, landscape of the retail industry was also full of changes and hurdles, whereas unmanned retailers were suddenly faltering, while Smart Communities were rapidly developing. Thanks to the impetus of leading IT conglomerates, the importance of offline retail was rediscovered. New technologies such as "Big Data", "Artificial Intelligence", and "Blockchain" are widely applied. There were emerging strategies such as Localization of Sales Channels, Social Fission Marketing in the industry as well.

In the era of changes and transformation, Springland continues to focus on refining our stores strategically. By combining our strategy with new technologies, we have upgraded and transformed our traditional stores to enhance consumer shopping experience. As a result, our total sales proceeds and operating profit has achieved a relatively stable growth. The total sales proceeds of the Group went up by 4.0% to approximately RMB11.6 billion as compared with previous year, while the profit attributable to equity holders of the parent amounted to approximately RMB400 million, an increase of 17.6% year-on-year. The basic earnings per share was RMB19 cents. In light of the financial performance of the Group, the Board proposes a final dividend of HK$7 cents per share for the year ended 31 December 2018.

Strategy

We believe the current consumer trends centered around the accurate response to consumers' needs in efficient and effective manner, while providing customers with cost-effective goods and higher standard of services. Therefore, customer is the core of our business. We construct our core competitiveness from the aspects of product improvement, experience enhancement, and technological innovation. By these, we implement our management reconstruction based on "People", "Products" and "Place".

"People" is the foundation of business, and therefore customer's digital information is an important resource for the growth of our business. In 2018, from operation to marketing, Springland has been constantly upgrading our digital management system, in order to accumulate and process data, and to transform them into precious commercial values. We have fully implemented e-membership system in our stores. Also, by using applications like WeChat group, WeChat service number, mini mobile programs and other multi-channels, we continuously interact and reach customers in different social media, and eventually stimulated consumptions. Another aspect of "People" is empowerment of our employees. 2018 is a critical year for Springland to implement the business partnership mechanism within the Company. We have reorganized our business organization into smaller units, allowing employees to become business partners, and fully participating in management, and eventually share the result of our business growth. This mechanism effectively leverages the entrepreneurship of partners, revitalizes momentum of future development and strengthens Springland in retail arena.

Being a connector between consumers and retail stores, the concept of "Products" has become more comprehensive and diversified with continuous growth of consumer expectations. Aside from the function and quality of the product, shopping experience and mental satisfaction are also involved within the concept of Product. At department store division, we pay special attention to the needs of consumers through the experience gained from daily operations. Our business ratio and brand combination were adjusted in accordance to the market trends. In terms of forming strategic partnership, we select our cooperative enterprises and brands which match with our philosophy in order to form create the best synergies for market expansion. In 2018, our department store readjustment area has reached nearly 130,000 square meters, whereas instore merchandise mix of approximately 1,700 brands were optimized and 130 new brands were introduced throughout the year. Through the adjustment and introduction of new market brands, we recorded steady growth to our business performance. Regarding supermarket division, we played a more active role in direct purchase from the origin. Through setting up of our fresh food and cold chain processing center, fresh food and cold chain logistic center, origin procurement optimization plan, on-the-site processing plan, etc., we actively improved the efficiency in our supply chain management. Eventually, our customers are thrilled to see our efforts presenting in the supermarket stores via the improvement of product offering, product appearance, and product display.

“Place” can be regarded as customer’s expectation in experiential consumption, which is the exclusive value of physical stores. Achievement of this was one of the main tasks of Springland in 2018. At our department stores and shopping malls, we actively implemented a diversified product portfolio and construction of immersive scene experience. On the one hand, we positioned our brand around “lifestyle” by focusing on teenagers and family groups. We integrated shopping, dining, and entertainment elements into our projects by introducing children experience studios, bookstores, virtual-reality experience museums, archery halls into our department stores. These facilities enabled us to fulfill the needs of our target customers. On the other hand, we connect all the consumers, the stores and our shopping malls by curating themed activity, as an important way to create memorable experience for our consumers. Through the themed activities, we successfully created interactions among stores and customers and gave comprehensive meanings and experience to our department stores. These two approaches have transformed our mall into a socialized place for new experiences, bringing customers with more excitement, entertainment and social interactions. At our supermarkets, upgrades were made to our store design and shelf display. We have increased the offerings of fixed volume semi-pre-packaged fresh foods, which is more convenient for instant consumption of our customers. In addition, multi-payment method is available in our stores, which greatly reduced the checkout time. We also provide a number of convenient services to customers, which create more connections and interactions between our supermarkets and consumers. Through these new and improvement measures, consumers’ shopping experience are eventually optimized.

Finally, Springland is developing at a steady pace. Under the direction of the asset-light strategy, our department store business opened 1 new Yaohan in Jiangyin, and started to manage 2 stores in Shaoxing and Tongling. We also completed the deal of management of 3 department store projects, and for the first time moved beyond our strategic presence in Jiangsu, Zhejiang and Anhui provinces, by expanding our presence into Henan province. We focus our supermarket expansion in the existing regions and take advantage of mass coverage with the aim to create a more mature coverage, we aspired to provide residents with enhanced shopping experience. 13 new stores were opened throughout the year and totally reached 70 total stores.

Operations review

During the reporting year, the Group continued to optimize and upgrade our stores, in order to improve the overall shopping environment, accommodate the latest consumer trends and cope with the industry competitions.

For our department stores, approximately 130,000 square meters of our stores have been readjusted, whereas instore merchandise mix of approximately 1,700 brands were optimised and 130 new brands were introduced throughout the year. In terms of the scale of readjustment, Zhenjiang Yaohan continued to enrich our merchandise mix by world-renowned cosmetics, watches, accessories, clothing, and ladies’ bags brands, while consolidating our presence in the high-end market in Zhenjiang and creating competitive edge over our rivals through our experiential shopping experience. At our Nantong Yaohan, we introduced regionally-exclusive fashion brands as well as premium restaurant brands. Such measures were intended to enhance our customer retention capability, attract younger generations, and become the landmark store in Nantong core business district. While in Wuxi Yaohan, we expanded the jewellery section and refurnished the ladies’ shoes section; our Yixing Yaohan create a thrilling British village-themed section for children, which correspondingly consolidating our brand image and position of related categories.

For our supermarkets, we completed optimization and upgrade of 8 supermarkets. Among which, we adjusted the market position of our supermarkets in Jiaxing and Zhenjiang to create more synergies with our department stores, whereas they were adjusted from hypermarkets to city supermarkets. Through upgrading the merchandise display, promotion from fashion KOLs, individualized marketing, the area-effectiveness was further utilised and satisfactory results were achieved.

Stepping Up in Supply Chain Management

We introduced strategic communication mechanism with retailers for our department stores. By such mechanism, we can keep up with the dynamic pace of our suppliers and understand the latest promotion focus. Both our stores and the suppliers can gather information for analysis, such as customer feedback, potential customer resource construction and focus of resources management, and eventually to reach consensus on key cooperation topics. In view of international premium brands gradually slowing down the pace of setting up new stores, the Group was still able to obtain the support from renowned thanks to the level of cooperation. During the year, our department stores in Jiaxing Yaohan and Wuhu Yaohan set up counters for Estee Lauder; while Shiseido’s presence can be found at our stores in Changshu Yaohan, Ma’anshan Yaohan and Jiaxing Yaohan.

Marketing strategies

Construction of member resources as the key to the increase our core competitiveness

Our department stores actively promote the concept of “Members’ Promotion” and aim to anchor as a membership-based department store. We intend to comprehensively promote members’ benefits and construction, and integrate all marketing resources into the membership card by highlighting the member’s exclusive rights. We also increase the value of membership by improving club activities such as “Fun for Kids” and “Fashion & Entertainment”.

Upgrade content marketing via diversification of marketing initiatives, accelerate the construction of digital operation system

We are transforming marketing ideas, optimising construction of system, and integrating internal and external data resources. In the gradual process of digitization of membership data, we are constructing a premium and personalised marketing management system based on the customer base. By categorizing and selecting our members and consumers, we aim to achieve effective and accurate segment marketing with the least resources.

In terms of innovative marketing, the Group intends to establish an interactive relationship with our member customers by creating a diversified use of our own IP images. During the year, mascots such as Yangyang at Yixing Yaohan store, Yixing Springland’s Huabao, and Laibao at Zhenjiang Yahohan, and Daibao at our Shaoxing Yaohan, greeted our consumers one after another, who give our stores a more vivid image and enrich our marketing means. During the year, in addition to the use of social media platforms such as WeChat, Weibo and Tiktok, as well as media formats such as graphic-text and H5, our department stores attempted to step up in creating short videos, in order to accelerate the pace of dissemination.

Network expansion

Thanks to the excellence of our operational resilience, the Group has begun to offer management contracts to malls as a way to expanding our operating footprint. In December 2018, Shaoxing Yaohan and Tongling Yaohan, both of which are managed department stores of the Group opened. Both malls are integrated hubs for shopping, dining, and entertainment experience.

We continued to focus on community supermarkets for our supermarket section. The Group carried through its "1+N" expansion strategy and increased the density of outlets by opening 13 new supermarkets during the year. We also closed 3 supermarkets and upgraded 8 supermarkets in order to fit our community-oriented approach. Our upgraded supermarkets fit consumers' needs better with its improved atmosphere, merchandise mix and functions.

By the end of 2018, the Group operated 20 department stores and comprehensive lifestyle shopping malls with a gross floor area of 1,120,000 square meters (2017: 1,050,000 square meters) and 3 managed stores with a gross floor area of 143,000 square meters. The Group also operated 70 supermarkets, with a gross floor area of 461,000 square meters (2017: 481,000 square meters).

Prospects

Given the complex nature of international economic and trade conditions, declining of consumers' and investors' confidence, as well as the backdrop of market contraction, we are expecting a bearish macro economy in 2019, whereas stableness and steadiness will be the theme of the year. After the exploration and the trial and error in 2018, the industry is looking for the answer to direction of "New Retail" reform.

Nonetheless, retailers should stay vigilant reflecting, exploring and evolving ourselves by embracing consumers, new technologies amid challenges. Such shall be the way for enterprises to keep up with the pace of the world.

In 2019, our goal is to create a more highly-efficient supply chain mechanism, and to provide consumers with cost-effective goods and even better service. As such, Springland will ensure its basic operational management in accurate and sound manner, from selection of merchandise, establishment of procurement professionals, management of memberships, achieving accurate marketing, to inventory management. We will further enhance application of digital technologies to our stores by integrating new technologies in our operations. We will also promote retail efficiency improvement and customer experience improvement, and blend online membership, online purchase, and online operations into our daily lives. We strive to provide stores known for their uniqueness and excellence. We will solidify our irreplaceable presence in the regions by our exclusive retail portfolio and service. Under the clear and concise group strategy, we will cultivate and recruit more talented individuals. With such vibrant and energetic management team, we have been reserving energy for the upcoming Spring.

FINANCIAL RESULTS

The Group's TSP was RMB11,637 million for the year ended 31 December 2018. Profit attributable to equity holders of the parent was RMB400 million. The Directors of the Company recommended the payment of a final dividend for the year ended 31 December 2018 of HK$7 cents per share.

Revenue & TSP

	Year ended 31 December 2018			Year ended 31 December 2017		
	Department store division	**Supermarket division**	**Total**	Department store division	Supermarket division	Total
	(RMB million)			(RMB million)		
Revenue						
Direct sales	**497**	**2,477**	**2,974**	400	2,550	2,950
Commission income from concessionaire sales	**1,274**	**62**	**1,336**	1,228	52	1,280
Rental income	**201**	**81**	**282**	133	75	208
Provision of management services	**9**	**–**	**9**	–	–	–
Provision of food and beverage services	**7**	**–**	**7**	6	–	6
Total	**1,988**	**2,620**	**4,608**	1,767	2,677	4,444
TSP						
Direct sales	**497**	**2,477**	**2,974**	400	2,550	2,950
Gross revenue of concessionaire sales	**7,954**	**427**	**8,381**	7,683	347	8,030
Rental income	**202**	**80**	**282**	133	75	208
Total	**8,653**	**2,984**	**11,637**	8,216	2,972	11,188
Same store sales change	**3.8%**	**-1.0%**		0.4%	-3.4%	

Department store division:

TSP from the department store division increased to RMB8,653 million (2017: RMB8,216 million), and same store sales grew to 3.8%. Direct sales as a percentage of TSP from the department store division was 5.7% (2017: 4.9%) while gross revenue of concessionaire sales as a percentage of TSP from the department store division was 91.9% (2017: 93.5%) for 2018.

TSP by five largest stores

The Group has increased the number of its stores, and so the five largest stores aggregate contribution to TSP decreased from 52.5% of last year to 51.6% of 2018.

TSP by merchandise categories

In 2018, the proportion of sale proceeds of department stores from various merchandise categories* are as follows: fashion and apparel accounted for approximately 35.8% (2017: 37.8%); merchandise related to cosmetics accounted for approximately 8.0% (2017: 6.9%); watches, gold and jewellery accounted for approximately 25.1% (2017: 24.5%); footwear accounted for approximately 7.3% (2017: 8.2%); athletic apparel and casual wear accounted for approximately 11.9% (2017: 11.2%); children's and home furnishing accounted for approximately 7.1% (2017: 7.1%); the remaining categories including household and electronic appliances, rental income and others accounted for the remaining 4.8% (2017: 4.3%) of TSP of the department stores division.

Commission rate from concessionaire sales and Comprehensive Gross Margin[1]

In 2018, the commission rate from concessionaire sales was 16.0%, representing the same as in 2017. The Comprehensive Gross Margin of department store division was 23.4%, representing an increase of 1.5 percentage points from 2017, mainly due to the increase of rental income.

Supermarket division:

In 2018, TSP of the supermarket division reached RMB2,984 million (2017: RMB2,972 million), increased by 0.4% year-on-year. It resulted from the combined impact of a net drop off of sales due to closing down for optimisation of some supermarkets and sales contributed from newly opened supermarkets. Direct sales to the supermarket business contribution is 83.0% of the total amount of sales proceeds (2017: 85.8%).

TSP by merchandise categories

Fresh food accounted for approximately 42.2% (2017: 41.8%), dry foods accounted for approximately 30.5% (2017: 30.2%), non-food accounted for approximately 22.8% (2017: 23.4%) and the remaining categories including rental income and others accounted for the remaining 4.5% (2017: 4.6%) of the TSP of the supermarket division.

Direct sales margin and Comprehensive Gross Margin

Revenue from direct sales in the supermarket division decreased from RMB2,550 million in 2017 to RMB2,477 million in 2018, representing a decrease of 2.8%. The direct sales margin was 14.2% (2017: 12.3%). The Comprehensive Gross Margin was 22.5% (2017: 22.9%). 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 as well as cost efficiency from strengthening the supply chain and merchandise categories.

* Certain comparative amounts have been reclassified to conform with the current period's presentation.

[1] 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.

Rental income

Rental income increased by 35.6% to RMB282 million in 2018 from RMB208 million in 2017, mainly due to increased rentable area and improved tenant mix in the year.

Fee income from suppliers

In 2018, fee income from suppliers was RMB651 million (2017: RMB622 million), fee income from suppliers as a percentage of TSP was 5.6%, representing the same as in 2017. 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 decreased by 0.8% to RMB2,579 million in 2018 from RMB2,600 million in 2017.

Expenses

	Year ended 31 December 2018					Year ended 31 December 2017				
	Department store division	**Supermarket division**	**Head-quarters**	**Total**	**% of TSP**	Department store division	Supermarket division	Head-quarters	Total	% of TSP
	(RMB million)					(RMB million)				
Staff costs	**359**	**281**	**60**	**700**	**6.0%**	349	286	68	703	6.3%
Depreciation and amortisation	**428**	**92**	**3**	**523**	**4.5%**	391	91	3	485	4.3%
Rental expenses	**19**	**76**	**5**	**100**	**0.8%**	21	80	5	106	0.9%
Other expenses	**463**	**187**	**33**	**683**	**5.9%**	411	157	56	624	5.6%
Total	**1,269**	**636**	**101**	**2,006**	**17.2%**	1,172	614	132	1,918	17.1%

Expenses consisted of staff costs, depreciation and amortisation, rental expenses and other expenses. Other expenses mainly included utility expenses, advertising and promotion expenses, loss on disposal of property, plant and equipment, impairment of property, plant and equipment, impairment of other intangible assets, net fair value losses of derivative instruments which transaction is not qualified as hedges, office expenses, maintenance costs, travelling expenses, entertainment expenses, property tax and government surcharges and other miscellaneous expenses.

In 2018, total expenses of the Group as a percentage of TSP was 17.2% (2017: 17.1%) and total expenses increased by 4.6% to RMB2,006 million from RMB1,918 million in 2017. 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 depreciation and amortization, other operating expenses and other miscellaneous expenses.

In 2018, staff costs decreased by 0.4% to approximately RMB700 million as compared to 2017. Our management has been making continuous effort on labour cost optimisation measures in order to increase labour efficiency. Depreciation and amortization increased by 7.8% to RMB523 million in 2018 from RMB485 million in 2017. Other expenses increased by 9.6% to RMB683 million in 2017 from RMB624 million in 2017. The increase in other expenses was attributable to net off the increase in property tax, utilities expenses due to network expansion, the comprehensive impacts induced by the loss on disposal of property, plant and equipment caused by renovation and upgrading of existing properties, and the provision for impairment of property, plant and equipment, investment losses due to maturity of derivative financial instruments and loss from closing down of some loss-making supermarkets.

Operating profits

Operating profits for the Group (excluded interest and unallocated gains, corporate and other unallocated expenses and finance costs) increased to approximately RMB790 million in 2018 from RMB692 million in 2017, representing a year-on-year increase of 14.1%. Operating profits for the department store division increased from RMB625 million in 2017 to approximately RMB754 million in 2018, representing a year-on-year increase of 20.6%. Due to improvement in operational efficiency, the operation margin as a percentage of TSP for the department store division was 8.7%, representing an increase of 1.1 percentage point from 7.6% in 2017. For the supermarket division, operating profits decreased from RMB67 million in 2017 to approximately RMB36 million in 2018, representing a year-on-year decrease of 46.6%. The operating margin as a percentage of TSP for the supermarket division was 1.2%, representing a decline of 1.1 percentage points from 2.3% in 2017. The drop in operating profits for supermarket business was mainly due to loss from closing down of some loss-making supermarkets, provision for impairment of property, plant and equipment, and provision for impairment of other intangible assets, higher costs and expenses for newly open stores and keen market completion.

Net finance expenses

Net finance expenses are increased by RMB45 million from 2017 to 2018, due to the interest expense derived from capitalisation of construction in progress reduced by RMB31 million as compared to the corresponding period last year. These comprised finance charges on interest-bearing debts and net interest income from surplus cash.

Finance costs increased from RMB66 million last year to RMB110 million for 2018. The increase in net finance expenses and finance costs were due to the increase in total interest expenses and decrease in capitalized interest. During the year, approximately RMB22 million of the interest expenses has been capitalized as property under development.

Income tax expenses

As a result of the increase in profit before tax, income tax expenses for the current year increased to RMB220 million from the previous year. The effective tax rate decreased to 35.7% (2017: 36.3%).

Assets Base

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 RMB10,526 million (2017: RMB10,765 million). Those assets were held for long-term operations used by the Group.

Capital expenditure of the Group during 2018 amounted to approximately RMB366 million (2017: RMB833 million). Capital expenditure consists of additions to property, plant and equipment and prepaid land premiums and other intangible assets.

Capital commitments at year-end 2018 amounted to RMB331 million (2017: RMB400 million), representing mainly construction items of Xishan project.

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 carrying amounts of the cash and cash equivalents and time deposits approximate to their fair values.

Cash and cash equivalents and time deposits increased from RMB511 million at year-end 2017 to RMB617 million at year-end 2018 mainly resulting from the increase of net cash inflow from operations, as well as the expansion of the Group was more asset-light-oriented, as such investment for asset-heavy projects was reduced. About 95% 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 a letter of bank guarantee, the total amount of which shall not be less than 30% of the balance of advances from customers for sales of prepaid cards. At year-end 2018, the Group has deposited cash in the amount of RMB117 million (2017: RMB113 million) in the Group’s designated accounts.

Treasury Policy

Capital structure management

The total interest-bearing debts of the Group increased to RMB3,095 million (2017: RMB2,991 million) at year-end 2018, after debt repayment of RMB1,406 million and a new drawdown of RMB1,437 million for general funding purposes, during the year. All the outstanding debts are on an unsecured basis.

The Group always strives to lower foreign exchange risk and also strives to lower the borrowing margin, to diversify the funding sources and to maintain a suitable maturity profile relative to the overall use of funds. The Group continued to maintain long-term relationships with a number of PRC and overseas banks in order to diversify the funding sources. At year-end 2018, five local and overseas banks, including PRC banks provided banking facilities to the Group as funding alternatives.

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 medium-term financing notes matured on 25 March 2019, and the Group has repaid the principal and interests in full. On 21 June 2016, the Group also issued the first tranche of its 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.

As part of the Group's capital management strategy, the Group repurchased 167.4 million (2017: 106.8 million) shares through the Stock Exchange in the year, which will further enhance shareholders' value.

The Group has been careful and prudent in using debt gearing to expand its business in accordance with its business strategy. The Group's gearing ratio, as measured by Net Debt to Equity ratio[1], stayed at 54.3% at yearend 2018 (2017: 54.5%). The Group's Interest Coverage[2] increased to 9.5 times for 2018 (2017: 9.1 times) as cash inflow from the business remained strong. The stable gearing and strong ability to meet interest payments reflected the Group's resilience.

Liquidity management

As year-end 2018, the Group had cash and cash equivalents, time deposits and restricted cash totalling RMB735 million (2017: RMB624 million). All the deposits are placed with banks with strong credit ratings and the counterparty risk is monitored on a regular basis.

Liquidity is available from the undrawn committed facilities offered by the Group's relationship banks. These facilities, amounted to RMB1,146 million and the Group can obtain additional loans of up to RMB2,000 million pursuant to the official approval from the Inter-bank Dealers Association and the China Securities Regulatory Commission, at year-end 2018, essentially allowing the Group to obtain additional liquidity as the need arises.

Interest rate management

Appropriate hedging strategies, if necessary, are adopted to manage exposure to projected movements in the interest rate. The fixed debt ratio decreased to 57.4% at year-end 2018 from 59.4% at year-end 2017 following repayment of RMB4 million fixed rate bank loans and new borrowing of RMB107 million foreign currencies floating rate bank loans during 2018.

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[1] Net Debt to Equity is defined as borrowings, trade payables, and other payable and accruals less cash and bank balances, time deposits and restricted cash divided by equity plus net debt of the Group

[2] Interest Coverage is defined as earnings before interest, taxes, depreciation and amortization divided by finance costs plus capitalized interest

Foreign exchange management

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 flows generated from its operating activities as its primary source of liquidity. 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.

Use of derivatives

At year-end 2018, all derivatives were matured.

Contingent liabilities

As at 31 December 2018 and 31 December 2017, the Group had no material contingent liabilities.

HUMAN RESOURCES

At year-end 2018, we employed a total of 8,562 staff, including 3,532 serving the department store division and 4,958 serving the supermarket division (2017: a total of 8,833 staff, including 3,715 serving the department store division and 4,962 serving the supermarket division).

We strongly believe that talent acquisition is vital to our business future development. In order to retain talent, the Group constantly reviews its compensation package and performs probationary and regular evaluations according to the performance of an employee, salary structure, market movement and profitability of the Group to determine the staff salary adjustment. The Group placed emphasis on the career development of its staff and designs personal development plans that match the career development stages of its staff. We also provide relevant career counselling, training resources and job rotation practices to promote employee career development and ability enhancement.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2018 and up to the date of this announcement, there were no material events.

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

During the year 2018, pursuant to the general mandate given to the Directors of the Company, the Company repurchased a total of 167,398,000 ordinary shares of HK$0.01 each of the Company on the Stock Exchange at an aggregate consideration of HK$327 million. During the year, 160,950,000 shares were repurchased and 6,235,000 treasury shares were cancelled. The number of issued shares of the Company as of 31 December 2018 was 2,050,000,000 shares.

Subsequent to 31 December 2018 and up to the date of the announcement, the Company repurchased a total of 18,552,000 shares at an aggregate consideration of HK$30.4 million. 25,000,000 shares were repurchased and all treasury shares were cancelled in February 2019. The number of issued shares of the company as at the date of this announcement was 2,025,000,000 shares.

Particulars of the shares repurchased during the year are 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
January 2018	10,950	1.90	1.74	20,457
March 2018	9,557	1.87	1.70	17,113
April 2018	22,823	2.23	1.85	45,683
May 2018	29,580	2.05	1.88	59,902
June 2018	34,096	2.05	2.00	70,057
July 2018	18,458	2.05	2.03	37,886
August 2018	22,966	1.93	1.82	43,192
September 2018	12,520	1.85	1.78	22,664
December 2018	6,448	1.60	1.40	10,068
	167,398			327,022

The Directors consider that 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 period.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2018, the Company applied the principles and complied with the code provisions (the "Code Provision(s)") set out in the Corporate Governance Code (the "Corporate Governance Code") under Appendix 14 to the Listing Rules on the Stock Exchange, save for deviation from code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. No incident of noncompliance by Directors was noted by the Company in 2018.

Code Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Since 21 March 2018, Mr. Chen Jianqiang has been our Chairman and chief executive officer. Mr. Chen has been a director of Jiangsu Springland Enterprise Investment Holding Group Co., Ltd（江蘇華地國際控股集團有限公司#) since its incorporation in 1996 and has served as the director of the major operating subsidiaries of the Group. With extensive experience in the retail business, Mr. Chen is responsible for the overall corporate strategies, planning, business development and investment of our Group and is instrumental to the Group's growth and business expansion since his joining of the Group in 1996. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-calibre individuals. Our Board currently comprises one executive Director, two nonexecutive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

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.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment in respect of annual and interim reports, announcements of inside information and other disclosures required under the Listing Rules and other regulatory requirements.

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 Directors have prepared the financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. The auditor gives an unqualified opinion on the consolidated financial statements of the Group as at 31 December 2018 and for the year then ended.

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 2018, including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF ERNST & YOUNG

The figures above in respect of this annual results announcement for the year ended 31 December 2018 have been agreed with the Company's auditor, Ernst & Young, certified public accountants ("Ernst & Young"), to be consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

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 2018.

AGM

It is proposed that the AGM will be held on Friday, 24 May 2019 at the Conference Room, 26/F., Wuxi Jinling Hotel, No.1 Xianqian East Street, Wuxi City, Jiangsu, PRC (the "2019 AGM"). A formal notice of the 2019 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 2018 of HK$7 cents in cash per ordinary share to shareholders who names appeared on the register of members of the Company as at 4 June 2019. Subject to the approval of the shareholders of the Company at the forthcoming AGM to be held on 24 May 2019, the final dividend will be paid on or around 20 June 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2019 (Monday) to 24 May 2019 (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 AGM of the Company to be held on 24 May 2019 (Friday), all transfers documents, accompanies 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 17 May 2019 (Friday).

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the 2019 AGM. For the purpose of determining the entitlement to the final dividend for the year ended 31 December 2018 (if approved), the register of members of the Company will be closed from 30 May 2019 (Thursday) to 4 June 2019 (Tuesday) (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 2018 (if approved), all transfers documents, accompanies 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 29 May 2019 (Wednesday).

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, 25 March 2019

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

The English name is a translation of its Chinese name and is included for identification purposes only.