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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Financial Highlights

	For the six months ended 30 June		
	2018	2017	+/-
	(unaudited)	(unaudited)	
	RMB million	RMB million	
Total Sales Proceeds ("TSP")[1]	**5,962**	5,671	5.1%
– *department store*	***4,442***	*4,189*	6.1%
– *supermarket*	***1,520***	*1,482*	2.5%
Revenue	**2,372**	2,247	5.6%
Profit before tax	**358**	349	2.6%
Profit attributable to owners of the parent	**242**	227	6.3%
Earnings per share - basic (RMB: cents)	**11**	10	7.2%
Net profit margin	**10.0%**	10.1%	-0.1pp

- **TSP recorded RMB5,962 million and revenue reached RMB2,372 for the six months ended 30 June 2018. Same store sales change[2] for department store business represented an increase of 4.4% and same store sales change for supermarket business recorded an increase of 0.1%.**
- **Profit before tax was RMB358 million. Profit attributable to owners of the parent was RMB242 million, representing an increase of 6.3%.**

1 TSP represents the sum of gross revenue from concessionaire sales, revenue from direct sales and rental income.
2 Same store sales change represents the change in TSP for stores with operations through the comparable period.

- **Earnings per share were RMB11 cents.**
- **Proposed interim dividend of HK$3 cents per share.**

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "Board") of directors (the "Directors") of Springland International Holdings Limited (the "Company" or "Springland") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2018, together with comparative figures for the corresponding period of 2017. The unaudited condensed consolidated interim results have been reviewed by the audit committee of the Company (the "Audit Committee").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2018

		For the six months ended 30 June	
	Notes	**2018**	2017
		(unaudited)	(unaudited)
		RMB'000	RMB'000
REVENUE	*4*	**2,372,263**	2,247,475
Other income and gains	*5*	**356,102**	346,909
Purchase of and changes in inventories		**(1,335,820)**	(1,303,162)
Staff costs		**(348,085)**	(334,778)
Depreciation and amortisation		**(260,608)**	(239,508)
Rental expenses		**(52,677)**	(54,226)
Other expenses		**(321,661)**	(285,647)
Finance costs	*6*	**(51,810)**	(28,582)
PROFIT BEFORE TAX		**357,704**	348,481
Income tax expense	*7*	**(119,902)**	(121,881)
PROFIT FOR THE PERIOD		**237,802**	226,600
Attributable to:			
Owners of the parent		**241,591**	227,377
Non-controlling interests		**(3,789)**	(777)
		237,802	226,600
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB: cents)	*9*	**11**	10

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	**237,802**	226,600
OTHER COMPREHENSIVE LOSS/INCOME		
Exchange differences on translation of foreign operations	**(18,848)**	27,542
NET OTHER COMPREHENSIVE LOSS/INCOME TO BE RECLASSIFIED TO PROFIT OR INCOME IN SUBSEQUENT PERIODS	**(18,848)**	27,542
OTHER COMPERHENSIVE LOSS/INCOME FOR THE PERIOD, NET OF TAX	**(18,848)**	27,542
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**218,954**	254,142
Attributable to:		
Owners of the parent	**222,743**	254,919
Non-controlling interests	**(3,789)**	(777)
	218,954	254,142

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2018

	Notes	**30 June 2018 (unaudited) RMB'000**	31 December 2017 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**9,030,684**	9,124,065
Prepaid land premiums	*11*	**1,603,738**	1,627,588
Other intangible assets		**26,053**	26,955
Goodwill		**250,384**	250,384
Available-for-sale investments		**5,188**	5,188
Long-term prepayments		**10,537**	12,942
Deferred tax assets		**119,424**	111,151
Restricted cash	*14*	**115,265**	113,158
Due from the controlling shareholder	*12*	**101,720**	99,984
Total non-current assets		**11,262,993**	11,371,415
CURRENT ASSETS			
Inventories		**276,309**	351,108
Trade receivables	*13*	**8,136**	6,412
Prepayments, deposits and other receivables		**433,776**	430,792
Cash and cash equivalents	*14*	**496,508**	511,198
Total current assets		**1,214,729**	1,299,510

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
30 JUNE 2018

	Notes	**30 June 2018 (unaudited) RMB'000**	31 December 2017 (audited) RMB'000
CURRENT LIABILITIES			
Interest-bearing banking borrowings	*15*	**1,434,288**	1,467,948
Medium-term notes	*17*	**303,192**	-
Corporate bonds	*18*	**798,620**	-
Trade payables	*16*	**959,926**	1,278,855
Other payables and accruals		**2,438,965**	2,449,601
Derivative financial instruments		**-**	13,270
Tax payable		**47,737**	50,875
Total current liabilities		**5,982,728**	5,260,549
NET CURRENT LIABILITIES		**(4,767,999)**	(3,961,039)
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,494,994**	7,410,376
NON-CURRENT LIABILITIES			
Interest- bearing bank borrowings	*15*	**643,000**	396,000
Medium-term notes	*17*	**-**	309,974
Corporate bonds	*18*	**-**	817,070
Long-term payables		**81,730**	77,107
Deferred tax liabilities		**561,256**	559,733
Total non-current liabilities		**1,285,986**	2,159,884
Net assets		**5,209,008**	5,250,492
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**18,603**	19,146
Treasury shares		**(435)**	(54)
Reserves		**5,026,750**	5,066,312
		5,044,918	5,085,404
Non-controlling interests		**164,090**	165,088
Total equity		**5,209,008**	5,250,492

NOTES TO THE INTERIM CONDENSED 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. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017.

3. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- Department store segment
- Supermarket segment

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, fair value gain/(loss) and investing gain/(loss) from the derivative financial instruments as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude available-for-sale investments, deferred tax assets, restricted cash, time deposits, 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, medium-term notes, corporate bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. Operating segment information (continued)

The following tables present revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2018 and 2017, respectively:

For the six months ended 30 June 2018 (unaudited)

	Department store RMB'000	**Supermarket RMB'000**	**Total RMB'000**
Segment revenue			
Sales to external customers	**1,000,789**	**1,371,474**	**2,372,263**
Segment results	**397,794**	**49,417**	**447,211**
Reconciliation:			
Interest income and unallocated gains			**27,938**
Corporate and other unallocated expenses			**(65,635)**
Finance costs			**(51,810)**
Profit before tax			**357,704**

For the six months ended 30 June 2017 (unaudited)

	Department store RMB'000	Supermarket RMB'000	Total RMB'000
Segment revenue			
Sales to external customers	906,329	1,341,146	2,247,475
Segment results	356,858	59,891	416,749
Reconciliation:			
Interest income and unallocated gains			23,354
Corporate and other unallocated expenses			(63,040)
Finance costs			(28,582)
Profit before tax			348,481

3. Operating segment information (continued)

The following tables present segment assets of the Group's operating segments as at 30 June 2018 and 31 December 2017, respectively:

As at 30 June 2018 (unaudited)	**Department store RMB'000**	**Supermarket RMB'000**	**Total RMB'000**
Segment assets	**10,007,383**	**1,592,844**	**11,600,227**
Reconciliation:			
Corporate and other unallocated assets			**877,495**
Total assets			**12,477,722**
Segment liabilities	**2,572,045**	**763,791**	**3,335,836**
Reconciliation:			
Corporate and other unallocated liabilities			**3,932,878**
Total liabilities			**7,268,714**

As at 31 December 2017 (audited)	Department store RMB'000	Supermarket RMB'000	Total RMB'000
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

3. Operating segment information (continued)

Geographical information

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

Information about 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 six months ended 30 June 2018 and 2017.

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:

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Sales of goods - direct sales	**1,537,276**	1,483,698
Commission income from concessionaire sales (*Note*)	**702,324**	663,139
Total turnover	**2,239,600**	2,146,837
Rental income	**128,635**	98,175
Provision of food and beverage service	**4,028**	2,463
Total revenue	**2,372,263**	2,247,475

Note:

The commission income from concessionaire sales is analysed as follows:

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Gross revenue from concessionaire sales	**4,296,539**	4,089,301
Commission income from concessionaire sales	**702,324**	663,139

5. Other income and gains

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Other income		
Fee income from suppliers	**320,831**	319,935
Interest income	**11,835**	10,787
Subsidy income	**3,997**	10,976
Others	**6,169**	5,211
	342,832	346,909
Gains		
Fair value gains, net		
Derivative instruments		
- transactions not qualifying as hedges	**13,270**	-
	356,102	346,909

6. Finance costs

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Interest on medium-term notes	**7,557**	7,557
Interest on corporate bonds	**20,510**	20,510
Interest on bank borrowings wholly repayable within five years	**33,580**	27,275
Less: Interest capitalised	**(9,837)**	(26,760)
	51,810	28,582

7. Income tax expenses

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 do not have assessable income sourced from Hong Kong during the period. 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 income tax rate became 25% starting from 1 January 2008. Therefore, provision for the PRC income tax has made at the applicable income tax rate of 25% (six months ended 30 June 2017: 25%) on the assessable profits of the Group's PRC subsidiaries.

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Current - PRC corporate income tax charge for the period	**126,652**	114,976
Deferred	**(6,750)**	6,905
Total tax charge for the period	**119,902**	121,881

8. Dividends

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Dividends on ordinary shares declared and paid during the period:		
Final dividends for 2017: HK$5 cents (2016: HK$5 cents)	**88,059**	100,220
Dividends on ordinary shares proposed (not recognized as liabilities as at 30 June)		
Proposed interim dividend for 2018: HK$3 cents (2017: HK$3 cents)	**54,893**	58,640

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to the ordinary equity holders of the parent of RMB241,591,000 (six months ended 30 June 2017: RMB227,377,000), and the weighted average number of ordinary shares of 2,283,781,066 (six months ended 30 June 2017: 2,306,261,351) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during these periods.

10. Property, plant and equipment

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Carrying amount at 1 January	**9,124,065**	8,772,195
Additions	**169,219**	829,806
Depreciation provided during the period/year	**(238,660)**	(451,382)
Impairment	**(8,900)**	(8,146)
Disposals	**(15,040)**	(18,408)
Carrying amount at 30 June 2018/ 31 December 2017	**9,030,684**	9,124,065

At 30 June 2018, the application for transferring the land use right certificate to property ownership certificate for the Group's land and buildings amounting to RMB522,735,000 (31 December 2017: RMB1,470,441,000) was still in progress.

11. Prepaid land premiums

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Carrying amount at 1 January	**1,627,588**	1,676,148
Amortisation capitalised as property, plant and equipment during the period/ year	**(3,435)**	(17,339)
Recognised as expenses during the period/year	**(20,415)**	(31,221)
Carrying amount at 30 June 2018/ 31 December 2017	**1,603,738**	1,627,588

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

12. Due from the Controlling Shareholder

The Group had an outstanding balance due from the controlling shareholder of RMB101,720,000 (RMB100,000,000 as principal and RMB1,720,000 as accrued interest) as at 30 June 2018 (31 December 2017: RMB100,000,000 as principal and RMB16,000 as interest prepayment). This amount is unsecured and included in the outstanding balance, the remaining principal bear interest as an annual rate of 3.5% from 1 January 2017 and shall be repaid on or 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 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 and aged within one month based on the invoice date.

14. Cash and cash equivalents, restricted cash and time deposits

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Cash and bank balances	**436,425**	275,731
Time deposits	**175,348**	348,625
	611,773	624,356
Less: Restricted cash with maturity date over one year	**(115,265)**	(113,158)
Cash and cash equivalents	**496,508**	511,198

14. Cash and cash equivalents, restricted cash and time deposits (continued)

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

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
RMB	**516,981**	523,391
US$	**42,117**	47,297
HK$	**51,630**	51,884
SGD	**1,033**	1,777
EUR	**12**	7
	611,773	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 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 30 June 2018, certain of the Group's cash amounted to RMB115,265,000 (31 December 2017: RMB113,158,000) represents the above balances deposited in the Group's designated accounts.

15. Interest-bearing bank borrowings

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Bank loans:		
Unsecured	**2,077,288**	1,863,948
	2,077,288	1,863,948
Bank loans repayable:		
Within one year or on demand	**1,434,288**	1,467,948
Over one year but within two years	**445,000**	3,000
Over two years but within five years	**198,000**	393,000
Total bank borrowings	**2,077,288**	1,863,948
Less: Portion classified as current liabilities	**(1,434,288)**	(1,467,948)
Long-term portion	**643,000**	396,000

Bank loans bear interest at fixed rates or floating rates.

The Group's bank loans bore effective interest rates from 2.8% to 4.8% per annum as at 30 June 2018 and 2.5% to 4.8% per annum as at 31 December 2017.

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

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
RMB	**747,000**	649,000
US$	**1,022,456**	1,122,493
HK$	**307,832**	92,455
	2,077,288	1,863,948

16. Trade payables

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

	30 June 2018 (unaudited) RMB'000	31 December 2017 (audited) RMB'000
Within three months	**804,406**	1,024,983
Over three months but within six months	**106,490**	150,185
Over six months but within one year	**20,674**	57,989
Over one year	**28,356**	45,698
	959,926	1,278,855

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

17. Medium term financing notes

In February 2016, subject to 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 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 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 of second year in the amount of RMB14.34 million.

18. Corporate bonds

In May 2016, subject to the aggregate principal amount of up to RMB2.0 billion approved by the China Securities Regulatory Commission and the Shanghai Stock Exchange, the Group has 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 of second year in the amount of RMB38.96 million.

19. Events after the interim reporting period

At a meeting held on 10 August 2018, the Directors declared an interim dividend of HK$3 cents per ordinary share. This proposed dividend, based on the number of shares outstanding at the date of the meeting, is not reflected as dividend payable in this interim financial statement.

MANAGEMENT DISCUSSION AND ANALYSIS

MACRO ECONOMY OVERVIEW

In the first half of 2018, affected by international trade, and financial market, China's economy faced a series of challenges. However, with ongoing recovery in global economy, supply-side reform, market automatic adjustment mechanism, conditions were more favorable for the supporting of economy towards high-quality development and helping to create a virtuous circle of economy. According to the statistics released by China’s National Bureau of Statistics, China's GDP was RMB41,896.1 billion in the first half year, an increase of 6.8% year-on-year. The total retail sales of consumer goods reached RMB18,001.8 billion, an increase of 9.4% year-on-year. The national residents' per capita consumption spending was RMB9,609， which means a nominal growth of up to 8.8% year-on-year. The national economy sustained the momentum of steady and sound development. Domestic demand was constantly increasing and has become the main driving force of economic development.

Under the recovery of retail industry, accelerating of the pace of “new retail”, rapid development of the mobile internet and social media has become the core of consumer devices and platforms. Community business such as convenience stores and community shopping centers is entering the golden age of development, all these have brought about the overall recovery of the industry.

BUSINESS REVIEW

Development trend in 2017 is continuing. Consumer experience and retail innovation driven by technology are still the direction of development of the whole retail industry and Springland.

Improving the quality of operation and quality of in-store experience are the focus of Springland. Along with improvement of level of consumption, consumers expect and demand higher quality products, more stylish, comfortable and convenient service. Improving customer offline experience has become the most important way to attract customers. In the shopping malls, we try to attract customers by adding more features on new themes from business planning, branding, to operation. Let customers enjoy wonderful experience in our shopping malls. In our department stores, on one hand, we have upgraded the properties to create better quality shopping environment; on the other hand, we actively transform from a product supplier to a service provider. We supported professional, warmth, friendly and convenient guided shopping service to customers.

In the new era of retail, Springland is now successfully operating a digital marketing system across the whole store by actively using internet and big data analysis technology to upgrade offline stores. We are building a new membership system based on small applications, Wechat Official Account, WeChat groups, and Douyin (a music video community) in order to reach the target consumers. We are also trying to digitalize the customer data, use official account, mini program and other tools, through scan a code we can identify customers, membership benefit, process payment, and cashback discount. These will assist us to transform offline customers into online identifiable customers result as we are able to play an important role to interact with the customers.

In the operation of supermarkets, Springland is focusing on the improvement of its products and efficiency, actively optimizing cooperative brands, and seeking the source of cooperation. Through the direct purchase from the origin, and base building business, the supply of high-quality goods is enriched and increased, and the consumer demand for high-quality domestic and foreign goods is satisfied.

In terms of store expansion, according to the established plan, the Group is gradually deepening the understanding between distribution point in the new area and the existing area we are working in. The department store business is mainly based on light assets projects. We opened Jiangyin Chengxing Yaohan and completed the deal of three management department store projects in Shaoxing, Tongling and Tongxiang. In the later period, we will continue to expand light assets, export management, and realize the integration of regional market resources. Four supermarkets have been opened in Wuxi and Jiangyin, which are areas having absolute location advantages. These will promote the interaction of the original areas and enhance the Group's control over such areas.

Springland also continued to improve its basic management. Based on the full-scale business partner mechanism, the excellent incentive plan was launched in the first half of 2018 which injected strong vitality and strong fighting spirit into the employees, effectively improved the operational efficiency.

PROSPECTS

With trade dispute between United States and China intensified, external instability, uncertainty and imbalances will be increased in the second half of the year. The recovery of global economy is the mainly tendency. From this perspective, China’s general economic situation has advantage to maintain a stable and good development trend for providing a benign environment for consumers. The “new retail” will continue to be driven by new technologies, new business style and models, all of which will bring benefits to the industry.

But the nature of retailing has never changed. Whether there is new consumption upgrade, big data empowerment, artificial intelligence technology and scene revolution, the nature is the same in the future: cost reduction, efficiency improvement, and experience enhancement. This will also be the goal of Springland's continuous pursuit and improvement in operations.

We will continue to improve the new retail strategy by seeking the benefits of technological innovation and digitalization. Along with accelerated integration of sales channel and advanced technology, we will further expand the room to grow. Furthermore, we will improve self-operating ability. Driven by demand to satisfy the diversified needs of consumers, we aim to further increase market share and profitability. We will also introduce strategic partners, intensify partnership mechanisms and incentive plans, motivate employees and effectively improve operational efficiency.

FINANCIAL REVIEW

TSP and Revenue

The Group's TSP were RMB5,962 million for the six months ended 30 June 2018. TSP of the department store business increased to RMB4,442 million, representing an increase of 6.1% and same store sales increased by approximately 4.4% from the same period in 2017. TSP of supermarket business was RMB1,520 million, representing an increase of 2.5%, and the same store sales increased 0.1% compared to corresponding period in 2017.

	For the six months ended 30 June					
	2018			2017		
	Department store business	**Supermarket business**	**Total**	Department store business	Supermarket business	Total
			(RMB million)			
Revenue	**1,001**	**1,371**	**2,372**	906	1,341	2,247
Add/(less)						
Provision of food and beverage services	**(4)**	**-**	**(4)**	(2)	-	(2)
Commission income from concessionaire sales	**(672)**	**(30)**	**(702)**	(638)	(25)	(663)
Gross revenue from concessionaire sales	**4,117**	**179**	**4,296**	3,923	166	4,089
TSP	**4,442**	**1,520**	**5,962**	4,189	1,482	5,671
Representing:						
Direct sales	**236**	**1,301**	**1,537**	203	1,281	1,484
Gross revenue from concessionaire sales	**4,117**	**179**	**4,296**	3,923	166	4,089
Rental income	**89**	**40**	**129**	63	35	98
TSP	**4,442**	**1,520**	**5,962**	4,189	1,482	5,671
Same store sales change	**4.4%**	**0.1%**		-2.0%	-7.2%	

For the six months ended 30 June 2018, the revenue of the Group amounted to RMB2,372 million, representing an increase of 5.6% from RMB2,247 million, as compared to the same period of 2017. Revenue from the department store business increased to approximately RMB1,001 million, representing an increase of 10.4% and revenue from the supermarket business increased to RMB1,371 million, representing an increase of 2.3% as compared to the same period last year.

Department store business:

For the six months ended 30 June 2018, TSP from the department store business increased by 6.1% to RMB4,442 million (six months ended 30 June 2017: RMB4,189 million), and same store sales increased by approximately 4.4%. During the period, gross revenue from concessionaire sales contributed approximately 92.7% (six months ended 30 June 2017: 93.7%) and direct sales contributed approximately 5.3% (six months ended 30 June 2017: 4.8%) to TSP in respect of the department store business.

TSP by top five stores

The aggregate contribution to TSP from the five largest department stores decreased to 51.0% in the current period from approximately 52.9% in the same comparable period in 2017.

TSP by merchandise categories

The proportion of sale proceeds of department stores from various merchandise categories* for the six months ended 30 June 2018 and the corresponding period in 2017 are as follows: fashion and apparel accounted for approximately 36.3% (same period in 2017: 37.4%); merchandise related to cosmetics and accessories accounted for approximately 33.1% (same period in 2017: 31.9%); footwear accounted for approximately 7.5% (same period in 2017: 8.7%); 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 23.1% (same period in 2017: 22.0%).

Commission rate from concessionaire sales and comprehensive gross margin[3]

For the six months ended 30 June 2018, the commission rate from concessionaire sales was 16.3%, basically the same as the same period in 2017. The Group intends to maintain the stability of its commission rate by conducting periodic reviews and enhancing the merchandise mix to reflect the changing consumer demands. The comprehensive gross margin was 22.9% for the six months ended 30 June 2018 (six months ended 30 June 2017: 21.8%).

[3] Comprehensive gross margin = comprehensive gross profit / TSP. Comprehensive gross profit = gross profit of direct sales + commission income from concessionaire sales + rental income + other income (services fee collected from concessionaires and suppliers)

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

Supermarket business:

For the six months ended 30 June 2018, TSP of supermarket business was RMB1,520 million, representing an increase of 2.5% compared to corresponding period in 2017. It mainly resulted from the sales contributed from the newly opened supermarkets. During the period, direct sales contributed approximately 85.6% (six months ended 30 June 2017: 86.4%) and concessionaire sales contributed approximately 11.8% (six months ended 30 June 2017: 11.2%) of TSP of the supermarket business.

TSP by top five stores

The aggregate contribution to TSP generated from the five largest supermarkets decreased to 29.4% for the six months ended 30 June 2018 from approximately 30.6% for the same comparable period in 2017.

TSP by merchandise categories

The proportion of sale proceeds of supermarkets from various merchandise categories for the six months ended 30 June 2018 and the corresponding period in 2017 are as follow: fresh food accounted for approximately 40.5% (same period in 2017: 40.3%); dry foods accounted for approximately 32.4% (same period in 2017: 32.7%), non-food accounted for approximately 22.6% (same period in 2017: 22.6%); and the remaining categories, including rental income and others, accounted for the remaining 4.5% (same period in 2017: 4.4%).

Direct sales margin and comprehensive gross margin

Revenue from direct sales in the supermarket business increased from RMB1,281 million for the six months ended 30 June 2017 to RMB1,301 million for the six months ended 30 June 2018, representing an increase of 1.6%. For the six months ended 30 June 2018, direct sales margin for supermarket business was 13.8%, Gross profit margin was 22.9%, representing a decrease of 1 percentage point from 23.9% for the same period in 2017. The Group intended to maintain stability of gross profit margin 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.

Other income and gains

Other income and gains included fee income from suppliers, government subsidy income, interest income， and other gains. For the six months ended 30 June 2018, fee income from suppliers increased to RMB321 million (six months ended 30 June 2017: RMB320 million). Fee income from suppliers including promotion fees, management fees paid by suppliers for participating in the promotional activities, reimbursing electricity charge and material, etc.

Purchases of and changes in inventories

Purchases of and changes in inventories represented the cost of merchandise that purchased from suppliers for resale under the direct sales business model. For the six months ended 30 June 2018, purchases of and change in inventories increased to approximately RMB1,336 million, representing an increase of 2.5% as compared to the same period last year. The growth was due to the increase in direct sales.

Expenses

	For the six months ended 30 June									
	2018					2017				
	Department store business	**Super market business**	**Head quarter**	**Total**	**% of TSP**	Department store business	Super market business	Head quarter	Total	% of TSP
	(RMB million)					(RMB million)				
Staff costs	**175**	**138**	**35**	**348**	**5.8%**	159	139	36	334	5.9%
Depreciation and amortization	**215**	**45**	**1**	**261**	**4.4%**	193	45	2	240	4.2%
Rental expenses	**9**	**41**	**3**	**53**	**0.9%**	12	40	2	54	1.0%
Other expenses	**220**	**75**	**26**	**321**	**5.4%**	193	70	23	286	5.0%
Total	**619**	**299**	**65**	**983**	**16.5%**	557	294	63	914	16.1%

Expenses consisted of staff costs, depreciation and amortisation, rental and other expenses. Other expenses mainly include utility expenses, advertising and promotion expenses, losses on disposal of property, plant and equipment, office expenses, maintenance costs, travelling expenses, entertainment expenses, property tax and government surcharges, foreign exchange loss, loss on disposal of investment at fair value through profit or loss and other miscellaneous expenses.

For the six months ended 30 June 2018, total expenses of the Group as a percentage of TSP increased to approximately 16.5% (six months ended 30 June 2017: 16.1%) and total expenses increased by 7.5% to RMB983 million (six months ended 30 June 2017: RMB914 million). The growth was primarily attributable to the increase in the number of stores in expansion of stores network which resulted in the rise in staff costs, depreciation and amortization and the comprehensive impacts included 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 and investment losses due to maturity of derivative financial instruments.

However, the Group’s department stores and supermarkets that are sited in self-owned properties reached 90.6% and 34.6% of the gross floor areas respectively. The self-owned properties mitigated rental cost increases.

Operations profit and operating margin

An analysis of the profit for the period was as follows:

	For the six months ended 30 June	
	2018	2017
	(RMB million)	
Operating profits by business unit:		
Department store	**398**	357
Supermarket	**49**	60
	447	417
Head office and non-operating and unallocated expenses		
Other unallocated gains	**16**	13
Net finance expenses	**(40)**	(18)
Corporate and other unallocated expenses	**(65)**	(63)
Profit before tax	**358**	349
Income tax expenses	**(120)**	(122)
Profit for the period	**238**	227

Operations profit for the Group (excluding interest and unallocated gains, corporate and other unallocated expenses and finance costs) increased to RMB447 million for the six months ended 30 June 2018 from RMB417 million for the corresponding period in 2017, representing an increase of 7.5%.

For the six months ended 30 June 2018 due to improvement in operational efficiency, operations profit for the department store business increased by 11.4% to RMB398 million (six months ended 30 June 2017: RMB357 million) and operation margin as a percentage of TSP for department stores maintained at 9.0% (six months ended 30 June 2017: 8.5%). For the supermarket business, profit from operations decreased by approximately 17.5% to RMB49 million (six months ended 30 June 2017: RMB60 million) and operating margin as a percentage of TSP decreased to approximately 3.3%, representing a drop of 0.7 percentage point from 4.0% for the same period last year. The drop in operating profit for supermarket business was mainly due to high costs and expense for newly open stores and keen market competition.

Net finance expenses

Net finance expenses comprised finance charge on interest-bearing borrowings net interest income from surplus cash.

Total finance costs increased from RMB28 million to RMB52 million during the six months ended 30 June 2018 compared with the corresponding period last year. The increase in net finance expenses and finance costs were due to the increase in total interest expenses. During the six months ended 30 June 2018, approximately RMB10 million (six months ended 30 June 2017: RMB27 million) of the interest expenses has been capitalized as property under development.

Profit before tax

Profit before tax kept at approximately RMB358 million for the six months ended 30 June 2018, representing an increase of 2.6% compared with the corresponding period last year.

Income tax expenses

Income tax expenses for the six months ended 30 June 2018 decreased RMB2 million from the same period in 2017. The effectively tax rate staged at 33.5% (six months ended 30 June 2017: 35.0%).

Profit for the period and earning per share

Profit for the period reached approximately RMB238 million for the six months ended 30 June 2018 (six months ended 30 June 2017: RMB227 million), representing an increase of approximately 4.9% from the same comparable period in 2017.

For the six months ended 30 June 2018, the net profit margin in term of TSP was 4.0% (six months ended 30 June 2017: 4.0%) and the net profit margin in term of revenue was 10.0% (six months ended 30 June 2017: 10.1%). Basic earnings per share attributable to ordinary equity holders of the parent was RMB11 cents for the period.

EQUITY AND FINANCING

Equity

At 30 June 2018, the equity attributable to owners of the parent amounted to RMB5,045 million, representing a decrease of RMB40 million from 31 December 2017.

During the six months ended 30 June 2018, the Company repurchased 107 million shares for a total consideration of approximately HK$213 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 obtained approval from the National Association of Financial Market Institutional Investors to issue medium term financing notes in one or more tranches with an aggregate principal amount of up to RMB2.0 billion with a term of 3 years from the date of issuance to domestic institutional investors in the PRC. The Group also 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 RMB2.0 billion with a term of no more than 5 years from the date of issuance to qualified investors in the PRC.

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 are issued to institutional investors in the Inter-bank Bond Market in the PRC. On 21 June 2016, the Group also issued the first tranche of corporate bonds at par value of RMB800 million with a term of 3 years with the nominal interest rate of 4.87% per annum and the effective interest rate of 5.22% per annum. 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 30 June 2018, total interest bearing borrowings of the Group were RMB3,179 million, higher than 31 December 2017 by RMB188 million. The Group maintained an appropriate mix of fixed/floating interest rate loans and maturity profile to mitigate interest rate and re-financing risks. The table below shows the proportion of floating and fixed rates for bank borrowings, financing notes and corporate bonds.

	30 June 2018		31 December 2017	
	(RMB million)	% of total	(RMB million)	% of total
Floating rates US$ bank loans	**1,022**	**32.1%**	1,123	37.5%
Floating rates HK$ bank loans	**308**	**9.7%**	92	3.1%
Fixed rates RMB bank loans	**747**	**23.5%**	649	21.7%
Fixed rated financing notes and corporate bonds	**1,102**	**34.7%**	1,127	37.7%
Total borrowings	**3,179**	**100%**	2,991	100%

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 retail business 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 and cash to cope with daily operations and capital demand for future development. Certain of the Group's bank balances, bank borrowings and deposits 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.

Gearing

The Group has been carefully and healthy in using debt gearing to expand the business in accordance with the business strategy. At 30 June 2018, the Group's gearing ratio stayed at 54.2% (31 December 2017: 54.5%). The gearing ratio is calculated by net debt (including bank borrowings, medium term notes, corporate bonds, trade payables and other payables and accruals less restricted cash, time deposits and cash and cash equivalents) divided by the capital plus net debt of the Group.

Capital expenditure and capital commitment

Capital expenditure of the Group during the six months ended 30 June 2018 amounted to approximately RMB170 million (31 December 2017: RMB833 million). Capital expenditure consists of additions of property, plant and equipment and prepaid land premiums.

Capital commitment of the Group as of 30 June 2018 amounted to RMB425 million (31 December 2017: RMB400 million), representing mainly construction items which contracted but not provided for Xishan 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 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.

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 30 June 2018, the Group has deposited cash in the amount of RMB115 million (31 December 2017: RMB113 million) in the Group's designated accounts.

CONTINGENT LIABILITIES

As at 30 June 2018 and 31 December 2017, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 30 June 2018, the Group employed a total of 8,291 staff, including 3,697 served the department store division and 4,515 served the supermarket division (31 December 2017: 8,833 staff, including 3,715 served the department store division and 4,962 served the supermarket division).

SUFFICIENCY OF PUBLIC FLOAT

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

CONNECTED TRANACTIONS

During the six months ended 30 June 2018, the Group entered into the following continuing connected transactions.

On 30 April 2014, indirect wholly owned subsidiaries of the Company, Jiangsu Springland International Holdings (Group) Ltd ("Jiangsu Springland") and Wuxi Xishan Yaohan Lifestyle Center Co., Ltd ("Xishan Yaohan"), as sellers entered into agreements (the "Disposal Agreements") with Mr. Chen Jianqiang whereby Jiangsu Springland disposed the financial product and Xishan Yaohan disposed the deposit for RMB180 million and RMB100 million respectively to Mr. Chen. The consideration in the amount of RMB280 million were agreed be paid on or before 31 December 2014.

On 16 December 2014, Jiangsu Springland, Xishan Yaohan and Mr. Chen entered into the supplemental agreements and extended the payment date for the outstanding consideration under the Disposal Agreements of RMB182 million to 31 December 2016. On 1 December 2016, Jiangsu Springland, Xishan Yaohan and Mr. Chen entered into another supplemental agreements and further extended the payment date for the outstanding consideration of RMB118 million to 31 December 2019. Starting from 1 January 2017, interest is charged on the amount due from Mr. Chen under the Disposal Agreements with an interest rate of 3.5% per annum. As at 30 June 2018, the Group had an outstanding balance due from the controlling shareholder in the amount of RMB101.72million (31 December 2017:RMB99.98 million).

Mr. Chen, the Chairman and the controlling shareholder of the Company, is a connected person of the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Accordingly, loan for the outstanding consideration under the Disposal Agreement and its supplemental agreements constituted continuing connected transactions of the Company under the Listing Rules. Details of the transactions have been set out in the announcements dated 2 May 2014, 16 December 2014 and 1 December 2016 issued by the Company.

CORPORATE GOVERNANCE CODE

The Company complied with the code provisions set out in the Code on Corporate Governance Practice under Appendix 14 to the Listing Rules throughout the six months ended 30 June 2018, except for code provision A.2.1. Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Currently, Mr. Chen Jianqiang is both the Chairman and Chief Executive Officer of the Company. As Mr. Chen is the founder of the Group and has extensive experience in the retail industry, the Board believes that it is in the best interest of the Group to have Mr. Chen taking up both roles for continuous stable business development of the Group. No incident of non-compliance by Directors was noted by the Company in the period.

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 on the Stock Exchange 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 throughout the six months ended 30 June 2018.

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

During the six months ended 30 June 2018, pursuant to the general mandate given to the Directors of the Company, the Company repurchased a total of 107,006,000 ordinary shares of HK$0.01 each of the Company on the Stock Exchange at an aggregate consideration of approximately HK$213 million. During the six months ended 30 June 2018, 62,934,000 shares were cancelled. The number of issued shares of the Company as of 30 June 2018 is 2,154,251,000. Particulars of the shares repurchased during the six months ended 30 June 2018 are as follows:

Month of repurchase	No. of shares of HK$0.01 each	Price per share		Aggregate consideration	Aggregate consideration equivalent to
		Highest	Lowest		
		HK$	HK$	HK$'000	RMB'000
January 2018	10,950,000	1.90	1.74	20,457	16,569
March 2018	9,557,000	1.87	1.70	17,113	13,712
April 2018	22,823,000	2.23	1.85	45,683	36,905
May 2018	29,580,000	2.05	1.88	59,903	48,973
June 2018	34,096,000	2.05	2.00	70,057	59,064
	107,006,000			213,213	175,223

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.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the interim financial statements of the Company. The Directors consider that in preparing the unaudited condensed consolidated interim financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed. The Directors are not aware of any material or significant exposures exist, other than as reflected in this announcement. The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The unaudited condensed consolidated interim financial statements are continually prepared on a going concern basis.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2018. The Audit Committee is appointed by the Board and has three members, all of whom are independent non-executive Directors, being Dr. Lin Zhijun (chairman), Dr. Zhang Weijiong and Mr. Cheung Yat Ming.

INTERIM DIVIDEND

The Board proposed to pay an interim dividend of HK$3 cents per ordinary share of the Company for the six months ended 30 June 2018 to the shareholders whose names appear on the register of members of the Company on 21 September 2018. It is expected that the interim dividend will be paid on 11 October 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 September 2018 to 21 September 2018 (both days inclusive) during which period no transfer of share(s) will be effected. In order to qualify for the interim dividend, all transfer 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 17 September 2018.

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 interim report for the six months ended 30 June 2018 will be dispatched to shareholders of the Company and published on the above mentioned websites in due course.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank all the Directors, senior management and staff members of the Group for their invaluable contribution to the Group. My gratitude also goes to all the shareholders and business partners for their constant care and support.

By order of the Board
Chen Jianqiang
Chairman

Hong Kong, 10 August 2018

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chen Jianqiang and Mr. Tao Qingrong; 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.