顺客隆

Simple kind life

中國順客隆控股有限公司
CHINA SHUN KE LONG HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock code : 974

Global Offering

Sole Sponsor

光大證券
EBS INTERNATIONAL

China Everbright Capital Limited

Sole Global Coordinator,
Sole Bookrunner and Joint Lead Manager

光大證券
EBS INTERNATIONAL

China Everbright Securities (HK) Limited

IMPORTANT

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

China Shun Ke Long Holdings Limited

中國順客隆控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**71,620,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	:	**7,162,000 Shares (subject to reallocation)**
Number of International Placing Shares	:	**64,458,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	:	**HK$3.2 per Offer Share, plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**974**

Sole Sponsor

China Everbright Capital Limited

Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager

China Everbright Securities (HK) Limited

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

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

Investors applying for Hong Kong Offer Shares must pay, on application, the Offer Price for each Offer Share together with a brokerage of 1.0%, a SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%. The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (acting for itself and on behalf of the other Underwriters) and our Company on the Price Determination Date which is expected to be on or around Wednesday, 2 September 2015 and, in any event, not later than Tuesday, 8 September 2015. The Offer Price will not be more than HK$3.2 per Offer Share and is currently expected not to be less than HK$2.4 per Offer Share. If for any reason, the Offer Price is not agreed by Tuesday, 8 September 2015 between the Sole Global Coordinator (acting for itself and on behalf of the other Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Sole Bookrunner, on behalf of the Underwriters, may, with our consent, reduce the number of Offer Shares and/or the Offer Price stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such case, notice of the reduction in the number of Offer Shares and/or the Offer Price will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Such notice will also be available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.skl.com.cn. Further details are set out in the sections headed "Structure of the Global Offering" and "How to apply for the Hong Kong Public Offer Shares" to this prospectus.

Prior to making investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk factors" to this prospectus.

Prospective investors should note that the obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Public Offer Shares are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriter) if certain events shall occur prior to 8:00 a.m. on the day on which trading in our Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting" to this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act. The Offer Shares have been offered and sold only outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

28 August 2015

We will publish an announcement in Hong Kong in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and post an announcement on the website of our Company at **www.skl.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk** if there is any change in the following expected timetable of the Global Offering.

Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[2]	11:30 a.m. on Wednesday, 2 September 2015
Application lists open[3]	11:45 a.m. on Wednesday, 2 September 2015
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, 2 September 2015
Latest time to give **Electronic Application Instructions** to HKSCC[4]	12:00 noon on Wednesday, 2 September 2015
Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfers or PPS payment transfers	12:00 noon on Wednesday, 2 September 2015
Application lists close[2]	12:00 noon on Wednesday, 2 September 2015
Expected Price Determination Date[5]	Wednesday, 2 September 2015
(1) Announcement of (i) the final Offer Price; (ii) the level of the indication of interest in the International Placing; (iii) the level of applications in the Hong Kong Public Offer; (iv) the basis of allotment of Hong Kong Public Offer Shares under the Hong Kong Public Offer; and (v) the number of Offer Shares reallocated, if any, between the Hong Kong Public Offer and the International Placing to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Wednesday, 9 September 2015
(2) Results of allocations of the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels as described in the section headed "How to apply for the Hong Kong Public Offer Shares — 11. Publication of results" to this prospectus from	Wednesday, 9 September 2015
A full announcement of the Hong Kong Public Offer containing (1) and (2) above will be published on our Company's website at **www.skl.com.cn** and the Stock Exchange's website at **www.hkexnews.hk** from	Wednesday, 9 September 2015

Despatch/Collection of share certificates of the Hong Kong Public Offer Shares or deposit of share certificates of the Hong Kong Public Offer Shares into CCASS in respect of wholly or partially successful applications under the Hong Kong Public Offer on or before[6]	Wednesday, 9 September 2015
Despatch/Collection of **HK eIPO White Form** e-auto refund payment instructions/refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications under the Hong Kong Public Offer on or before[7] [8] [9]	Wednesday, 9 September 2015
Dealings in Shares on the main board of the Stock Exchange expected to commence at 9:00 a.m. on	Thursday, 10 September 2015

Notes:

(1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" to this prospectus.

(2) Applicants will not be permitted to submit their application to the HK eIPO White Form Service Provider through the designated website, **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If applicants have already submitted their application and obtained a payment reference number from the designated website prior to 11:30 a.m. on the last day for submitting applications, they will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 2 September 2015, the application lists will not open on that day. Further information is set forth in the section headed "How to apply for the Hong Kong Public Offer Shares — 10. Effect of bad weather on the opening of the application lists" to this prospectus.

(4) Applicants who apply for the Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to apply for the Hong Kong Public Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS" to this prospectus.

(5) Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Wednesday, 2 September 2015 and, in any event, not later than Tuesday, 8 September 2015. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK$3.20 per Offer Share, applicants must pay the maximum Offer Price of HK$3.20 per Offer Share at the time of application, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies, without interest, as provided in the section headed "How to apply for the Hong Kong Public Offer Shares" to this prospectus.

(6) Share certificates for the Offer Shares are expected to be issued on Wednesday, 9 September 2015 but will only become valid certificates of title at 8:00 a.m. on Thursday, 10 September 2015 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated on or before 8:00 a.m. on the Listing Date. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk. If the Hong Kong Public Offer does not become unconditional or either of the Underwriting Agreements is terminated, the Group will make an announcement as soon as possible.

(7) Refund cheques or e-auto refund payment instructions will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheque.

(8) Applicants who have applied on **WHITE** Application Forms or HK eIPO White Form for 1,000,000 or more Hong Kong Public Offer Shares under the Hong Kong Public Offer and have indicated in their application forms that they wish to collect any refund cheques and share certificates in person may do so from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, between 9:00 a.m. and 1:00 p.m. on Wednesday, 9 September 2015, provided that the applicants have provided all information required by their Application Forms. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation's chop. Identification documents and (where applicable) authorisation documents acceptable to Hong Kong Share Registrar must be produced at the time of collection of share certificates and/or refund cheque (if any). Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Public Offer Shares under the Hong Kong Public Offer and have indicated in their application forms that they wish to collect refund cheques in person may collect their refund cheques, if any, in person, provided that the applicants have provided all information required by their Application Forms but may not elect to collect their share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participant's stock account or CCASS Investor Participant's stock account, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

(9) Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to apply for the Hong Kong Public Offer Shares" to this prospectus.

You should read carefully the sections headed "Underwriting", "How to apply for the Hong Kong Public Offer Shares" and "Structure of the Global Offering" to this prospectus for additional information regarding the Global Offering, including the conditions to the Global Offering, how to apply for the Hong Kong Public Offer Shares, the expected timetable, the effects of bad weather and the despatch of share certificates and the refund of application monies.

Prospective investors of the Hong Kong Public Offer Shares should note that the Hong Kong Underwriters are entitled to terminate their obligations under the Hong Kong Underwriting Agreement by notice in writing to our Company given by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), upon the occurrence of any of the events set forth in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" to this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors or any other persons or parties involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in our Shares. There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section ''Risk factors'' to this prospectus. You should read that section carefully before you decide to invest in our Shares.

OUR BUSINESS MODEL

We are an established supermarket chain store operator with geographical focus in Guangdong province of the PRC with a particular strong network in Foshan which is one of the wealthiest cities in the region. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, 83.5%, 83.5%, 78.6% and 78.9% of our total revenue were derived from Foshan. Our operations span across retail and wholesale distribution channels. We were ranked by CCFA as one of the Top 100 Fast-moving Consumer Goods Chain Store Enterprises in the PRC *(note)* in 2013. As at 30 April 2015, we operated 84 Retail Outlets, comprising 68 supermarkets and 16 hypermarkets located in Foshan, Zhaoqing, Zhuhai and Guangzhou in Guangdong province and Macau. We have been and will also be focusing on the supermarket business leveraging our expertise and experiences on supermarket operation. According to Euromonitor Report, our supermarket retailing business ranked fifth in terms of retail value sales with a market share of 0.2% and third in terms of outlet number with a market share of 0.5% in supermarket retailing category in Guangdong province in 2014.

We operate our retail business under the well-recognized "Shunkelong (順客隆)" brand, offering a broad range of consumer products including our private label brands mainly for sale in our Retail Outlets. We provide comprehensive one-stop shopping experience to our customers and we believe we effectively cater for the needs of our retail customers. We have been expanding our retail network by opening new Retail Outlets in Guangdong province and Macau and launched our Online Supermarket. We also generate rental income through leasing certain areas of our Retail Outlets to other service or products providers complementary to our shopping environment and services, which is commonplace in the supermarket retailing industry.

Our wholesale distribution business segment distributes non-staple food products of certain consumer brands to sub-distributors and retail store operators and supplies fast consumable products to our franchisees. As at 30 April 2015, we have obtained sole and exclusive distributorship rights for 14 consumer brands for distribution in designated regions. We have established a franchise scheme open for application from interested parties to operate their franchise retail outlets under our "Ledi (樂的)" brand. As at 30 April 2015, we had 31 franchise outlets.

Being a common practice in the supermarket retailing industry, we also receive promotional income from suppliers with respect to promotional events conducted by us on behalf of our suppliers to promote their products in our Retail Outlets.

Note: "Top 100 Fast-moving Consumer Goods Chain Store Enterprise in the PRC" is a recognition granted by CCFA based on the turnovers (including tax) from the retail outlets, which include the directly-operated outlets, franchise outlets, chain outlets operated and managed under the corporate brand, as well as turnovers from the wholesale business of relevant enterprise. The turnover does not include, amongst others, turnovers generated from intra-group transactions.

OUR BUSINESS STRATEGIES

Our objectives are to become one of the largest supermarket operators in the third and fourth-tier cities in Guangdong province and further expand to become one of the largest renowned supermarket operators in the PRC. We plan to implement the following strategies to achieve the above objectives:

- we will strengthen our market position further by expanding our presence and number of Retail Outlets;
- we will deepen our market penetration in the third and fourth-tier cities in Guangdong province;
- we will expand our O2O platform to build streamlined and enhanced online sales channels; and
- we will continue to prioritise customer satisfaction through our customer oriented approach and adjustment to our product mix.

OUR COMPETITIVE STRENGTHS

Our principal competitive strengths include:

- we have comprehensive regional network of Retail Outlets and strategic Retail Outlet locations;
- our "Shunkelong (順客隆)" brand is well-recognised by our customers in Guangdong province;
- we have centralised distribution centres and advanced information technology systems;
- we have an experienced and stable management team and customer-oriented corporate culture; and
- we impose stringent quality control to meet the expectation and concern of our customers with respect to products quality and food safety.

OUR CUSTOMERS

Our customers of Retail Outlet operation and sales consisted of retail sales customers and tenants leasing certain areas of our Retail Outlets and concessionaire counters. Retail sales customers are mainly individuals of the surrounding residence and some corporate and government entities which make bulk purchases with us. Customers of our wholesale distribution are sub-distributors, retail store operators and our franchisees in the PRC, who in turn sell the products to other end consumers and their targeted consumer groups. None of our individual customer amounted for more than 5% of our revenue for each of the three years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015.

OUR SUPPLIERS

Our suppliers could be broadly divided into manufacturers, distributors, and OEM manufacturers of our private label brand products. Through our Retail Outlet operation and sales and wholesale distribution operations, we source from our suppliers a full range of daily consumer products for our end consumers as well as our sub-distributors and retail store operators. We mainly source fresh food, non-staple food and household products for our retail operation and non-staple food under our exclusive consumer brands and fast consumable products for our wholesale operation. We source fresh meat and agricultural products from Lecong Group in ordinary course of business and similar products of different brands from other suppliers. All the products we purchased from the Lecong Group are products under the own brands of the Lecong Group, such as "紅棉家園牌" for pork and "宴米" for rice, which are locally recognised and with a market demand.

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, total purchases from our five largest suppliers represented 32.1%, 28.3%, 29.5% and 39.7%, respectively, of our total cost of inventories sold for the same periods. During the same periods, our purchases from our single largest supplier accounted for 13.7%, 12.3%, 14.1% and 14.3%, respectively, of our total cost of inventories sold for the same periods.

MARKET AND COMPETITION

Supermarket retailing industry in Guangdong province is highly fragmented. Our key direct competitors include both domestic and international retail chain store operators as well as the regional and local supermarket operators. Each of these retail store operators has an established presence in the region and may expand their presence in the same cities where we have opened or intend to establish our retail network.

SHAREHOLDER INFORMATION

Immediately following completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option has not been exercised and that no shares have been issued pursuant to the exercise of the share options which may be granted under the Share Option Scheme), Golden Prime will own approximately 37.3% of the issued share capital of our Company. Golden Prime is owned by 45 shareholders, of whom Mr. Lao is interested in approximately 34.6% of its issued share capital. Mr. Lao will hold the entire issued share capital of Ever Prosperous, which will hold the entire issued share capital of Shun Ao. Hence, each of Mr. Lao, Golden Prime, Ever Prosperous and Shun Ao are considered as our Controlling Shareholders. Our Controlling Shareholders confirmed that, as at the Latest Practicable Date, there was no competition between their business and our business. The Directors believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their close associates. For details, please refer to the section headed "Relationship with Controlling Shareholders" to this prospectus.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set out the summary of our consolidated financial information derived from the Accountants' Report set forth in Appendix I to this prospectus which have been prepared in accordance with IFRS. You should read the summary consolidated financial information together with the consolidated financial statements in this prospectus, including the related notes.

Selected consolidated statements of income

The table below sets out our selected consolidated statements of income during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Revenue	674,275	869,087	1,053,359	314,315	345,639
Gross profit	114,802	147,655	183,297	53,008	65,442
Gross profit margin	17.0%	17.0%	17.4%	16.9%	18.9%
Other operating income	17,551	22,345	23,814	4,824	14,593
Profit for the year/period	16,117	27,071	31,035	7,904	13,508
Net profit margin	2.4%	3.1%	2.9%	2.5%	3.9%

The following table sets forth a breakdown of the relevant components of revenue and gross profit by different business segments during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2012		**2013**		**2014**		**2014**		**2015**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Retail Outlet operation and sales										
Segment revenue	616,378	100.0	658,782	100.0	799,808	100.0	251,510	100	260,092	100.0
General sales	*524,750*	*85.1*	*544,844*	*82.7*	*615,872*	*77.0*	*203,523*	*80.9*	*194,446*	*74.7*
Bulk sales	*66,785*	*10.9*	*84,054*	*12.8*	*146,392*	*18.3*	*36,526*	*14.5*	*50,183*	*19.3*
Rental income from leasing of shop premises	*23,729*	*3.8*	*29,107*	*4.4*	*35,237*	*4.4*	*11,213*	*4.5*	*13,480*	*5.2*
Commission from concessionaire sales	*1,114*	*0.2*	*777*	*0.1*	*2,307*	*0.3*	*248*	*0.1*	*1,983*	*0.8*
Segment gross profit	109,994	17.8	139,127	21.1	168,170	21.0	50,188	20.0	61,297	23.6
Wholesale distribution										
Segment revenue	57,897	100.0	210,305	100.0	253,551	100.0	62,805	100	85,547	100.0
General wholesale	*44,741*	*77.3*	*177,454*	*84.4*	*236,503*	*93.3*	*56,517*	*90.0*	*74,180*	*86.7*
Franchise	*13,156*	*22.7*	*32,851*	*15.6*	*17,048*	*6.7*	*6,288*	*10.0*	*11,367*	*13.3*
Segment gross profit	4,808	8.3	8,528	4.1	15,127	6.0	2,820	4.5	4,145	4.8

Our revenue derived from Retail Outlet operation and sales segment was RMB616.4 million, RMB658.8 million, RMB799.8 million and RMB260.1 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. The increase from 2012 to 2014 was mainly attributable to the increase in the number of Retail Outlets and increase in number of bulk sales customers. The increase of gross profit margin of our Retail Outlet operation and sales segment from 2012 to 2013 was mainly due to the upward price adjustment at the Retail Outlets after our regular review on the profit margin of the segment. The gross profit margin remained relatively stable and consistent for the years ended 31 December 2013 and 2014. We recorded decreased general sales compensated with the growth in rental income from leasing shop premises and commission from concessionaire sales due to the Restricted Business Transfer in late 2014, comparing the four months ended 30 April 2014 and 2015. For details, please see "Financial Information — Retail Outlet operation and sales" to this prospectus.

Average same store sales

The table below sets forth the average same store sales of our Retail Outlets during the Track Record Period:

	Year ended 31 December 2012 and 2013		**Year ended 31 December 2013 and 2014**		**Four months ended 30 April 2014 and 2015**	
	2012	**2013**	**2013**	**2014**	**2014**	**2015**
Number of comparable Retail Outlets	55		60		63	
Average same store sales (Note) *(RMB'000)*	9,684	10,425	9,984	9,891	3,210	2,605
Average same store sales growth rate	7.7%		-0.9%		-18.8%	
Pro-forma average same store sales excluding the sale of tobacco products and the Other Transferred Products (RMB'000)	7,299	7,980	7,642	7,868	2,525	2,559
Pro-forma average same store sales growth rate excluding the sale of tobacco products and the Other Transferred Products	9.3%		3.0%		1.4%	

Note: Average same store sales represented the total sales generated by our Retail Outlets (excluding rental income from leasing of shop premises and commission from concessionaire sales) that operated for the full year of both prior year and current year divided by the relevant number of Retail Outlets.

Our average same store sales increased by RMB0.7 million or 7.7% from RMB9.7 million for the year ended 31 December 2012 to RMB10.4 million for the year ended 31 December 2013 mainly due to upward price adjustment to our products at the Retail Outlets and our development of bulk sales business. Our average same store sales recorded a drop by RMB0.1 million or 0.9% from RMB10.0 million for the year ended 31 December 2013 to RMB9.9 million for the year ended 31 December 2014 and further dropped by RMB0.6 million or 18.8% from RMB3.2 million for the four months ended 30 April 2014 to RMB2.6 million for the four months ended 30 April 2015 mainly due to the Restricted Business Transfer in late 2014 whereby our Group ceased to sell tobacco and Other Transferred Products from the date of relevant transfer to the year end of 2014. Assuming the sales of the tobacco products and Other Transferred Products were excluded throughout the Track Record Period, the pro-forma average same store sales growth rate would have been 9.3%, 3.0% and 1.4% respectively. The growth rate of 9.3% between the year ended 31 December 2012 and 2013 was mainly due to our upward price adjustment in 2013. In 2014, the price of our products became relatively stable as a result of the organic growth of our business and a moderate growth of 3.0% was recorded between the year ended 31 December 2013 and 2014. In October 2014, the leasing floor area of one of our major Retail Outlets was largely reduced leading to a decrease in same store sales for 19.4% comparing the four months ended 30 April 2014 and 2015 and the pro-forma average same store sales therefore dropped from 3.0% to 1.4%. For details, please see "Financial Information — Average same store sales" to this prospectus.

Our revenue derived from wholesale distribution segment was RMB57.9 million, RMB210.3 million, RMB253.6 million and RMB85.5 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. Such increase was mainly due to (i) the increase in our exclusive consumer brands, (ii) the increase in the product varieties of our exclusive consumer brands, (iii) the expansion of our geographical coverage, and (iv) increase in the number of general wholesale customers. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our segment gross profit margin was 8.3%, 4.1%, 6.0% and 4.8%, respectively. The decrease of the segment gross profit margin for our wholesale business from 2012 to 2013 was mainly attributable to the lower selling prices offered to our wholesale distribution customers in 2013 as compared with that of 2012 in order to expand our market share by stimulating the sales volume in our wholesale business. The increase of our segment gross profit margin from 2013 to 2014 was mainly due to the increased selling prices. The increase of gross profit margin from 4.5% to 4.8% for the four months ended 30 April 2014 and 2015 respectively was mainly due to the increase in sales to franchisees which in general had a higher gross profit margin than the sales to general wholesale customers.

During the Track Record Period, out of our other operating income, our Group recorded promotion income from suppliers of RMB12.9 million, RMB13.5 million, RMB15.0 million and RMB11.5 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively with respect to promotional events requested by our suppliers to be conducted by us on their behalf to promote their products in our Retail Outlets. Please refer to section headed "Financial information — Description of selected components of statement of income — Other operating income" to this prospectus for details.

The increase of our net profit margin from 2.4% to 3.1% from 2012 to 2013 was mainly due to the lower selling and distribution costs proportionate to revenue because the increase in revenue was mainly due to our upward price adjustment on our products which is partially offset by the increase in finance costs proportionate to our revenue as we did not have interest-bearing loans in 2012 but entered into bank loans in 2013. The net profit margin for 2013 and 2014 remained stable at 3.1% to 2.9% respectively. The slight decrease was mainly due to the listing expenses of RMB1.5 million incurred in 2014. The increase in the net profit margin from 2.5% for the four months ended 30 April 2014 to 3.9% for the four months ended 30 April 2015 was mainly due to the increase of gross profit margin for the same period and increase in the proportion of other operating income to total revenue; which was partially offset by the increase in the selling and distribution costs and the administrative expenses to total revenue for the same period.

Selected consolidated statements of financial position

The table below sets out our selected consolidated statements of financial position as of the dates indicated:

	As at 31 December			As at 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	81,490	84,801	97,100	113,168
Current assets	363,144	216,072	289,812	283,710
Current liabilities	399,674	216,394	316,298	256,754
Net current (liabilities)/assets	(36,530)	(322)	(26,486)	26,956
Net assets	44,960	84,479	70,614	84,124

We had net current liabilities of RMB36.5 million, RMB0.3 million and RMB26.5 million as at 31 December 2012, 2013 and 2014, respectively and had net current assets of RMB27.0 million as at 30 April 2015. During the Track Record Period, the nature of our business operations is such that all of our liabilities are short-term except a long term bank borrowing as at 30 April 2015, consisting mainly of (i) payables to suppliers; (ii) deposits received, receipts in advance, accruals and other payables; and (iii) short-term borrowings. We generally maintained a low amount of trade receivables as we are primarily a cash-based business. Our cash level is low since we utilize the cash received mainly for establishment of new outlets, so as to create strategic value and improve profitability in the long run.

In particular, (i) RMB10.9 million, RMB11.5 million, RMB20.8 million and RMB7.4 million were amounts due to related companies in trade nature as at the years ended 31 December 2012, 2013, 2014 and as at 30 April 2015 and the trade payables represented our payables to suppliers including our related parties and independent third parties. Our suppliers generally granted us credit period ranging from 0 to 360 days for our purchases and our average trade payables turnover days were 47.8 days, 49.6 days, 56.8 days and 60.0 days as at 31 December 2012, 2013 and 2014 and as at 30 April 2015, respectively; (ii) our deposits received, receipts in advance, accruals and other payables were balances of rental deposits received for our leasing area to our tenants, payments received on behalf of our concessionaires and value of our shopping coupons etc., at any given point of time, we had a significant balance of payables to suppliers and deposits received, receipts in advance, accruals and other payables, which contributed to our net current liabilities position as at 31 December 2012, 2013 and 2014. Trade payables increased as at 31 December 2012, 2013 and 2014, principally due to increases in trade payables to our suppliers as we expanded our business.

Selected consolidated cash flow statement

The table below sets out our selected consolidated statements of cash flows during the Track Record Period:

	Year ended 31 December			Four months ended 30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from/(used in) operating activities	66,354	87,584	(9,033)	26,357
Net cash (used in)/generated from investing activities	(221,975)	185,649	(18,795)	(19,812)
Net cash generated from/(used in) financing activities	159,643	(255,956)	16,054	20,447
Net increase/(decrease) in cash and cash equivalents	4,022	17,277	(11,774)	26,992
Cash and cash equivalents at beginning of the year	16,247	20,269	37,549	25,761
Effect of exchange rates changes on cash and cash equivalents	—	3	(14)	12
Cash and cash equivalents at end of the year/period	20,269	37,549	25,761	52,765

Key financial ratios

The table below sets out our key financial ratios as of the dates or for the years indicated.

	As at/for the year ended 31 December			As at/for the four months ended 30 April
	2012	2013	2014	2015
Return on equity (%)	35.8	32.2	44.1	48.3
Return on total assets (%)	3.6	9.0	8.0	10.2
Interest coverage ratio	N/A	10.0	11.0	11.9
Gearing ratio (%)	N/A	49.2	80.7	134.3
Net debt to equity ratio (%)	net cash	4.7	44.2	71.6
Current ratio	0.9	1.0	0.9	1.1
Quick ratio	0.7	0.5	0.6	0.6

For further discussion on our key financial ratios, please refer to the section headed "Financial information — Summary of financial ratios" to this prospectus.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on our business segments of Retail Outlet operation and sales and wholesale distribution. Our business model, revenue structure and cost structure remained unchanged since 30 April 2015.

Our number of Retail Outlets increased from 84 as at 30 April 2015 to 86 as at the Latest Practicable Date in line with our organic business growth. Our number of wholesale distribution customers increased from 1,176 as at 30 April 2015 to 1,338 as at the Latest Practicable Date. Such increase was mainly attributable to our enhanced business development with general wholesale customers with an increase in number of sub-distributors and continued organic growth in the wholesale distribution segment.

We have formally launched an online sales platform, the Online Supermarket on 11 April 2015. Subsequent to 30 April 2015 and up to 31 July 2015, the revenue arising from the Online Supermarket was RMB4.9 million. We are in the process of developing our O2O platform which links to our Online Supermarket and as at the Latest Practicable Date, no revenue has been generated from the O2O platform.

Subsequent to 30 April 2015 and up to 30 June 2015, being the latest practicable date for the purpose of the indebtedness statement in this prospectus, we made additional drawdown of RMB12.0 million which is to be matured in June 2016. We expect our finance cost to increase due to the increase in our bank borrowings after the Track Record Period. For details, please refer to the section headed "Financial Information — Indebtedness and contingencies" to this prospectus. Subsequent to 30 June 2015 and up to the Latest Practicable Date, we have not entered into any new banking facilities or made new loan drawdown.

Our Directors confirmed that, since 30 April 2015 and up to the date of this prospectus, there had been no material adverse change to our operational, financial or trading position or prospects and no event had occurred that would materially and adversely affect the financial information in the Accountants' Report set out in Appendix I to this prospectus.

For information related to the trend or other factors that may affect our results of operations, please refer to the section headed "Financial information" to this prospectus.

LISTING EXPENSES

The estimated total listing expenses (based on HK$2.8 per Offer Share, being the mid-point of our indicative Offer Price range and that the Over-allotment Option is not exercised) in relation to the Global Offering are RMB19.4 million, of which approximately (i) RMB8.2 million is directly attributable to the issue of new Shares in the Global Offering and to be accounted for as a deduction from the equity, and (ii) RMB11.2 million is to be charged as administrative expenses to our profit and loss accounts. Out of this amount, a total of RMB2.4 million had been charged to our profit and loss account for the years ended 31 December 2013 and 2014, and the remaining RMB8.8 million is expected to be charged to our profit and loss account as administrative expenses for the year ending 31 December 2015.

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds of the Global Offering will be approximately HK$176.0 million, assuming the Over-allotment Option is not exercised, after deduction of the underwriting commissions and other estimated offering expenses in connection with the Global Offering and assuming the initial public Offer Price of HK$2.8 per Share, being the mid-point of the indicative Offer Price range. We intend to use these net proceeds for the following purposes:

- approximately 75.4%, or HK$132.7 million, is expected to be used to open 35 to 50 new supermarkets mainly in the third and fourth-tier cities in Guangdong province from the Listing Date to the first half of 2018, with an average gross floor area per supermarket of around 2,000 sq.m.;

- approximately 7.2%, or HK$12.6 million, is expected to be used for our information technology upgrades including enhancement to our existing information infrastructure to process and analyse big data, future upgrades of our O2O server systems, and installation of interactive display panels and terminals in our Retail Outlets;

- approximately 8.6%, or HK$15.2 million, is expected to be used for upgrading and expanding the existing distribution centres in Foshan and Zhaoqing, whereby such expansion is expected to be completed in two phases in the first half year of 2016 and the second half year of 2017, respectively; and

- approximately 8.8%, or HK$15.5 million, is expected to be used to fund our working capital and general corporate purposes which include the purchase costs of our products for sale.

For further details, please refer to the section headed “Future plans and use of proceeds” to this prospectus.

As a result of our plan to open more new supermarkets after the Listing, we expect our depreciation charge will increase.

DIVIDEND POLICY

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. The declaration, payment and amount of dividends will be subject to our discretion. Under Cayman law and the Articles, dividends may be paid out of our profits and, with the approval of our shareholders and subject to our Company being able to pay its debts as they fall due in the ordinary course of business, our share premium. To the extent profits are distributed as dividends, such portion of profits will not be available to be re-invested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Our Company does not have specific dividend payout ratio.

During each of the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, the dividends declared and paid to our Shareholders were nil, nil, RMB18.8 million and nil, respectively. On 18 August 2015, we declared a dividend of RMB18.8 million in relation to the profits of the Group prior to the Reorganisation, which will be distributed before Listing.

Please refer to the section headed "Financial information — Dividend policy" to this prospectus for further details.

RISK FACTORS

Below are most significant risks associated with our business and results of operations, among others:

- We may not be able to find suitable location for our business, or renew our existing leases for our Retail Outlets on terms commercially acceptable to us and our leases may be subject to early termination risks;
- Our growth prospects may be restricted if we encounter difficulties when expanding our Retail Outlets network;
- We may not be able to successfully complete with other online retail operators, in particular we have only recently launched our online sales platform;
- We may not be able to successfully carry out our business development plan and grow our business;
- We may not have sufficient funding and resources to support our future business growth;
- Our business and results of operations may be affected by the market recognition of our brand and any adverse claims, media speculation and other negative public statements relating to us;
- Our leased properties may be subject to certain specific risks including those arisen from defective titles and non-registration and we may be required to relocate or pay fines;
- We may be subject to product liabilities claims and litigations relating to defective products sold by us;
- We may be subject to claims relating to counterfeit products or intellectual property infringement for the products sold in our Retail Outlets; and
- We may not be able to retain our senior management and other key employees or attract talented personnel.

For details and discussions of other risks, please refer to the section headed "Risk Factors" to this prospectus.

LEGAL COMPLIANCE

During the Track Record Period, we did not fully comply with the applicable PRC laws and regulations in respect of (i) social insurance contributions and housing provident fund contributions and (ii) registration of lease agreements. For details regarding the non-compliance incidents, the remedial measures taken, the relevant risks and internal control measures adopted, please refer to the section headed "Risk factors" and the section headed "Business — Legal and compliance — Non-compliance incidents" to this prospectus.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$2.4 per Share	Based on an Offer Price of HK$3.2 per Share
Market capitalisation of our Shares(Note 1)	HK$687.5 million	HK$916.7 million
Unaudited pro forma adjusted net tangible assets per Share(Note 2)	HK$ 0.90	HK$ 1.09

Notes:

1. All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The market capitalisation is calculated based on 286,477,000 Shares expected to be issued immediately following the completion of the Global Offering and the Capitalisation Issue.

2. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the section headed "Appendix II — Unaudited pro forma financial information" to this prospectus and based on 286,477,000 Shares to be issued and outstanding following the completion of the Global Offering and the Capitalisation Issue (assuming that the Over-allotment Option is not exercised).

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings. Certain other terms are explained in section headed "Glossary of Technical Terms" to this prospectus:

"Ao Zhong Trading"	Foshan Shunde Ao Zhong Trading Limited (佛山市順德區澳中貿易有限公司), a company established in the PRC on 5 May 2015, directly owned by Usmart Chain Supermarket and a wholly-owned subsidiary of our Company
"Application Form(s)"	**WHITE** Application Form(s) and **YELLOW** Application Form(s) and **GREEN** Application Form(s), or, where the context so requires, any of them
"Articles of Association" or "Articles"	the articles of association of our Company adopted on 19 August 2015 which will take effect from the Listing Date
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "our Board"	the board of the Directors
"Business Day(s)"	any day(s) (excluding Saturday(s) and Sunday(s)) in Hong Kong on which licensed banks in Hong Kong are open for banking business throughout their normal business hours
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalisation Issue"	the capitalisation of an amount of HK$2,148,455.71 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 214,845,571 Shares for allotment and issue to the Shareholders as resolved by the Shareholders on 19 August 2015
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCFA"	China Chain Store and Franchise Association
"Chang Wan Long"	Foshan Shunde Chang Wan Long Composite Materials Company Limited (佛山市順德區昌萬隆複合材料有限公司), a company established in the PRC on 5 March 2004, directly owned by Usmart Chain Supermarket and a wholly-owned subsidiary of our Company
"China Everbright Capital" or "Sole Sponsor"	China Everbright Capital Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the sole sponsor of the Global Offering
"China Everbright Securities" or "Sole Global Coordinator" or "Sole Bookrunner"	China Everbright Securities (HK) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities, being the sole global coordinator and the sole bookrunner of the Global Offering
"Circular No. 37"	the PRC Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investment by Domestic Residents via Special Purpose Vehicles (國家外滙管理關於境內居民通過特殊目的公司投融資及返程投資外滙管理有關問題的通知) promulgated by SAFE on 4 July 2014
"Circular No. 75"	the PRC circular on Relevant Issues concerning Foreign Exchange Administration of Financing and Return Investments undertaken by Domestic Residents through Overseas Special Purpose Vehicles (關於境內居民通過特殊目的公司融資及返程投資外滙管理有關問題的通知) promulgated by SAFE on 21 October 2005, which was superseded by Circular No. 37
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Law"	the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
"Company" or "our Company"	China Shun Ke Long Holdings Limited 中國順客隆控股有限公司 (formerly known as Prospect Luck Limited 景運有限公司), the holding company of our Group after the Reorganisation and the listing vehicle for the Listing, which is an exempted company with limited liability incorporated on 18 March 2013 in the Cayman Islands
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules, and in the case of our Company upon Listing, namely Mr. Lao, Golden Prime, Ever Prosperous and Shun Ao
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSRC"	China Securities Regulation Commission (中國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated 19 August 2015 executed by our Controlling Shareholders (as indemnifiers) in favour of our Company (for itself and as trustee for each of its present subsidiaries), particulars of which are set out in the paragraph headed "Estate duty, tax and other indemnities" in Appendix V to this prospectus
"Deed of Non-Competition"	the deed of non-competition dated 19 August 2015 executed by our Controlling Shareholders (as covenantors) and our Company, particulars of which are set out in the section headed "Relationship with Controlling Shareholders — Deed of Non-Competition" to this prospectus
"Director(s)" and "our Directors"	the director(s) of our Company
"EIT Law"	the PRC Enterprise Income Tax Law
"Electronic Application Instructions"	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Public Offer Shares
"ERP System"	enterprise resource planning system

"Ever Prosperous"	Ever Prosperous Holdings Limited (順隆控股有限公司) (formerly known as Fame Expert Limited), a company incorporated in the BVI on 10 June 2013 and is wholly-owned by Mr. Lao
"Foshan Shente"	Foshan Shunde Shente Trading Limited (佛山市順德區深特貿易有限公司), a company established in the PRC on 15 August 2003, and is an Independent Third Party
"Gaoyao Letong"	Gaoyao Letong Trading Limited (高要市樂通貿易有限公司), a company established in the PRC on 12 June 2014, directly owned by Shun Ke Long and a wholly-owned subsidiary of our Company
"Gaoyao SKL"	Gaoyao Shun Ke Long Commercial Chain Limited (高要市順客隆商業連鎖有限公司) (formerly known as Gaoyao Shun Ke Long Trading Company Limited 高要市順客隆貿易有限公司), a company established in the PRC on 14 November 2005, directly owned by Shun Ke Long and a wholly-owned subsidiary of our Company
"Global Offering"	the "Hong Kong Public Offer" and the "International Placing"
"Golden Prime"	Golden Prime Holdings Limited (金元控股有限公司) (formerly known as Brisk Thrive Limited (燊盛有限公司)), a company incorporated in the BVI on 21 May 2013, and as at the Latest Practicable Date owned by Mr. Lao as to approximately 34.6% and other 44 individuals with their respective shareholdings ranging from approximately 0.35% to 5.81%
"Golden Prime Investment"	Golden Prime Investment Holdings Limited (佛山市金源投資控股有限公司), a company established in the PRC on 25 December 2007 which is owned by Mr. Lao as to approximately 33.981%
"**GREEN** Application Form"	the application form(s) to be completed by **HKeIPO White Form** service provider designated by our Company
"Group", "we", "our Group" and "us"	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company, some or any of them and the businesses carried on by such subsidiaries or (as the case may be) their predecessors

"Guangzhou SKL"	Guangzhou Shun Ke Long Supermarket Limited (廣州市順客隆超市有限公司), a company established in the PRC on 9 October 2013, directly owned by Shun Ke Long as to 70.0% and Mr. Xie Yumian, an Independent Third Party, as to 30.0%
"Happy Team"	Happy Team Enterprises Limited (樂添企業有限公司), a company incorporated in Hong Kong on 3 December 1997 and is an Independent Third Party
"HK eIPO White Form"	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** service provider, **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website **www.hkeipo.hk**
"HK SKL"	Hong Kong Shun Ke Long International Limited (香港順客隆國際有限公司) (formerly known as Deals Achiever Limited), a company incorporated in Hong Kong on 11 June 2013, and is our wholly-owned subsidiary
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Public Offer" or "Hong Kong Public Offering"	the offer of the Hong Kong Public Offer Shares by our Company for subscription by members of the public in Hong Kong (subject to adjustment as described in the section headed "Structure of the Global Offering" to this prospectus) for cash at the Offer Price, payable in full on application, and subject to the terms and conditions stated herein and in the Application Forms
"Hong Kong Public Offer Share(s)"	the 7,162,000 newly issued Shares offered by our Company for subscription under the Hong Kong Public Offer, representing 10% of the initial number of the Offer Shares subject to adjustment as described in the section headed "Structure of the Global Offering" to this prospectus
"Hong Kong Share Registrar"	Tricor Investor Services Limited

"Hong Kong Underwriter(s)"	the underwriter(s) of the Hong Kong Public Offer listed in the section headed "Underwriting — Underwriters — Hong Kong Underwriters" to this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement relating to the Hong Kong Public Offering entered into by, among others, our Company, the Sole Sponsor, the Sole Global Coordinator, the Controlling Shareholders and the Hong Kong Underwriter(s) on 27 August 2015
"Independent Third Party(ies)"	party(ies) which are independent of and not connected with any Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective associates as defined in the Listing Rules
"International Placing"	the offering of the International Placing Shares at the Offer Price outside the United States in accordance with Regulation S, as set out in the section headed "Structure of the Global Offering" to this prospectus
"International Placing Shares"	the 64,458,000 Shares being initially offered by our Company for subscription under the International Placing at the Offer Price (subject to adjustment as described in the section headed "Structure of the Global Offering" to this prospectus)
"International Underwriters"	the underwriter(s) of the International Placing which are expected to enter into the International Underwriting Agreement as initial underwriters on or around the Price Determination Date
"International Underwriting Agreement"	the underwriting agreement relating to the International Placing expected to be entered into between, among others, our Company, the Sole Global Coordinator and the International Underwriters relating to the International Placing on or about the Price Determination Date, as further described in the section headed "Underwriting" to this prospectus
"Jian Nong"	Jian Nong Holdings Limited (建農控股有限公司) (formerly known as Fair Grand Group Limited), a company incorporated in the BVI on 2 July 2013, and as at the Latest Practicable Date owned by Mr. Lao as to approximately 17.173% and other 316 individuals with their respective shareholdings ranging from approximately 0.004% to 1.372%

"Jian Nong Co-op"	Foshan Shunde Lecong Jian Nong Vegetables and Fruit Co-operative (佛山市順德區樂從建農蔬果專業合作社), a co-operative established in the PRC on 21 January 2011, which is owned by Mr. Lao as to approximately 11.215%
"Jincheng Commercial Trading"	Foshan Shunde Jincheng Commercial Trading Limited (佛山市順德區金程商貿有限公司), a company established in the PRC on 29 October 2014, directly owned by Junle Commercial and a wholly-owned subsidiary of our Company
"Joint Lead Managers"	China Everbright Securities (HK) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities; BMI Securities Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities); and Innovax Capital Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance)
"Junle Commercial"	Foshan Shunde Junle Commercial Management Limited (佛山市順德區駿樂商業管理有限公司), a company established in the PRC on 24 October 2014, directly owned by Chang Wan Long and a wholly-owned subsidiary of our Company
"Latest Practicable Date"	19 August 2015, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
"Lecong Group"	Lecong Supply and Marketing Group and its subsidiaries
"Lecong Supply and Marketing Group"	Foshan Shunde Lecong Supply and Marketing Group Limited (佛山市順德區樂從供銷集團有限公司), a company established in the PRC and owned by Golden Prime Investment as to 56.81%, Xing Nong Co-op as to 29.36% and Jian Nong Co-op as to 13.83%
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date on which dealing in the Shares on the Main Board of the Stock Exchange commences
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

"Macau"	the Macau Special Administrative Region of the PRC
"Macau SKL"	Macao Son Hak Long International Company Limited (Macau Son Hak Long Internacional Sociedade Unipessoal Limitada (澳門順客隆國際一人有限公司)) (formerly known as Companhia De Internacional Son Hak Long Macau, Limitada (澳門順客隆國際有限公司)), a company established in Macau on 9 September 2013, directly owned by SKL International and a wholly-owned subsidiary of our Company
"Mingjian Trading"	Foshan Shunde Mingjian Trading Limited (佛山市順德區名建貿易有限公司), a company established in the PRC on 4 November 2014, directly owned by Shun Ke Long and a wholly-owned subsidiary of our Company
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOP"	Macau Pataca, the lawful currency of Macau
"Mr. Lao"	Mr. Lao Songsheng (劳松盛), our chairman, executive Director and Controlling Shareholder
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國務院國有資產監督管理委員會)
"O' city"	our O2O flagship outlet in Foshan opened in 1 August 2015. for details, please refer to the section head "Business — Retail Outlet operation and sales — O'city" to this prospectus.
"OEM(s)"	original equipment manufacturer(s), which refers to a manufacturer that supplies a product to its customers who sell them in their own brands, or the operations of such manufacturer
"Offer Price"	the final price for each Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK$3.2 per Offer Share and is expected to be not less than HK$2.4 per Offer Share at which the Offer Shares are to be subscribed for or purchased pursuant to the Hong Kong Public Offer
"Offer Share(s)"	the Hong Kong Public Offer Share(s) and the International Placing Share(s) together, where relevant, with any additional Share(s) issued pursuant to the exercise of the Over-allotment Option

"Other Transferred Products"	edible oils, rice and sugar products as defined in the "Catalogue of the Guidances of Foreign Investment Industries (《外商投資產業指導目錄》)"
"Over-allotment Option"	the option to be granted by our Company to the Sole Global Coordinator, exercisable by it on behalf of the International Underwriter(s) pursuant to the International Underwriting Agreement, to issue up to 10,743,000 Shares, representing 15% of the Offer Shares initially offered under the Global Offering at the Offer Price
"PBOC"	People's Bank of China (中國人民銀行)
"Pearl River Delta"	the region comprising Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Huizhou, Jiangmen and Zhaoqing, all of which are located in Guangdong province
"POS"	point of sale
"POS System"	point of sale system
"PRC" or "China"	the People's Republic of China which, for the purpose of this prospectus only, excludes Hong Kong, Macau and Taiwan
"PRC Legal Advisers"	Jingtian & Gongcheng, a qualified PRC law firm, which is the PRC legal advisers to our Company for the application for the Listing
"Price Determination Date"	the date on which the Offer Price is to be determined by our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), which is expected to be on or around Wednesday, 2 September 2015 and in any event not later than Tuesday, 8 September 2015
"Prospectus Date"	the date of issue of the prospectus
"Province(s)" or "province(s)"	provinces, and unless the context requires otherwise, including provincial level autonomous region or provincial-level city under the direct supervision of the Central Government of the PRC
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed "History, development and Reorganisation — Reorganisation" to this prospectus

"Restricted Business Transfer"	the transfer of stocks and business relating to tobacco products and the Other Transferred Products and leasing certain area of our Retail Outlets to Foshan Shente pursuant to a series of asset transfer and rental agreements entered into by the parties in 2014, details of which are set out in the section headed "Business — Products portfolio — Cessation of the sales of tobacco products and the transfer and buyback of Other Transferred Products" to this prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	the PRC State Administration of Foreign Exchange (中華人民共和國國家外匯管理局)
"SAIC"	State Administration for Industry and Commence of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shares(s)"	share(s) of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of Share(s)
"Shun Ao"	Shun Ao Holdings Limited (順澳控股有限公司), a company incorporated in the BVI on 28 October 2013 and is wholly-owned by Ever Prosperous
"Shun Ke Long"	Foshan Shun Ke Long Commercial Limited (佛山市順客隆商業有限公司) (formerly known as Foshan Shunde Lecong Supply and Marketing Group Shun Ke Long Shopping Mall Limited 佛山市順德區樂從供銷集團順客隆商場有限公司), a company established in the PRC on 28 July 2003, directly owned by Jincheng Commercial Trading and a wholly-owned subsidiary of our Company
"SKL International"	Shun Ke Long International Limited (順客隆國際有限公司) (formerly known as Vibrant Hero Holdings Limited), a company established in BVI on 25 March 2013, directly wholly-owned by our Company
"sq.m."	square metre
"Stabilizing Manager"	China Everbright Securities

"Stock Borrowing Agreement"	a stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Sole Global Coordinator and Shun Ao, pursuant to which the Sole Global Coordinator may borrow up to 10,743,000 Shares from Shun Ao
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Track Record Period"	the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015
"Underwriters"	the Hong Kong Underwriter(s) and the International Underwriter(s)
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Usmart Chain Supermarket"	Usmart Chain Supermarket Company Limited (Companhia De Cadeia De Supermercado Usmart Lda. (美適連鎖超級市場有限公司)), a company established in Macau on 1 July 2010 and owned by Macau SKL as to 99.997% and HK SKL as to 0.003%
"US" or "United States"	the United States of America
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the US
"**WHITE** Application Form"	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be issued in the applicant's/applicants' own name
"Xing Nong"	Xing Nong Holdings Limited (興農控股有限公司) (formerly known as Epoch Best Limited), a company incorporated in the BVI on 2 July 2013, and as at the Latest Practicable Date owned by Mr. Lao as to approximately 7.44% and other 396 individuals with their respective shareholdings ranging from approximately 0.002% to 1.655%
"Xing Nong Co-op"	Foshan Shunde Lecong Xing Nong Seafood Co-operative (佛山市順德區樂從興農水產品專業合作社), a co-operative established in the PRC on 30 January 2008, which is owned by Mr. Lao as to approximately 4.935%
"**YELLOW** Application Form"	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be deposited directly into CCASS

"Yubang Trading"	Foshan Shunde Yubang Hang Trading Company Limited (佛山市順德區譽邦行貿易有限公司) (formerly known as Foshan Shunde Lecong Supply and Marketing Group Yubang Hang Trading Company Limited 佛山市順德區樂從供銷集團譽邦行貿易有限公司), a company established in the PRC on 9 December 2004, directly owned by Shun Ke Long and a wholly-owned subsidiary of our Company
"Zhuhai SKL"	Zhuhai Shun Ke Long Commercial Limited (珠海市順客隆商業有限公司), a company established in the PRC on 19 September 2011, directly owned by Shun Ke Long and a wholly-owned subsidiary of our Company
"%"	per cent

Certain amounts and percentage figures, included in this prospectus have been subject to rounding adjustments. Accordingly figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

For ease of reference, the names of the PRC established companies or entities have been included in this prospectus in both Chinese and English. The name in Chinese is the official name of each such company or entity, while that in English is only an unofficial translation, and in the event of any inconsistency, the Chinese version shall prevail.

This glossary of technical terms contains terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usages of these terms.

"bulk sales"	sales of our products in Retail Outlets in large quantities, whereas our customers mainly include corporate and governmental entities and restaurants
"general sales"	sales of our products in Retail Outlets other than bulk sales, whereas our customers are mainly individuals living in the communities and areas surrounding our Retail Outlets
"general wholesale customer(s)"	sub-distributors and retail store operators
"hypermarkets"	chained or independent grocery retail outlets with a typical selling space of over around 3,000 sq.m. which are frequently located on out-of town sites or as the anchor stores in shopping centres and with a primary focus on selling food/beverages/tobacco, other groceries, as well as a range of non-grocery products such as consumer appliances, toys, magazines, etc.
"Mobile App(s)"	tailor-made computer programs designed to run on smartphones and other mobile devices
"Online Supermarket"	our online store selling food and various daily necessities, which allows user to place orders for our products online
"O2O"	online-to-offline or offline-to-online business model involving enticing potential customers from the internet or in the online space, for example through emails and online advertisements, and using variety of tools to draw such customers to physical stores; or alternatively, by exhibiting the products in the physical store, allowing customers to place orders online and receive delivery after the product experience at the physical store
"per capita disposable income of urban households"	the per capita actual income at the disposal of members of the urban households which can be used for final consumption, other non-compulsory expenditure and savings. This equals to total income minus income tax, personal contribution to social security and subsidy for keeping diaries in a sample urban household
"per capita net income of rural households"	the per capita total income of members of the rural households from all sources minus all corresponding expenses
"Retail Outlet(s)"	our hypermarket(s) and supermarket(s) and/or any one of them operated by us

"supermarkets"	chained or independent grocery retail outlets (excluding discounters, convenience stores and independent grocery stores), exhibiting a broad offering of groceries including fresh food (e.g. vegetables, fruits, meat), as well as a limited non-grocery products such as health and beauty products, electronics and appliance products, etc.. Supermarkets are widely located at residential neighbourhoods, central business districts and commercial areas, railway stations, schools, etc., with a typical selling space of between approximately 400 and 3,000 sq.m.
"wholesale distribution customer(s)"	sub-distributors, retail store operators and franchisees

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “estimate”, “predict”, “aim”, “intend”, “will”, “may”, “plan”, “consider”, “anticipate”, “seek”, “should”, “could”, “would”, “continue”, or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our ability to implement our business plans and strategies successfully;
- future developments, trends and conditions in the industry and markets in which we operate;
- our capital expenditure and operational plans;
- the actions and developments of our competitors;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business;
- general political and economic conditions;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- various business opportunities that we may pursue; and
- macroeconomic measures taken by the PRC government to manage economic growth.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under the section headed "Risk factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. Any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of the Offer Shares and cause you to lose part or all of the value of your investment in the Offer Shares.

RISKS RELATING TO OUR BUSINESS

We may not be able to find suitable location for our business, or renew our existing leases for our Retail Outlets on terms commercially acceptable to us and our leases may be subject to early termination risks

Our business depends on our abilities to find prime location to run our Retail Outlets and ancillary and supporting facilities including our distribution centres. There are numerous factors affecting location and we will take into account the following:

- population density, customer mix and potential growth of the local population
- transportation and accessibility to the site
- future development potential of the locality
- estimated spending power of the population and the local economy
- profitability and payback period
- marketing or strategic benefits
- proximity and performance of competitors in the locality

The costs of leasing of properties have shown an upward trend during the Track Record Period. Our Directors believe that the demand for prime location for supermarket retailing business will continue to be strong and the leasing costs will continue to rise in future. Our ability to find suitable sites on terms favourable or acceptable to us is critical to the success of our expansion strategy. There is no assurance that we will be able to negotiate successfully property leasing terms that are favourable or acceptable to us, or we will be able to find or secure location suitable for our business and operations at all. Our inability to compete against our competitors or other parties in finding suitable sites, or to secure prime location in a timely manner may adversely affect our business growth and results of operations.

As at 30 April 2015, out of 84 of our existing Retail Outlets, 78 Retail Outlets were leased by us whereas two Retail Outlets were partially leased by us. Upon expiration of these lease agreements, if we fail to negotiate favourable leasing terms and conditions with our lessors, or we fail to renew our leases at all, we may have to seek relocation of our Retail Outlets. Early termination of our leases prior to their expiration dates may also take place for reasons beyond our control such as breaches of leasing provisions by our lessors. These situations will cause disruptions to our business and we may incur additional expenditures for relocation of our Retail Outlets. There is no assurance that we will be able to renew our lease agreements on terms favourable or acceptable to us, or to renew our lease agreements with our lessors at all. If we are unable to find in a timely manner alternate sites with comparable location, rents, or leasing terms and condition, our business and results of operations may be materially and adversely affected.

Our growth prospects may be restricted if we encounter difficulties when expanding our Retail Outlets network

Our future growth and profitability depend in part on our ability to expand our business presence and network in the Pearl River Delta of Guangdong province. Our ability to implement our expansion plan would be subject to the following risks and uncertainties:

- our ability to identify suitable sites for new Retail Outlets and distribution centres
- availability of resources and fund for our expansion plan
- our ability to attract, train and retain management talents in sufficient numbers for our expanded operations
- our ability to obtain all governmental approvals, licences and permits, and satisfy all filing requirements in a timely manner
- our ability to enhance our operational and management systems, including our information technology systems to support an expanded retail network
- our ability to effectively control and manage our costs such as human resources, logistics and rents for our expanded network
- the timely completion of our new Retail Outlets

If we are unable to expand our geographical coverage of our retail network within budget and schedule, or unable to effectively manage the above risks and uncertainties in the course of our expansion, we may miss the prime opportunities to capture market growth. There is no assurance that we will be able to carry out our expansion plan in a timely and cost efficient manner, and our inability to manage and implement our expansion plan relating to Retail Outlets network may adversely affect our business prospects and financial performance.

Please refer to the section headed “Business — Retail Outlet operation and sales — Retail Outlets to be opened” to this prospectus for details of our expansion plan.

We may not be able to successfully compete with other online retail operators, in particular we have only recently launched our online sales platform

Following the rapid development of e-commerce, internet retailing is grabbing more market shares from store-based retailing. Comparing to traditional physical stores, online sales platforms offer greater accessibility through the use of internet and products are offered possibly at more competitive prices due to generally lower operational costs. Our retail business had been primarily focused on our Retail Outlets during the Track Record Period and we have just launched the Online Supermarket to conduct online retailing business in April 2015. Given the short operating history of our Online Supermarket, if we fail to expand the Online Supermarket effectively and efficiently to cater for the shift of consumer preferences, our sales, business and financial condition may be adversely affected. There is no assurance that our physical stores and the Online Supermarket will be able to successfully compete with the other online retailers or to fully cater for the needs and preference of our customers.

We may not be able to successfully carry out our business development plan and grow our business

Our businesses development and expansion plans, as detailed in the section headed "Business — Our business strategies" to this prospectus, is crucial for us to expand our footprint and market share in the Pearl River Delta of Guangdong province, and such growth and future development depends on our abilities to correctly anticipate the market trends, effectively manage and efficiently allocate our managerial, financial and other resources. A successful business plan and model is dependent on numerous factors such as our abilities to build our reputation, find suitable location to run our business, have effective quality control over our products, maintain good relationship with our suppliers, promote our brand and products to our customers, maintain good after sales services, and adapt to the evolving business environment and changing environment. There is no assurance that we will be able to maintain our competitive edges or leverage our experience to expand our market share. Our inability to effectively manage our development strategies, or delay in execution of our business plan, may result in our incapability to compete successfully with our competitors, which may in turn weaken our market position and adversely affect our business and results of operations.

Tapping into new markets or geographical locations may involve uncertainties and challenges which are completely out of our expectation and control. We may need to remodel our business strategies, identify the customers and their preferences, and readjust our product mix and services in order to satisfy their needs. We cannot assure you that we will be able to overcome the challenges and difficulties posed by the new market, or we will be able to correctly identify and make appropriate changes and adjustments to our product mix and services to cater for the needs and demands of our customers. Any failure by us to leverage our retail experience to meet the new market, or to effectively manage our growth and establish our presence and reputation in such market, may result in us losing the advantages or opportunities to grow our business and this may adversely affect our prospects and results of operations. We cannot assure you that our business development and expansion plans will result in a successful business model of us. Our inability to operate our business and carry out our expansion plans to cater for our customers' needs or in line with the market trends may adversely affect our business growth and prospects.

We have thin profit margins and we may not be able to sustain our historical profitability and working capital position

As our company principally engaged in the supermarket business, we have had thin net profit margins. We recorded net profit margins of 2.4%, 3.1%, 2.9% and 3.9% for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. In terms of working capital position, we recorded net cash generated from operating activities of RMB66.4 million, RMB87.6 million and RMB26.4 million for the years end 31 December 2012, 2013 and for the four months ended 30 April 2015 respectively, and net cash used in operating activities of RMB9.0 million for the year ended 31 December 2014 respectively.

Our profitability and working capital position mainly depend on a number of factors, including our sales volume, selling prices, procurement costs of our products and these factors may not be entirely under our control. The selling prices, procurement costs of our products, our sales volume may fluctuate as a result of our relative bargaining power, market demand and supply, or the market price trend. Our selling prices for fresh food, non-staple food and households products fluctuated and may continue to fluctuate due to seasonality or fluctuation in costs of goods. Depending on the price fluctuations of the products we sourced, we may need to adjust the selling price of our products. However, there is no assurance that we can pass all increase in costs onto our customers in a timely manner or at all. If there is any unfavourable change in our volume of products sold, selling prices or costs of sales, our financial condition or working capital position may be adversely affected, and we may not be able to sustain our historical profitability and amount of operating cash flow.

We may not have sufficient funding and resources to support our future business growth

Our future business growth requires significant amount of capital investment to support our funding needs for leasing or purchase of properties for our Retail Outlets, machinery, equipment, information technology maintenance and advancement, and personnel recruitments.

In addition, to position our Retail Outlets correctly in the market for our business growth, we may consider the local customers' portfolio and remodel our Retail Outlets whenever appropriate. We may improve and renovate the shopping environment of our Retail Outlets in order to enhance our customers' shopping experience and keep their loyalty with us. Any major renovation of our Retail Outlets may disrupt our business and result in loss of turnover for the renovation period. If we are unable to manage and complete renovation of our Retail Outlets in a timely and efficient manner, our business and results of operations may be adversely affected.

We may therefore require additional funding from time to time to cope with our growth needs such as funding our Retail Outlets renovation and replenishing our cash flow during the renovation period due to loss of operating revenue. Given the volatile and uncertain nature of the financial markets, there is also no assurance that we will be able to get sufficient funds for our renovation plan, development of our O2O model and other business development to support our future growth. If there is any fluctuation or downturn of the economy or market conditions, or any tightening policies imposed on banks or financial institutions, we may not be able to get sufficient resources for our growth plan and our business performance, prospects and results of operations may be adversely affected.

Our business and results of operations may be affected by the market recognition of our brand and any adverse claims, media speculation and other negative public statements relating to us

Our brands of "Shunkelong (順客隆)" and "Ledi (樂的)" are important to our business and we believe that our brands are well recognised and accepted by our customers. Our continual growth and success will depend on our ability to protect and enhance our brand. Maintaining and enhancing our brands' recognition depends on our ability to improve our product mix and services. If we are unable to promote our brands to attract and keep the loyalty of our customers, the market perception of our brands and our customers' confidence on us may be eroded.

The "Ledi (樂的)" brand is devised by us and we have established a franchise scheme open for application from interested parties to franchise retail outlets under our "Ledi (樂的)" brand. Our franchisees are responsible for their own operations including the fixed assets and operating expenses of their franchise outlets. We also lease certain areas of our Retail Outlets to our tenants and arrange concessionaires to sell their products in our Retail Outlets. We have agreements with our tenants and concessionaires setting out certain requirements such as the designated boundaries and areas for their business, outlet layout and staff presentation. We have only limited influence over the daily business and management of our franchisees, tenants and concessionaires. There is no assurance that our franchisees, tenants or concessionaires will always strictly comply with our agreements, and their poor management or business performance may have an adverse effect on our corporate image, reputation and business operations.

In addition, any adverse claims, media speculation and other negative public statements relating to our business, products offered by us or our services may materially and adversely affect our corporate image and reputation. We may not be able to maintain our relationship with our suppliers and customers or even obtain and renew licences, approvals and permits for our business operations. Any such claims and allegations may also distract our management from their day to day management responsibilities. There is no assurance that we will be able to maintain the status quo of the market recognition of our brand by our suppliers and customers and our failure to do so may have a material adverse effect on our business, financial condition and results of operations.

We may be affected by any adverse change in Guangdong province due to a substantial part of our business presence and operations located in Guangdong province

As at 30 April 2015, out of 84 Retail Outlets, we operated 81 Retail Outlets in Guangdong province, and out of which 57 were in Foshan. For the years ended 31 December 2012, 2013 and 2014 and four months ended 30 April 2015, our revenue generated from the Retail Outlet operation and sales in Guangdong province was approximately RMB616.4 million, RMB658.4 million, RMB780.2 million and RMB245.9 million, respectively, representing 100.0%, 99.9%, 97.5% and 94.6% of our revenue for the Retail Outlet operation and sales segment during the same periods. With respect to our wholesale distribution segment, as at 30 April 2015, we have obtained exclusive distributorship rights of 14 consumer brands for distribution of products within the municipal level or district level in Foshan, Zhaoqing and Jiangmen. Our results of operations and financial position are therefore heavily dependent on the economic and social conditions of Guangdong province, particularly that of Foshan. We expect that a substantial part of our business presence will be in Guangdong province, particularly in Foshan, in the near future. There is no assurance that we will be able to maintain or even expand our existing market share in Guangdong province, particularly in Foshan in the long run.

In addition, any adverse change in the area out of our control such as downturn of the local economy, natural disasters or acts of god may adversely affect our business and operations. We cannot assure you that there will not be any unexpected change or unpredictable or disastrous events in Guangdong province and our business and results of operations may be adversely affected as a result.

We may not be able to respond promptly or adapt to future changes in laws and regulations governing our business and industry

We are also subject to a wide range of laws and regulations governing our pricing, distribution, quality control or licensing requirements. Any changes in such laws and regulations such as the imposition of more stringent requirements relating to our business and operations such as those relating to quality control or employee-related protection may result in increased costs and lower profit margin. There is no assurance that we will be able to adapt to any future changes in laws and regulations applicable to us, or we will be able to effectively manage our business and operations in view of such changes. Our business and results of operations may be adversely affected as a result.

Our leased properties may be subject to certain specific risks including those arisen from defective titles and non-registration and we may be required to relocate or pay fines

As at the Latest Practicable Date, the lessors of some of our leased sites could not or refused to provide us with the building ownership certificates concerning such leased properties. Some of the sites of our Retail Outlets leased by our lessors to us were also categorised as collective land and they shall not be leased by our lessors to third parties for non-agricultural uses.

If there is any third party claim against the title of such properties and it is proved that our such lessors do not have ownership or title of such properties or there is any government action on collective land, our leases for such properties may be deemed invalid and ineffective and our occupation of such properties might also be subject to challenges and disputes. If any of such challenges is successful, our business operations on such properties may be suspended and impaired and we may need to relocate the relevant Retail Outlets. This may cause disruptions to our business and we may incur additional expenditures for relocation of our Retail Outlets. If we are unable to find alternate sites with comparable location, rents, or leasing terms and condition to relocate our Retail Outlets in a timely manner, our business and results of operations may be materially and adversely affected.

If we are required to be evicted from properties with defective title, consequentially our lessees of the relevant properties may also be forced to vacate the units and entitled to claim against us. Our lease agreements with lessees contain clauses which limit our liability to compensate the lessees in case of forced eviction to one months' rental rates.

Further, we have not registered certain lease agreements in respect of our leased outlets mainly because the underlying properties are with defective titles and we were unable to register the lease agreements with the relevant authority. Pursuant to the applicable PRC laws and regulations, a lease agreement shall be registered with the relevant authority within 30 days after the lease agreement is signed. The relevant authority may request the parties to rectify the non-registration situation and register the lease agreement within a specified time limit. If the parties fail to do so, they may be subject to a fine in the range of approximately RMB1,000 to RMB10,000 for a lease agreement which has not been registered.

Our PRC Legal Advisers have conducted interview with Gaoyao Housing and Urban-Rural Development Bureau (高要市住房和城鄉規劃建設局) on 23 March 2015 and Foshan Housing and Urban-Rural Development Bureau (佛山市住房和城鄉規劃建設局) on 20 April 2015 and 22 April 2015, which confirmed that (i) in Zhaoqing (which include Gaoyao), there have been no enforcement actions taken and penalties imposed by the relevant authorities in relation to the non-registration of lease agreements and the relevant authority will not impose penalties on our Group; (ii) in Foshan, there have been no local policies of penalties enacted in relation to non-registration of lease agreements prior to the promulgation of a set of new regulations on 3 November 2014; only the lease agreements executed after 3 November 2014 which are not registered within the stipulated period will be subject to penalties under relevant regulations. As at the Latest Practicable Date, we have not registered 283 leases with the relevant PRC governmental authority, and our Group may therefore be subject to a maximum fine of RMB2.8 million for non-registration of lease agreements irrespective of their dates of execution. Our Directors confirmed that they were not aware of any fine imposed or any administrative action taken by the relevant PRC authorities against our Group regarding non-registration of these lease agreements. There is no assurance that the relevant authority will not take any actions or impose fine on us regarding non-registration of these lease agreements.

Please refer to the section headed "Business — Our properties — Leased properties" to this prospectus for further details on the above.

We may not be successful in continuously obtaining exclusive distributorship rights or more distributorship in future

As at 30 April 2015, we have obtained exclusive distributorship rights of 14 consumer brands which are non-staple food for distribution of products locally in Foshan, Zhaoqing and Jiangmen. We distribute our products to our wholesale distribution customers. The addition of these exclusive consumer brands added more varieties to our product mix and enhanced our list of products available for customers' selection.

The competition in the wholesale distribution in Guangdong province is intense and we need to enhance our competitive edge so that we will be able to keep the sustainability of our business and operations. Our inability to maintain the exclusive distributorship for these existing brands, or to obtain more exclusive distributorship rights may impede our business growth and our market shares, which in turn may have an adverse effect on our business growth and results of operations.

Our revenue and profitability may be affected by our product mix and our ability to anticipate preferences of our customers

We offer a variety of products for selection in order to attract a wide range of customers. The success of our business depends on our ability to maintain a comprehensive list of products and offer the right product mix in a timely manner to meet the preferences of our customers and the prevailing market demands.

Customers' demands and fashion trends in the PRC and Macau are changing at a rapid pace. Customers' desire and acceptance of our products and new products will be affected by numerous factors such as products prices, customers' lifestyle and income, and the prevailing market trends. There is no assurance that we will be able to correctly anticipate the market trends, identify customers' demands and adjust our product mix to meet their preferences. If we are unable to respond to the market trends or sell our products in line with the preferences of our customers in a timely manner, we may either experience inventory shortage or, on the other hand, end up with outdated products and our revenues and profitability may be adversely affected.

We may not be able to accurately track the sales and inventory levels of our wholesale distribution customers or correctly predict the sales trends of our products

We do not have control over our wholesale distribution customers and they may be unwilling to provide us with all information regarding their inventory level and sales data of our products in a timely manner, or at all.

We could rely only on the information provided by our wholesale distribution customers or information gathered by us during our inspection of their stores. These actions may not be effective in tracking the inventory level of our wholesale distribution customers. The information we gathered during our inspection is also not reflective of the sales trend of our products by our wholesale distribution customers. As a result, we may not be able to predict customers' preferences and anticipate the real market demands of our products. Any incorrect forecast or anticipation of market trends may end up in our inability to effectively manage our inventory and sales strategies. This may adversely affect our business performance and financial condition.

Our Group recorded net current liabilities during the Track Record Period and we may be subject to low liquidity risks in future

We had net current liabilities of RMB36.5 million, RMB0.3 million and RMB26.5 million as at 31 December 2012, 2013 and 2014, respectively and had net current assets of RMB27.0 million as at

30 April 2015. During the Track Record Period, the nature of our business operations is such that the all of our liabilities are short-term except for a long term bank borrowings as at 30 April 2015, consisting mainly of (i) payables to suppliers; (ii) deposits received, receipts in advance, accruals and other payables; and (iii) short-term borrowings. Details of our net current liabilities during the Track Record Period are set out in the section headed "Financial information — Discussion of certain items from the statements of financial position" to this prospectus.

There is no assurance that we will not experience net current liabilities position in future again. However, our Directors believe that our current cash and cash equivalents, expected cash flow from operations and banking facilities available to us as at the Latest Practicable Date, should be sufficient to meet our capital needs for the foreseeable future.

During the Track Record Period, generally we have granted to our bulk sales customers and wholesale distribution customers a credit period ranging from 0 to 270 days and we have been granted by our suppliers with a credit period ranging from 0 to 360 days. There is no assurance that we will be able to get shorter credit period from our customers and obtain longer credit period from our suppliers in future. If we are unable to effectively manage trade receivable cycles and trade payable cycles, we may experience cash shortage and low liquidity. We may then have to seek external borrowings in order to maintain or improve our cash flow position. There is no assurance that we will be able to obtain sufficient working capital through third party financing on terms favourable or acceptable to us, or we will be able to maintain sufficient liquidity at all. Our inability to raise sufficient financing to fund our business, operations and capital expenditure in a timely manner may adversely affect our business operations and financial performance.

Any increase in our total borrowings will result in a higher gearing ratio and restrict our ability to seek further external borrowings. In case we are unable to get adequate fund for our business operations, we may be forced to delay or even revise our expansion plan and our business growth and prospect may be adversely affected.

We may be affected by the delay or default in payments by our bulk sales customers and wholesale distribution customers

With respect to our Retail Outlet operation and sales, as at 30 April 2015, our relevant trade receivables amounted to RMB21.3 million and out of which, RMB19.8 million was due to the bulk sales from certain customers handled by the sales team designated by our head office for marketing purposes. Excluding the general sales and commission from concessionaire sales whereby such customers settle their payment by cash upon receipt of products, the average trade receivables turnover days in respect of Retail Outlet operation and sales segment were 52.2 days, 32.1 days, 55.8 days and 62.4 days for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively.

With respect to our wholesale distribution business, as at 30 April 2015, our relevant trade receivables amounted to RMB17.5 million. The trade receivables turnover days in respect of wholesale distribution were 28.5 days, 26.6 days, 42.5 days and 34.1 days for years ended 31 December 2012, 2013, 2014 and the four months ended 30 April 2015, respectively.

During the Track Record Period, the credit terms offered by us to our bulk sales customers, wholesales distribution customers and tenants ranging from 0 to 270 days from the invoice date. We may adjust our credit terms for our bulk sales customers and wholesale distribution customers based on their payment and credit history. However, in the event that our bulk sales customers or wholesale distribution customers delay or default in their payment obligations to us, our collection period will be lengthened causing an increase in our trade receivables cycles. There is no assurance that our bulk sales customers or wholesale distribution customers will meet their payment obligations to us on time or in full. Their such failures will increase our trade receivables cycles and we may need to obtain third party finance to fund our daily operations. Our business and results of operations may be adversely affected by any such delay or default in the payments by our bulk sales customers or wholesale distribution customers.

Our business may be negatively affected due to our ineffective quality control over our suppliers and our products

We sourced majority of our products from our suppliers and we place great emphasis in the choice of our suppliers. When we select our suppliers, we will take into consideration their reputation, product quality, reliability and past experience. We also have a set of stringent quality control guidelines and established standard operating procedures to ensure the products delivered to us are of good quality and standard. We have a quality control team at management and store levels to carry out quality checks on our products.

We believe that the risks of defective products is inherent in the nature of supermarket business, and there is no assurance that our quality control policies and measures could avoid all quality issues of our products. Any quality issues of our products may affect our corporate image, reputation and confidence of our customers to purchase from us. If we are unable to deter and effectively manage the risks relating to products quality, this may expose us to product liabilities claims and our business and results of operations may be adversely affected.

We may be subject to product liabilities claims and litigations relating to defective products sold by us

Pursuant to the applicable PRC laws and regulations (details of which are set out in the sections headed “Regulations — Law on product quality” and “Regulations — Law on tort liability” to this prospectus), both the manufacturers and the sellers of goods shall be responsible for the quality of goods sold. The Product Quality Law of the PRC provides that a set of arrangements such as supervision and on-site inspections shall be carried out to ensure that the quality of goods sold shall achieve the national and industrial standards. If there is any quality issues found in our products, we may be ordered by the relevant government authorities to rectify the quality issues such as to replace the products we sold or make refunds to our customers. We are therefore exposed to the risks inherent in supermarket business such as liabilities relating to unsafe goods and defective products. In the event that the use or consumption of our products results in any damage to our customers, we may face product liabilities claims and be held liable to pay compensation and damages to the customers. Such claims may divert the attention of our management and resources of our Group. In case any of such claims materialises, our corporate image and reputation may suffer which may result in our customers losing faith and confidence to purchase from us. Our business prospects and results of operations may be adversely affected as a result.

We have included in the supply agreements provisions to require our suppliers to indemnify us against any claims by our customers for any product liabilities claims relating to defective products. There is no assurance that we will be able to get full indemnification from our suppliers in a timely manner, or our suppliers will remain solvent or have adequate financial resources to indemnify us for all product liabilities claims.

We have not been subject to any material product liabilities claims during the Track Record Period but we cannot assure you that we will not be subject to any such claims in future. If there are any claims relating to product liabilities against us and we could not get full indemnification from our suppliers in a timely manner, our corporate image, business performance and results of operations may be adversely affected.

We may be subject to increased operational costs because our insurance coverage may not cover all losses

We maintain different types of insurance policies for our business operations such as comprehensive properties insurance, public safety liability insurance, employer liability insurance and employee accident related insurance. We do not purchase any product liabilities insurance which we believe is in line with the retail industry practice in the PRC. In the absence of product liabilities insurance, we may not be covered or compensated for losses, damages and liabilities regarding defective products. Even though our contracts with our suppliers will typically provide our suppliers to be held responsible for any product liabilities claims of our consumers, we may have to pay the compensation to our consumers first. There is no assurance that we will be able to get full indemnification from our suppliers after we settled with our customers. If we are unable to get indemnification from our suppliers, we may have to bear all of the product liabilities compensation to our customers. Our business performance and results of operations may be adversely affected as a result. For more information on our exposure with respect to product liabilities claims, please see the paragraph headed "Risk relating to our business — We may be subject to product liabilities claims and litigations relating to defective products sold by us" in this section.

We may be subject to claims relating to counterfeit products or intellectual property infringement for the products sold in our Retail Outlets

Counterfeit products refer to fraudulent goods manufactured without proper authorisations, licences or approvals and sold under the imitated labels or brands similar to the authentic ones. Counterfeit products are always characterised by their sub-standard and poor quality, and may even pose health and safety issues to the end consumers and users. We have a set of guidelines and instructions in the selection of our suppliers taking into account their reputation and trading history.

There is no assurance that the guidelines and measures in place will enable us to prevent our suppliers from delivering counterfeit products to us. Our inability to identify and deter the sales of counterfeit products delivered by our suppliers to us may harm our business and reputation.

We primarily rely on the intellectual property representations of our suppliers. We, in general, do not require our suppliers to provide us with the intellectual property information of those products delivered to us by our suppliers. As a result, we may not be able to detect or deter any intellectual property infringement of the products supplied to us. If there is any intellectual property infringement of the products sold by us, we may be requested to suspend the sale of the relevant products by the intellectual property rights owners, or compelled to do so by the courts. Further, we may be subject to risks and losses as a result of any actions and litigations taken by the intellectual property rights owners against us.

We cannot assure you that all products sold by us will not have counterfeit issues or will be free from intellectual property infringements, or we will be able to recover all damages or compensation from our suppliers relating to third party claims against counterfeit products or intellectual property infringements. If we are unable to deter and avoid the sale of products susceptible to counterfeit problems or intellectual property infringements, or recover our loss from our suppliers, our corporate image and business may be adversely affected.

Our ability to operate our business may be affected by any malfunction or loss of data of our information technology systems

We use advanced information technology systems including the ERP System and the POS System for our procurement, inventory and sales management. Our information technology systems are critical for us to monitor our inventory level and sales data. Based on the information gathered, we will then be able to respond quickly to our customers' demands and their changing preferences. We have not experienced any material interruption or malfunction of our information technology systems in the past but there is no assurance that our information technology systems could always operate without interruption or malfunction in future. Any loss of data or break down of our information technology systems may cause interruptions to our operations and as a result of which our business and results of operations may be adversely affected.

We may be subject to the risk of shortages or unavailability of products due to transportation problems or disruptions to our supply chain

Our business depends on our ability to maintain sufficient inventory of our major products to meet the demands of our customers and we need to rely on a stable supply of products from our suppliers. If we fail to maintain a stable relationship with our suppliers, we may experience fluctuation or shortage of supply of our products. We cannot assure you that we will be able to find and establish relationship with new suppliers in a timely manner, or renew our agreements with existing suppliers when such agreements expire.

In addition, there is no assurance that we will not experience any disruption of product delivery due to other reasons out of our control such as labour strikes, transportation problems, natural disasters, pandemics, riots, or extreme weather conditions. If we are unable to secure a stable source of supply chain or alternate supply source of our products, or we are unable to maintain a sufficient level of inventory to meet the market demand in a timely manner, our reputation, business operations and profitability may be adversely affected.

We may not be able to retain our senior management and other key employees or attract talented personnel

Our senior management and key employees play a crucial role in our business and operations. Our business and success are dependent on the experience and expertise of our personnel. The loss of our senior management or other key employees may impair our ability to successfully run our business and implement our strategies. In addition, we may incur additional costs to recruit and train up new personnel. If we are unable to find suitable replacement of our senior management and key employees in a timely manner and at reasonable costs, our business performance and financial performance may be materially and adversely affected.

Our continual success and our expansion plan also depend on our ability to attract and retain talented and qualified personnel. Talented and qualified individuals are scarce and our competitors compete with us for talented individuals and qualified personnel. Our competitors may be able to offer attractive compensation packages to recruit them. We may need to offer a much more competitive remuneration packages than our competitors to attract these personnel and this may result in our increased human resources costs. There is no assurance that we will be able to attract and retain talented and qualified personnel at reasonable or acceptable costs. If we are unable to find and retain talented and qualified personnel in a timely manner, this may have a negative impact on our ability to effectively manage and grow our business.

We may not be able to obtain all requisite licenses, approvals and permits for our business on time

We are required to obtain and hold relevant licenses, approvals and permits for our business. To obtain and renew such licenses and permits may take time and there is no assurance that our Group will be able to obtain or renew the requisite licenses and permits in a timely manner.

If we are unable to obtain and renew such licenses and permits for our supermarket business, our Group may be subject to fines and sanctions and some of our Retail Outlets may be ordered to stop operations. Any unexpected delays in the grant of such licenses or permits, or our inability to obtain or renew the relevant licences, approvals and permits may materially and adversely affect our existing operations and business performance.

We may be subject to the risks of fluctuation in our trading volume and cessation of business relationship with our suppliers and wholesale distribution customers due to absence of long-term contracts

To remain flexible in our operations, we generally do not enter into long-term contracts with our suppliers and general wholesale customers. Without such long-term arrangement, our suppliers or wholesale distribution customers may reduce trading volume or even cease trading with us after the contracts expire. We may experience loss of business if we are unable to re-enter new contracts with them or find other suppliers or wholesale distribution customers. There is no assurance that we will be able to renew our contracts with our suppliers and wholesale distribution customers on comparable or favourable terms. If we are unable to pass on any increased costs charged by our suppliers to our customers, or we are unable to find new wholesale distribution customers, our business, profit margin and results of operations may be adversely affected.

Our results of operations may be affected by the potential change of distribution method by our suppliers

As e-commerce develops and third party logistics providers become more efficient and readily available, our suppliers may choose on-line channels for sales and third party logistics providers for subsequent distribution of products. We cannot assure you that our suppliers will continue to sell and distribute their products through us, or they will not deploy other channels for sales and distribution of their products. If we are unable to maintain a good relationship with our suppliers or stay competitive with other form of sales and distribution, our business and results of operations may be adversely affected.

Our results of operation may be affected by the unpredictable nature and amount of promotion income we may receive from our suppliers in future

Our suppliers arrange promotion of their products with us in our Retail Outlets from time to time and our promotion income from suppliers received during the Track Record Period was attributable to these promotional events and activities. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our promotion income from our suppliers was RMB12.9 million, RMB13.5 million, RMB15.0 million and RMB11.5 million, respectively. As these promotional activities are conducted at the own initiatives of our suppliers based on their business needs and marketing strategies which are not subject to our control, there is no assurance that our suppliers will continue to initiate the same level or even more promotional activities in our Retail Outlets in future and the historical promotion income received by our Group during the Track Record Period provides no guarantee or indication to the promotion income to be received by us in future. In the event that the marketing strategies of our suppliers change resulting in a reduction of promotional activities in our Retail Outlets, we may not be able to receive constant or comparable amount of promotion income from our suppliers in future and our results of operations and financial condition may be adversely affected.

We may be subject to fines and penalties under the relevant PRC laws and regulations due to our failure to make appropriate contributions for housing provident fund and social insurance for our employees

Our Group is required under relevant PRC laws and regulations to contribute to the social insurance scheme (such as pension insurance, medical insurance, unemployment insurance, maternity insurance and work-related injury insurance) for the benefit of our staff. However, we had not made adequate social insurance contributions for our employees. We estimate that the outstanding contributions for social insurance during the Track Record Period amounted to approximately RMB5.7 million. We may further be fined by relevant authorities with an additional late payment fee at a daily rate of 0.05% of the outstanding contribution from the due date.

Our Group is also required under relevant PRC laws and regulations to contribute to the housing provident fund scheme for our staff. We had not made adequate contributions in respect of housing provident fund. We estimate that the outstanding contributions for housing provident fund during the Track Record Period amounted to approximately RMB6.2 million. If we fail to pay the outstanding sums within a prescribed period, we may face rectification order by the competent housing fund management centre.

Please refer to the section headed "Business — Legal and compliance — Non-compliance incidents" to this prospectus for further details. In the event that the said penalty is imposed on our Group, or other administrative sanction is ordered by the relevant PRC authorities against us, for our previous failure to make contributions to social insurance scheme and/or housing provident fund, such penalty or administrative sanction may adversely affect our financial condition and reputation.

Our business and results of operations may be affected by our lack of control over our wholesale distribution customers and their business strategies and performance

We have included terms in our agreements with our general wholesale customers to confine them to sell our products to certain areas in order to reduce cannibalisation amongst themselves. There is no assurance that our general wholesale customers will comply with such restrictive covenants. If our general wholesale customers fail to strictly adhere to the restrictive covenants, we may not be able to minimise or avoid cannibalisation between our general wholesale customers and our business and results of operations may be adversely affected.

We do not have control over our wholesale distribution customers, their business models, market competitiveness and financial performances. Our wholesale distribution customers may not be able to market and sell our products efficiently to end consumers. If our wholesale distribution customers fail to maintain a sustainable business or even cease to carry on their business, our wholesale distribution customers may decrease their amount of purchase from us, ask for discounts, or choose to sell products of our competitors. We may experience reduced orders from them or even lose our wholesale distribution customers and this may adversely affect our business growth and results of operations.

We may be subject to fines or actions due to the inter-company loans

As at 31 December 2012, our bank borrowings was RMB199.5 million and we advanced all such borrowings to our related company, Lecong Supply and Marketing Group which was our immediate holding company before Reorganisation for its operational and working capital use. Lecong Supply and Marketing Group was responsible for payment of all interest expenses accrued on these bank loans. The loans to Lecong Supply and Marketing Group bore the same interest rates as the bank borrowings and were settled in 2013 and the related interest was settled in 2014. The bank borrowings and the related interest were settled by us in 2013.

According to our PRC Legal Advisers, such lending activities between enterprises do not comply with the Lending General Provisions (貸款通則) promulgated by the PBOC in 1996. PBOC may impose a fine on the lending party in an amount equal to one to five times of the illegal proceeds generated from the lending activity, and concurrently invalidate such lending activities. Our PRC Legal Advisers have interviewed Shunde branch of PBOC (中國人民銀行順德支行) and confirmed that it has not imposed any penalties against any companies in Shunde in relation to inter-company loans and it would not impose any penalties against Shun Ke Long. As confirmed by the PRC Legal Advisers, the Shunde branch of PBOC (中國人民銀行順德支行) is a competent authority to give the aforesaid confirmations. Given (i) we did not receive any economic benefits from the advances; (ii) the relevant advances had been fully repaid by the related company and; (iii) we had already ceased such practice; and (iv) the interview results with the Shunde branch of PBOC, our PRC Legal Advisers are of the view that the risk for PBOC to impose any penalty on us is low.

As at the Latest Practicable Date, our Directors confirmed that there was no similar advances to Lecong Supply and Marketing Group or to any other entity, and they were not aware of any action by the relevant PRC authorities against our Group in respect of the inter-company loan. However, there is no assurance that PBOC will not impose a fine or take any actions against us in future. For further details of this non-compliant incident and remedial measures, please refer to the sections headed "Financial information — Liquidity and capital resources — Loans to a related company" and "Business — Risk management policies and internal control — Loan or advance policies" to this prospectus.

We may not be able to protect our intellectual property rights against infringements

We have certain trademarks and domain names registered in the PRC, Hong Kong and/or Macau, details of which are set out in Appendix V to this prospectus. Our brands and trade names, particular that of "Shunkelong (順客隆)" is well received by our customers. In order to protect our intellectual property rights, we have registered the trademarks of "顺客隆 Simple kind life" and "顺客隆" and "乐的" in the PRC, Hong Kong and/or Macau and are applying for new trademarks or new categories for various categories of products in the PRC. Any unauthorised use of our trademarks by any parties or entities may damage our reputation, brand and corporate image. Prevention of infringement of our trademarks or intellectual property rights might be difficult, time-consuming and costly particularly in the PRC. We cannot assure you that registration of our trademarks and other measures we used to protect our trademarks and intellectual property rights are adequate and could prevent intellectual property infringement and there is no assurance that we will be able to successfully complete registration of those trademarks which are now in the process of application and any infringement of our intellectual property rights may adversely affect our reputation, brand, corporate image and our business and results of operations.

We may be subject to the risks of inefficient internal control

We have identified certain internal control deficiencies and non-compliance issues in our historical operations. As a result, we have adopted internal control policies and procedures in order to control and prevent any recurrence of such internal control deficiencies as well as to manage our risk exposures. Notwithstanding that we may have enhanced our internal control measures, they may not be effective against or capable of eliminating unexpected future risks due to market or regulatory changes.

There is also no assurance that our employees responsible for our internal control will be able to appreciate and identify new risks or take appropriate and timely actions to remediate such deficiencies. We also cannot assure you that our internal control measures will be able to detect and identify all deficiencies and non-compliance issues in view of the evolving regulatory and market conditions. Our inability to successfully and effectively implement our internal control policies and measures may adversely affect our reputation, business and results of operations.

We may be subject to the risks of conflict of interests of our controlling shareholders or the actions of our controlling shareholders

Our Controlling Shareholders may be able to exert substantial control and influence over our Group including mergers, consolidation and sale of all or substantially all of our assets. The interests of our Controlling Shareholders may also conflict with the interests of the other shareholders. In the event that the interests of our Controlling Shareholders conflict with that of the public shareholders, such public shareholders may be left in a disadvantageous position and the price of our Shares may be adversely affected. The concentration of ownership may discourage, delay or prevent a change of control of our Company, which could deprive our Shareholders' opportunities to receive a premium for their Shares as part of sale of our Company or our assets, and might reduce the price of our Shares. Due to our Controlling Shareholders' significant shareholding position in our Shares, these actions may be taken even if they are opposed by the other Shareholders. Our reputation, business performance and results of operations may be adversely affected.

Our Company's historical dividends may not be indicative of our Company's future dividend policy

During the years ended 31 December 2012, 2013 and 2014 and four months ended 30 April 2015, our Company declared and paid dividends of nil, nil, RMB18.8 million and nil, respectively, to our Shareholders. Our Directors will take into account various factors such as our cash flow, financial conditions, capital requirements and results of operations to decide declaration and payment of any dividends.

We cannot assure you that in future our Company will pay dividends at a similar level to past dividends, or at all. The past dividend distribution patterns should not be used as any reference or basis to determine the dividends payable in future. Potential investors should be aware that the amount of dividends our Company paid in the past should not be used as a reference or basis upon which future dividends are determined.

RISKS RELATING TO THE INDUSTRY IN THE PRC

We may not be able to compete successfully with our competitors in a highly competitive market

The retail industry and the operations of retail outlets in the PRC is highly competitive. We face competitions from domestic and international operators of supermarkets, retail outlets, convenience stores, and other forms of retail business. We expect such competitions will continue when we open new Retail Outlets and we compete with other retailers in the PRC in the following areas:

- brand's recognition of the retailers in the local community
- location and scale of stores
- product mix, price, quality and popularity of products for customers' selection
- timely understanding and response to the needs of customers
- the prevailing market demands
- after-sales service to customers

Some of our competitors and retail chain operators may have longer operating history, larger scale of operation, or enjoy more financial and resources than we do. As such, they may be able to adopt more aggressive pricing strategies, offer for a wider range of products, adopt more innovative sales channels, or position themselves better to withstand recurring and periodic downturn. We cannot assure you that we will be able to distinguish ourselves or our products and services from that of our competitors, or to effectively adapt to the evolving market conditions and expand our market share. If we are unable to offer better prices for our products than our competitors, or decide the right product mix to meet the preferences of our customers, we may not be able to compete successfully with our competitors and our business, financial performance and results of operations may be materially and adversely affected.

Our results of operations may be affected by the consumer spending patterns in China and the PRC's economy

Our sales volume, profitability and development may be affected by consumer spending patterns in China which are influenced by the PRC's economy. Chinese consumers tend to increase their expenditures when the Chinese economy is experiencing strong growth and reduce their spending in times of recession. During the Track Record Period, most of our revenue was derived from the PRC. We believe the economy in the PRC has had a significant impact on our historical, and will continue to have a significant impact on our future financial and business performance.

Although the PRC economy has maintained rapid growth in the past decade, and the corresponding increase in GDP and per capita disposable income have strengthened consumers' purchasing power, the pace of economic growth in the PRC has been slowing down in the past few years. Inflation and the unequal impact of inflation on different categories of products, such as food products, may cause a reduction of consumer spending on products with inflated prices. Further, an economic slowdown or recession in the economies of the countries with which China has important trade relationships could materially and adversely affect the economic growth of China. Any economic downturn in the PRC and its effect on consumer spending patterns may materially and adversely affect our business, financial condition and results of operations and our future growth prospects.

We are subject to a wide range of laws and regulations and our business may be affected by our failure to comply with these laws and regulations

Our business and operations are subject to a wide range of laws and regulations such as those relating to pricing, consumer protection, quality of goods and food safety. Government authorities may inspect, examine or enquire on our compliance with the relevant statutory and regulatory requirements from time to time. If we fail to comply with any applicable laws and regulations, we may face penalties, fines, suspension or revocation of our licenses or permits to conduct business, administrative sanctions and litigation. If any sanctions, fines and other penalties, which are material, are imposed on us for non-compliance with the applicable requirements, guidelines, laws or regulations, or if the PRC government imposes higher regulatory requirements or adopts measures such as price control, our business, reputation, results of operations and financial condition may be materially and adversely affected. For more information, please refer to the section headed "Regulations" to this prospectus.

Our results of operations may be affected by the laws or regulations promulgated by the PRC government restricting sales of products by foreign invested enterprises

Our wholly-owned subsidiary Shun Ke Long, which is our principal operating company running the supermarket chain and retail business, is indirectly controlled by a foreign-invested enterprise. The PRC government may promulgate laws or regulations to restrict or prohibit the sale by foreign-invested enterprises or their directly or indirectly controlled subsidiaries of specific products from time to time. As at the Latest Practicable Date, the sale of tobacco products by foreign-invested enterprises is prohibited by the Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄). If the PRC government in future promulgate laws, regulations, orders or directives to restrict or prohibit foreign-invested enterprises or their directly or indirectly controlled subsidiaries to sell or distribute other products which might represent a significant portion of our sales, our business, results of operations and financial condition may be materially and adversely affected.

Our sales may be affected by seasonality

Our business performance is sensitive to the changes of consumer spending patterns and our sales volume and turnover may fluctuate according to the seasonal shopping and consumption habits. For instance, we generally have higher sales during festivals and holidays, such as the Chinese New Year holidays, our results of operations may therefore fluctuate from period to period. We believe that our results will continue to experience seasonal fluctuation in future. If there is any unexpected shift in the timing of public holidays due to the administrative directives or orders of the PRC government, adverse weather or negative impact affecting spending or consumption during such seasonal peak period, our sales and results of operations may be materially and adversely affected for the period.

Our results of operations may be affected by the outbreak of any severe infectious disease in the PRC

Our business operations may be materially and adversely affected by the outbreak of any severe infectious disease in the PRC. Past incidents or fears of outbreaks (such as severe acute respiratory syndrome, H1N1 influenza, and H5N1 avian flu) could bring negative impact on the overall business environment and domestic consumption in the PRC. Since our revenue is mainly derived from the PRC, any slowdown or decline of economic activities as a result of an outbreak of any severe communicable diseases may materially and adversely affect our financial condition, results of operations and future growth. In addition, if any of our Retail Outlets, employees, customers, suppliers or concessionaires is identified as a possible source of the spread of any severe communicable disease, we may be forced to temporarily suspend our operations, disinfect our Retail Outlets, spend extra time and costs in investigating the cause and quarantine our employees who are susceptible to infection. Therefore, any outbreak of severe infectious disease, particularly in Guangdong province and Foshan, may have a material and adverse effect on our business operations and turnover.

RISKS RELATING TO THE PRC

Our business, financial condition and results of operations may be affected by any material and adverse change in the political and economic policies of the PRC government

As most of our operations are conducted in the PRC and a majority of our turnover is generated from the PRC, any changes in the economy, laws and policies in the PRC may have a great influence over our results of operations, prospects and financial condition.

The PRC economy differs from most developed economies of the world, including, but not limited to:

- its socialist market economic structure
- the level of governmental involvement
- the level of development

- growth rate
- access to financing
- the control of foreign exchange
- the allocation of resources

Despite more emphasis and reliance of market-orientation has been demonstrated in different trades and industries in recent years, the PRC government still exerts a substantial control over the development strategies, growth rate, foreign exchange and allocation of resources in the PRC. The PRC government will exercise influence over the market through introduction and implementation of different measures. As most of our business and operations are conducted in the PRC, we will be subject to the political and economic environment in the PRC. The PRC government may implement economic reforms to stimulate the economic growth of the PRC, or adopt macroeconomic measures to regulate and avoid overheating of the PRC economy. These reforms and measures may be adjusted or modified by the PRC government from time to time. We could not assure you that our business and operations will benefit from the economic reforms and policies in future, or our Company would not be subject to or be affected by the macroeconomic measures implemented by the PRC government.

We may be affected by the uncertainties surrounding the interpretation and enforcement of PRC laws, regulations and rules

The PRC legal system is a civil law system consisting of written statutes, laws, regulations, circulars and directives and is still in the process of development. Since the late 1970s, the PRC government has been building an integrated system of laws, regulations and rules regarding economic matters, including but not limited to foreign investment, corporate governance, commerce, taxation and trade.

Contrary to the common law jurisdictions, PRC court cases and precedent decisions do not have binding nature on subsequent cases and they may be used only as references with low precedential value. For a developing legal system without the support and benefits of precedent cases, the interpretation and the application of PRC laws and regulations are surrounded by inherent uncertainties. There were also incidents that the PRC laws and regulations may be subject to unanticipated or swift change as a result of policy changes or macroeconomic measures.

As most of our business, operations and activities are carried out in the PRC, the lack of a consistent interpretation and applications of legal principles may lead to a wholly unpredictable outcomes of legal actions by or against us. There is no assurance that the PRC government will not amend or revise existing laws, rules or regulations in a manner which might materially or adversely affects our business and operations. There is also no guarantee that we will be able to avoid all unexpected legal pitfalls due to the uncertain and unpredictable nature of the PRC legal system. In the event that the actions or court cases do not rule in favour of us, our business, operations and financial performance may be adversely affected.

Our ability to make loans or additional capital contributions to our PRC subsidiaries may be impeded by the PRC laws, regulations and rules

We will apply all or part of the proceeds from the Global Offering to fund our business operations in the PRC. We may utilise the proceeds as loans or additional capital contributions to our PRC subsidiaries, and in so doing, we may be subject to PRC regulations and approvals. If we advance loans to our PRC subsidiaries over the statutory limit, we may have to apply for relevant approvals from MOFCOM or its regional counterparties. If we are to finance our PRC subsidiaries by means of additional capital contribution, we will have to apply to and get the approvals from MOFCOM or its regional counterparties. There is no assurance that we will be able to complete these registrations or obtain the government approvals in a timely manner. If we fail to obtain such registrations or approvals, our ability to apply the proceeds from the Global Offering to fund our business operations in the PRC will be impeded and this may adversely affect our business growth and results of operations.

Our ability to pay dividends may be affected by fluctuations in foreign exchange rates and government's control in currency conversion

Most of our turnover and expenditure are denominated in Renminbi which is currently not a freely convertible currency. Such inconvertibility of Renminbi may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or otherwise satisfy their foreign currency denominated obligations. The convertibility of Renminbi into other currencies depends on the PRC policies. While Renminbi was pegged to the U.S. dollar in 2005, currently Renminbi is pegged to a basket of foreign currencies as determined by PBOC, against which Renminbi can rise or fall within stipulated ranges against different currencies each day. Any change in foreign exchange regulations may restrict our ability to pay dividends or satisfy other foreign currency denominated obligations, but we are unable to predict when and to what magnitude the PRC government may change its policies regarding the exchange rate of Renminbi.

Pursuant to the current PRC foreign exchange regulations, for certain payments such as current account items including profit distributions and interest payments, we may make such payments in foreign currencies if we comply with certain procedural requirements without SAFE's approvals.

We cannot assure you that the PRC government will not change its policy regarding the convertibility of Renminbi or foreign exchange regulations, or we will be able to obtain SAFE's approval or comply with its stipulated procedural requirements. Our inability to obtain SAFE's approval or comply with the procedural requirements may impede the ability of our PRC subsidiaries to remit dividends to our Group or satisfy our foreign currency denominated obligations.

Our results of operations may be affected by the change and enforcement of labour laws in the PRC

As at the Latest Practicable Date, we employed 1,319 employees in the PRC. The standing Committee of the NPC adopted the PRC Labour Contract Law (中華人民共和國勞動合同法) on 29 June 2007, which became effective on 1 January 2008 and subsequently amended on 28 December

2012. The PRC Labour Contract Law stipulates a set of requirements for labour protection including minimum wages, severance payment and non-fixed term employment contracts. It also imposes obligations on employers such as the payment of severance payments upon termination of labour contracts and payment of social insurance. In the event that employers fail to pay social insurance, employees are entitled to terminate their labour contracts unilaterally. As a result of the enhanced labor protection, labour costs in the PRC have increased substantially in the past few years. We cannot assure you that there will not be any further changes or amendments to the PRC labour law. Any additional or onerous obligations imposed on employers may adversely affect our profitability and results of operations.

Our ability to pay dividends to our Shareholders may be affected by the level of dividends received from our PRC subsidiaries or any limitation on their ability to pay dividends to us

Our Company is a holding company and relies on dividends paid by our subsidiaries to fulfil its payment obligations and make dividends payments to our Shareholders. The abilities of our PRC subsidiaries to pay dividends to us depend on whether they are incurring loss or making profits. Our PRC subsidiaries could only remit dividends to us out of their accumulated profits. Our PRC subsidiaries also need to set aside 10% of their after-tax profits to its general reserves or statutory capital reserve fund until such fund accumulated to 50% of their respective registered capital. As a result, there is no assurance that our PRC subsidiaries will always be profit making or have sufficient accumulated profits to pay out dividends to our Company so that we may in turn declare and pay dividends to our Shareholders.

Our income may be affected by the applicable income tax rates under the PRC Enterprise Income Tax Law

Our Company is incorporated under the laws of Cayman Islands and carries out our business operations through our PRC subsidiaries. The Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) took effect on 1 January 2008 and pursuant to the EIT Law, if an enterprise incorporated outside the PRC has its "de facto management bodies" within the PRC, such enterprise may be deemed as a PRC resident enterprise for tax purposes and be subject to an enterprise income tax rate of 25% on its worldwide income. "De facto management body" is defined as the body that has a significant and overall management and control over the business, personnel, accounts and properties of an enterprise.

It is unclear whether we will be treated as a "PRC tax resident enterprise". There is no assurance that we will not be treated as a PRC resident enterprise under the EIT Law and if we will be regarded as such, we will be subject to the enterprise income tax rate of 25% on our global income in future and this may adversely affect our profitability and distributable profits to our Shareholders.

Dividends payable by us to non-PRC shareholders may be subject to PRC income tax

Pursuant to the EIT Law, the Personal Income Tax Law of the PRC and the relevant implementing regulations, for dividends payable to shareholders which are deemed to have been sourced within the PRC, "non-resident enterprise" shareholders are subject to a withholding tax of 10% and "non-resident individual" shareholders are subject to a withholding tax of 20% unless otherwise reduced or exempted by relevant tax treaties. On the other hand, for those gains which are deemed to have been sourced within China and such gains are realised due to transfer of shares, "non-resident enterprise" shareholders are subject to a withholding tax of 10% and "non-resident individual" shareholders are subject to a withholding tax of 20% unless otherwise reduced or exempted by relevant tax treaties.

There is no assurance that we will not be treated as "PRC tax resident" or the dividends payable by us to our Shareholders will not be treated as "income sourced within China". In the event that (a) our Company would be considered to be a "PRC resident enterprise" by virtue of having its "de facto management bodies" in China, and (b) dividends payable by us to our Shareholders would be considered to be "income sourced within China", the dividends payable by us to our Shareholders and the gains realised as a result of the transfer of our Shares by our Shareholders, will be subject to the payment of withholding tax as set out above.

There may be difficulties in the service of process on us and our Directors by our Shareholders and there are restrictions and limitations with respect to the recognition and enforcement of judgments in the PRC against us or our Directors

A substantial part of our business, operations, properties and assets are located in the PRC and majority of our Directors are residents of the PRC. The PRC does not have treaties providing for reciprocal recognition or enforcement of judgments of courts located in many other jurisdictions or regions. As a result, the recognition and enforcement of judgments of any court in overseas jurisdictions in the PRC may be difficult or impossible. There is no guarantee that our Shareholders will be able to effect service of process on us or our Directors who are residents of the PRC.

There is a reciprocal recognition and enforcement of judgments of civil and commercial cases between the PRC and Hong Kong pursuant to the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排)" entered into between the PRC and Hong Kong in 2006. However, there are many limitations in such recognition and enforcement such as (a) the application is restricted to civil and commercial cases, (b) the requirement of the disputing parties to expressly designate either a PRC or Hong Kong court to have the sole jurisdiction to adjudicate the disputes pursuant to a choice of court agreement in writing, and (c) the requirement that the final court judgments will order or direct only payment of money. There is no assurance that any awards granted to our Shareholders could be recognised or enforced under such arrangement.

Our business and financial performance may be affected by natural disasters or other force majeure events in the PRC

Any occurrence or taking place in the PRC of force majeure events, acts of war, terrorist attacks, political unrest, social and economic chaos, natural disasters such as earthquakes, tsunamis, snowstorms, sandstorms, droughts and extreme and adverse bad weather conditions, widespread of public health problems such as outbreak of epidemics, avian influenza, swine influenza, severe acute respiratory syndrome or other health problems with similar magnitude or effects which are out of control may adversely affect the PRC economy, slowdown business activities and demand or even interrupt or disrupt our operations and our business in the PRC and our financial performance may be adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

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

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

The trading price of our Shares may also fluctuate due to the following non-exclusive list of factors:

- changes in pricing made by us or our competitors
- changes in our results of operations
- developments in our Retail Outlets, Online Supermarket and the retail industry as a whole
- merger and acquisition activities taken by us or our competitors
- changes in analysis, recommendations and financial estimates of securities analysts
- announcements made by us or our competitors
- investors' perception of us and of the investment environment in Asia, including Hong Kong and the PRC

- changes of laws or regulations which are applicable to the retail industry or our business operations
- the valuation of other publicly traded companies in the retailing industry
- the depth and liquidity of the market for our Shares
- the general economy

There is no assurance that the price of our Shares will not decline or fluctuate.

Investors and purchasers of our Shares may experience immediate dilution effect after the Global Offering

The Offer Price determined by us and the Sole Global Coordinator on behalf of the Underwriters is higher than the net tangible assets value per Share immediately prior to the Global Offering. Prospective investors and purchasers of our Shares during the Global Offering may therefore experience an immediate dilution in the unaudited pro forma adjusted net tangible assets value per Share (assuming the Over-allotment Option for the Global Offering is not exercised). Holders of our Shares will also experience further dilution on their shareholding if the Underwriters exercise the Over-allotment Option.

Holders of our Shares may be subject to the risk of prevailing market price fall of our Shares before trading on the Stock Exchange begins as a result of adverse market conditions

The Offer Price of our Shares is expected to be determined on the Price Determination Date and our Shares will commence trading on the Stock Exchange only when they have been delivered which is expected to take place on the fifth Business Day after the Price Determination Date. Investors and purchasers of our Shares may not be able to sell or otherwise deal in our Shares during the period between the Price Determination Date and the trading commencement date of our Shares on the Stock Exchange. As a result of which, investors and purchasers of our Shares may be subject to the risk of prevailing market price of our Shares declines or falls below the Offer Price before trading of our Shares begins on the Stock Exchange due to any change of market conditions or other adverse or unfavourable development.

Future issuance of securities by our Company and significant disposal of Shares by our substantial shareholders may have adverse effect on the prevailing market price of our Shares

Any significant sale or issuance of additional Shares of our Company after the Global Offering could adversely affect the market price of our Shares. There is no assurance that we will not issue additional Shares or other securities of our Company in accordance with all applicable laws, regulations and our constitutional documents to raise additional funds for our business and working capital purposes.

There is also no assurance that our substantial shareholders will not sell or dispose our Shares in significant amount. Any significant sale of our Shares by any substantial shareholders of us may affect the market perception of our Company and our business. The issuance of further shares or securities of our Company or any significant disposal of our Shares by Shareholders may cause the market price of our Shares to fluctuate or even decline.

There may be a dilutive effect on the earnings per Share associated with the Share Option Scheme

We have conditionally adopted the Share Option Scheme pursuant to which options may be granted after the Listing Date, subject to the provisions of the Share Option Scheme and the Listing Rules. The principal terms of the Share Option Scheme are set out under the paragraph headed "Share option scheme" in Appendix V to this prospectus. Any exercise of the options granted under the Share Option Scheme will result in an increase in the number of Shares in issue, and may result in the dilution in the percentage of ownership of the Shareholders, the earnings per Share and net asset value per Share.

Some facts and statistics in this prospectus with respect to the PRC and our industry are derived from various sources and may not be accurate, complete or up-to-date

Certain facts and statistics in this prospectus relating to the PRC economy and the supermarket retailing industry which are derived from various sources are generally viewed and considered to be a reliable source of information. We have no reason to believe that such information or statistics is false or misleading in any material respect, or that any fact has been omitted that would make such information and statistics false or misleading in any material respect. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the information and statistics in this prospectus relating to the PRC economy and the supermarket retailing industry may be inaccurate, or may not be comparable to statistics produced for other economies or available from other sources, and thus should not be unduly relied upon. However, we are of the view that it is appropriate for us to set out in this prospectus such facts and statistics after we have taken reasonable care in extracting and reproducing such information.

However, we have not conducted any independent verification on such information. There is no guarantee on the degree of accuracy or completeness of such information. We make and give no representation or warranty as to the accuracy or completeness of such information and statistics.

Prospective investors and purchasers of our Shares should make their own assessment and judgment as to how much weight and reliance to be put on those facts and statistics. They should not place undue reliance or importance on such information and statistics when investing in our Shares.

Forward-looking statements contained in this prospectus may be subject to risks and uncertainties

This prospectus contains certain statements which are "forward-looking" and uses forward looking terminology such as "believe", "expect", "estimate", "predict", "aim", "intend", "will", "may", "plan", "consider", "anticipate", "seek", "should", "could", "would" and "continue". Those statements include, amongst others, the discussion of our business strategy and the expectations of our future operations, expansion plans, liquidity and capital resources.

Subscribers of our Offer Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and thus the forward-looking statements which are based on those assumptions could be incorrect. The uncertainties in this regard include those that are specified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and targets will be achieved. The forward-looking statements should be considered in light of various factors that are worth noting, including the factors mentioned above. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking statements. For details, please see the section headed "Forward-looking statements" to this prospectus.

Prospective investors and purchasers of our Shares should not place reliance on any information about our Company and the Global Offering in any reports, press or media publications other than the information disclosed and set out in this prospectus

There may be reports and press or media publications about our Company and the Global Offering with coverage of certain financial performance, prospect and forward-looking information about our Company. All such reports and press or media publications have not been prepared by us and we have not authorised the disclosure of any of such information in those reports and press or media publications. We therefore give no representation or warranty as to the appropriateness, accuracy, completeness or reliability of such information or views and opinions with respect to us contained in those reports and press or media publications and expressly disclaim any and all responsibilities and liabilities in connection with those reports and press or media publications. Prospective investors and purchasers of our Shares are reminded and cautioned not to place any reliance on those reports and press or media publications and they should make their investment decisions in our Shares on the basis of the information disclosed in this prospectus only.

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

For the purpose of the Listing, we have sought a waiver from the Stock Exchange in relation to strict compliance with Rule 8.12 of the Listing Rules.

Rule 8.12 of the Listing Rules requires that a new applicant for a primary listing on the Stock Exchange to have a sufficient management presence in Hong Kong, which normally means that at least two of the new applicant's executive directors must be ordinarily resident in Hong Kong.

Our headquarters is in Guangdong province, the PRC and our operations are all managed and conducted in the PRC. We do not have two executive Directors who are ordinarily resident in Hong Kong and our executive Directors are based at our headquarters in Guangdong province, the PRC, to oversee our business and operations. Given that our headquarters is in Guangdong province, the PRC, it would be practically difficult and commercially unfeasible for our Company to comply with the requirements of Rule 8.12 of the Listing Rules.

We have applied to the Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules and have been granted a waiver subject to the following conditions:-

(a) our Company will appoint two authorised representatives, namely Ms. Wang Yanfen, our executive Director, and Mr. Fan Chi Yuen Charles, our company secretary, to act as our principal channel of communication with the Stock Exchange and will ensure our full compliance with the Listing Rules at all times. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time-frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail. Each of the authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;

(b) in compliance with Rule 3A.19 of the Listing Rules, we have appointed a compliance adviser acceptable by the Stock Exchange for a period commencing on the Listing Date and ending on the date on which we distribute the annual report for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Listing Rules. The compliance adviser will provide us with advice on the obligation in compliance with the Listing Rules, all other applicable laws, rules, codes and guidelines and will act as an additional channel of communication with the Stock Exchange;

(c) the two authorised representatives have means of contacting all of our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication with the Stock Exchange, we will implement a policy whereby:-

(i) each Director will have to provide their respective mobile phone numbers, office phone numbers, fax numbers and e-mail addresses to our authorised representatives;

(ii) in the event that a Director expects to travel and be out of office, he/she will provide to our authorised representatives the phone number of the place of his/her accommodation or other means of communication; and

(iii) all of our Directors will provide their respective mobile phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange; and

(iv) all of our Directors (including our independent non-executive Directors) who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and all of our Directors and authorised representatives can meet with the Stock Exchange within a reasonable time.

CONTINUING CONNECTED TRANSACTIONS

We have entered into transactions which would constitute continuing connected transactions for our Company under the Listing Rules upon Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with certain requirements set out in Chapter 14A of the Listing Rules for such continuing connected transactions.

Further details of such continuing connected transactions and the waiver are set out in the section headed "Connected transactions" to this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Pubic Offer which forms part of the Global Offering. For applicants under the Hong Kong Pubic Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Pubic Offer.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Pubic Offer will be fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters). The International Placing is managed by the Sole Global Coordinator. The International Placing will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed ''Underwriting'' to this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on or around Wednesday, 2 September 2015 (Hong Kong time) or such later time as may be agreed between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and our Company, but in any event no later than Tuesday, 8 September 2015 (Hong Kong time). If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions set forth herein and therein. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, advisers, employees, personnel or any other person involved in the Global Offering. No representation is made, neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme).

No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or currently proposed to be sought in the near future.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

All Shares to be issued by us pursuant to applications made in the Global Offering will be registered on our register of members to be maintained in Hong Kong by Tricor Investor Services Limited, our Hong Kong Share Registrar.

Dealings in Shares registered in our Hong Kong Share Registrar will be subject to Hong Kong stamp duty. No stamp duty is payable by applicants in the Global Offering. Only Shares registered on our Hong Kong register of members may be traded on the Stock Exchange.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealing in the Offer Shares, you should consult your professional advisers. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, agents, advisers, employees, personnel and any other person involved in the Global Offering accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of, dealing in, or exercising any rights in relation to, the Offer Shares.

OVER-ALLOTMENT OPTION

Details of the arrangements relating to the Over-allotment Option are set out in the section headed "Structure of the Global Offering" to this prospectus.

PROCEDURE FOR APPLICATION FOR THE HONG KONG PUBLIC OFFER SHARES

The procedure for application for the Hong Kong Public Offer Shares is set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" to this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including conditions of the Global Offering, are set out in the section headed ''Structure of the Global Offering'' to this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day (as defined in the Listing Rules) after a trading transaction. You should seek advice from your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights, interests and liabilities.

All necessary arrangements have been made for the Shares to be admitted to CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board are expected to commence at 9:00 a.m. on Thursday, 10 September 2015.

The Shares will be traded in board lots of 1,000 Shares each.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between totals and sums of individual amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese version of this prospectus, the English version shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese names prevail.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into U.S. dollars and of Hong Kong dollars into U.S. dollars at specified rates.

Unless we indicate otherwise or for transactions that have occurred at historical exchange rates, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rate:

- RMB0.7913 to HK$1.00
- RMB1.00 to US$0.16
- US$1.00 to HK$7.80

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. LAO Songsheng (劳松盛)	Block No. 5, Yile Garden Hebin North Road, Lecong Town Shunde District, Foshan Guangdong Province, the PRC	Chinese
Ms. WANG Yanfen (王艷芬)	202, Block No. 4, Guanjing Xuan Weisi Square, Lecong Town Shunde District, Foshan Guangdong Province, the PRC	Chinese
Mr. WU Zhaohui (吳兆輝)	304, Block No. 4, 12 Shenning Road Chancheng District, Foshan Guangdong Province, the PRC	Chinese
Non-executive Directors		
Mr. CHEN Yijian (陳義建)	Block No. 7, Yile Garden Hebin North Road, Lecong Town Shunde District, Foshan Guangdong Province, the PRC	Chinese
Ms. LAO Weiping (劳偉萍)	Block No. 7, Yile Garden Hebin North Road, Lecong Town Shunde District, Foshan Guangdong Province, the PRC	Chinese
Independent non-executive Directors		
Mr. SUN Hong (孫洪)	601, Block C 5 Qingyun Street, Guangyuan East Road Tianhe District, Guangzhou Guangdong Province, the PRC	Chinese
Mr. SHIN Yick Fabian (冼易)	Room G, 52/F Block 16 Ocean Shores 88 O King Rd. Tseung Kwan O, Hong Kong	Chinese
Mr. GUAN Shiping (關仕平)	2004, Block Three Qingrun Garden Vanke Golden Homeland, Foshan Guangdong Province, the PRC	Chinese

For further information, please see the section headed “Directors and senior management” to this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**China Everbright Capital Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Sole Global Coordinator and Sole Bookrunner	**China Everbright Securities (HK) Limited** 36/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Joint Lead Managers	**China Everbright Securities (HK) Limited** 36/F, Far East Finance Centre 16 Harcourt Road Hong Kong **BMI Securities Limited** Units 909-916, 9/F Floor Shui On Centre 6-8 Harbour Road Wan Chai Hong Kong **Innovax Capital Limited** Office 1, 1/F Lucky Building No. 39 Wellington Street Central Hong Kong
Co-Lead Manager	**China Investment Securities International Brokerage Limited** 63/F Bank of China Tower 1 Garden Road, Central Hong Kong
Legal advisers to our Company	*As to Hong Kong law* **Squire Patton Boggs** 29th Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Central Hong Kong *As to PRC law* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing PRC

	As to Macau law **WICH Law Firm** Av. da Praia Grande n.º 371, Edificio Comercial Keng Ou 22º andar A Macau
	As to Cayman Islands law **Conyers Dill & Pearman** Cricket Square PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal adviser to the Sole Sponsor and the Underwriters	*As to Hong Kong law* **Zhong Lun Law Firm** 409 Jardine House 1 Connaught Place Central Hong Kong
Auditor and reporting accountant	**BDO Limited** 25/F, Wing On Centre 111 Connaught Road Central Hong Kong
Industry consultant	**Euromonitor International Pte Ltd** Unit 01-08, 11/F, Cross Tower No. 318 Fuzhou Road Shanghai 200001 PRC
Property valuer	**AVISTA Valuation Advisory Limited** Suite 807, 8/F, AXA Centre 151 Gloucester Road Wan Chai Hong Kong
Receiving bank	**The Bank of East Asia, Limited** 10 Des Voeux Road Central Hong Kong

Registered office in the Cayman Islands	Floor 4, Willow House Cricket Square P.O. Box 2804 Grand Cayman KY1-1112 Cayman Islands
Principal place of business in the PRC	Floor 3 Huale Building No. 60 Hebin North Road, Lecong Town Shunde District, Foshan Guangdong Province 528315 the PRC
Place of business in Hong Kong	Room 1007, 10th Floor Sincere House 83 Argyle Street Kowloon, Hong Kong
Company website	**www.skl.com.cn** *(Information on this website does not form part of this prospectus)*
Company secretary	Mr. Fan Chi Yuen Charles (樊志遠) *(CPA, CFA)* Flat A, 19/F, Block 1 Tseung Kwan O Plaza Tseung Kwan O New Territories, Hong Kong
Authorised representatives	Ms. Wang Yanfen (王艷芬) 202, Block No.4, Guanjing Xuan Weisi Square, Lecong Town Shunde District, Foshan Guangdong Province, the PRC Mr. Fan Chi Yuen Charles (樊志遠) Flat A, 19/F, Block 1 Tseung Kwan O Plaza Tseung Kwan O New Territories, Hong Kong
Audit committee	Mr. Shin Yick Fabian (冼易) (chairman) Mr. Guan Shiping (關仕平) Ms. Lao Weiping (勞偉萍)
Remuneration committee	Mr. Sun Hong (孫洪) (chairman) Mr. Guan Shiping (關仕平) Mr. Chen Yijian (陳義建)

Nomination committee	Mr. Lao Songsheng (勞松盛) (chairman) Mr. Guan Shiping (關仕平) Mr. Sun Hong (孫洪)
Compliance adviser	Innovax Capital Limited Office 1, 1/F Lucky Building No. 39 Wellington Street Central Hong Kong
Hong Kong Share registrar and transfer office	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
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	Guangdong Shunde Rural Commercial Bank Company Limited Lecong sub-branch (廣東順德農村商業銀行股份有限公司樂從支行) No. B18, Lizhong Road Lecong Town Shunde District, Foshan Guangdong Province, the PRC
	China CITIC Bank Corporation Limited Foshan branch Lecong sub-branch (中信銀行股份有限公司佛山分行樂從支行) First floor, Jinyu Mingdu Lecong Boulevard East, Lecong Town Shunde District, Foshan Guangdong Province, the PRC

The information that appears in this Industry Overview has been prepared by Euromonitor International Limited and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor International Limited should not be considered as its opinion as to the value of any security or the advisability of investing in the Company. The Directors believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information prepared by Euromonitor International Limited and set out in this Industry Overview has not been independently verified by the Group, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the Sole Sponsor or any other party involved in the Global Offering.

SOURCES OF INFORMATION

In connection with the Global Offering, we have commissioned Euromonitor International Limited (**"Euromonitor**"), an Independent Third Party, to analyse and to report on the retailing market in the PRC and Guangdong province, with a focus on the supermarket retailing category ("**Euromonitor Report**") at a total fee of US$95,300. All statistics in Euromonitor Report, which was completed in July 2015, are based on information available at the time of reporting.

Euromonitor, established in 1972, is a global research organisation and provider of business intelligence on industries, countries and consumers. In preparing Euromonitor Report, Euromonitor conducted qualitative and quantitative based trade interviews with industry players and observers for the latest data and insights on the industry, and gathered and analysed data from multiple published data sources to reach findings on industry consensus of the retailing market. With regard to the findings of the trade interviews conducted, each respondent's views are compared against those of the other respondents in order to ensure reliability and minimise bias.

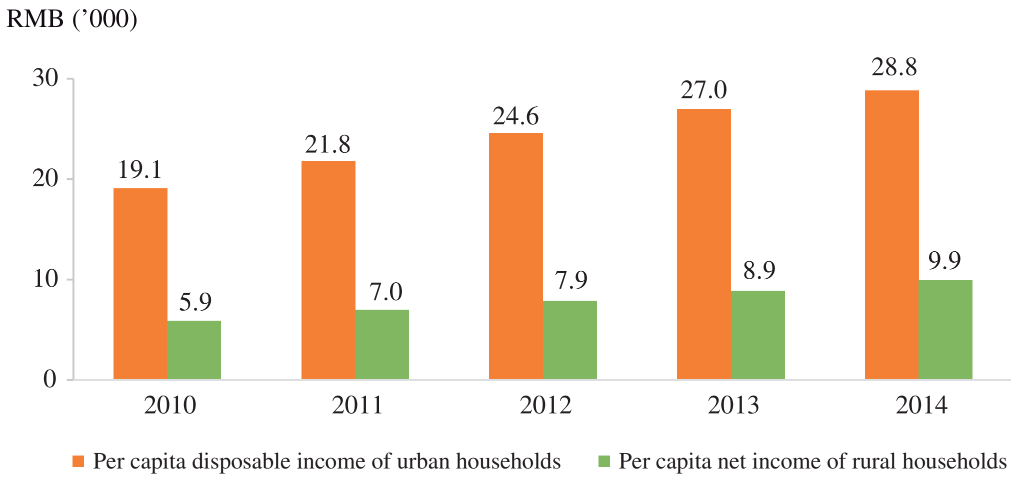
Key assumptions and parameters of the market projections in Euromonitor Report for the forecast period are: (1) the PRC's overall social, economic and political environment will remain stable; (2) the PRC's economy and retail sales of consumer goods will maintain steady growth; (3) no external shock will affect the demand and supply of the retailing market in the PRC and Guangdong province and the consumption behaviors in the PRC will not alter significantly; and (4) key market drivers will boost the future development of China's retailing and the supermarket retailing market. Forecasts contained in Euromonitor Report are mainly derived from a review of the historical market trend, the economic environment and are cross-checked against industry data and trade interviews. On these bases, our Directors and the Sole Sponsor are satisfied that the forecasts and industry data disclosed in this section are not misleading.

Our Directors confirm that, after taking reasonable care, there is no material adverse change in the market information since the issue date of the Euromonitor Report which may qualify, contradict or have adverse impact on the information in this section.

MACRO ECONOMY AND RETAILING IN THE PRC AND GUANGDONG PROVINCE

Consumers' growing affluence underscores the growth in retail sales in the PRC. The per capita disposable income of urban and per capita net income of rural households in the PRC have increased from approximately RMB19,109.4 and RMB5,919.0 respectively in 2010, to approximately RMB28,844.0 and RMB9,892.0 respectively in 2014, recording a CAGR of approximately 10.8% and approximately 13.7% over the period from 2010 to 2014. The per capita net income of rural residents has been growing faster than that of urban residents in the PRC over the past five years in the PRC, which lays the foundation for a wide range of middle-to-upper-end consumer goods to penetrate across lower-tier cities and the vast rural market.

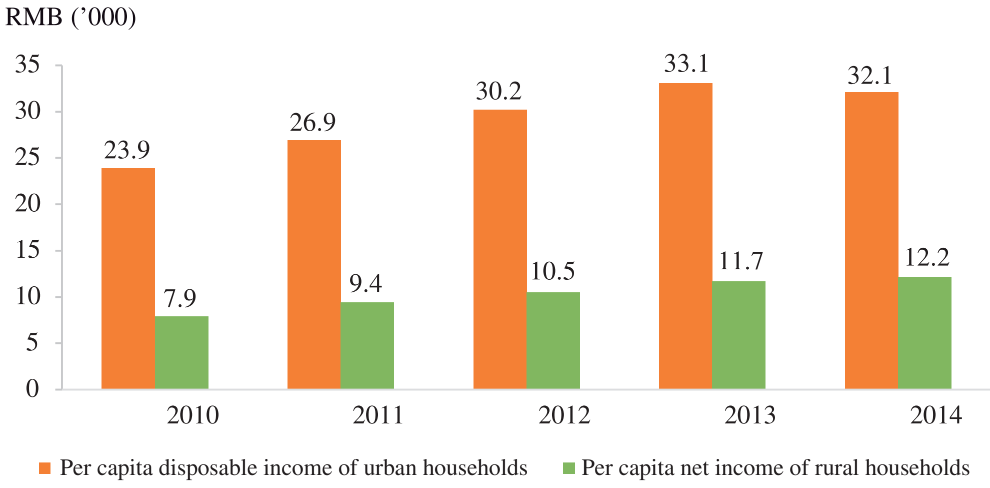
The chart below illustrates the per capita disposable income of urban households and the per capita net income of rural households in the PRC respectively from 2010 to 2014:



Source: National Bureau of Statistics of China

As at the Latest Practicable Date, our business focus is mainly in Guangdong province. Guangdong province has been among the PRC's most developed areas, recognised as one of the most important retail markets in the PRC and has a large number of affluent consumers with growing spending power. According to the government statistics, Guangdong province occupied the top spot in its value contribution to the national GDP and retail sales of consumer goods, recording a share of around 10.7% and 10.9%, respectively in 2014, whilst its population accounted for only 7.8% for the national population as of the year end of 2014. The per capita disposable income for urban residents and per capita net income for rural population of Guangdong province were RMB32,148.0 and RMB12,246.0 respectively in 2014, which were approximately 11.5% and 23.8% higher than the national average in 2014.

The chart below illustrates the per capita disposable income of urban households and the per capita net income of rural households in Guangdong province respectively from 2010 to 2014:



Source: Guangdong Statistical Yearbook

SUPERMARKET AND HYPERMARKET RETAILING IN THE PRC

We mainly operate within the grocery retailing sector through our supermarkets and hypermarkets in the PRC, while part of our revenue is contributed by the wholesale business segment. Grocery retailing refers to retailers selling predominantly food, beverages, tobacco and other everyday groceries, which could be in form of hypermarkets, supermarkets, discounters, convenience stores, independent small grocers and other grocery retailing formats. Grocery retailing accounted for approximately 35.7% (RMB4,238.9 billion) of the PRC's total retailing sales revenue in 2014, whilst supermarket and hypermarket retailing accounted for approximately 47.4% (RMB2,009.9 billion) and 15.5% (RMB655.7 billion) of the PRC's total grocery retail value sales respectively in 2014.

For the purposes of Euromonitor's study, supermarkets and hypermarkets are defined as follows:

- Supermarkets are chained or independent grocery retail outlets exhibiting a broad offering of groceries including fresh food (e.g. vegetables, fruits, meat), as well as a limited non-grocery products such as health and beauty product, electronics and appliance product, etc., which are widely located at residential neighbourhoods, central business district, commercial areas, railway stations and schools with regular and limited opening hours. Selling space of supermarkets typically ranges from 400 to 3,000 square meters, being a less dominant characteristic of supermarkets.

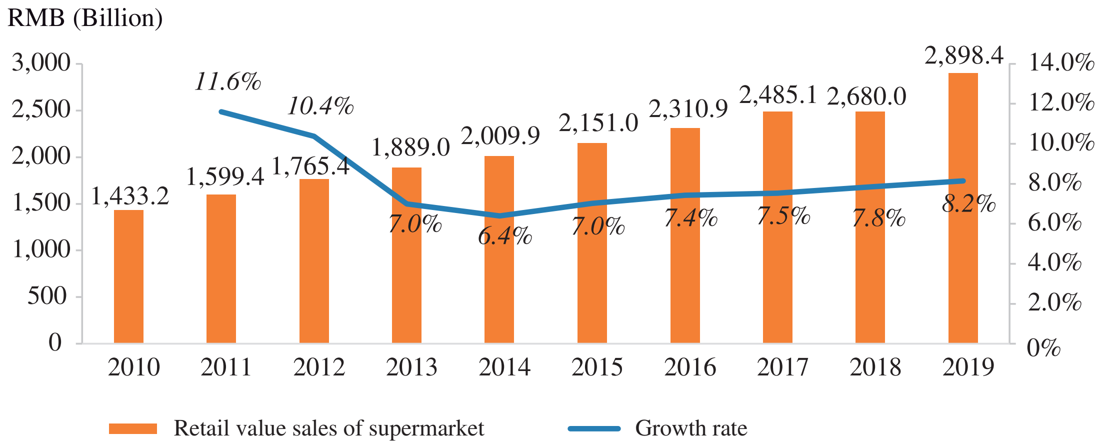
- Hypermarkets are chained or independent grocery retail outlets with a typical selling space of over 3,000 square meters which are frequently located at out-of town sites or operate as anchor stores in shopping centres with a primary focus on selling food, beverages, tobacco, other groceries, as well as a range of non-grocery products such as consumer appliances, toys and magazines, etc..

According to Euromonitor, in addition to income from the sale of goods, ordinary supermarket and hypermarket operators also generate income from offering services such as leasing of outlet area and arranging promotional activities on behalf of the suppliers. In order to generate additional source of income and diversify the business operations within the outlet, it is common for ordinary supermarkets and hypermarkets in the PRC to rent in-outlet area to providers of other services and the rental income received by many leading players have been increasing. Supermarkets and hypermarkets also carry out promotional activities within the outlet from time to time and usually charge promotional fees for the promotional activities from their suppliers.

According to Euromonitor, supermarket retailing is the largest sector within the grocery retailing category in 2014, whereas hypermarket retailing exhibited higher growth rate than the overall grocery retailers in terms of retail value sales in the same year.

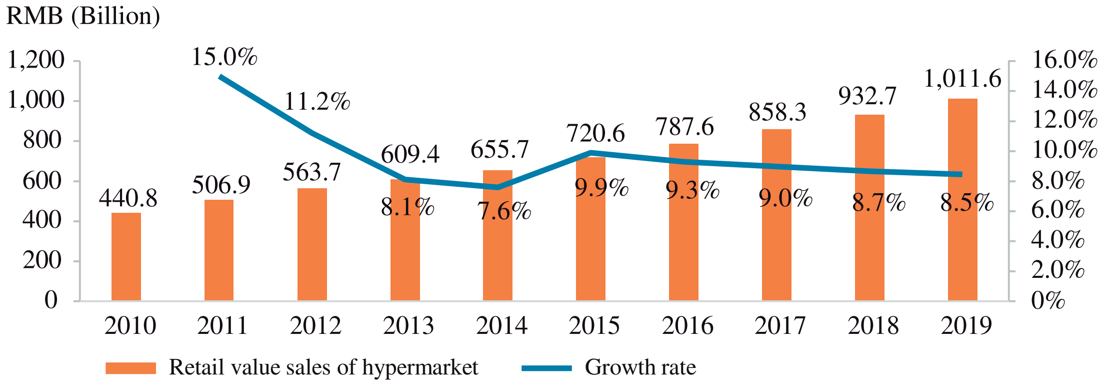
The forecast CAGR of supermarket and hypermarket retail value sales in the PRC from 2015 to 2019 are expected to remain steady at around 7.7% and 8.8%, respectively. The projected supermarket and hypermarket retail value sales are anticipated to achieve approximately RMB2,898.4 billion and RMB1,011.6 billion, attaining a growth rate of 8.2% and 8.5% respectively by 2019.

The chart below illustrates the historical and forecast market size in retail value sales (rounded to the nearest 0.1 billion) and year-on-year growth rate of the supermarket retailing sector in the PRC from 2010 to 2019:



Source: Euromonitor International Passport Retailing 2014

The chart below illustrates the historical and forecast market size in retail value sales (rounded to the nearest 0.1 billion) and year-on-year growth rate of hypermarket retailing sector in the PRC from 2010 to 2019:

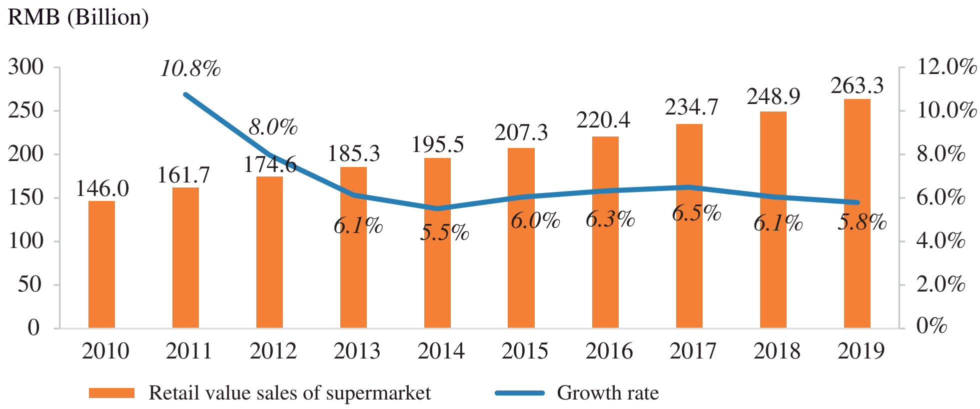


Source: Euromonitor International Passport Retailing 2014

SUPERMARKET AND HYPERMARKET RETAILING IN GUANGDONG PROVINCE

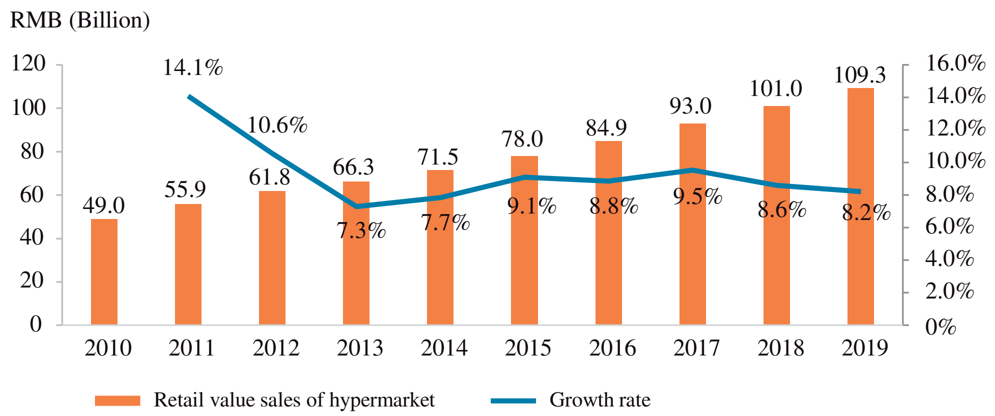
In 2014, the retail value sales of supermarket and hypermarket retailing in Guangdong province totaled RMB195,457.4 million and RMB71,462.5 million respectively, up by around 5.5% and 7.7% over the respective year before. The growth rate for both retailing sectors in Guangdong province recently slowed down, paralleling the national trend, and was due mainly to their large sales base, and also to the overall leveling out of the macro-economy in the PRC especially since 2012. The retail value sales of supermarket and hypermarket retailing in Guangdong province are forecasted to grow at a CAGR of approximately 6.2% and 8.8% respectively from 2015 to 2019. By 2019, the projected retail value sales for supermarket and hypermarket retailing are anticipated to reach approximately RMB263.3 billion and RMB109.3 billion, attaining a growth rate of 5.8% and 8.2%, respectively.

The chart below illustrates the historical and forecast market size in retail value sales (rounded to the nearest 0.1 billion) and year-on-year growth rate of the supermarket retailing sector in Guangdong province from 2010 to 2019:



Source: Euromonitor estimates from trade interviews and desk research

The chart below illustrates the historical and forecast market size in retail value sales (rounded to the nearest 0.1 billion) and year-on-year growth rate of hypermarket retailing sector in Guangdong province from 2010 to 2019:



Source: Euromonitor estimates from trade interviews and desk research

KEY GROWTH DRIVERS FOR SUPERMARKET AND HYPERMARKET RETAILING

Government initiatives to boost domestic consumption demand in Guangdong province

In the wake of consumers' growing spending power and government's intention to stimulate domestic consumption demand, Guangdong province would drive the regional retailing market and upgrade local consumption demand as per the 12th Five Year Plan with a number of measures including (i) enhancement of local consumption and spending power through raising minimum wages, increasing employment rate by provision of training to the redundant workforce, and issuing guidance and directives to require local enterprises to link rise in staff wages with growth in enterprises revenues and price index; (ii) encouragement to chained supermarkets to expand their business into the less developed areas within Guangdong province; (iii) improvements made to local logistics network to facilitate transportation of consumer goods in order to increase the variety and number of products available to local residents; and (iv) provision of subsidies to local farmers and consumer credit services such as loans to local residents to improve their standard of living and stimulate consumer spending. According to Guangdong Statistical Yearbook, the total retail value sales for consumer goods in 2014 contributed to about 42.0% of GDP in Guangdong province, which indicates that consumer demand has become the most important engine for economic growth in Guangdong province. According to Euromonitor, Guangdong province is putting efforts in making the transformation from an export-oriented market to a market more focused on domestic consumption, which bodes well for the retail market.

Consumers' increasing affluence and sophistication of consumption demand

In light of the continual increase of consumers' personal income and growing spending power, it is expected that there will be a positive development trend in the PRC's retailing market in the near future. As the younger generations of the 1980s and 1990s become mainstays of consumption, grocery retailers have been focusing on and adapting to new shopping habits and sophistication of consumption demand, which are characterised by a pursuit of products and consumption experience with higher quality. More and more young people prefer to shop in supermarkets and hypermarkets over traditional wet markets for the more competitive pricing, broader product selection, and better shopping conditions. It is believed that the leisure pursuit and attraction of one-stop shopping experience will drive strong constant growth of supermarkets and hypermarkets retailing in the future.

COMPETITIVE LANDSCAPE

Domestic players lead the supermarket retailing market whilst foreign players lead the hypermarket retailing market in the PRC

Among the top five of supermarket operators by retail value sales in the PRC, all of the retailers are invested by domestic investors in the PRC. Compared to the domestic players, foreign supermarket operators have advantages in terms of established brand awareness and loyalty, product design, outlet management and consumer behavior research. However, domestic brands have been aggressively catching up with rapid growth not only based on their widespread outlet network, familiarity with local supply chain and customers' buying habits, but also by learning from their foreign counterparts in terms of business model, promotional activities, store displays and management, and consumer experience enhancement. In terms of retail sales growth and outlet expansion, domestic companies drive the overall market trend and lead in the sales performance and outlet expansion.

In contrast, amongst the top 10 leading hypermarket operators, foreign operators accounted for a higher market share of 33.4% compared with the domestic operators which had a market share of 29.0% in 2014. Nonetheless, domestic players have deeper understanding of the local shopping pattern and are considered to play a more influential role in the overall market trend, sales performance and outlet expansion in the regional market.

Competitive landscape of supermarket retailing in Guangdong province

The supermarket retailing market is highly fragmented, with the top five leading supermarket operators in aggregate accounting for approximately 5.2% by retail value sales and 5.5% by outlet number within the supermarket retailing sector in Guangdong province in 2014. Our Group was one of the top five supermarket operators in Guangdong province by retail value sales and outlet number in 2014. We believe our success within the supermarket retailing market is attributable to, amongst others, our well-recognised brand, efficient logistics network and strategic focus on third-tier and lower-tier cities which account for more than 70.0% of the total population in the PRC and exhibit growing consumption demand and spending power while having less fierce competition comparing to higher-tier cities.

Our Group ranked fifth in terms of retail value sales within the supermarket retailing category in Guangdong province with a retail value sales of approximately RMB388.3 million, garnering a market share of 0.2% in 2014. Set forth below is the competitive landscape of the top five supermarket operators by supermarket retail value sales in Guangdong province in 2014:

Ranking	Company Name	RMB million	Percentage share
1	Company A	8,438.8	4.3%
2	Company B	647.9	0.3%
3	Company C	480.3	0.2%
4	Company D	470.9	0.2%
5	Shun Ke Long	388.3	0.2%
Others		185,031.2	94.8%
Total		195,457.4	100.0%

Source: Euromonitor estimates from trade interviews and desk research

Notes: (1) The market share data reported above has been determined via a fieldwork program consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically did not contain a breakdown of their revenue regarding the supermarket category which was reviewed in this study. For these companies as well as the companies that are in the market but are not publicly listed, Euromonitor estimated their respective market share based on estimates provided by various trade sources (i.e. not only information from the companies themselves) while seeking a consistent finding based on these estimates as much as possible. (2) The ranking was based on estimates of companies' sales value (in retail selling price) of supermarket outlet chains in 2014, VAT excluded. (3) The estimates of retail value sales are based on the companies' total self-owned outlets demonstrating the characteristics of supermarkets, excluding franchised stores or other types of retail outlets. (4) Shun Ke Long runs both hypermarkets and supermarkets and the retail value sales of its hypermarkets is excluded.

In terms of number of outlets of supermarket operators, our Group is the third-largest player in Guangdong province with an outlet number of approximately 67, translating into 0.5% of the total share in terms of outlet number in Guangdong province. Set forth below is the competitive landscape of the top five supermarket operators by supermarket outlet number in Guangdong province in 2014:

Ranking	Company Name	Outlet number	Percentage share
1	Company A	578	4.0%
2	Company C	71	0.5%
3	Shun Ke Long	67	0.5%
4	Company B	43	0.3%
5	Company D	28	0.2%
Others		13,723	94.5%
Total		14,510	100.0%

Source: Euromonitor estimates from trade interviews and desk research

Notes: (1) The market share data reported above has been determined via a fieldwork program consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically did not contain a breakdown of the outlet number regarding the supermarket category which was reviewed in this study. For these companies as well as the companies that are in the market but are not publicly listed, Euromonitor estimated their respective market share based on estimates provided by various trade sources (i.e. not only the information from the companies themselves) while seeking a consistent finding based on these estimates as much as possible. (2) The ranking was based on estimates of companies' outlet number of self-owned supermarket chains in 2014. (3) The estimates of store number refer to the companies' total self-owned outlets demonstrating the characteristics of supermarkets, excluding franchised stores or other types of retail outlets. (4) Shun Ke Long runs both hypermarkets and supermarkets and the outlet number of its hypermarkets is excluded.

Competitive landscape of hypermarket retailing in Guangdong province

In 2014, the top 10 leading hypermarket operators in aggregate accounted for approximately 61.6% by retail value sales and 50.4% by outlet number in Guangdong province, which presented a fairly concentrated market. In terms of hypermarket outlet number in Guangdong province, our Group is the 10th leading hypermarket operator in 2014 with 14 outlets, garnering a market share of 2.0%.

In line with the longer development history of the retailing industry in Guangdong province than the other provinces, the hypermarket retailing market in Guangdong province is more mature with intensified competition, thus having a more fragmented market pattern than the other provinces.

ENTRY BARRIER

The entry barrier for the supermarket and hypermarket retailing include significant amount of capital investments for outlet development and merchandising, store and personnel management, logistics and warehousing, and the negotiations throughout the supply chains, etc.. In terms of cost structure, property rent, labour costs and utilities comprise the majority of operational cost for supermarkets and hypermarkets in which labour cost makes up to about 50.0% of the total cost, and to a large extent determines the margin for supermarket and hypermarket operation. Compared to supermarkets, hypermarkets have even higher entry costs in terms of rents and labour costs because of their relatively larger selling space. The leading players with an established brand have more bargaining power in negotiating location and rents for the store, as well as a better relationship with the suppliers.

According to "PRC Retail Power 2013" by the China Chain Store & Franchise Association, the rent for commercial properties in prosperous commercial area is expected to increase by 10.0% every year. In addition, the growth rate of income of employed population within the retailing industry is generally higher than that of the other industries as a whole. It is expected that the retailers need to maintain an annual sales growth of at least approximately 8.0% to balance the rising operational cost.

FUTURE OPPORTUNITIES AND CHALLENGES

Lower-tier cities exhibit great growth potential for supermarket and hypermarket retailing

According to Euromonitor, among the top 10 domestic cities by per capita GDP in the PRC, approximately seven are third-tier and lower-tier cities, and in terms of disposable income, which is an indicator of real consumer affluence and spending power, nearly half of the top 10 domestic cities are fourth-tier cities[*(note)*].

Compared to first-tier and second-tier cities, many of the PRC's mass lower-tier cities are less developed markets for modern grocery retailing, including supermarket and hypermarket retailers, and the competition is also less fierce, which could offer better growth potential for new entrants. For retailers, costs for rent, logistic and labour are still much lower in smaller cities despite the rise in costs. With regard to consumer demand, as a result of the urbanisation progress and rising income levels, it is expected that consumers in lower-tier cities will increase their spending in the future. The potential in lower-tier cities has attracted more and more supermarket and hypermarket retailers to enter the market, and competition in those markets will be intensified in the future.

The emergence of modern grocery retailing stores in small cities, towns and rural areas is expected to produce strong growth in grocery retailing industry in the PRC. Its expansion will lead

Note: According to Euromonitor, first-tier cities refer to Beijing, Shanghai, Guangzhou, and Shenzhen. Second-tier cities refer to an aggregation of China's municipalities, most of the provincial capitals, and a number of developed cities in coastal areas that have notable economic performance, large population, and authorities of high administrative management level. Third-tier cities refer to all prefecture-level cities which are not first-tier or second-tier cities, including the provincial capitals within less developed areas. Fourth-tier cities refer to an aggregation of all county-level cities in China.

to lower prices and diversification of product portfolio, which could stimulate higher expenditure in these areas. It is believed that in Guangdong province there will be further market penetration by leading retailers into the second and lower-tier cities with a solid population base and further expanding the outlet coverage across the province.

Growing competition from online retailers

The emerging e-commerce channel has made a significant impact on store-based retailing, driving the retailers to extend their business format and upgrade the retailing service. Because of the competitive lower price, convenient payment system and distribution service, internet retailing is grabbing more market shares from store-based retailing. To cope with the trend of internet retailing, store-based retailers are making more efforts to reconcile online resources and extend their business format and leading players either establish self-operated platform or collaborate with leading third party online retailers to grab the market share on online retailing.

Slowed-down economic growth and increasing operating costs

Guangdong province, as an important province for the PRC in terms of consumption, manufacturing and export trading, was also affected during the economy transition period of China. The growth rate of real GDP in Guangdong province has been slowed down in the past few years, from 12.4% in 2010 to 10.0% in 2011 and further to 7.8% in 2014, whilst it is still higher than the national year-on-year GDP growth rate of 7.4% in 2014.

The economic downturn and significant rises in costs, such as labour, logistic, property management fees and rents, had a negative impact on retailing growth in the past few years. The supermarket and hypermarket retailing industry is facing multiple challenges, which have accelerated the industry transformation. Some retailers tried to get through the pressure of economic slowdown and rising operating cost by closing underperforming outlets and by merger and acquisitions to reduce operational cost and optimise business structure. Through benign adjustment and reorganisation, sales performance can be improved and Euromonitor expects that more merger and acquisition activities will take place in the industry.

Active merger and acquisition events fuel industry dynamics

The overall slowed-down economy and ever-rising costs have intensified the margin compression among many grocery retailers, while the market competition is getting fiercer. Due to the economy slowdown and rising operational cost, retailers evolved their expansion strategy from aggressive new outlet openings to taking over established retailing resources quickly through merger and acquisitions.

The PRC has experienced a relatively dynamic year for merger and acquisition events in retailing industry in 2013, helping retailers to reduce the operational cost for opening large number of outlets and avoid the problem of shortage of prime location. This indicates an evolutionary trend that retailers are trying to adjust their operational strategy to enlarge their market share through merger activities. Leading retailers may take these opportunities and leverage their competitive advantage to acquire undervalued retail operators, overcoming the regional constraints and expanding their market share into different retailing business formats.

OVERVIEW

Our business is generally subject to the laws and regulations of the PRC and Macau government and this section summarises the main PRC and Macau laws and regulations relating to our operations. Except as set out in the section headed "Business — Legal and compliance — Non-compliant incidents" to this prospectus, during the Track Record Period and up to the Latest Practicable Date, we have complied with all applicable laws and regulations in all material respects, and have obtained all permits and licenses as required for our business operations.

PRC

Overall Industrial Plans and Guidelines

Currently in China, investment of private capital into the circulation sector, business mode combining directly-operated retail chains and franchise chains, or such new operation model as e-commerce, is encouraged by government policy.

The "Opinions of the State Council on Deepening the Reform of Circulation System to Speed Up the Development of Circulation Industry" (《國務院關於深化流通體制改革加快流通產業發展的意見》) was promulgated and implemented on 3 August 2012. It encourages the development of directly-operated retail chains and franchised operation, and supports enterprises in the circulation sector to expand their retail train networks across different regions. It also supports retail enterprises to change their sales and marketing models, so as to increase the percentage of revenue from self-owned operation. Furthermore, it supports enterprises in the circulation sector to construct advanced logistics centres, so as to proactively develop centralised distribution.

The "Several Opinions of the State Council on Encouraging and Guiding the Healthy Development of Private Investments" (《國務院關於鼓勵和引導民間投資健康發展的若干意見》) was promulgated and implemented on 7 May 2010. It encourages private capital to invest in wholesale, retail and logistics sectors, supports the development of private wholesale and retail enterprises, and encourages private capital to invest in new circulation sectors such as franchised operation and e-commerce.

The "Twelfth Five-Year Plan for Development of Domestic Trade" (《國內貿易發展"十二五"規劃》), which was approved by the State Council and promulgated by the General Office of the State Council on 1 September 2012, encourages the transformation and upgrading of enterprises in the circulation sector through the application of e-commerce, proactively promotes the healthy and rapid development of online retail business, supports the development of new e-commerce models such as community e-commerce and mobile e-commerce, and encourages the development of directly-operated chains while standardising the development of franchised operation.

The "Catalogue for the Guidance of Industrial Structure Adjustment" (《產業結構調整指導目錄》) was promulgated by the NDRC on 27 March 2011 and amended on 16 February 2013. The amended version was implemented on 1 May 2013. According to the catalogue, for commercial and trade enterprises, the "centralised distribution and construction of distribution network by commercial and trade enterprises" are under the category of encouraged industries.

LAWS AND REGULATIONS ON FOREIGN-OWNED ENTERPRISES

Foreign-owned enterprises are subject to《中華人民共和國外資企業法》(the Wholly Foreign-owned Enterprise Law of the PRC*) promulgated on 12 April 1986 and amended on 31 October 2000, and《中華人民共和國外資企業法實施細則》(the Rules for the Implementation of the Wholly Foreign-owned Enterprise Law of the PRC*) promulgated on 12 December 1990 and amended on 12 April 2001. A wholly foreign-owned enterprise is a limited company established under the Wholly Foreign-owned Enterprise Law of the PRC. A wholly foreign-owned enterprise is a legal entity with the capacity to bear civil liabilities, enjoy civil rights and to own, use and sell properties independently. The registered capital of a wholly foreign-owned enterprise must be contributed by foreign investors. The liability of a foreign investor is limited to the amount of the registered capital for which it agrees to subscribe. According to the relevant laws and regulations of the PRC, foreign investors are allowed to pay the amount of the registered capital periodically, and the registered capital must be injected within the specified period as approved by the MOFCOM (or its authorised organisations).

The "Regulations on Guiding Foreign Investments" (《指導外商投資方向規定》), which was promulgated on 11 February 2002 and implemented on 1 April 2002, classifies foreign investments in Mainland China into four categories, namely encouraged, permitted, restricted and prohibited. Among which, the industries under the encouraged, restricted and prohibited categories are listed in the "Catalogue for the Guidance of Foreign Investment Industries" (《外商投資產業指導目錄》, the "Catalogue"), while the foreign investment projects under the permitted category are not listed in the Catalogue. The prevailing version of "Catalogue for the Guidance of Foreign Investment Industries" (2015 version) was promulgated on 10 March 2015 by MOFCOM and NDRC and came into effect from 10 April 2015, which replaced the "Catalogue for the Guidance of Foreign Investment Industries" promulgated in 24 December 2011(2011 version). The 2015 version permits the online sales, the retail of grains, the wholesale and retail of vegetal oils and sugar, the items of which were previously in the scope of restricted list of 2011 version.

The "Administrative Measures for Commercial Investment by Foreign Investors" (《外商投資商業領域管理辦法》) was laid down by Ministry of Commerce of People's Republic of China on 16 April 2004 and implemented on 1 June 2004. It aims to expand the scale of opening up and improve the construction of market circulation system, and specifies the detailed conditions, procedures and administrative authority for examination and approval of the establishment and incorporation of commercial enterprises with foreign investment. Pursuant to the "Notice of the Ministry of Commerce on Entrusting Local Departments to Examine and Approve the applications from Commercial Enterprises with Foreign Investment" (《商務部關於委託地方部門審核外商投資商業企業的通知》), which was promulgated on 9 December 2005 and implemented on 1 March 2006, and the "Notice of the Ministry of Commerce on Delegation of Authority in Relation to the Examination and Approval of Applications from Commercial Enterprises with Foreign Investment" (《商務部關於下放外商投資商業企業審批事項的通知》), which was promulgated and implemented on 12 September 2008, part of the authority in relation to the examination and approval of applications from commercial enterprises with foreign investment were delegated to the competent authorities of commerce at the provincial level. The "Notice of the Ministry of Commerce on Doing a Good Job in the Examination, Approval and Filing of Commercial Enterprises with Foreign Investment" (Shang Zi Han [2008] No. 94) (《關於做好外商投資商業企業審批和備案工作的通知》(商資函[2008] 94號)) was promulgated on 14 January 2009. It specifies the power to approve commercial enterprises with foreign investment may be decentralised to commerce departments at lower levels by the provincial commerce departments according to the actual situation. Under the "Notice of the Ministry of Commerce on Disclosure of Catalogue for the Current Administrative Approvals" (《商務部關於公開現有行政審批事項目錄的通知》) released on 17 February 2014, the existing administrative approvals of the Ministry of Commerce do not include the approval of the establishment and opening of any outlets by a commercial enterprise with foreign investment.

As for the regulation on foreign-invested enterprises conducting online sales business, the "Notice of the General Office of the Ministry of Commerce on Examination, Approval and Management of Foreign Investments in Projects Involving Online Sales and Vending Machines" (《商務部辦公廳關於外商投資互聯網、自動售貨機方式銷售項目審批管理有關問題的通知》), which was promulgated and implemented on 19 August 2010, further specifies that commercial enterprises with foreign investment which are approved and registered in accordance with relevant laws can engage in online sales business directly, while foreign-invested enterprises that intend to use their self-owned online platforms to engage in the sales of commodities directly, are required to file with relevant telecommunications regulatory departments.

LAWS AND REGULATIONS ON LABOUR SERVICES

Pursuant to 《中華人民共和國勞動合同法》(the Labour Contract Law of the PRC*) promulgated on 29 June 2007 and came into effect on 1 January 2008 and amended on 28 December 2012, (i) if the employee works for the employer for more than one month, while the employer does not enter into labour contract with the employee within one year, the employer shall pay twice of the wages to the employee. Where the employee works for the employer for more than one year without labour contract, the parties are deemed to have entered into a non-fixed term labour contract; (ii) an employee who meet certain criteria, including having worked for the same employer for ten years or above, may require to enter into a non-fixed term labour contract with the employer; (iii) the employee must comply with the relevant trade secrets or competitive provisions; (iv) the scope of circumstances in which the employer must make legitimate compensation to the employee has been expanded; (v) a maximum limit of amount that the employee can seek compensation from the employer for breach of contract has been set; (vi) the employee can terminate the labour contract if the employer fails to contribute to the social insurance fund for the employee according to law; (vii) an employer who receives "deposit" from the employee as security will be fined up to RMB2,000; and (viii) an employer who deliberately deprive the employee of any part of his salary must make full payment of the salary to the employee, together with a compensation amounting to 50% to 100% of the deprived amount of the salary.

Pursuant to 《中華人民共和國社會保險法》(the PRC Social Insurance Law), promulgated by the Standing Committee of the National People's Congress on 28 October 2010 which became effective on 1 July 2011 and 《社會保險費徵繳暫行條例》(the Interim Regulations on the Collection and Payment of Social Security Funds) promulgated by the State Council and became effective on 22 January 1999, employers are required to contribute, on behalf of their employees, to a number of social insurance funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity leave insurance. Under the circumstance where an employer fails to pay social insurance funds in full amount, it might be subject to a rectification order by competent authorities and a daily late fee at the rate of 0.05% of the outstanding amount from the due date might be imposed. In addition, if it fails to make such payment in full amount within the prescribed time limit, a fine in the amount of one to three times of the outstanding payment might be imposed.

Pursuant to 《住房公積金管理條例》(the Regulations on the Administration of Housing Provident Fund) promulgated by the State Council and became effective on 3 April 1999 which was amended on 24 March 2002, employers are required to contribute, on behalf of their employees, to the housing provident funds. Failure in the registration or the opening of accounts for employees might be subject to a rectification order by the competent housing fund management centre and a fine between RMB10,000 and RMB50,000. Failure in payment of the housing provident fund in time or any underpayment thereof shall be subject to a rectification order by the competent housing fund management centre.

LAW ON PRICE

Pursuant to《中華人民共和國價格法》(the Price Law of the PRC*) (the "Price Law") issued by the National People's Congress of the PRC on 29 December 1997 and came into effect on 1 May 1998, determination of prices must be in line with the law of value; prices of most commodities and services shall be determined by the market, and prices of a small number of commodities and services can be government-guided prices or government-set prices. Market-regulated prices mean those prices determined independently by the providers of commodities and services ("Providers"), and formed through market competition.

Government-guided prices mean those prices determined by the Providers in accordance with the baseline prices and their range of fluctuations are set by competent price administrative departments or other government departments concerned based on the provision of the Price Law. Government-set prices mean those prices determined by the competent price administrative departments or other government departments concerned in accordance with the Price Law.

The Price Law further provides that when necessary the government may enforce government-guided or government-set prices for the prices of the following commodities and services: (i) the prices of a small number of commodities vital for the economic development and people's life; (ii) the prices of a small number of commodities the resources of which are rare; (iii) the prices of commodities under natural monopoly management; (iv) the prices of essential public utilities; and (v) the prices of essential public welfare services.

RETAIL PROMOTIONS

The "Administrative Measures for Promotional Activities of Retailers" (《零售商促銷行為管理辦法》), which was promulgated on 12 September 2006 and implemented on 15 October 2006, aims to regulate the promotional activities of retailers, safeguard the legitimate rights and interests of consumers, and maintain fair competition and public interests. It requires that retailers shall explicitly indicate promotional contents in conspicuous place in the outlets when carrying out promotional activities, including the reasons, methods, rules and period of promotion, the range of promotional products and related restrictive conditions, and shall not lower the quality and after-sale service level of promotional products (including those sold as prizes and gifts) and use substandard products as prizes and gifts.

TRANSACTIONS BETWEEN RETAILERS AND SUPPLIERS

The transactions between retailers and suppliers are subject to the "Administrative Measures for Fair Transactions between Retailers and Suppliers" (《零售商供應商公平交易管理辦法》) which was promulgated on 13 July 2006 and implemented on 15 November 2006.

The measures requires that retailers shall not abuse their dominant position to conduct unfair transactions and take any actions to impede fair competition. It also specifies the circumstances in which fees shall not be charged either explicitly or implicitly, and imposes limitations on the return of products from retailers to suppliers, the collection of promotional service fees and the payment of loans.

ANTI-UNJUST COMPETITION

The "Anti-unjust Competition Law of the People's Republic of China" (《中華人民共和國反不正當競爭法》) was promulgated on 2 September 1993 and implemented from 1 December 1993. Pursuant to the law, unjust competition behaviors such as unlawful use of trademarks or authentications of other companies, making false or misleading publicity of goods or services, infringing trade secrets, marketing goods with the incentives of improper prizes may result in penalty such as liability for compensation and confiscation of illegal earnings. Those who are accused of illegally using the trademarks or authentications of other companies may have their business licenses revoked or be liable for criminal offence.

LAW ON PRODUCT QUALITY

Pursuant to 《中華人民共和國產品質量法》(the Product Quality Law of the PRC*) promulgated by the Standing Committee on 22 February 1993 and amended on 8 July 2000, both the manufacturer and the seller shall be responsible for the quality of products. Quality of products shall be inspected, and shall comply with the national and industrial standards. The Product Quality Law of the PRC stipulates that a supervision and inspection system with on-site inspections as the main way of checking shall be implemented. If any of the products are found to be non-compliant, during any of the monitoring and inspection process in accordance with this law, the manufacturer and the seller will be ordered to rectify within the time limit as specified by the product quality inspection administrative authority which is in charge of supervision and inspection. The seller shall be responsible for product repair, replacement or refund in any of the following circumstances, and if the product has caused any damage to the user or consumer, the seller shall compensate for the relevant loss: (i) the product fails to play its function and the seller has not explained this in advance; (ii) the product does not meet the quality standard of the product itself or as indicated by its packaging label; (iii) the quality of the product does not match with that of the product description or its sample and so on. After repair, replacement, refund or compensation by the seller according to the Product Quality Law of the PRC, if the liability is on the part of the manufacturer or another seller supplying such products, the seller is entitled to claim from the manufacturer or supplier for its loss.

LAW ON TORT LIABILITY

Pursuant to 《中華人民共和國侵權責任法》(the Tort Liability Law of the PRC*) which was promulgated by the Standing Committee on 26 December 2009 and became effective on 1 July 2010, producers are liable for damages caused by defects in their products and sellers are liable for damages attributable to their fault. If the defects are caused by the fault of third parties such as the transporter or storekeeper, producers and sellers are entitled to claim for compensation from these third parties after paying the compensation amount. The producers and sellers are obligated to take remedial measures such as issuing warnings or recalling the products in a timely manner if defects are found in products that are in circulation. If the products are manufactured and sold with known defects that cause death or severe personal injury to others, the infringed person has the right to claim punitive compensation.

COMMERCIAL FRANCHISE

The "Regulations on Administration of Commercial Franchise" (《商業特許經營管理條例》), which was promulgated on 6 February 2007 and implemented on 1 May 2007, aims to regulate commercial franchise activities by specifying the main contents of commercial franchise contracts and the obligations of franchisors in filing with commerce administrative authorities and information disclosure. Pursuant to the "Administrative Measures for the Filing of Commercial Franchise" (《商業特許經營備案管理辦法》), which was amended on 12 December 2011 and implemented on 1 February 2012, the Ministry of Commerce of the PRC and the commerce administrative authorities at the level of provinces, autonomous regions and municipal cities directly under the State Council are the competent authorities for filing commercial franchise. Commercial franchise is filed on a national network basis. Franchisors complying with the provisions of the "Administrative Measures for the Filing of Commercial Franchise" shall proceed with filing through the commercial franchise information management system established by the Ministry of Commerce of the PRC in accordance with the measures. The "Administrative Measures for Information Disclosure of Commercial Franchise" (《商業特許經營信息披露管理辦法》), which was amended and promulgated on 23 February 2012 and implemented on 1 April 2012, further clarifies the scope of information disclosure by franchisors.

LAWS AND REGULATIONS ON TRADEMARKS

Both《中華人民共和國商標法》(the PRC Trademark Law*) adopted by the Standing Committee in 1982 (as amended three times), and《中華人民共和國商標法實施條例》(the Implementation Regulation of the PRC Trademark Law*) adopted by the State Council in 2002 and amended in 2014 give protection to the holders of registered trademarks. The Trademark Office under the SAIC (the "Trademark Office") handles trademark registrations and grants a term of ten (10) years to registered trademarks, renewable every ten (10) years. Where a registered trademark is assigned, the assignor and assignee shall conclude a contract for the assignment, and jointly file an application with the Trademark Office. The assignee shall guarantee the quality of the goods on which the registered trademark is used. Trademark license agreements must be filed with the Trademark Office or its regional counterparts.

PROVISIONS ON PRE-PAID CARDS

Generally, the PRC laws and regulations prohibit the printing, sale, purchase and use of token coupons as substitutes for Renminbi for circulation in the PRC market. The main laws and regulations relating to such prohibitions includes, among others, (a)《國務院辦公廳關於禁止發放使用各種代幣購物券的通知》(the Notice on Prohibition of Issuing and Using Token Coupons) issued by the General Office of the State Council on 1 May 1991; (b)《關於禁止印製、發售、購買和使用各種代幣購物券的通知》(the Notice on Prohibition of Printing, Selling, Purchasing and Using Tokens Coupons) issued by the State Council on 4 April 1993; (c)《中華人民共和國中國人民銀行法》(the Law of the People's Bank of the PRC) issued by the National People's Congress on 18 March 1995 (subsequently amended on 27 December 2003); (d)《中華人民共和國人民幣管理條例》(the Ordinance for the Administration of Renminbi of the PRC) issued by the State Council on 3 February 2000; and (e)《關於嚴禁發放使用各種代幣券(卡)的緊急通知》(the Emergency Notice on Prohibition of Issuing and Using Tokens (Cards), or the "Emergency Notice") promulgated by the State Economic and Trade Commission, Office of Correcting Industrial Improper Practice of the State Council and the PBOC on 19 January 2001.

In the department store context, pre-paid cards issued may be interpreted as a form of "token coupons" as《關於對購物卡性質認定的函》(the Letter on Identification of Shopping Cards) issued by the PBOC on 5 July 2000 defines "token coupon" as (i) having a certain amount of money; (ii) being used for indefinite or limited time period, i.e., the validity has certain time span; (iii) being used within a limited scope to purchase unspecified goods; and (iv) having no name record and no return for loss.

However, on 23 May 2011, the PBOC, the PRC Ministry of Supervision (中華人民共和國監察部), the MOF, the MOFCOM, the SAT, the SAIC and the PRC National Bureau of Corruption Prevention (中華人民共和國國家預防腐敗局) jointly issued《關於規範商業預付卡管理的意見》(the Administration Opinion on Regulating the Administration for Commercial Pre-paid Cards*) (the "Administration Opinion"), which recognised the benefits of pre-paid cards in general and set out general requirements governing the issue of pre-paid cards. Pre-paid cards are generally divided into two categories (i) 'multi-purpose' pre-paid cards (issued by specialised card issuers, which can be used across different regions, industries or entities); and (ii) 'single-purpose' pre-paid cards (issued by commercial enterprises, which can only be used to purchase commodities or services from that particular issuing enterprise or within chain stores with the same brand name as such issuing enterprise).

The MOFCOM promulgated 《單用途商業預付卡管理辦法(試行)》(Administrative Measures for Single-purpose Commercial Pre-paid Cards (For Trial Implementation)*) (the "Administrative Measures for Pre-paid Cards") on 21 September 2012 and came into effect on 1 November 2012, which reiterated and expanded upon the requirements to be satisfied by the issuers of the 'single purpose' pre-paid cards. The Administrative Measures for Pre-paid Cards further defines 'single-purpose' pre-paid cards to include prepayment vouchers issued by enterprises engaged in retail industry, hotel and catering industry, and resident service industry, which could only be used in such enterprises, the group of which such enterprises are members, or the same franchise system of such enterprises. Issuers who begin issuing pre-paid cards after the Administration Measures for Pre-paid Cards becoming effective must register with the relevant authority within 30 days upon commencement of issuance of pre-paid cards. Otherwise, the relevant authority is entitled to request the issuing enterprise to rectify the situation within a prescribed time limit. If such enterprise still fail to register, it may be subject to a fine ranging from RMB10,000 to RMB30,000.

PROVISIONS ON LICENCES

According to 《食品流通許可證管理辦法》(the Measure of Administration of Food Circulation Permit*) issued and implemented by the SAIC on 30 July 2009, and 《中華人民共和國食品安全法》(the Food Safety Law of PRC*) issued by the Standing Committee on 28 February 2009 and implemented on 1 June 2009, the seller of food shall obtain the Food Circulation Permit. The Food Circulation Permit obtained by a food seller earlier is still valid until its expiration date.

A Salt Retail Permit is subject to an inspection system, which requires the licence holder to be inspected within a prescribed period of time. The Food Circulation Permit is valid for a term of three years, and any renewal application should be submitted to the relevant authority within 30 days before expiry. And the Road Transport Operation Permit is valid for a term of four years, and any renewal application should be submitted to the relevant authority within 10 days before expiry.

PROVISIONS ON HOUSE LEASING

Pursuant to《商品房屋租賃管理辦法》(Administrative Measures for Commodity House Leasing*) promulgated by the Ministry of Housing and Urban-rural Construction on 1 December 2010 and came into effect on 1 February 2011, a lease agreement shall be registered with the relevant authority within 30 days after the lease agreement is entered into. If the lease agreement is not registered, the relevant authority is entitled to request the parties to the lease agreement to rectify the situation within a prescribed time limit. If the parties still fail to register the lease agreement, the party which is an enterprise may be subject to a fine in the range of RMB1,000 to RMB10,000 for each lease agreement not registered while the party which is an individual may be subject to a fine no more than RMB1,000.

PROVISIONS ON ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

The six ministries and commissions including the MOFCOM, the State-owned Assets Supervision and Administration Commission (國有資產監督管理委員會), SAT, SAIC, CSRC and SAFE promulgated《關於外國投資者併購境內企業的規定》(the Rules on Merger or Acquisition of Domestic Enterprises by Foreign Investors in the PRC*) (the "M&A Rules") on 8 August 2006, which came into effect on 8 September 2006 and amended in 22 June 2009, to regulate the mergers and acquisitions of domestic enterprises by foreign investors. An offshore special purpose vehicle established for the purpose of listing and is controlled by a Chinese company or individual directly or indirectly (a "special purpose vehicle", or a "SPV") must obtain approval from CSRC prior to the listing and trading of its securities on any overseas stock exchange. Specific applications of the M&A Rules are subject to further interpretation by the relevant authorities.

Pursuant to the M&A Rules, "to take over a domestic enterprise by a foreign investor" means a foreign investor purchases the share interests of a domestic non-foreign-owned enterprise ("domestic company") or subscribes for the increased share capital of a domestic company by agreement, so as to turn the domestic company into a foreign-owned enterprise; or a foreign investor establishes a foreign-owned enterprise to purchase and operate the assets of a domestic company by agreement, or a foreign investor purchases the assets of a domestic company by agreement, and then invests such assets into a foreign-owned enterprise which operates such assets.

VALUE-ADDED TAX ("VAT")

According to 《財政部、國家稅務總局關於免徵蔬菜流通環節增值稅有關問題的通知》 (the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Exemption of VAT at the Stage of Circulation of Vegetables) and《財政部、國家稅務總局關於免徵部分鮮活肉蛋產品流通環節增值稅政策的通知》(the Notice of the Ministry of Finance and the State Administration of Taxation on the Value-added Tax Exemption Policies for Certain Fresh Meat and Egg Products in Circulation) issued by the Ministry of Finance of the PRC and the PRC State Taxation Administration on 31 December 2012 and 27 September 2012, the relevant goods including vegetables and defined fresh meat categories referred in those notices are VAT exempted.

TAX FOR OVERSEAS INDIRECT TRANSFER OF PRC EQUITY INTERESTS

On 10 December 2009, the SAT issued 《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》(the Notice on Strengthening the Management on Enterprise Income Tax for Non-resident Enterprises Equity Transfer*) (the "Circular No. 698"), which became effective retrospectively on 1 January 2008. The Circular No. 698 clarified how the capital gains should be calculated regarding the equity transfer of a resident enterprise by non-resident enterprises directly or indirectly.

On 3 February 2015, the SAT issued《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》(the Announcement on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises*) (the "Circular No. 7"), which replaced certain provisions of Circular No. 698. According to the Circular No. 7, where a non-resident enterprise indirectly transfers equities and other properties of a Chinese resident enterprise to evade its obligation of paying enterprise income tax by implementing arrangements that are not for bona fide commercial purpose, such indirect transfer shall be re-identified and recognised as a direct transfer of equities and other properties of the Chinese resident enterprise. For the purpose of the Circular No. 7, "equities and other properties of Chinese resident enterprises" refer to properties of branches or establishments within the territory of China, real estate located within the territory of China and equity investment assets of Chinese resident enterprises which are directly held by non-resident enterprises and for which the proceeds from transfers are subject to payment of enterprise income tax in China according to the provisions of Chinese tax laws (hereinafter referred to as the "Chinese taxable properties"). An equity transferor, which refers to a non-resident enterprise indirectly transferring Chinese taxable property, shall be imposed tax treatment for the amount of proceeds acquired from its transfer of foreign enterprise equities and included in the item of Chinese taxable property.

PROVISIONS ON FOREIGN EXCHANGE MANAGEMENT AND DIVIDEND DISTRIBUTION

Foreign Currency Exchange

Pursuant to《中華人民共和國外匯管理條例》(the Foreign Exchange Administration Regulations*) promulgated by the State Council in January 1996 and came into effect in April 1996 (and updated on 14 January 1997 and 5 August 2008 respectively), the Renminbi is freely convertible to pay for current accounts, including that of the trade and service related foreign exchange transactions and dividend payments, but does not include expenditure on capital accounts which includes that of the direct investments, loans or securities investments outside the PRC. The Renminbi is freely convertible for expenditure on capital accounts only if prior approval from SAFE is obtained. According to the Foreign Exchange Management Regulations, a foreign invested enterprise in the PRC can purchase foreign currencies for trade and service related foreign exchange transactions without approval from SAFE, but it must submit the commercial documentations in relation to such transactions for verification. A company may reserve foreign currencies (subject to the maximum limit as approved by SAFE) for repayment of debts in foreign currencies or for payment of dividends. However, the relevant PRC government which has significant discretion in the implementation of regulations may limit or abolish the ability of foreign invested enterprises to purchase or reserve foreign currencies in the future.

In addition, foreign exchange transactions involving direct investments, loans or securities investments outside the PRC are subject to the limitations of the SAFE and approval from which must be obtained. However, according to《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》(the Notice on Further Simplifying and Improving Direct Investment Concerning Foreign Exchange Administration*) issued by the SAFE on 13 February 2015 and which has been in effect from 1 June 2015, the SAFE abolishes the requirement for SAFE registration approval for domestic direct investment and the direct investment outside the PRC.

On 29 August 2008, SAFE issued 《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》(the Circular on Relevant Operating Issues concerning the Improvement of Administration of Payment and Settlement of Foreign Currency Capitals of Foreign-invested Enterprises*) (the "Circular No. 142"). According to Circular No. 142, the Renminbi obtained from the settlement of foreign currency capital of a foreign-invested enterprise must be used within the business scope approved by governmental authorities and cannot be used for domestic equity investment, unless otherwise permitted by the PRC laws or regulations. When an enterprise intends to repay a loan in Renminbi with the Renminbi obtained from the settlement of its foreign currency capital, it must submit as a statement that the loan has been used in accordance with a contract and within the business scope approved by the regulatory authorities.

On 30 March 2015, SAFE issued《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》(the Circular on Reforming the Management Approach regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises*) ,which has been in effect from 1 June 2015, which provides that foreign invested enterprises in the PRC may, according to its actual business needs, settle with a bank the portion of the foreign exchange capitals in its capital account for which the local foreign exchange bureau has confirmed capital contribution rights and interests, and the portion allowed to be settled by a foreign invested enterprise is tentatively 100%.

Dividend distribution

The principal regulations governing distribution of dividends of wholly foreign invested companies include 《中華人民共和國公司法》 (our Company Law of the PRC*) promulgated by the Standing Committee on 27 October 2005 and became effective as of 1 January 2006 and amended on 28 December 2013, 《中華人民共和國外資企業法》 (the Wholly Foreign Owned Enterprise Law of the PRC*) adopted by the National People's Congress on 12 April 1986 and amended on 31 October 2000, and 《中華人民共和國外資企業法實施細則》 (the Wholly Foreign Owned Enterprise Law Implementation Rules of the PRC*) promulgated by Foreign Trade and Economic Cooperation Bureau on 12 December 1990 and amended on 12 April 2001.

Under these laws and regulations, foreign invested enterprises in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign investment enterprises in China are required to allocate at least 10.0% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

Circular No. 75, Circular No. 37 and Circular No. 13

On October 21, 2005, the SAFE promulgated the Notice on Relevant Issues Relating to the Administration of Foreign Exchange of Financing and Return Investment Activities by Domestic Residents Conducted via Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "**Circular No.75**"), according to which, a PRC resident who establishes or takes control of a special purpose company abroad to effect foreign exchange registration with local foreign exchange bureau. While injecting assets or equity interests that a domestic resident owns in a domestic enterprise into a special purpose company abroad (the "**SPV**"), or carrying out offshore equity financing after injecting such assets or equities into such SPV, a domestic resident shall amend the registration of offshore investment related foreign exchange to reflect the net assets or equity interests that he/she holds in the SPV. Circular 75 has been repealed by the Circular No.37 on July 14, 2014.

Pursuant to the Circular on Issues concerning the Foreign Exchange Administration for the Offshore Financing and Round-trip Investments by Chinese Domestic Residents through Special Purpose Vehicles ("Circular No. 37",《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) of SAFE promulgated on 4 July 2014, (i) a domestic resident must register the overseas equity financing at the local branch of SAFE prior to contributing the domestic and overseas lawful assets or interests to an overseas SPV; a domestic resident contributing domestic lawful assets or interests shall apply to the local branch of SAFE of registration place, or the local branch of SAFE of location of the domestic enterprise's assets or interests for going through the procedures for registration; a domestic resident contributing overseas lawful assets or interests shall apply to the local branch of SAFE of registration place, or the local branch of SAFE of the location of household registration for going through the procedures for registration. (ii) If the registered overseas SPV's basic information such as domestic individual resident shareholder, name, operating period, or major events such as domestic individual resident capital increase, capital reduction, share transfer or exchange, merger or division has changed, the foreign exchange change registration of overseas investments shall be timely finished in the local branch of SAFE.

For the purpose of the Circular No. 37, "domestic institutions" refer to enterprises or public institution legal persons or other economic organisations legally established within the territory of China. A "domestic individual resident" refers to a Chinese citizen who holds an ID card of Chinese domestic resident, military ID card, Armed Police ID card, as well as an overseas individual who has no legal identity within the territory of China but habitually resides within the territory of China due to reasons of economic interests.

Pursuant to the Circular on Further Simplifying and Improving the Direct Investment Foreign Exchange Administration Policies ("Circular No. 13", 《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by SAFE on 12 February 2015 and has become effective on 1 June 2015, a domestic resident must register the overseas equity financing at the bank, and however, a domestic resident must rectify to register the overseas equity financing at the local branch of SAFE.

Circular No. 7

Pursuant to 《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》(Circular of the SAFE on Relevant Issues Concerning the Foreign Exchange Administration of the Involvement of Domestic Individuals in the Share Incentive Schemes of Overseas Listed Companies*) ("Circular No. 7") issued on 15 February 2012 by the SAFE, the PRC residents who are granted shares or share options by an overseas listed company according to its share incentive schemes are required to entrust a domestic agency to centrally handle relevant matters such as the foreign exchange registration, the account opening, and the fund transfer and exchange; and the matters of the above individuals such as option exercises, purchases and sales of relevant stocks or equities, and relevant fund transfers shall be centrally handled by an overseas institution.

ENVIRONMENTAL PROTECTION

According to the PRC Environmental Protection Law (中華人民共和國環境保護法), all business operations must adopt effective measures to prevent and control pollution. According to the Guidance Opinion On Administration of Urban-Rural Household Waste Treatment Price (關於規範城鄉生活垃圾處理價格管理的指導意見) issued by Guangdong Price Bureau and Guangdong Housing and Urban-Rural Development Bureau, operators and individual producing household waste should pay household waste treatment fee in Guangdong Province.

Macau

Laws and Regulations for Limited Companies in Macau

If a company's main administrative and management body is established in the Macau, it shall be subject to the provisions of the Commercial Code of Macau, supplemented by the applicable Civil Code of Macau, provided no contradiction exists. The prevailing Commercial Code of Macau was promulgated on 2 August 1999 pursuant to the approval and order by Order No./40/99/M, and came into effect since 1 November 1999. On 26 April 2000, amendments were made to the Order No. /40/99/M and the Commercial Code of Macau by Law No. 6/2000 with immediate effect. On 31 July 2009, amendment to the Commercial Code of Macau was made by Law No. 16/2009 and an order was promulgated, which came into effect 60 days after promulgation. According to the provisions in paragraph 1 of section 174 of the Commercial Code of Macau[1], types of companies are divided into: unlimited company, limited partnership, limited company and company limited by shares, all are known as companies regardless of the type of business in which they operate; pursuant to paragraph 1 of section 390, any natural person or legal person may establish a limited company, the capital of which is constituted by a single share, and such natural person or legal person shall be the sole holder of rights in the capital of our company, that is, a single person limited company. Pursuant to section 176, a company obtains legal person status upon completion of registration of the incorporation of a company by the Commercial and Movable Properties Registration Bureau of Macau (Conservatória dos Registos Comercial e de Bens Móveis); liabilities of shareholders in a limited company are limited by the capital contribution of shareholders. Section 213 provides that after a single person company has been declared bankrupt, regardless whether our company is a holder of rights in the capital of our company, so long as it can be proved that our company's properties are not specifically used for performance of relevant debts, the sole shareholder of our company must be held responsible for all debts of our company with personal, several and unlimited liabilities. Section 177 stipulates the capacity of a company, includes the capacity to perform the rights and obligations which are necessary, conducive or appropriate to realise its objectives, and the capacity to undertake civil liabilities and enjoy civil rights under the law. Section 356 stipulates that the capital of a limited company shall be divided into shares, and shareholders shall be severally liable to the payment of capital contribution by all shareholders in accordance with requirements, shares must not combine with any tradable securities, and shall not be known as shares. Pursuant to paragraph 2 of section 359 of the Commercial Code of Macau, it is stipulated that the capital of a limited company must not be less than MOP25,000.

Laws on Labour Relations

Pursuant to Law No. 7/2008 (Labour Relations Law)[2] which came into effect on 1 January 2009, paragraph 1 of section 3 provides that this legislation is applicable to all labour relations in all business areas, except public officers, spouses or persons in de facto marriage relationship, persons

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1 Unless specified otherwise, all law provisions mentioned in this paragraph refer to the Commercial Code of Macau.

2 Unless specified otherwise, all law provisions mentioned in this paragraph refer to Law No. 7/2008 of Macau (Labour Relations Law).

in kinship of second degree living and dining together and labour relations under apprentice training contracts or vocational training system for entering the employment market; labour relations with foreign employees are regulated by special laws. Section 4 stipulates that working conditions in labour relations are regulated by general or specific mandatory laws of the relevant industries, corporate rules and labour contracts. Section 14 stipulates that employers and employees may freely enter into labour contracts with prescribed working conditions, employers and employees may agree on contractual terms which are different from the provisions under this law, but the implementation of which must not result in less favourable working conditions for employees than under the provisions of this law. If employers and employees have not stipulated working conditions in the contract, the provisions of this law are applicable for supplemental purpose. Section 15 stipulates that the capacity to enter into a labour contract is prescribed by general law, and the party to the contract must reach the age of 16. Section 16 stipulates that a labour contract may be a contract of a certain or uncertain term or of an unspecified term. Section 17 points out that a labour contract is not required to adopt a specific form, it may be in verbal or written agreement, but labour contracts with specified term and labour contracts for non-adults must be in writing. Section 33 stipulates that normal working hours shall not exceed 8 hours per day, and shall not exceed 48 hours per week; depending on the operation characteristics of the enterprise, employers and employees may agree on daily working hours in excess of the aforesaid limit, but employees must be ensured to have resting time of 10 consecutive hours and not less than 12 hours in total per day, and the working hours per week must not exceed 48 hours; employers are required to arrange for a rest period of not less than 30 consecutive minutes for employees to avoid employees working for more than 5 hours continuously; if the employees are not permitted to leave the working location freely during the resting time in the aforesaid clause, such time shall be calculated as normal working hours; the normal working hours per day referred above do not include preparation time required before work nor the time required to complete commenced but not yet finished transactions, business and services, but such time in aggregate must not exceed 30 minutes. Section 36 points out that overtime work may be divided into voluntary and involuntary nature for employees. In the occurrence of force majeure circumstances, employers are faced with material losses and employers are faced with unforeseeable increase in work, employers are not required to obtain consent from employees for arrangements of overtime work for employees, but must not exceed the upper limit stipulated by this law. Section 37 stipulates that where overtime work for employees are arranged without obtaining consent from employees, the employees are entitled to receive normal remuneration and 50% additional remuneration for the overtime work; if prior consent of employees is obtained or overtime work is proposed by employees proactively, the employees are entitled to receive normal remuneration and 20% additional remuneration for the overtime work.

Laws and Regulations on Social Security

Pursuant to Law No. 4/2010 (Social Security System)[3] which came into effect on 1 January 2011, paragraph 1 of section 10 stipulates that according to the general system of labour relations, this Social Security Law is mandatory applicable to residents of Macau SAR who work under the deployment and leadership of employers through contracts, including residents of Macau SAR employed in a foreign branch or agency of an enterprise registered in Macau SAR; paragraph 1 of

[3] Unless specified otherwise, all law provisions mentioned in this paragraph refer to Law No. 4/2010 of Macau.

section 16 stipulates that under the mandatory system, both the beneficiary and the relevant employer have the obligation to make contributions to the social security system. Section 60 stipulates that if an employer intends to embezzle improperly all or part of the social security system contributions legally deducted from remuneration of employees and does not make payment to the social security fund within 60 days after expiry of the statutory term, a maximum imprisonment of 3 years or a fine may be imposed. Sections 12 and 61 stipulate that, in respect of mandatory contributions, when an employee enters into labour relations with an employer for the first time, the employer has the obligation to apply for registration under the social security system within the contribution month immediately after the commencement of such employment relationship; otherwise, a fine of MOP200 (Macau Pataca two hundred dollars) to MOP1,000 (Macau Pataca one thousand dollars) may be imposed for each employee involved in the non-compliance. Section 15 stipulates that all employers creating labour relations must register with the social security fund to perform the obligation of making contributions; otherwise, failure to register may also constitute an administrative non-compliance act under the aforesaid section 61 and may be punished.

Laws and Regulations on Food Safety

Pursuant to Law No. 5/2013 (Food Safety Law)[4] which came into effect on 19 October 2013[5], section 2 stipulates that this law is applicable to food production operations, the use of food additives and food related products in the process of production operations; paragraph 4 of section 3 stipulates that the definition of production operations, refers to the production, processing, allocation, packaging, transportation, import, export, re-export, storage, selling, supply, storage or display of food for selling, or acts of any form of food trading, for public consumption purpose; paragraph 3 of section 5 stipulates the obligations to be performed include: (1) conducting production operations in accordance with food safety standards, (2) establishment of an effective internal management system for food safety, (3) maintaining records of receipt and delivery of goods or relevant bills for specified periods, (4) reporting to the Civic and Municipal Affairs Bureau when risks of food safety exist or possibly exist, (5) timely recovery of food with food safety risk. Paragraph 1 of section 7 stipulates that the production operations of food and the use of food additives and food related products in the process of production operations must comply with food safety standards. Section 13 stipulates that production operations of the following types of food, including: (1) food added with non-food raw materials or chemicals other than food additives, (2) food with improper use of food additives, (3) food using waste food or food with overdue shelf life as raw materials, (4) food containing pathogenic micro-organisms, residual pesticide, residual veterinary drugs, heavy metals, radioactive substance and other substances hazardous to human health, (5) food containing meat, parts and other products of animals died of disease, poison or unknown causes, (6) food containing substances which are subject to quarantine inspection but have not been inspected or have not passed the inspection, (7) counterfeited, decayed or deteriorated food, (8) food with lower nutrient value due to the removal of a particular ingredient or element, may be hazardous to the wholesomeness of human health, are subject to a maximum imprisonment of 5 years or a maximum daily fine of MOP600; if fault is

[4] Unless specified otherwise, all law provisions mentioned in this paragraph refer to Law No. 5/2013 of Macau.

[5] Pursuant to the requirements of section 31 of Law No. 5/2013, the law came into effect 180 days after promulgation, and the law was promulgated on 22 April 2013.

proved, may be subject to a maximum imprisonment of 1 year or a maximum fine up to 120 days. Section 19 stipulates that production operations of the types of food as specified under the aforesaid items (1), (3), (5) and (7) but have not caused hazards to the wholesomeness of human health, will constitute an administrative non-compliance and a fine of MOP50,000 to MOP600,000 may be imposed; and the types of food as specified under the aforesaid items (2), (4) and (8), together with the pre-condition of non-compliance with food safety standards, will constitute an administrative non-compliance.

Laws and Regulations on Product Liability

Pursuant to paragraph 1 of section 85 of the Commercial Code of Macau, if a commercial enterprise owner is a manufacturer, no matter whether he has committed any fault, he shall be responsible for losses caused to third parties by the defects of products manufactured by him for circulation. Item a of paragraph 3 points out that operating an enterprise to import products for sale, leasing, financial leasing or otherwise for sale in other manner is also deemed to be a manufacturer. Section 86 stipulates that any movable properties, even if assembled with other movable properties or immovable properties, are deemed to be products; except produce from land, animal husbandry, fishing and hunting before processing. Section 88 stipulates that commercial enterprise owner may exclude his liabilities by proving the following circumstances, and the relevant evidences are as follows: a) the product has not been put into circulation by the commercial enterprise owner, b) according to specific circumstances, it can be reasonably presumed that the product was not defective when it started circulation, c) the product was manufactured not for sale or other forms of sale for economic purpose, and the relevant product was not produced or sold during the operations of the enterprise, d) defect of the product was resulted from compliance with the mandatory requirements of public authorities, e) the existence of defect was unable to be detected by the technical knowledge level at the time when the product was circulated, f) in the case of components, the relevant defect was caused by the product design or instruction of the product manufacturer of the product assembled with such components. Section 93 stipulates the prescribed time period for making claims of damages, which will last for a period of 3 years commencing from the time when the victim knows or should know about the damage, defect and the information was acknowledged by the enterprise owner. Also, section 94 stipulates the prescription period for the right to raise claims for damages shall lapse after 10 years commencing from the date when the product causing the damage was circulated by the enterprise owner, save pending litigation raised by victims. Without prejudice to the aforesaid legal requirements, the relevant laws relating to related civil liabilities (tort) under the Civil Code of Macau are applicable for supplemental purpose.

Laws and Regulations on Trademarks

Pursuant to the provisions of section 5 of the Legal System of Industrial Property Rights of Macau[6] approved by Order No. 97/99/M, "Industrial property rights confer complete and exclusive rights to revenue, use and appropriation of the invention, creation and identification signage to the owner of rights within statutory extent, conditions and restrictions". Section 233 stipulates that, "only any remarkable signage of a place of business operated by a particular enterprise in compliance with the provisions of this section may become a target of protection by this regulation through its name and/or certificate of signage of the place of business". Section 245 points out that the registration period shall be 10 years commencing from the date of being registered, and may be renewed for a same period for unlimited times. Section 250 stipulates that rights arising from the application for registration of the name and signage of the place of business or registration of the aforesaid name and signage, may only be transferred together with the transfer of the place of business bearing such name and signage or a part of it for nil consideration or valuable consideration in compliance with the required procedures for the transfer of such place of business under the law.

Laws and Regulations on Permits and Licences

Pursuant to the City Code of the Municipal Council which came into effect on 1 June 1996, licensing regulations for premises conducting retail sales of meat, catches of fish, poultry and vegetables were promulgated. The above Code is applicable to areas outside the coverage of municipal markets. Section 9 stipulates that the valid period of a licence is one year from the date of issuance, unless otherwise decided by the Municipal Council (Civic and Municipal Affairs Bureau).

Laws and Regulations on Surplus Sharing by Limited Companies in Macau

Pursuant to the provisions of section 198 of the Commercial Code of Macau, the surplus of a company is the amount after deducting the capital amount of our company and after deducting the reserves, not permitted for distribution to shareholders in accordance with the law or articles, which has been consolidated or to be consolidated into the year of operation as presented in the annual accounts of the year of operation prepared and approved in accordance with the statutory rules. Moreover, legislators have formulated different systems for distribution of surplus for different types of companies. In respect of limited companies, pursuant to the provisions of paragraph 1 of section 377 of the Commercial Code of Macau, disposal of distributable surplus of the relevant year of operation shall be made in accordance with the resolution of shareholders, and pursuant to the provisions in paragraph 4 of the same section, our company shall transfer not less than 25% of its surplus to the statutory reserve; when the total amount of the statutory reserve equals to one-half of the capital amount, no further transfer to the statutory reserve will be required. For the amount of surplus entitled to be shared by shareholders, no rules on distribution of bonus are prescribed by law, only supplemental regulations are promulgated. Pursuant to the provisions of paragraph 2 of section 377, the law permits our company to set within the statutory framework, that is fixing a percentage between 25% and 75% on the distributable surplus of the relevant year of operation, the amount of surplus necessary to be distributed to shareholders; however, this does not exclude the possibility that

[6] Unless specified otherwise in the law provisions of this paragraph, refers to the Legal System of Industrial Property Rights of Macau.

shareholders may set another percentage by resolution for a particular year for distribution of surplus to shareholders, provided that the provision for statutory reserve as stipulated in paragraph 2 of the same section must not be contravened. Furthermore, regarding taxation on surplus distributions, pursuant to the provisions of sections 2 and 3 of Supplemental Income Tax under Law No. 21/78/M, the total revenue of industrial and commercial activities of a limited company, after deducting commitments, will be the taxable target of the above supplemental income tax, and in respect of the surplus of limited companies, supplemental tax amount shall be reported and paid to the competent government authority in each year in principle. The surplus after tax will be distributed to shareholders, since the limited company has already reported and paid tax on the surplus, shareholders are no longer required to report and pay tax on the distributed surplus in individual names.

BUSINESS HISTORY

Introduction

The history of our Group can be traced back to 2003 when Shun Ke Long was founded in the PRC, with a registered capital of RMB10 million, by Lecong Supply and Marketing Group, Mr. Lo Chun Yu (羅振宇) and Mr. Lao Guochun (勞國純) in cash with their respective own financial resources. Since then and prior to the implementation of the Reorganisation steps, our Group was controlled by Lecong Supply and Marketing Group, formerly a supply and marketing enterprise rooted in Lecong district of Foshan.

The operation of supermarket chain stores was used to be operated under Lecong Supply and Marketing Group before the completion of the Reorganisation. Lecong Supply and Marketing Group is a holding company for a group of its subsidiaries which are engaged in various segments of businesses including agricultural business, tourism, jewellery, restaurant and catering services and property development, etc..

In about end of 2010, the management of Lecong Supply and Marketing Group noted the potential growth and demand for daily consumer products, in particular, in the third and fourth tier cities in Guangdong province and decided to enhance and put more focus on its supermarket chain store business. They participated in trainings and seminars about the industry and operations, performed site visits to other industry leaders etc., developing new insights and formulating new business strategies.

In 2012, the new business strategies became fully implemented with resources strategically pulled to the supermarket chain store segment and measures have been adopted and implemented to proactively streamline and enhance the efficiency, profitability, management, development and growth of the supermarket chain stores business. Such measures included but not limited to (a) centralising the management of all supermarket chain stores by centralising purchases, inventory control, logistics and delivery, stores opening and closing strategies and market development. Prior to the new measures adopted in 2012, the operations of individual Retail Outlets were more isolating that operations were emphased in running by the individual Retail Outlets locally which arranged their own purchase, inventory control, logistics and delivery leading to overlapping of functions and creating unnecessary costs; (b) upgrading the ERP System and POS System and the upgrading provides more comprehensive and timely information about our inventory and sales so that we can make more effective and efficient business decisions, such as making right purchases to minimise obsolete inventories, adjusting our product mix according to the changing customers' preferences, pricing our products with reference to more relevant data to ensure our competitiveness and profitability, while limited information was captured under the previous ERP System and POS System; (c) training up management and operational staff who became more understandable about the serving community and better serve the customers whereas our service standard was more fluctuating and less unified before; and (d) promoting and recruiting experienced management staff and employees who provided us their knowledge and vision in formulating our development strategies and plans.

In addition, as part of such measures, our management has become more active in maximising returns from our Retail Outlets. We strategically located and developed our Retail Outlets after taking into considerations of various factors such as geographic location and economic return and efficiency of the existing and new Retail Outlets and closed down Retail Outlets where necessary after regularly reviewed their performance. Despite the total number of Retail Outlets decreased from 70 at the beginning of 2012 to 67 at the end of 2012, our total size of operations increased by over 500 sq.m.. Further, we also actively invited tenants to our Retail Outlets, especially at those prime locations within such Retail Outlets, to complement and enhance the products offered to our customers whereas we were passive in renting out space in our Retail Outlets before leading to a large increase in renting space and therefore the relevant revenue. We received rental income from leasing of shop premises of approximately RMB23.7 million in 2012. We also diversified our product types by introducing fresh products and joined the Agricultural Fair Value Shop scheme issued in 2011 and received relevant government subsidy of RMB4.4 million paid in 2012.

In addition, Mr. Wu Zhaohui, an executive Director, was promoted in July 2011 to be responsible for operation and management of our Group's new retailing technologies strategies. Mr. Wu Weihua, our Group's deputy general manager, was recruited in July 2012 to be responsible for the establishment and implementation of our Group's financial management system.

As a result of these pro-active approach and measures in improving the management and operation of the supermarket chain stores business, the financial performance of the supermarket chain has been improved since 2011.

Business milestones

The following table sets forth our Group's business development milestones:

Date	**Event**
2003	Shun Ke Long, the first principal subsidiary of our Group, was established in Foshan.
2004	Yubang Trading, the subsidiary of our Group mainly responsible for the wholesale business segment, was established.
2006	We were first accredited with the ISO 9001:2000 certification for the whole process of our supermarket management and commodity retail service.
2010	We were first accredited as the Top 50 Chain Store Enterprise in Guangdong Province (廣東省連鎖五十強企業)*(note 1)* by Guangdong Chain Operations Association (廣東省連銷經營協會).
2011	Our "Shunkelong (順客隆)" brand was granted with the status as a Well-known Trademark in Guangdong Province.

Date	Event
2011	We were first accredited as the Top 100 Fast-Moving Consumer Goods Chain Store Enterprises in the PRC (中國快速消費品連鎖百強)*(note 2)* by China Chain Store and Franchise Association (中國連鎖經營協會).
2012	We established a franchise scheme under our "Ledi (樂的)" brand.
2013	Our Retail Outlet network expanded to Macau.
2015	We commenced the operation of the Online Supermarket.

Notes:

1. "Top 50 Chain Store Enterprise in Guangdong province" is a recognition granted by Guangdong Chain Operations Association based on the turnovers (including tax) from the retail outlets, which include the directly-operated outlets, franchise outlets, chain outlets operated and managed under the corporate brand, as well as turnovers from the wholesale business of relevant enterprise. The turnover does not include, amongst others, turnovers generated from intra-group transactions.

2. "Top 100 Fast-moving Consumer Goods Chain Store Enterprise in the PRC" is a recognition granted by CCFA based on the turnovers (including tax) from the retail outlets, which include the directly-operated outlets, franchise outlets, chain outlets operated and managed under the corporate brand, as well as turnovers from the wholesale business of relevant enterprise. The turnover does not include, amongst others, turnovers generated from intra-group transactions.

CORPORATE HISTORY

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 March 2013. Please refer to the paragraph headed "Changes in share capital of our Company" in Appendix V to this prospectus for details of changes in the share capital of our Company. As a result of the Reorganisation, our Company became the holding company of our Group.

SKL International

SKL International is a company with limited liability incorporated in the BVI on 25 March 2013 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 5 September 2013, one share was allotted and issued to our Company at par value. On 8 January 2014, one share was allotted and issued to our Company for a cash consideration of HK$37,500,000.

The principal business of SKL International is investment holding. Upon completion of the Reorganisation, SKL International became a directly wholly-owned subsidiary of our Company.

HK SKL

HK SKL is a company with limited liability incorporated in Hong Kong on 11 June 2013 with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. Upon incorporation, one share was allotted and issued at par value to the initial subscriber and the same was transferred to SKL International on 30 October 2013 at a consideration of HK$1.00.

Upon completion of the above share transfer, HK SKL became a wholly-owned subsidiary of SKL International.

The principal business of HK SKL is investment holding. Upon completion of the Reorganisation, HK SKL became an indirectly wholly-owned subsidiary of our Company.

Macau SKL

Macau SKL is a company incorporated in Macau on 9 September 2013 with a registered capital of MOP25,000. As at the date of its incorporation, Macau SKL was owned by Mr. Leong Weng U (梁永裕) as to 50% and Mr. Lai Ming Hong (黎銘康) as to 50%. Mr. Leong Weng U is a director of Macau SKL and Mr. Lai Ming Hong is an Independent Third Party. On 22 October 2013, (a) the registered capital of MOP12,500 was transferred from Mr. Leong Weng U; and (b) the registered capital of MOP12,500 was transferred from Mr. Lai Ming Hong to SKL International at par. On 10 January 2014, the registered capital of Macau SKL was increased from MOP25,000 to MOP38,625,000. The increase of registered capital in the amount of MOP38,600,000 was subscribed by SKL International. As a result of the above transfers and increase in registered capital, the entire registered capital of Macau SKL was wholly-owned by SKL International.

The principal business of Macau SKL is operation and management of retail outlets for daily consumer products in Macau. Upon completion of the Reorganisation, Macau SKL became an indirectly wholly-owned subsidiary of our Company.

Usmart Chain Supermarket

Usmart Chain Supermarket is a company incorporated in Macau on 1 July 2010 with a registered capital of MOP32,000.

By virtue of the following transfers, Macau SKL and HK SKL acquired the entire interests in Usmart Chain Supermarket from the then shareholder, who is an Independent Third Party:

Date	Transferor	Transferee	Capital transferred	Consideration
1 July 2014	Cheong Iok Ieng（張玉英）	Macau SKL	MOP1,000	MOP65,000
4 July 2014	Cheong Iok Ieng（張玉英）	Macau SKL	MOP30,000	MOP1,930,000
	Cheong Iok Ieng（張玉英）	HK SKL	MOP1,000	MOP65,000

From the date of incorporation and up to our acquisition of Usmart Chain Supermarket in July 2014, Usmart Chain Supermarket was held by Independent Third Parties. The consideration of the above transfers was determined by the parties on arm's length negotiation with reference to the benefit that may bring to our Group, such as our expansion to Macau.

On 2 September 2014, the registered capital of Usmart Chain Supermarket was increased from MOP32,000 to MOP38,657,000. The increase of registered capital in the amount of MOP38,625,000 was subscribed by Macau SKL. As a result of the above transfers and increase in registered capital, the registered capital of Usmart Chain Supermarket was owned by HK SKL as to MOP1,000 (representing approximately 0.003% of the registered capital) and Macau SKL as to MOP38,656,000 (representing approximately 99.997% of the registered capital).

The principal business of Usmart Chain Supermarket is the operation of supermarket and import and export and retailing of daily consumer products. Upon completion of the Reorganisation, Usmart Chain Supermarket became an indirectly wholly-owned subsidiary of our Company.

Chang Wan Long

Chang Wan Long is a company with limited liability established in the PRC on 5 March 2004 with an initial registered capital of HK$35.0 million, which was contributed by Foshan Lechang Tianshiye Company Limited (佛山市樂昌添實業有限公司) as to HK$17.85 million (representing 51% of the registered capital) and Happy Team as to HK$17.15 million (representing 49% of the registered capital).

On 19 December 2005, the registered capital of Chang Wan Long was increased to HK$35.5 million of which Foshan Lechang Tianshiye Company Limited (佛山市樂昌添實業有限公司), which is a subsidiary of Lecong Supply and Marketing Group, contributed HK$18.1 million (representing 51%of the registered capital) and Happy Team contributed HK$17.4 million (representing 49% of the registered capital).

Pursuant to the equity interests transfer agreement dated 24 October 2007, Foshan Lechang Tianshiye Company Limited (佛山市樂昌添實業有限公司) transferred its 51% equity interests in Chang Wan Long to Lecong Supply and Marketing Group at a consideration of HK$18.1 million. As a result of the transfer, Chang Wan Long was owned by Lecong Supply and Marketing Group as to 51% and Happy Team as to 49%.

Pursuant to the equity interests transfer agreement dated 20 August 2013, Happy Team transferred its 24% equity interests in Chang Wan Long to Lecong Supply and Marketing Group at a consideration of HK$8.52 million. As a result of the transfer, Chang Wan Long was owned by Lecong Supply and Marketing Group as to 75% and Happy Team as to 25%.

In preparation for the Listing, pursuant to the equity interests transfer agreement dated 20 December 2013, Lecong Supply and Marketing Group transferred its 75% equity interests in Chang Wan Long at a consideration of approximately HK$28.1 million to Macau SKL and Happy Team transferred its 25% equity interests in Chang Wan Long at a consideration of approximately HK$9.4 million to Macau SKL, respectively, with reference to the net assets value of Chang Wan Long of approximately RMB30.0 million as at 31 December 2013. As a result of the transfers, Chang Wan Long was wholly-owned by Macau SKL.

Pursuant to the equity interests transfer agreement dated 20 August 2014, Macau SKL transferred its entire equity interests in Chang Wan Long to Usmart Chain Supermarket at a consideration of HK$37.5 million. As a result of the transfer, Chang Wan Long was wholly owned by Usmart Chain Supermarket.

The principal business of Chang Wan Long is investment holding. Upon completion of the Reorganisation, Chang Wan Long became an indirectly wholly-owned subsidiary of our Company.

Junle Commercial

Junle Commercial is a company with limited liability established in the PRC on 24 October 2014 with a registered capital of RMB1.0 million. Upon its establishment, the entire equity interests in Junle Commercial was owned by Chang Wan Long.

The principal business of Junle Commercial includes property management and leasing of properties. Upon completion of the Reorganisation, Junle Commercial became an indirectly wholly-owned subsidiary of our Company.

Jincheng Commercial Trading

Jincheng Commercial Trading is a company with limited liability established in the PRC on 29 October 2014 with a registered capital of RMB6.0 million. Upon its establishment, the entire equity interests in Jincheng Commercial Trading was owned by Junle Commercial.

The approved scope of business of Jincheng Commercial Trading includes property management. Upon completion of the Reorganisation, Jincheng Commercial Trading became an indirectly wholly-owned subsidiary of our Company.

Shun Ke Long

Shun Ke Long is a company with limited liability established in PRC on 28 July 2003 with a registered capital of RMB10.0 million of which Lecong Supply and Marketing Group contributed RMB9.0 million (representing 90% of the registered capital), Mr. Lo Chun Yu contributed RMB0.5 million (representing 5% of the registered capital) and Mr. Lao Guochun contributed RMB0.5 million (representing 5% of the registered capital).

Pursuant to the equity interests transfer agreement dated 24 May 2005, Mr. Lo Chun Yu transferred his 5% equity interests in Shun Ke Long to Foshan Shunde Lecong Supply and Marketing Group Letian Real Estate Operation Company Limited (佛山市順德區樂從供銷集團樂添房產經營有限公司), a subsidiary of Lecong Supply and Marketing Group, at a consideration of RMB0.5 million and Mr. Lao Guochun transferred his 5% equity interests in Shun Ke Long to Foshan Shunde Lecong Supply and Marketing Group Letian Real Estate Operation Company Limited (佛山市順德區樂從供銷集團樂添房產經營有限公司) at a consideration of RMB0.5 million. As a result of the above transfers, Shun Ke Long was owned by Lecong Supply and Marketing Group as to 90% and Foshan Shunde Lecong Supply and Marketing Group Letian Real Estate Operation Company Limited (佛山市順德區樂從供銷集團樂添房產經營有限公司) as to 10%.

Pursuant to the equity interests transfer agreement dated 3 August 2011, Foshan Shunde Lecong Supply and Marketing Group Letian Real Estate Operation Company Limited (佛山市順德區樂從供銷集團樂添房產經營有限公司) transferred its 10% equity interests in Shun Ke Long to Lecong Supply and Marketing Group at a consideration of RMB1.0 million, which was determined with reference to the then registered capital of Shun Ke Long. As a result of the transfer, Shun Ke Long became the direct wholly-owned subsidiary of Lecong Supply and Marketing Group. On the same day, the registered capital of Shun Ke Long was increased to RMB50.0 million, the increased portion of the registered capital was contributed by Lecong Supply and Marketing Group.

In preparation for the Listing, pursuant to the equity interests transfer agreement dated 29 October 2014 and the supplemental agreement thereof dated 1 April 2015, Lecong Supply and Marketing Group transferred its entire equity interests in Shun Ke Long to Jincheng Commercial Trading at a consideration of RMB56.2 million, which was determined with reference to the net asset value of Shun Ke Long as at 31 December 2013. As a result of the transfer, Shun Ke Long was wholly-owned by Jincheng Commercial Trading.

The approved scope of business of Shun Ke Long includes wholesale of food products and groceries. Upon completion of the Reorganisation, Shun Ke Long became an indirectly wholly-owned subsidiary of our Company.

Gaoyao Letong

Gaoyao Letong is a company with limited liability established in the PRC on 12 June 2014 with a registered capital of RMB1.0 million. Upon its establishment, the entire equity interests in Gaoyao Letong was owned by Shun Ke Long.

The principal business of Gaoyao Letong is domestic trading. Upon completion of the Reorganisation, Gaoyao Letong became an indirectly wholly-owned subsidiary of our Company.

Gaoyao SKL

Gaoyao SKL is a company with limited liability established in the PRC on 14 November 2005 with a registered capital of RMB10.0 million of which Gaoyao Supply and Marketing Group Company Limited (高要市供銷集團有限公司), a subsidiary of Lecong Supply and Marketing Group, contributed RMB5.1 million (representing 51% of the registered capital) and Gaoyao Letian Real Estate Operation Company Limited (高要市樂添房產經營有限公司), a subsidiary of Lecong Supply and Marketing Group, contributed RMB4.9 million (representing 49% of the registered capital).

Pursuant to the equity interests transfer agreement dated 25 September 2008, Gaoyao Supply and Marketing Group Company Limited (高要市供銷集團有限公司) transferred its 51% equity interests in Gaoyao SKL to Shun Ke Long at a consideration of RMB5.1 million and Gaoyao Letian Real Estate Operation Company Limited (高要市樂添房產經營有限公司) transferred its 49% equity interests in Gaoyao SKL to Shun Ke Long at a consideration of RMB4.9 million. As a result of the transfers, Gaoyao SKL became a directly wholly-owned subsidiary of Shun Ke Long.

The approved scope of business of Gaoyao SKL includes domestic trading, wholesale and retail of groceries. Upon completion of the Reorganisation, Gaoyao SKL became an indirectly wholly-owned subsidiary of our Company.

Zhuhai SKL

Zhuhai SKL is a company with limited liability established in the PRC on 19 September 2011 with a registered capital of RMB1.0 million, all of which was contributed by Shun Ke Long.

The approved scope of business of Zhuhai SKL includes wholesale and retail of food products. Upon completion of the Reorganisation, Zhuhai SKL became an indirectly wholly-owned subsidiary of our Company.

Yubang Trading

Yubang Trading is a company with limited liability established in the PRC on 9 December 2004 with a registered capital of RMB0.5 million, of which Lecong Supply and Marketing Group contributed RMB0.45 million (representing 90% of the registered capital) and Shun Ke Long contributed RMB0.05 million (representing 10% of the registered capital).

As part of corporate restructuring, pursuant to the equity interests transfer agreement dated 18 January 2010, Lecong Supply and Marketing Group transferred its 90% equity interests in Yubang Trading to Shun Ke Long at a consideration of RMB0.45 million. As a result of the transfer, Yubang Trading was wholly-owned by Shun Ke Long.

The approved scope of business of Yubang Trading includes wholesale and retail of food products and groceries. Upon completion of the Reorganisation, Yubang Trading became an indirectly wholly-owned subsidiary of our Company.

Guangzhou SKL

Guangzhou SKL is a company with limited liability established in the PRC on 9 October 2013 with a registered capital of RMB1.0 million, of which Shun Ke Long contributed RMB0.7 million (representing 70% of the registered capital) and an Independent Third Party, contributed RMB0.3 million (representing 30% of the registered capital).

The approved scope of business of Guangzhou SKL includes wholesale and retail of food products. Upon completion of the Reorganisation, our Company indirectly owned 70% equity interests in Guangzhou SKL.

Mingjian Trading

Mingjian Trading is a company with limited liability established in the PRC on 4 November 2014 with an initial registered capital of RMB1.0 million, all of which was contributed by Shun Ke Long. On 27 March 2015, the registered capital of Mingjian Trading was increased to RMB6.0 million.

The approved scope of business of Mingjian Trading includes wholesale and retail of food products. Upon completion of the Reorganisation, Mingjian Trading became an indirectly wholly-owned subsidiary of our Company.

Ao Zhong Trading

Ao Zhong Trading is a company with limited liability established in the PRC on 5 May 2015 with an initial registered capital of HK$1.0 million, all of which was contributed by Usmart Chain Supermarket.

The approved scope of business of Ao Zhong Trading includes wholesale and retail of dried food and groceries. Upon its establishment, Ao Zhong Trading was directly owned by Usmart Chain Supermarket and a indirectly wholly-owned subsidiary of our Company.

Entity disposed of by us during the Track Record Period

During the Track Record Period, we disposed of our subsidiary, Foshan Shunde Jinle Trading Company Limited (佛山市順德區金樂貿易有限公司) ("**Shunde Jinle**"), a company with limited liability established in the PRC on 14 March 2003 with a registered capital of RMB12.0 million, all of which was contributed by Shun Ke Long up to the date of disposal. The principal business of Shunde Jinle was export and import trading. On 9 June 2013, Shun Ke Long and Lecong Supply and Marketing Group entered into an equity interests transfer agreement pursuant to which Shun Ke Long agreed to transfer its entire equity interests in Shunde Jinle to Lecong Supply and Marketing Group at a consideration of approximately RMB12.0 million, which was determined with reference to the then registered capital of Shunde Jinle and fully settled on 5 December 2013. According to its unaudited management accounts, Shunde Jinle recorded a profit after tax of approximately RMB6.2 million for the year ended 31 December 2012, and a loss of approximately RMB3.7 million and RMB8.6 million for the year ended 31 December 2013 and 2014, respectively.

Our Directors confirm that disposal of the equity interest in Shunde Jinle was principally due to the fact that our principal business activities are the operation of supermarket chain store. To better streamline the business of our Group, our Directors do not consider it appropriate to include Shunde Jinle as one of the members of our Group.

PRE-IPO INVESTMENT

Overview

On 31 December 2013, Shun Ao entered into a bond subscription agreement (the "**Subscription Agreement**") with U Tim Investment Co., Ltd. (Companhia De Investmento U Tim, Limitada) (裕添投資有限公司), a company incorporated in Macau (the "**Investor**") whereby the Shun Ao agreed to issue and the Investor agreed to subscribe for a bond (the "**Bond**") in the principal amount of HK$37,500,000 at an interest rate of 6.6% per annum. The proceeds from the issue of the Bond will be used for subscription of approximately 12.5% of our Shares in issue (before the Listing) by Shun Ao.

Pursuant to the Subscription Agreement, the principal amount of HK$19,500,000 of the Bond will be repaid by the transfer of Shares of not more than 6.5% of our Company by Shun Ao to the Investor upon the Listing and the remaining principal amount of HK$18,000,000 and the interest accrued on the Bond will be redeemed by Shun Ao at any time on or before the Listing.

No special rights were granted to the Investor under the Subscription Agreement. If the Listing does not take place on or before 31 December 2017, Shun Ao will redeem the outstanding principal amount of the Bond and interest accrued thereon.

The following table sets forth the key details of the investment by the Investor:

Name of Investor	Date of agreement	Consideration	Basis of determination of consideration	Date of payment of consideration	Number and approximate percentage of shareholding upon Listing *(note)*	Cost per Share	Discount to mid-point Offer Price
U Tim Investment Co., Ltd. (Companhia De Investmento U Tim, Limitada) (裕添投資有限公司)	31 December 2013	HK$19,500,000	with reference to the estimated net profit of Shun Ke Long for the year ended 31 December 2013 of approximately HK$30.0 million and at an earning ratio as agreed by the parties	22 January 2014	13,965,000 Shares (4.9%)	HK$1.40	50%

Note: Without taking into Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that may be granted pursuant to the Share Option Scheme.

Background of the Investor

The Investor is an investment company incorporated in Macau on 26 September 2013 and is beneficially owned by Mr. Leong Weng U (梁永裕) as to 32%, Mr. Lai Ming Hong (黎銘康) as to 20% and other two independent individual shareholders, each holds 24% interests. Mr. Leong Weng U is a director of Macau SKL. Mr. Leong Weng U and Mr. Lai Ming Hong were the shareholders of Macau SKL and they transferred their entire respective interests in the registered capital of Macau SKL to SKL International on 22 October 2013. To the best knowledge, information and belief of our Directors, other than its investment in our Company and save as disclosed above, the Investor and its ultimate beneficial shareholder(s) are Independent Third Parties.

Shun Ao acquainted with the Investor through the social acquaintance of Mr. Lao.

To the best knowledge, information and belief of our Directors, the Investor decided to invest in our Company in view of potential growth in the retailing market and supermarket retailing industry.

The lock-up arrangement and other matters

The Investor undertakes to Shun Ao that from the date it becomes a shareholder of our Company up to the expiry of six months after the Listing, it shall not (a) sell, transfer, pledge or dispose of or part with in any manner any of the Shares, interests or rights the Investor has on the Shares; (b) create any encumbrances on the Shares it holds; and (c) enter into any agreements or memoranda or letters of intention to effect any matters referred to in (a) or (b).

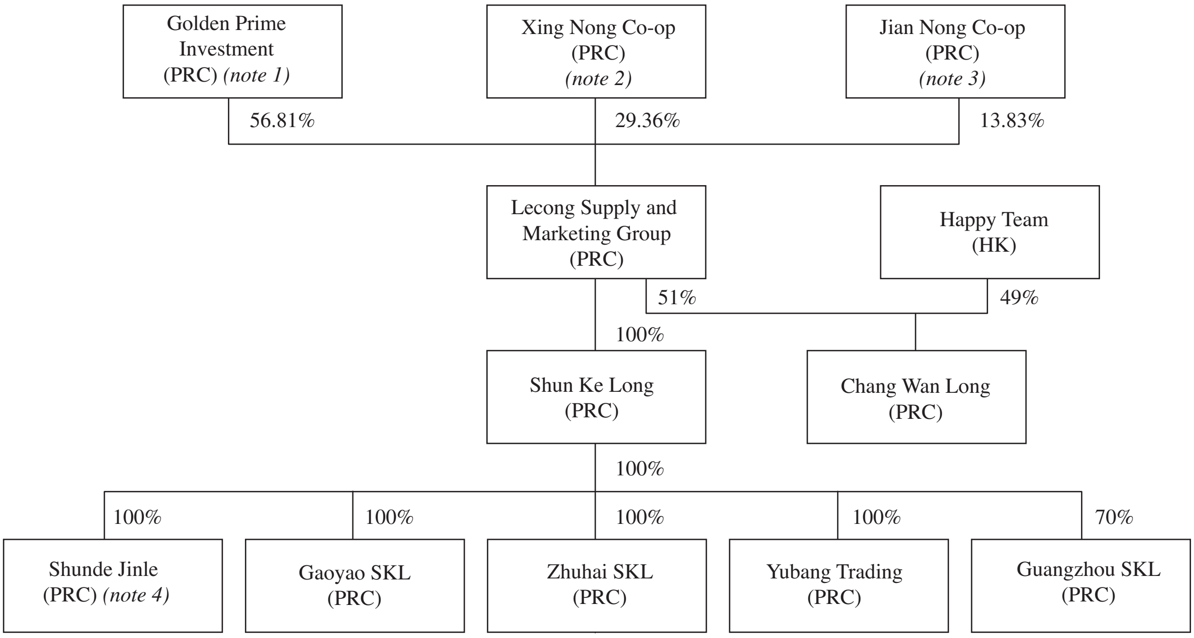
The Shares held by the Investor will not be counted towards the public float after the Listing for the purpose of Rule 8.08 of the Listing Rules.

Sole Sponsor's confirmation

The Sole Sponsor has reviewed the relevant information and documentation in relation to the investment of the Pre-IPO Investor. On this basis, the Sole Sponsor is of the view that the above investment is in compliance with the Interim Guidance on Pre-IPO Investments issued in October 2010 (HKEx-GL29-12), Guidance on Pre-IPO Investments issued in October 2012 and updated in July 2013 (HKEx-GL43-12) and Guidance on Pre-IPO Investments in Convertible Instruments issued in October 2012 (HKEx-GL44-12) by the Stock Exchange and the Pre-IPO Investment has been completed at least 28 clear days before the date of the first submission of the listing application form.

REORGANISATION

The following chart sets forth our corporate and shareholding structure prior to the Reorganisation:



Notes:

1. In August 2013, the equity interests holders of Golden Prime Investment were Mr. Lao with equity interests holding of approximately 33.981% and other 45 individuals with their respective equity interests holdings ranging from approximately 0.352% to 5.806%.

2. In August 2013, the equity interests holders of Xing Nong Co-op were Mr. Lao with equity interests holding of approximately 4.935% and other 412 individuals with their respective equity interests holdings ranging from approximately 0.002% to 1.655%.

3. In August 2013, the equity interests holders of Jian Nong Co-op were Mr. Lao with equity interests holding of approximately 11.215% and other 341 individuals with their respective equity interests holdings ranging from approximately 0.004% to 1.372%.

4. Shunde Jinle was disposed of by us pursuant to an equity transfer agreement dated 9 June 2013. For further details, please refer to the paragraph headed "Corporate history — Entity disposed of by us during the Track Record Period" in this section.

Lecong Supply and Marketing Group is a holding company for a group of its subsidiaries which are engaged in various segments of businesses including agricultural business, tourism, jewellery, restaurant and catering services and property development, etc., which was held by Golden Prime Investment as to approximately 54%, and Golden Prime Investment was held as to approximately 34.07% by Mr. Lao, Mr. Chen Yijian and Ms. Lao Weiping in January 2008. As incentives provided to certain of its employees, they were allowed to participate in the shareholding of Lecong Supply and Marketing Group. Consequently, in January 2008 and January 2011, Xing Nong Co-op and Jian Nong Co-op were established in the PRC by Mr. Lao, the then ultimate largest shareholder of Lecong Supply and Marketing Group, and these other employees of the Lecong Group. Since Mr. Lao was the then largest ultimate shareholder and legal representative of Lecong Supply and Marketing Group, Mr. Lao was also a shareholder of Xing Nong Co-op and Jian Nong Co-op to facilitate the overall management.

In August 2013, when our Group commenced to undergo the Reorganisation, (i) Golden Prime Investment were held as to approximately 33.981% by Mr. Lao and 45 individuals with their respective equity interests holdings ranging from approximately 0.352% to 5.806%, (ii) Xing Nong Co-op were held as to approximately 4.935% by Mr. Lao and 412 individuals with their respective equity interests holdings ranging from approximately 0.002% to 1.655%, and (iii) Jian Nong Co-op were held as to approximately 11.215% by Mr. Lao and other 341 individuals with their respective interests holdings ranging from approximately 0.004% to 1.372%.

As part of the Reorganisation, Golden Prime, Xing Nong and Jian Nong were established in July 2013 to be the initial shareholders of our Company and their respective shareholding structures are mirroring those of the shareholders of Lecong Supply and Marketing Group as far as possible, namely Golden Prime Investment, Xing Nong Co-op and Jian Nong Co-op, and Golden Prime. Through the Reorganisation, the operation and subsidiaries under Lecong Supply and Marketing Group which are principally engaged in the operation of supermarket chain stores and similar business were transferred to our Group. Please refer to the paragraph headed "Relationship with Lecong Supply and Marketing Group" in the section headed "Relationship with Controlling Shareholders" of this prospectus for further details of the Lecong Group.

The Reorganisation involved the following steps:

Incorporation of our Company

On 18 March 2013, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On the same day, one share of US$1.0 was allotted and issued to the initial subscriber at par value.

On 13 September 2013, the initial subscriber transferred its one share of US$1.0 to Mr. Lao at the consideration of US$1.0.

On 31 October 2013, Mr. Lao transferred the one share of US$1.0 to Golden Prime at the consideration of US$1.0. On the same day, our Company allotted and issued 5,680 shares of US$1.0 each to Golden Prime, 2,936 shares of US$1.0 each to Xing Nong, and 1,383 shares of US$1.0 each to Jian Nong, all for cash at par.

On 8 January 2014, our Company allotted and issued 1,429 shares of US$1.0 each to Shun Ao at a consideration of HK$37,500,000.

Upon completion of the above transfer, allotment and issue, our Company was held by Golden Prime as to 49.7%, Xing Nong as to 25.7%, Shun Ao as to 12.5% and Jian Nong as to 12.1%.

Incorporation of SKL International

On 25 March 2013, SKL International was incorporated in the BVI as a directly wholly-owned subsidiary of our Company. On 5 September 2013, SKL International allotted and issued one share to our Company for cash at par. On 8 January 2014, one share was allotted and issued to our Company for a cash consideration of HK$37,500,000.

Incorporation of HK SKL

On 11 June 2013, HK SKL was incorporated in Hong Kong and one share was allotted and issued to the initial subscriber. On 30 October 2013, the initial subscriber transferred its one share to SKL International for cash at par, and upon completion of such transfer, HK SKL became our indirectly wholly-owned subsidiary.

Acquisition of Macau SKL

On 22 October 2013, SKL International acquired the entire registered capital of Macau SKL, and upon completion of such acquisition, Macau SKL became the wholly-owned subsidiary of SKL International.

Issue of the Bond to the Investor

On 22 January 2014, Shun Ao issued the Bond to the Investor pursuant to the Subscription Agreement. Details of the Subscription Agreement are set out in the paragraph headed "Pre-IPO investment" in this section.

Acquisition of Usmart Chain Supermarket by Macau SKL and HK SKL

On 1 July 2014, Macau SKL acquired from the then shareholder of Usmart Chain Supermarket MOP1,000 registered capital at a consideration of MOP65,000.

On 4 July 2014, Macau SKL acquired from the then shareholder of Usmart Chain Supermarket MOP30,000 registered capital at a consideration of MOP1,930,000, and HK SKL acquired from the then shareholder of Usmart Chain Supermarket MOP1,000 registered capital at a consideration of MOP65,000.

Upon completion of the above transfers, Usmart Chain Supermarket was owned by Macau SKL as to 96.875% and HK SKL as to 3.125%.

On 2 September 2014, the registered capital of Usmart Chain Supermarket was increased from MOP32,000 to MOP38,657,000, of which MOP38,656,000 (99.997%) was held by Macau SKL and MOP1,000 (0.003%) was held by HK SKL.

Acquisition of Chang Wan Long

Pursuant to the equity interests transfer agreement dated 20 December 2013, the following transfers of Chang Wan Long were effected on 6 January 2014:

Transferor	Transferee	Equity interests transferred	Consideration
Lecong Supply and Marketing Group	Macau SKL	75%	HK$28,125,000
Happy Team	Macau SKL	25%	HK$9,375,000

Upon completion of the transfers, Chang Wan Long was wholly-owned by Macau SKL.

Pursuant to the equity interests transfer agreement dated 20 August 2014, Macau SKL transferred the entire equity interests in Chang Wan Long to Usmart Chain Supermarket at a consideration of HK$37,500,000. Upon completion of the transfer on 3 September 2014, Chang Wan Long was wholly-owned by Usmart Chain Supermarket.

Establishments of Gaoyao Letong, Junle Commercial, Jincheng Commercial Trading and Mingjian Trading

On 12 June 2014, Gaoyao Letong was established in the PRC with an initial registered capital of RMB1,000,000 as a wholly-owned subsidiary of Shun Ke Long.

On 24 October 2014, Junle Commercial was established in the PRC with an initial registered capital of RMB1,000,000 as a wholly-owned subsidiary of Chang Wan Long.

On 29 October 2014, Jincheng Commercial Trading was established in the PRC with an initial registered capital of RMB6,000,000 as a wholly-owned subsidiary of Junle Commercial.

On 4 November 2014, Mingjian Trading was established in the PRC with an initial registered capital of RMB1,000,000 as a wholly-owned subsidiary of Shun Ke Long.

Acquisition of Shun Ke Long

Pursuant to the equity interests transfer agreement dated 29 October 2014 and the supplemental agreement thereof dated 1 April 2015, Lecong Supply and Marketing Group transferred the entire equity interests in Shun Ke Long to Jincheng Commercial Trading at a consideration of RMB56,200,000. Upon completion of the transfer, Shun Ke Long was wholly-owned by Jincheng Commercial Trading.

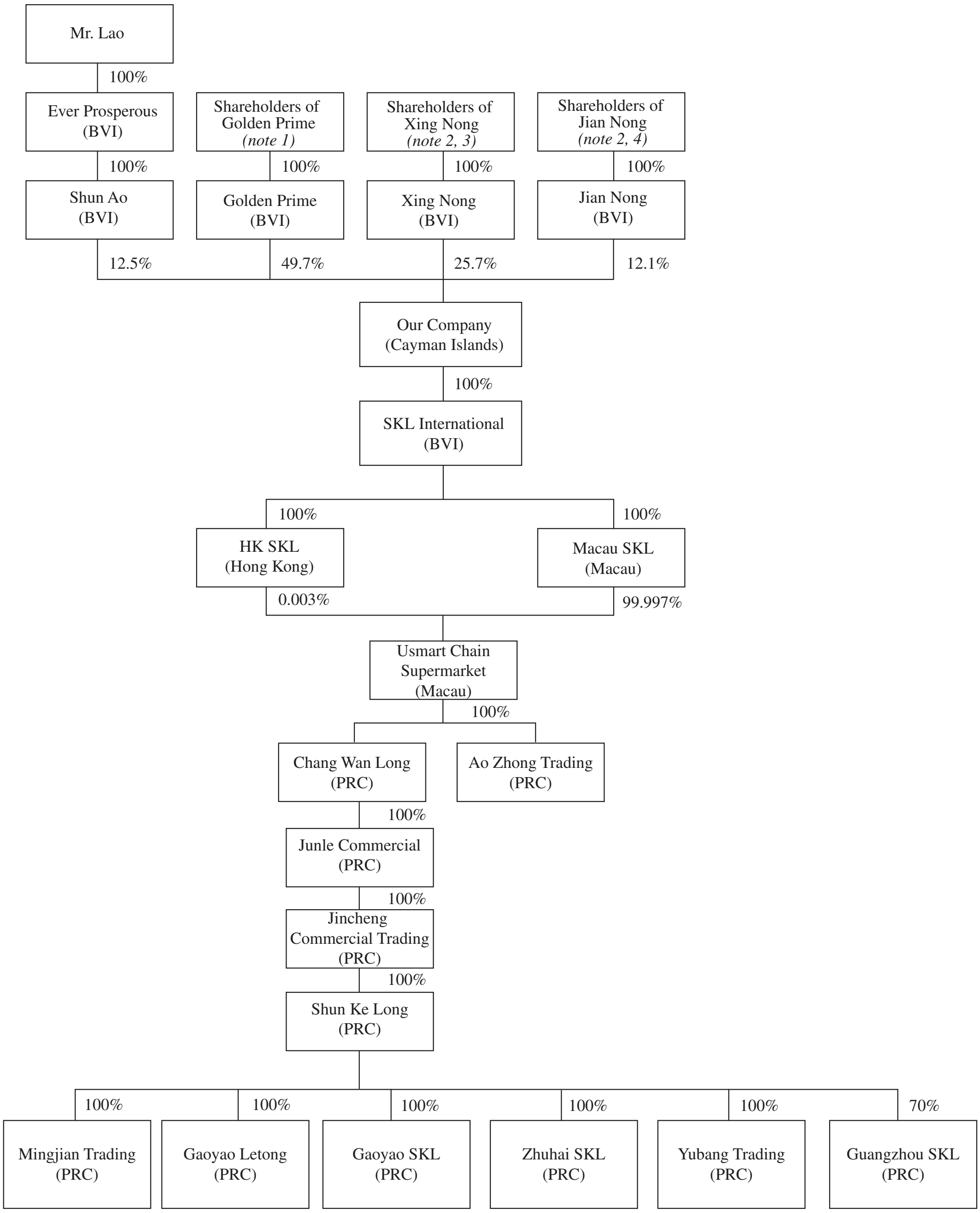
Change of scope of business

Owing to the restrictions for foreign-invested enterprises to carry out the business of sales of tobacco products and Other Transferred Products, our Group transferred all the stock and such business to an Independent Third Party. For details of such transfers, please refer to the section headed "Business — Products portfolio — Cessation of the sales of tobacco products and the transfer and buyback of Other Transferred Products" to this prospectus.

Establishment of Ao Zhong Trading

On 5 May 2015, Ao Zhong Trading was established in the PRC with an initial registered capital of HK$1,000,000 as a wholly-owned subsidiary of Usmart Chain Supermarket.

The following chart sets forth our corporate and shareholding structure upon completion of the Reorganisation but immediately before completion of the Global Offering and the Capitalisation Issue:



Notes:

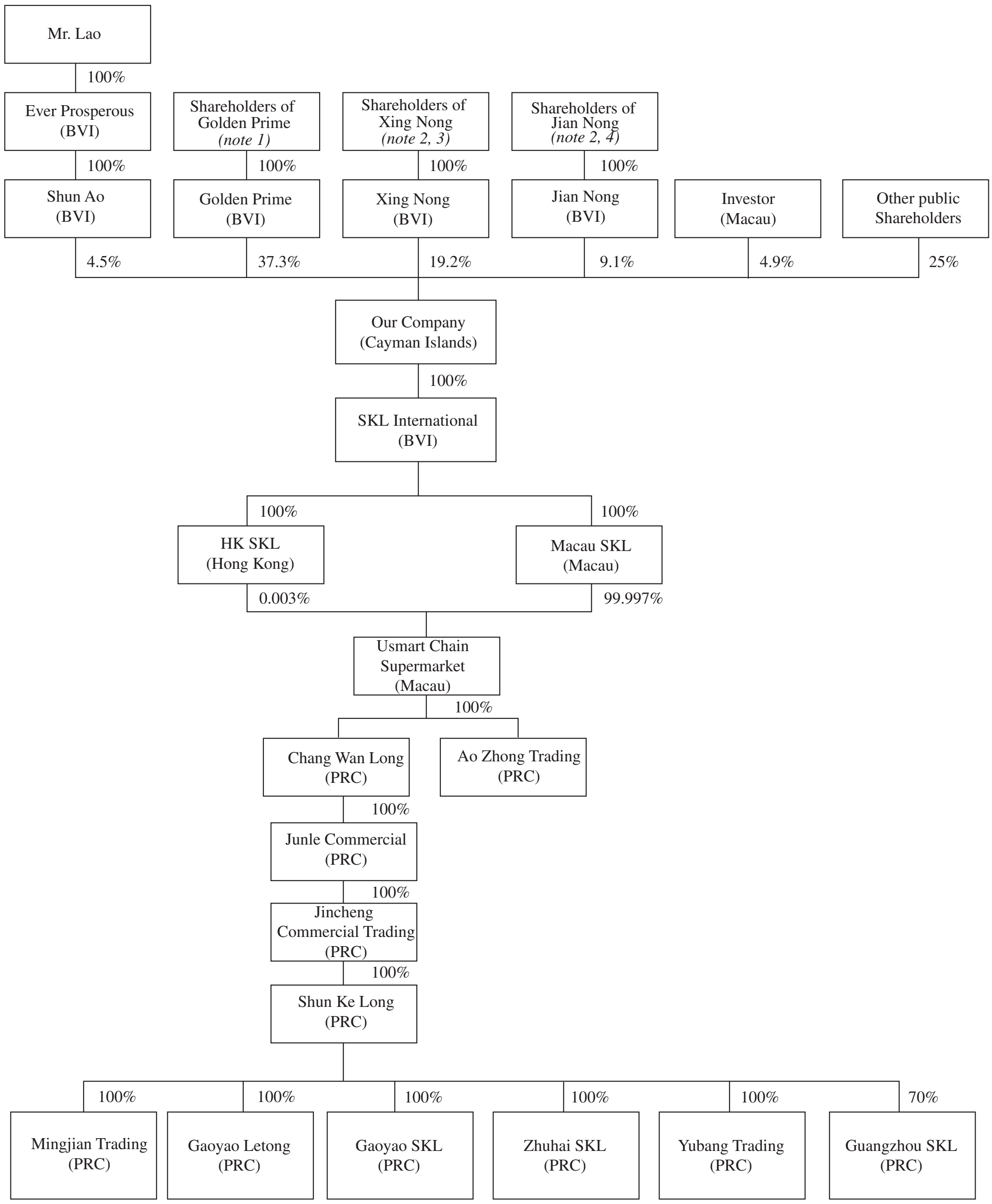
1. As at the Latest Practicable Date, Golden Prime had 45 individual shareholders, of whom Mr. Lao was interested in approximately 34.6% of its issued shares, Ms. Wang Yanfen was interested in approximately 3.310%, Mr. Wu Zhaohui was interested in approximately 0.649%, Mr. Chen Yijian was interested in approximately 5.806% and Ms. Lao Weiping was interested in approximately 4.436% and each of the other shareholders was interested in less than 5.0% of its issued shares.

2. Xing Nong was established on 2 July 2013 in the BVI and held by the current and retired staff of the Lecong Group (including subsidiaries of our Company before completion of the Reorganisation). Jian Nong was established on 2 July 2013 and held by the current and retired staff of the Lecong Group (including subsidiaries of our Company before completion of the Reorganisation). The shareholding structures of Xing Nong and Jian Nong were reached by reference to those of Xing Nong Co-op and Jian Nong Co-op as far as possible, and Mr. Lao is a shareholder of Xing Nong Co-op and Jian Nong Co-op, he, therefore, is a shareholder of Xing Nong and Jian Nong. Other than Mr. Lao, there are no overlap in shareholders of Xing Nong and Jian Nong. To the knowledge of our Directors, no shareholders of Xing Nong and Jian Nong are acting in concert.

3. As at the Latest Practicable Date, Xing Nong had 397 individual shareholders, of whom Mr. Lao was interested in approximately 7.44% of its issued shares and each of the other shareholders was interested in less than 2.0% of its issued shares. The other shareholders are current and retired staff of the Lecong Group and our Group.

4. As at the Latest Practicable Date, Jian Nong had 317 individual shareholders, of whom Mr. Lao was interested in approximately 17.173% of its issued share and each of the other shareholders was interested in less than 2.0% of its issued shares. The other shareholders are current and retired staff of the Lecong Group and our Group.

The following chart sets forth our corporate and shareholding structure immediately after completion of the Global Offering and the Capitalisation Issue, assuming that the Over-allotment Option has not been exercised and that no Shares have been issued pursuant to the exercise of the share options which may be granted under the Share Option Scheme:



Notes:

1. As at the Latest Practicable Date, Golden Prime had 45 individual shareholders, of whom Mr. Lao was interested in approximately 34.6% of its issued shares, Ms. Wang Yanfen was interested in approximately 3.310%, Mr. Wu Zhaohui was interested in approximately 0.649%, Mr. Chen Yijian was interested in approximately 5.806% and Ms. Lao Weiping was interested in approximately 4.436% and each of the other shareholders was interested in less than 5.0% of its issued shares.

2. Xing Nong was established on 2 July 2013 in the BVI and held by the current and retired staff of the Lecong Group (including subsidiaries of our Company before completion of the Reorganisation). Jian Nong was established on 2 July 2013 and held by the current and retired staff of the Lecong Group (including subsidiaries of our Company before completion of the Reorganisation). The shareholding structures of Xing Nong and Jian Nong were reached by reference to those of Xing Nong Co-op and Jian Nong Co-op as far as possible, and Mr. Lao is a shareholder of Xing Nong Co-op and Jian Nong Co-op, he, therefore, is also a shareholder of Xing Nong and Jian Nong. Other than Mr. Lao, there are no overlap in shareholders of Xing Nong and Jian Nong. To the knowledge of our Directors, no shareholders of Xing Nong and Jian Nong are acting in concert.

3. As at the Latest Practicable Date, Xing Nong had 397 individual shareholders, of whom Mr. Lao was interested in approximately 7.44% of its issued shares and each of the other shareholders was interested in less than 2.0% of its issued shares. The other shareholders are current and retired staff of the Lecong Group and our Group.

4. As at the Latest Practicable Date, Jian Nong had 317 individual shareholders, of whom Mr. Lao was interested in approximately 17.173% of its issued share and each of the other shareholders was interested in less than 2.0% of its issued shares. The other shareholders are current and retired staff of the Lecong Group and our Group.

If the Over-allotment Option is exercised in full, the shareholding of Shun Ao, Golden Prime, Xing Nong, Jian Nong and the Investor in our Company will be approximately 4.3%, 35.9%, 18.6%, 8.7% and 4.7%, respectively.

PRC LEGAL COMPLIANCE

As confirmed by our PRC Legal Advisers, the ultimate individual shareholders of our Company have completed the foreign exchange registration with Guangdong Branch Bureau of SAFE and completed the change of registration on 14 February 2014 pursuant to the then in force Circular No. 75. Further, the ultimate individual shareholders of our Company have submitted application for foreign exchange registration on 20 August 2015 in respect of the registration of the latest ultimate individual shareholding of our Company.

Our PRC Legal Advisers confirmed that all necessary approvals, permits and licences required under the PRC laws and regulations in connection with the Reorganisation and equity interests transfer in respect of the PRC subsidiaries in our Group as set forth in this section have been obtained, and the Reorganisation has complied with all applicable PRC laws and regulations.

OVERVIEW

We are an established supermarket chain store operator with geographical focus in Guangdong province of the PRC with a particular strong network in Foshan which is one of the wealthiest cities in the region. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, 83.5%, 83.5%, 78.6% and 78.9% of our total revenue were derived from Foshan. Our operations span across retail and wholesale distribution channels. We were ranked by CCFA as one of the Top 100 Fast-moving Consumer Goods Chain Store Enterprises in the PRC *(note)* in 2013. As at 30 April 2015, we operated 84 Retail Outlets, comprising 68 supermarkets and 16 hypermarkets located in Foshan, Zhaoqing, Zhuhai and Guangzhou in Guangdong province and Macau. We have been and will also be focusing on the supermarket business leveraging our expertise and experiences on supermarket operation. According to Euromonitor Report, our supermarket retailing business ranked fifth in terms of retail value sales with a market share of 0.2%, and third in terms of outlet number with a market share of 0.5% in supermarket retailing category in Guangdong province in 2014.

We operate our retail business under the well-recognised "Shunkelong (順客隆)" brand, offering a broad range of consumer products including our private label brands mainly for sale in our Retail Outlets. We provide comprehensive one-stop shopping experience to our customers and we believe we effectively cater for the needs of our retail customers. We have been expanding our retail network by opening new Retail Outlets in Guangdong province and Macau and launched our Online Supermarket. We also generate rental income through leasing certain areas of our Retail Outlets to other service or products providers complementary to our shopping environment and services, which is commonplace in the supermarket retailing industry.

Our wholesale distribution business distributes non-staple food products of certain consumer brands to sub-distributors and retail store operators, and also supplies fast consumable products to our franchisees. As at 30 April 2015, we have obtained sole and exclusive distributorship rights for 14 consumer brands for distribution in designated regions. We have established a franchise scheme open for application from interested parties to operate their franchise retail outlets under our "Ledi (樂的)" brand. As at 30 April 2015, we had 31 franchise outlets.

Being a common practice in the supermarket retailing industry, we also receive promotional income from suppliers with respect to promotional events conducted by us on behalf of our suppliers to promote their products in our Retail Outlets.

We operate four distribution centres for our retail operation and six distribution centres for our wholesale operation. These centralised and modern distribution centres are linked to our advanced information technology systems, including our ERP System, to provide real time inventory information and allow us to efficiently manage our inventory control and facilitate us to place orders

Note: "Top 100 Fast-moving Consumer Goods Chain Store Enterprise in the PRC" is a recognition granted by CCFA based on the turnovers (including tax) from the retail outlets, which include the directly-operated outlets, franchise outlets, chain outlets operated and managed under the corporate brand, as well as turnovers from the wholesale business of relevant enterprise. The turnover does not include, amongst others, turnovers generated from intra-group transactions.

with our suppliers and distribute products to our retail and wholesale operations in an efficient and effective manner. Our information technology systems provide real time information and distribute products to our Retail Outlets.

We have established a strong and solid local presence in the third and fourth-tier cities catering for our continued expansion of our business in the suburban and rural areas in Guangdong province. Our current strategy is to continue expanding our footprints in Guangdong province, from Foshan to other third and fourth-tier cities in the Pearl River Delta in view of their high economic growth potential and comparatively lesser competition than in those highly developed areas. We are of the view that we are in the position to capture the higher profit growth potential as the living quality and condition improve in the area.

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our revenue was RMB674.3 million, RMB869.1 million, RMB1,053.4 million and RMB345.6 million, respectively. Our net profit for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015 was RMB 16.1 million, RMB 27.1 million, RMB 31.0 million and RMB13.5 million, respectively.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths distinguish us from our competitors and enhance our ability to perform well and compete effectively with our competitors:

Comprehensive regional network of Retail Outlets and strategic Retail Outlet locations

As at 30 April 2015, we operated 84 Retail Outlets and majority of them are located in the Pearl River Delta of Guangdong province. According to Euromonitor Report, we ranked third in terms of number of operating outlets in Guangdong province in 2014. We also ranked fifth in terms of retail value sales in supermarket retailing category in Guangdong province in 2014. We believe that our well-established network in the Pearl River Delta of Guangdong province has been a crucial factor for our growth success.

We have been principally operating in Guangdong province with a particular strong network in Foshan and its surrounding area. According to China Statistical Yearbook, Guangdong province is of the highest gross regional product by expenditure in the PRC with a total amount of RMB6,216.4 billion in 2013. According to Guangdong Statistical Yearbook, the per capita disposable income for urban residents was RMB32,148.0 and per capita net income for rural population was RMB12,246.0 in Guangdong province in 2014, which were approximately 11.5% and 23.8% respectively higher than those of the national average in the PRC in 2014. Our business originated from Foshan and leveraging our experience and success in Foshan, we are able to expand our Retail Outlets to other high economic growth cities in Guangdong province, namely Zhaoqing, Zhuhai, Yunfu and Guangzhou and further expand our retail network to Macau, which formed a comprehensive regional network and allows us to capture the high economic growth and consumer spending of the region.

We strategically focus on the third and fourth-tier cities within the Pearl River Delta of Guangdong province in order to take advantage of their high economic growth potential and comparatively lesser competition than in those highly developed areas. Our Directors are of the view that by establishing outlets in these high growth cities with established consumer base, our outlets enjoy a relatively lower operating cost than those in the first and second-tier cities, and therefore we are able to capture the opportunities offered by the growing population and the improving standards of living in the areas. We expect our business will benefit from the increased consumer spending and consumption associated with a growing population in the region.

We believe the economic growth in the regional market where we operate will continue to grow and support the expansion of our business. With our history and experience of operating in this region, we believe we have established a strong foundation locally and are in a position to expand into other high growth cities in the region.

Well recognised brand

Our Group has more than 12 years of experience in the supermarket retailing industry and daily consumer product distribution industry, operating under the well-recognised "Shunkelong (順客隆)" brand. Our "Shunkelong (順客隆)" brand has been granted with the accreditation as a "Well-known Trademark in Guangdong Province (廣東省著名商標)" and was recognised as a "Favourite Brand of the Foshan Citizens (佛山市民最喜愛的品牌)". Our Group was awarded with "Top 100 Fast-moving Consumer Goods Chain Store Enterprise in the PRC (中國快速消費品連鎖百強)"*(note 1)* and "Top 50 Chain Store Enterprise in Guangdong Province (廣東省連鎖五十強企業)"*(note 2)* in 2013. The "Shunkelong (順客隆)" brand is well recognised by the consumers in Guangdong province, which allows us to secure our leading position in the supermarket retailing industry in Guangdong province. Through our many convenient Retail Outlets in Guangdong province, we were able to build brand loyalty and enhance our relationship with our customers. Our Group was also awarded with "Agricultural Fair Value Shop (農副產品平價商店)" and "Ten Thousand Villages Marketing Project Standard Rural Shop (萬村千鄉市場工程連鎖店)" which signified our Group's excellence in its outlets in the rural areas. We believe this brand recognition, in turn, enables us to differentiate ourselves from our competitors and attract more customers. It also serves as a solid platform from which we are able to expand further into other third and fourth-tier cities in Guangdong province.

Notes:

1. "Top 100 Fast-moving Consumer Goods Chain Store Enterprise in the PRC" is a recognition granted by CCFA based on the turnovers (including tax) from the retail outlets, which include the directly-operated outlets, franchise outlets, chain outlets operated and managed under the corporate brand, as well as turnovers from the wholesale business of relevant enterprise. The turnover does not include, amongst others, turnovers generated from intra-group transactions.

2. "Top 50 Chain Store Enterprise in Guangdong Province" is a recognition granted by Guangdong Chain Operations Association based on the turnovers (including tax) from the retail outlets, which include the directly-operated outlets, franchise outlets, chain outlets operated and managed under the corporate brand, as well as turnovers from the wholesale business of relevant enterprise. The turnover does not include, amongst others, turnovers generated from intra-group transactions.

Centralised distribution centres and advanced information technology systems

In order to maximise the efficiency and lower the operating costs of our retail and wholesale operations, we operate four distribution centres for our retail operation and six distribution centres for our wholesale operation. These centralised and modern distribution centres are linked to our advanced information technology systems, including the ERP System, to provide real time inventory information and allow us to efficiently manage our inventory control and facilitate us to place orders with our suppliers and distribute products to our retail and wholesale operations in an efficient and effective manner. With these distribution centres, we are able to make purchase for popular products in bulk quantities and warehouse them in our distribution centres for subsequent distribution to our Retail Outlets and wholesale distribution customers. As a result, we are able to obtain discounts for bulk purchase of the popular products, minimise our inventory management costs, and enhance our profit margin. With the benefit of a stable and sufficient inventory level of the popular products, we also manage to replenish the supply of popular products to our Retail Outlets in a timely manner and this will facilitate our business expansion into new markets in Guangdong province.

We also deploy advanced information technology systems including the ERP System and the POS System to support our procurement, inventory, sales and logistics of our products. Our information technology systems allow us to collect and monitor real time sales information to facilitate our inventory analysis and procurement decision making. With the real time sales information processed by and centralised in our ERP System, our management is able to make timely responses to sales data, adjust sales strategies and replenish and arrange delivery of products to our Retail Outlets or for our wholesale distribution in a responsive manner. With the benefit of our ERP System and POS system, we believe that we are able to maintain a low and yet sufficient level of stocks at our Retail Outlets and meet with our evolving consumer preferences and the prevailing market trend.

We also link the mobile application WeChat to our Online Supermarket, enabling customers to visit our online website through computers or installation of our Online Supermarket Mobile Apps ("**SKL App**") in smartphones, our customers can place orders directly with us through the use of WeChat, computers and smartphones. We then arrange products delivery to our customers and this offers seamless and convenient shopping experiences to our customers. We are also in the process of linking the Online Supermarket to our physical Retail Outlets for setting up another O2O platform. Through the use of these online or O2O sales channels, we will also collect diverse data relating to the shopping and purchase preferences of our customers. With the availability of these real time data, we will conduct analyses from time to time to identify the shopping behaviours, preferences and demands of our customers. We believe that the use of the online sales channels not only allows us to offer convenient and enjoyable shopping experiences to our customers, but also enables us to perform targeted marketing in line with the prevailing market trends to the benefit of our business and profitability.

Experienced and stable management team and customer-oriented corporate culture

We have an experienced and focused senior management team with extensive operating expertise and in-depth knowledge of the local retail and wholesale industry. Our senior management team has in average over 10 years of industry experience in the local market. We believe that our success to date is attributable to their insights and knowledge of the local market, their abilities to formulate the right model and strategies for our business growth, to identify the optimal product mix and secure strategic locations for our Retail Outlets and distribution centres, and to implement our business plans effectively and successfully.

Our senior management team has remained stable since the inception of our business and throughout the Track Record Period. We believe that the stability and loyalty of our senior management are signs of their confidence in our Group. They have all along shown continuing support and made contributions to our business operations and strategies.

We have also cultivated a professional corporate culture with a strong emphasis on team spirit, clear division of responsibilities and effective coordination. Rooted in our corporate culture, our senior management team and frontline staff have adopted a customer oriented approach in order to provide good and effective customer services to all of our consumers. We believe we have provided good shopping experiences to our customers and the friendly shopping environment we created play an important role in the success of our business and enhance our long term competitiveness.

Stringent quality control

Our supermarket business was first accredited with ISO 9001:2000 accreditation certificate by the World Standards Certification Center Inc. in 2006 with respect to the supermarket management and commodity retail services offered by us. We believe the accreditation reflects our ability to meet the expectation of our consumers in terms of product qualities and food safety. We have comprehensive guidelines for the operation of our Retail Outlets and we will monitor our Retail Outlets by carrying out outlet inspections and assessments on a regular basis. We believe that we are able to maintain a high standard of product quality and services which enable us to satisfy the needs of the evolving market and business environment.

We believe that suppliers play a fundamental role in the supply chain and hence we maintain a stringent policy in the selection of our suppliers. We conduct regular review over our suppliers to ensure the products sourced from them are up to our required standard. For fresh food products, we source food product directly from carefully-selected production bases that have a long term business relationship with us to maintain the food safety and freshness of relevant food products. We also have detailed sets of guidelines for inspection of different categories of products upon their delivery to ensure those products further sold by us are up to standard and of good quality.

As we believe food safety remains a paramount concern of our consumers, we have used an integrated food tracking system to record various parameters of fresh food products. With a comprehensive database for the food sold by us, we are able to monitor, respond and handle any food safety issues in an efficient and timely manner.

OUR BUSINESS STRATEGIES

Our objectives are to become one of the largest supermarket operators in the third and fourth-tier cities in Guangdong province and further expand to become one of the largest renowned supermarket operators in the PRC. We plan to implement the following strategies to achieve the above objectives:

Strengthen our market position further by expanding our presence and number of Retail Outlets

We aim to continue to strengthen our market position in Guangdong province particularly in the Pearl River Delta through expansion of our retail network in the neighboring cities of our existing markets in Guangdong province. Leveraging on our in-depth understanding of local customers' preferences and their spending habits, we will continue to expand our retail network primarily in the third and fourth-tier cities in the Pearl River Delta of Guangdong province where we believe there exists promising growth and development potential and comparatively lesser competition from major international and national supermarket operators. We will continue to actively develop new markets and open additional outlets when we found suitable location and opportunities. In deciding whether to enter into a new market, we will take into account various factors such as the local population profile, their consumption and spending patterns, pedestrian flow nearby the potential outlets, and existence of any market competitors nearby.

We have strong commitment in supplying quality products including daily fresh food like vegetables, fruits and meats to our consumers. In order to attract more consumers to visit our Retail Outlets, we plan to open new Retail Outlets which are of saleable areas of around 400 sq.m. to 3,000 sq.m. and offer a variety products such as non-staple food and household products. With this one-stop shopping experience convenient to our consumers, we believe this will allow us to cater for the needs of our consumers in line with their shopping habits, enhance our profitability through selling higher profit margins products such as those non-staple food, and facilitate us to expand our retail business into new markets in Guangdong province.

We plan to increase the number of Retail Outlets to assist us in the expansion of our network coverage particularly in the Pearl River Delta of Guangdong province. For details of our expansion plan, please refer to the paragraph headed "Retail Outlet operation and sales — Retail Outlets to be opened" in this section.

Deepen our market penetration in the third and fourth-tier cities in Guangdong province

We have been focusing our business in Foshan, Zhaoqing, Zhuhai and Yunfu, and will continue our business focus in the third and fourth-tier cities in Guangdong province with high growth potential and robust spending powers.

Leveraging on our accumulated knowledge of the local markets and the spending patterns of the local consumers, one of our strategies is to set up new Retail Outlets in the third and fourth-tier cities in a web-like pattern with close proximity to one another. We believe this strategy will not only allow us to establish our corporate image and brand reputation among the local consumers, but also lower the distribution and transportation costs of our products attributable to the close proximity of our Retail Outlets. We will then be able to attract more consumers to shop with us as a result of our expanded Retail Outlets network and increase our market share in the local areas.

As a result of the comparatively lesser competitions in the third and fourth-tier cities and taking advantage of the rapid development potential of such rural areas and less developed cities, we believe we are in a strong position to leverage our knowledge to grow our business and subsequently expand our retail network into other cities within the region. Please refer to the paragraph headed "Our business strategies — Strengthen our market position further by expanding our presence and number of Retail Outlets" in this section for details of the expansion plan.

Expand our O2O platform to build streamlined and enhanced online sales channels

We believe that the physical infrastructure and distribution system for the retail industry are still not well developed in lower-tier cities such as the third and fourth-tier cities in the PRC. As a result of which, leading international and national supermarket chain operators may only have limited presence in these areas. While the absence of physical infrastructure may pose a business challenge to us, the absence of large scale supermarket competitors will offer a prime opportunity for us to expand our business presence to the third and fourth-tier cities in the PRC. We intend to position and align ourselves with the market trend through the use of online shopping in order to overcome the hurdles posed by the lack of physical infrastructure in the lower-tier cities and make the most benefits for us through the convenience offered by the internet shopping. We have started to offer online shopping services to our consumers and will continue to expand our information technology infrastructure and deploy more manpower and resources to further enhance our online sales channels including the Online Supermarket and O2O platform. For more information about the Online Supermarket, please refer to the paragraph headed "Marketing and promotions — E-commence" in this section.

We believe our Online Supermarket offers our consumers the convenience of saving transportation time and costs and accessibility to purchase our products through internet around the clock throughout the year. By linking the popular Mobile Apps WeChat to our online shopping channel, visiting our online website through computers or installing our SKL App in customers' smartphones, our customers can receive real time products information and place orders directly through WeChat, computers and smartphones with us. Our customers are able to settle their payments through WeChat, Alipay, and internet banking. Further, we are in the process of linking our Online Supermarket with our physical Retail Outlets to expand our O2O platform. This gives them the seamless experience of shopping in the physical Retail Outlets and convenience of saving checkout and transportation time through our delivery services whereby our logistics team will deliver their products to their homes or designated places. By utilising our Online Supermarket and O2O platforms, we are able to obtain diverse data sets relating to the shopping and purchase preferences of our customers and with the benefit of these data, we will analyse their shopping behaviors and perform targeted marketing which will enable our customers to enjoy better shopping experiences and make purchase of our products in a more convenient and enjoyable manner. In addition, we may offer special promotions of some of our products through our Online Supermarket and this will enable us to effectively manage the less popular product categories. With the benefit of the Online Supermarket, the O2O platform and centralised logistics network to create an efficient business-to-customer distribution channel, we believe this new sales channel would increase the number of purchase transactions and amount of purchase by our customers. We plan to further expand and enhance our O2O platform and deploy the online sales channels to maximise the business opportunities and profitability to our Group.

Continue to prioritise customer satisfaction through our customer oriented approach and adjustment to our product mix

We have adopted a customer oriented approach aiming to maintain excellent customer services and provide our customers with a comprehensive range of products with good value for money. We have focused and will continue our focuses on our customers and prioritise and adjust our product mix in accordance with their needs.

In order to better understand our customers, we actively solicit market information and customers' feedbacks through different means such as in-shop customer services counters, customer services hotlines and online systems including email and instant messaging systems for our customers to raise enquiries and lodge complaints with us regarding our products and services.

Through understanding of our customers and their preferences, we will prioritise and adjust our product mix in line with the prevailing market demands. We will continue to adjust our product mix to cater for customers' needs and preferences and to manage our costs and margins. In addition to our household and non-staple food products, we have expanded our product coverage to include fresh food products in order to attract more customers to shop in our Retail Outlets. Also, we have introduced private label brand products in our Retail Outlets in order to include a wider product range to cater for different needs and preferences of our consumers. We believe our wide variety of product range provides more choices to our consumers, thus distinguishing us from local competitors in the markets where we operate. We also select our tenants and concessionaires whose products or services are complementary to the shopping environment and services offered by our Retail Outlets. In order to maintain and enhance our competitive edge, we will also devise and provide value-added services including delivery of products to the warehouse or designated places of our customers and Online Supermarket or O2O platform which allow our customers to make their purchases conveniently through the internet. We believe our customer oriented approach will enhance the shopping experience of our customers and enable us to attract more customers and keep their loyalty with us.

OUR BUSINESS MODEL

Our business and operations include the following two major segments:

1. Retail Outlet operation and sales: We operate the Retail Outlets and offer for sale to end consumers various categories of daily consumer products sourced from our suppliers, which could be broadly categorised as fresh food, non-staple food and household products.

Customers of our Retail Outlets are categorised into general sales customers and bulk sales customers according to their purchase quantities. Ancillary to our retail distribution operation of the Retail Outlets, we also receive rental incomes through leasing certain areas of our Retail Outlets to tenants and commission income from concessionaire sales.

2. Wholesale distribution: Our wholesale business focuses on non-staple food and we operate two categories of wholesale business namely general wholesale (sale of goods to sub-distributors and retail store operators) and sale of goods to franchisees.

The following table sets forth the revenue of our different business segments during the Track Record Period:

	Year ended 31 December						**Four months ended**	
	2012		**2013**		**2014**		**30 April 2015**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Retail Outlet operation and sales	616,378	91.4	658,782	75.8	799,808	75.9	260,092	75.2
Wholesale distribution	57,897	8.6	210,305	24.2	253,551	24.1	85,547	24.8
	674,275	100.0	869,087	100.0	1,053,359	100.0	345,639	100.0

Other than the aforesaid two major business segments, we also recorded promotion income from suppliers of RMB12.9 million, RMB13.5 million, RMB15.0 million and RMB11.5 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively with respect to promotional events conducted by us on behalf of our suppliers to promote their products in our Retail Outlets. Please refer to sections headed "Business — Marketing and promotions — Promotion campaigns" to this prospectus for details.

Our overall direction and business strategies are determined by our Directors and senior management at our head office. Our senior management at head office are responsible for our financial policies, budget implementation, capital expenditure plans, business expansion strategies, risk management measures and overall performance of our Group. They work closely with our regional senior management with respect to our overall management and operations.

RETAIL OUTLET OPERATION AND SALES

We operate our Retail Outlets under the name of "Shunkelong (順客隆)". We offer a broad range of consumer products including our private label brands products for sale in our Retail Outlets to end consumers and offer bulk sales to customers who purchase our products in large quantities. In addition, we also generate rental income from leasing certain areas of our Retail Outlets to other services or products providers, and receive commission income from concessionaire sales. Our revenue generated from Retail Outlet operation and sales segment was RMB616.4 million, RMB658.8 million, RMB799.8 million and RMB260.1 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively, accounting for 91.4%, 75.8%, 75.9% and 75.2% of our total turnover for the same periods.

The following table sets forth a breakdown of revenue of different business segments for Retail Outlet operation and sales during the Track Record Period:

	Year ended 31 December						Four months ended	
	2012		2013		2014		30 April 2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
General sales	524,750	85.1	544,844	82.7	615,872	77.0	194,446	74.7
Bulk sales	66,785	10.9	84,054	12.8	146,392	18.3	50,183	19.3
Rental income from leasing of shop premises	23,729	3.8	29,107	4.4	35,237	4.4	13,480	5.2
Commission income from concessionaire sales	1,114	0.2	777	0.1	2,307	0.3	1,983	0.8
	616,378	100.0	658,782	100.0	799,808	100.0	260,092	100.0

As at 30 April 2015, we had 84 Retail Outlets, comprising 68 supermarkets and 16 hypermarkets and our supermarket business dominates our Retail Outlets operation in terms of number of outlets and revenue. We will continue our business focus on the supermarket business leveraging our expertise and experiences on supermarket operation.

The following table sets forth a breakdown of our revenue from our Retail Outlet operation and sales segment and the number of our Retail Outlets by geographical region for the periods indicated below.

	Year ended 31 December						Four months ended		No. of Retail Outlets as at
	2012		2013		2014		30 April 2015		30 April 2015
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	
Foshan[(1)]	505,439	82.0	526,590	79.9	603,645	75.5	185,836	71.5	57
Zhaoqing	79,904	13.0	88,122	13.4	101,763	12.7	35,715	13.7	14
Zhuhai	15,060	2.4	28,480	4.3	45,839	5.7	17,705	6.8	8
Other districts[(2)]	15,975	2.6	15,195	2.3	28,958	3.6	6,649	2.6	2
The PRC	616,378	100.0	658,387	99.9	780,205	97.5	245,905	94.6	81
Macau	—	—	395	0.1	19,603	2.5	14,187	5.4	3
Total	616,378	100.0	658,782	100.0	799,808	100.0	260,092	100.0	84

Notes:

1. Revenue generated from bulk sales in Foshan handled by the sales team designated by our head office amounted to RMB1.6 million, RMB11.7 million, RMB54.1 million and RMB24.9 million, respectively for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015.

2. Other districts include Guangzhou, Jiangmen and Yunfu during the Track Record Period.

Since October 2013, we have further expanded our retail operation into Macau through acquisition of Macau SKL and Usmart Chain Supermarket with an immediate addition of four Retail Outlets in Macau.

The following table sets forth the changes in the number of our Retail Outlets during the periods indicated below:

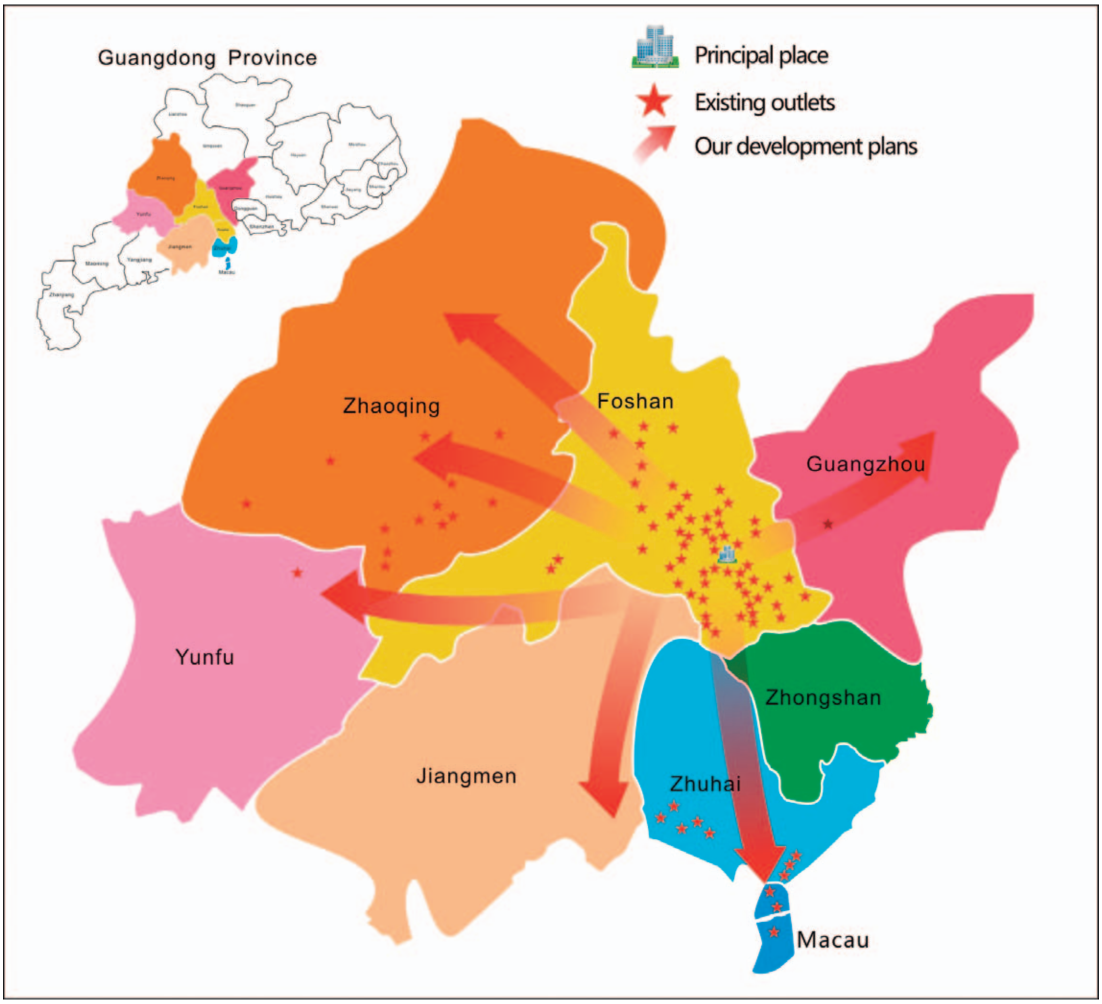
	Year ended 31 December			Four months ended
	2012	**2013**	**2014**	**30 April 2015**
At the commencement of year/period	70	67	71	85
Addition during the year/period	10	8	17	9
Termination during the year/period	13	4	3	10
Net increase/(decrease)	(3)	4	14	(1)
At the end of the year/period	67	71	85	84

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, closure of our Retail Outlets was mainly due to underperformance of relevant Retail Outlets and our management made such closure decisions (i) following our regular business reviews of the Group's performance and (ii) non-renewal of expired leases of certain Retail Outlets. For the four months ended 30 April 2015, we also closed certain Retail Outlets due to construction works carried out by the landlords which caused material interruptions to the operation. The increase in the number of Retail Outlets during the same periods was attributable to our strategy to expand our presence of retail network in Guangdong province.

An effective management of our retail operation is crucial to our continual success. Our head office in Foshan is responsible for formulating our overall sales strategies and pricing policy, planning and supervising of our sales operation, coordinating of sales effort among different regions and overseeing overall management of our Retail Outlets. Our local outlet managers together with their staff are responsible for the daily operations of our Retail Outlets, they supervise and monitor quality control and inspections over products and organise promotional events and sales in our respective Retail Outlets.

We have a clear division of work between our head office and our local outlet team with respect to our retail operation. We also have in place arrangements which we believe could enhance the communication and integration of works between our head office and our local outlet team. There is a central monitoring team dedicated by our head office to regularly inspect and monitor our Retail Outlets to ensure their management and operations are in line with our Group's strategies. The outlet managers of our Retail Outlets will give feedbacks to our central monitoring team and submit reports regularly to our head office detailing their performance and suggestions. Our head office will consider those feedbacks and suggestions and any necessary follow-up actions and improvements to our operations. We believe such communication and integration will enhance the overall management and performance of our retail operation.

Set forth below is a map showing the approximate locations of our Retail Outlets as at 30 April 2015:



Retail Outlets to be opened

We intend to open a total of 46 to 65 supermarkets in Guangdong province from the Latest Practicable Date to the end of 2018 with a total planned capital expenditure of approximately RMB139.2 million, funded by a combination of internally generated fund, bank loans and proceeds from the Global Offering. We intend to lease rather than purchase such premises for our new supermarkets. Further details of our expansion plan are set out below:

1. We plan to open 36 to 53 supermarkets in Guangdong province by the first half of 2018. Our planned capital expenditure for one to three of such supermarkets is around RMB2.4 million which will be sourced from our internally generated fund and/or bank loans. For the other 35 to 50 supermarkets that we plan to open, we intend to use the Global Offering proceeds of around RMB105.0 million (or HK$132.7 million) for such openings. As at the Latest Practicable Date, we had identified one location for opening a supermarket in Foshan, but have not yet incurred any capital expenditure.

2. We plan to open a further 10 to 12 supermarkets in the second half of 2018 through the use of internally sourced fund and/or bank loans in the amount of around RMB28.6 million as capital expenditure.

We expect that the opening of each new supermarket will have an average gross floor area of 2,000 sq.m. with a capital expenditure of approximately RMB2.4 million, based on our experience that the costs involved will be approximately RMB1,200 per sq.m. Depending on their size and location, it is expected that we will commit to provide an immediate available fund of around RMB0.1 million to RMB0.7 million as our variable costs of operations per month to fund the new opening of each supermarket.

The table below sets forth the number of supermarkets estimated to be opened and relevant capital expenditure for each year up to the year of 2018:

	From the Latest Practicable Date to 31 December	**For the year ended 31 December**		
	2015	**2016**	**2017**	**2018**
Number of supermarkets to be opened	4-8	13-17	12-18	17-22
Estimated capital expenditure *(RMB'000)*	9,600	36,000	38,400	52,000

The breakeven period is the period required for a supermarket to generate turnover equivalent to its operating costs for the first time. We expect that the new supermarkets that we plan to open will have an average breakeven period of approximately two months, on the assumption that the future turnover growth rates and gross profit margins will be similar to those opened during the year 2014.

The investment payback period is the time required for a supermarket to generate its net profit equivalent to its initial setup costs for the first time. We expect that the new supermarkets that we plan to open will have an investment payback period of approximately 30 months, on the assumption that the future turnover will increase in line with our overall business growth, no material change in the market demand and no material increase in the costs of purchased products and labour costs.

E-commerce

In order to access the rapidly growing online grocery retailing market, we have formally launched an online sales platform, the Online Supermarket, at **www.shunkelong.com** on 11 April 2015 and generated revenue in the amount of RMB1.0 million from 11 April 2015 to 30 April 2015. The Online Supermarket provides alternative shopping channel to customers to complement our Retail Outlet operation and sales. Our Online Supermarket is able to offer our customers the convenience of saving transportation time and costs and accessibility to the purchase of our products through internet around the clock throughout the year. Customers who are interested to make purchases from our Online Supermarket have to first enrol as our online members. After registration, customers can place order for the products available online and pay with their desired payment methods such as online electronic fund transfer, bank transfer or cash payment upon delivery. However, as we have just launched the Online Supermarket to conduct online retailing business in April 2015, there is no assurance that we may be able to successfully compete with the other online retailers. For details, please refer to the section headed "Risk Factors — Risk relating to our business — We may not be able to successfully compete with other online retail operators, in particular we have only recently launched our online sales platform".

Further, we have developed the Mobile Apps for use in smartphones which linked to the Online Supermarket. By linking the popular mobile application WeChat to our online shopping channel, visiting our online website through computers or installing our SKL App in customers' smartphones, our customers can receive real time products information and place orders directly through WeChat, computers and smartphones with us. Our customers are able to settle their payments through WeChat, Alipay, and internet banking. We will arrange our own logistics and transportation team to deliver products if our customers are located near our Retail Outlets or distribution centres, or arrange third-party logistics providers to make the delivery if it is not cost effective for us to do so such as those customers located in areas distant from our outlets. Alternatively, our customers may choose to arrange pick up of the ordered products by themselves.

We are subject to relevant PRC laws and regulations for the operation of the Online Supermarket. As advised by our PRC Legal Advisers, our e-commerce operation are in compliance with applicable PRC laws and regulation in all material respect.

We are also in the process of setting up another O2O platform through the use of "Quick Reference Code" in smartphones to link the Online Supermarket which displays digitised product information and our customers may choose their desired goods and make purchases through the Online Supermarket to save their payment and check-out time. With the increasing demand of online and O2O shopping experience from the consumers, our Directors consider that e-commerce, including the Online Supermarket and the O2O business platform, will be one of our strategic focuses regarding our business development in the coming future.

O' city

We opened an O2O flagship outlet named "O' city" in Foshan with a gross floor area of approximately 4,300 sq.m. on 1 August 2015. The products offered in this flagship outlet are similar to those offered for sale in our other Retail Outlets and we intend to introduce and offer more of our private label brand products in the O' city. We designed the internal layout of the O' city in a warehouse shelving format and intend to offer products to our customers in bulk quantities. Our target customers are individual and corporate customers in Foshan. In addition to have these products information available on our Online Supermarket, we are in the process of digitising information of the products offered for sale in the O' city such as the use of "Quick Reference Code" and our customers visiting the O' city in person will be able to scan these codes using our SKL App and make online payments to save their payment and checkout time. Our Directors believe that the O' city will allow our customers to have better, convenient and enjoyable shopping experiences to the benefit of our business and profitability.

We expect the O' city will have a breakeven period of five months and an investment pay back period of approximately 42 months on the assumption that the future turnover will increase in line with our overall business growth, no material change in the market demand and no material increase in the costs of purchased products and labour costs.

Set forth below are some sample outlet front appearances of our Retail Outlets in Foshan:

Selection of location

We believe that the strategic location of our Retail Outlets is crucial to the success of our retail operation and business. The following are the major factors that we would normally take into account during our outlet selection process:

- outlets size and their convenience and accessibility to our target and potential customers;
- level of pedestrian flow, vehicles traffic flow and the local population density;
- potential growth of population in the local community;
- expansion and development potential of the relevant outlets and any regulatory restrictions over such expansion and development;
- expected spending and consumption power of the local community;
- start-up costs, profitability and payback period with respect to the Retail Outlets; and
- proximity of such outlets to our existing Retail Outlets or existence of any similar competitors nearby.

Our development and marketing department is responsible for the site selection of our Retail Outlets and they will pay visits to the sites, carry out inspections, complete evaluations and make recommendations with respect to the choice of location to our board of Directors. In general we will adopt a careful and conservative approach in the site selection process and will try to strike a balance between our expected capital expenditure and the estimated return on investment.

With 12 years of solid experience and operations in the supermarket retailing industry, we have accumulated in-depth knowledge of our target customer groups and their preferences in Foshan as well as the wider Guangdong province. With the benefits of our such knowledge and expertise, our Directors will then be able to strategically choose the best location for our Retail Outlets in order to divert and attract customers from our competitors and deepen our market penetration, and, hence, bringing the most benefits and profits to our Group.

In the case that we are to open more than one Retail Outlet within the same area or locality, we aim to position our Retail Outlets differently such as outlet sizes and the product mix. We will try to differentiate and offer different kinds of shopping experience to our customers in order to have our Retail Outlets targeting different types of customers or market segments.

The typical lead time upon handover of the properties after signing the relevant lease agreement to opening of our Retail Outlet to run business in the PRC is approximately three months, including the time required for obtaining the relevant licence.

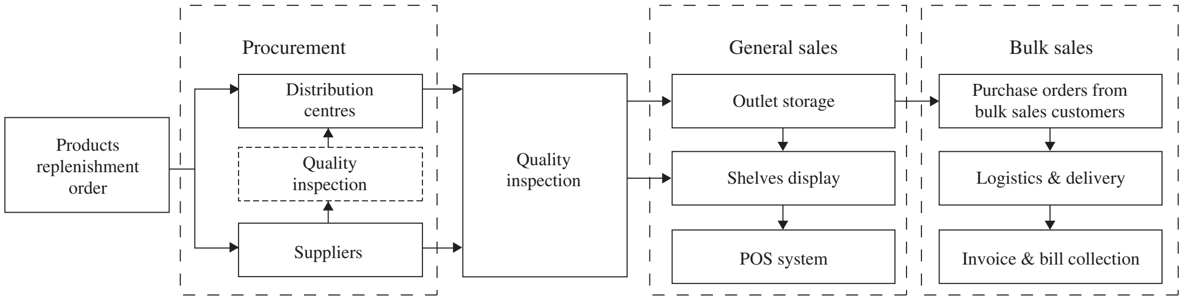
Store design, layout and shelving

The design, layout and shelving of our Retail Outlets will follow the standardised guidelines formulated by our head office such that they will display an uniform set of outlet fronts, shelving and backdrop. The outlet managers will set up our Retail Outlets in accordance with the guidelines and our head office will have designated staff to carry out routine inspections to ensure the shelving and product displays of our Retail Outlets are in line with the guidelines. We believe that a consistent visual presentation of our Retail Outlets will promote our brand, corporate image and shopping experiences to our customers.

Below are some photos and images of the design and arrangements for our outlets fronts, shelving and backdrop:

General Sales and Bulk Sales (Retail Sales)

Set forth below is the flowchart showing the operating process of our retail sales:



1. Procurement: outlet managers of our Retail Outlets monitor our outlet inventory level on a regular basis and place products replenishment orders with our suppliers or distribution centres to maintain sufficient inventories at our Retail Outlets.

2. Quality inspection: we arrange our designated staff to inspect products arriving at our Retail Outlets and such products are then either displayed on shelves for sale in our Retail Outlets or kept in storage for future sale.

3. General sales: our general sales customers shop for their products in our Retail Outlets and pay at our POS.

4. Bulk sales: our bulk sales customers place orders with our Retail Outlets or the sales team designated by our head office, and we then arrange products delivery to their designated delivery address and payments are made upon delivery or according to the credit terms as agreed.

With respect to the revenue of our Retail Outlet operation and sales segment, 96.0%, 95.5%, 95.3% and 94.1% of which were generated from our general sales and bulk sales for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively.

General sales refers to the sales of our products to customers, usually those local residents, who come to our Retail Outlets in person to do shopping and purchase. We recognise turnover for the general sales when the products are sold to our customers.

Bulk sales refers to the sales of our products to customers who purchase our products in large quantities, for whom we generally offer free delivery services and credit terms to our bulk sales customers. Our bulk sales customers include corporate, governmental entities and restaurants and they place orders with our Retail Outlets or the sales team designated by our head office. Payments are made by our bulk sales customers upon delivery or according to the credit terms as agreed, and we recognise turnover when payments are received by us. We may offer a discount in the range of 2% to 10% of our preset selling price of the products to bulk sales customers for their purchase in large quantities. Please refer to the paragraph headed "Our customers" in this section for details of the profile of such customers.

Rental income from leasing of outlet premises to our tenants

We lease certain areas of our Retail Outlets to operators of businesses that we believe are complementary to the shopping environment and services offered by us. As at 30 April 2015, we have 285 tenants who occupied a total gross floor area of 46,186.9 sq.m. of our Retail Outlets. Tenants of our Retail Outlets include, pharmacy, mobile phone shops, and local brand apparel retailers, etc. We select such tenants based on our customers' preferences and the market trends of the products or services of our tenants. The complementary nature of their products and services could offer our customers a choice for greater variety of products and create a convenient one-stop shopping experience to our customers. We believe the synergistic effect created is able to attract more customers to shop at our Retail Outlets and widen our customers base. According to Euromonitor, in order to generate additional source of income and diversify the business operations within the outlet, it is common for supermarket and hypermarket operators in the PRC to lease part of the outlet areas to providers of other services.

We generally enter lease agreements with our tenants for terms ranging from one to three years under standardised contracts. Our lease agreements include terms governing the designated areas, the types of business to be carried out by the tenants, the rents, the settlement arrangements, the arrangement with respect to decoration, maintenance and expansion of the leased area, and the responsibilities for ancillary costs. While we provide our tenants with basic facilities such as basic lighting and water supply, our tenants are responsible for their own operations such as their own staffing, licences and permits, quality of products sold or services offered by them, and they have their own cashier counters for collection of their own fees and revenues.

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our rental income from leasing of our Retail Outlets amounted to RMB23.7 million, RMB29.1 million, RMB35.2 million and RMB13.5 million, respectively, representing 3.8%, 4.4%, 4.4% and 5.2% of the total revenue of our Retail Outlet operation and sales segment for the same periods.

Commission income from concessionaire sales

We also arrange concessionaires to sell products such as cosmetics products and beddings in our Retail Outlets. While the concessionaires are for their own costs of setting up counters and hiring staff, we require them to follow the standard outlet layout and staff presentation in accordance with our instructions. We also set it as a compulsory requirement for our concessionaires to use our cashier counters for payments and check-out for their products. We generally enter concessionaires agreements with our concessionaires with terms ranging from one to four years and we charge commissions at an agreed rates over their revenues. As at 30 April 2015, we have 6 concessionaires.

Our revenue arising from such concessionaires was RMB1.1 million, RMB0.8 million, RMB2.3 million and RMB2.0 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively, which accounts for 0.2%, 0.1%, 0.3% and 0.8% of the revenue generated from Retail Outlet operation and sales segment for the same periods.

Pricing policy

For general sales and bulk sales, we believe that it is important to maintain a steady supply of quality daily consumer products at competitive prices for continual success of our Group. We have adopted a "cost-plus" pricing policy, pursuant to which we set target prices with different profit margins over our products taking into consideration our costs of goods sold and the associated operational costs. Comparing the pricing of similar products offered by our competitors, we believe that our prices set for our products during the Track Record Period represented good value for money and remained sufficiently competitive with those set by our competitors while still capable of meeting our targeted profit margins. In order to stay competitive with our competitors, we also conduct regular checks on the pricing of our competitors as our points of reference. In addition to benchmarking against our competitors' pricing, we have and will continue to determine and adjust our retail prices of our products based on the prevailing market trends, sourcing prices, seasonality and the pricing strategy as determined by our management. The retail prices set by our procurement department for our retail products are inputted and recorded in our ERP System.

Our Retail Outlets have to follow the preset retail prices for products offered for sale, while our outlet managers are given the authority and discretion to set a discount of not more than 3% of the preset retail prices for the products offered for general sales, and a discount in the range of 2% to 10% for bulk sales.

For Retail Outlets accredited as the Agricultural Fair Value Shop (農副產品平價商店), the retail prices of certain food products are set according to the government's direction, usually at a discount to the market price and not lower than our cost of products sourced for stabilisation purposes. We obtain government subsidies upon the accreditation review. The number of Retail Outlets having been accredited as Agricultural Fair Value Shop were 43, 48, 50 and 47 as at 31 December 2012, 2013 and 2014 and 30 April 2015, respectively. The revenue contribution from the sales of products that were subject to the aforesaid pricing arrangement were RMB31.7 million, RMB42.6 million, RMB54.0 million and RMB16.0 million respectively for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, representing 4.7%, 4.9%, 5.1% and 4.6% of our total revenue for the same periods. The amount of subsidies received from the government under the scheme of Agricultural Fair Value Shop were RMB4.4 million, RMB4.1 million, RMB4.2 million and RMB4.7 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively.

With respect to the rental chargeable on our tenants for leasing of certain areas of our Retail Outlets, we set our rentals based on the nature of business of our tenants, location of the leased area as well as the market rates with reference to our competitors. In relation to the commission income from our concessionaires, we mainly determine the commission rates according to the nature of business and the prevailing market rates.

Return policy

We offer customers of our general sales and bulk sales the rights to return products for replacement or refunds within thirty days of purchase, provided the products (i) has not yet been opened or used and are in resaleable conditions or, (ii) found to be defective. However, we do not allow product return for products such as fresh food, alcoholic beverages and goods in perishable nature due to hygiene concerns or safety reasons. Our outlet managers or duty managers are authorised to handle product return according to our internal guidelines. We are entitled to return defective products to our suppliers for replacement or reimbursements in accordance with our supplier agreements and therefore, we are able to transfer the relevant risks and losses in respect of the defective products to our suppliers.

We believe that our return policy is able to attract customers to purchase from us as it differentiates us from smaller-scale and individual stores which in general do not allow product returns or refund. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, the product returns from our customers of retail operation amounted to RMB1.0 million, RMB 1.2 million, RMB 6.5 million and RMB 0.3 million, respectively, representing 0.1%, 0.1%, 0.6% and 0.1% of our total revenue for the same periods.

WHOLESALE DISTRIBUTION

Our wholesale distribution operation serves two types of customers namely (1) our general wholesale customers including sub-distributors and retail store operators, and (2) our franchisees. As at 30 April 2015, we obtained sole and exclusive distributorship rights of 14 consumer brands which are non-staple food for distribution within the municipal level or district level in Foshan, Zhaoqing and Jiangmen.

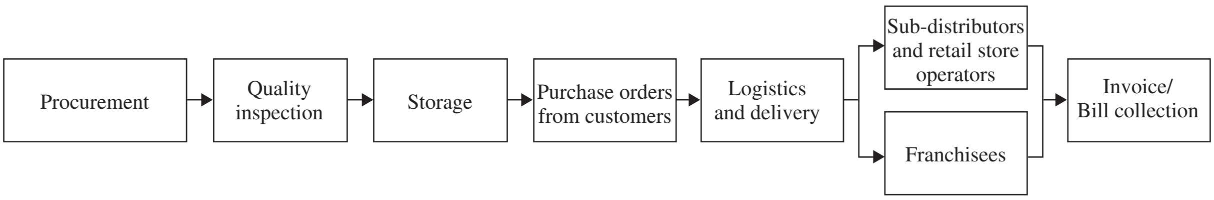
We have a seller/buyer relationship with our wholesale distribution customers. We recognise turnover when the products are delivered to their warehouses or designated places and received by them. We are not responsible for any of their unsold stock and do not allow for any refund or return of the products sold to our wholesale distribution customers except for return of defective products pursuant to the terms of the agreements between us and our wholesale distribution customers.

Our revenue generated from wholesale distribution operation was RMB57.9 million, RMB210.3 million, RMB253.6 million and RMB85.5 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively, representing 8.6%, 24.2%, 24.1% and 24.8% of our total turnover for the same periods. The following table sets forth a breakdown of revenue of our wholesale distribution by types of wholesale distribution customers for the periods indicated below:

	Year ended 31 December						**Four months ended 30 April**	
	2012		**2013**		**2014**		**2015**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
General wholesale	44,741	77.3	177,454	84.4	236,503	93.3	74,180	86.7
Franchisees	13,156	22.7	32,851	15.6	17,048	6.7	11,367	13.3
	57,897	100.0	210,305	100.0	253,551	100.0	85,547	100.0

Wholesale distribution operation process

Set forth below is the flow chart showing our general operation process of our wholesale distribution business:



1. Procurement: we source products from manufacturers and commercial suppliers to maintain a reasonable level of inventory to meet our wholesale business needs based on our operating experience and market information.

2. Quality inspection and storage: we arrange our designated staff to inspect products arriving at our distribution centres and such products are kept in storage for future distribution. Our distribution centres are designed and arranged to meet the specific storage requirements stipulated by some of our suppliers. For example, under certain sole distributorship agreements, our distribution centres should have appropriate layout and maintain certain level of temperature, humidity, and storage safety, etc..

3. Purchase orders from customers: our wholesale distribution customers place orders with our sale staff.

4. Logistics and delivery: we arrange our own logistics team to deliver our products to the warehouses or places designated by our wholesale distribution customers, or they may choose to arrange pickup of the ordered products by themselves alternatively.

5. Invoice/Bill collection: our wholesale distribution customers make payments upon products delivery or according to the credit terms as agreed between the wholesale distribution customers and us.

We believe that our wholesale distribution model is commonly used in the wholesale industry in the PRC and is in line with the industry norm. Our Directors believe such model allows us to grow our wholesale business through reaching the target customer groups of our wholesale distribution customers and their sales network, and this helps us to broaden our end consumers base at comparatively lower costs.

General wholesale

With respect to our general wholesale distributorship business, we have obtained sole and exclusive distribution rights for certain brands. Our rights to distribute such products are confined to the regions as stipulated in the wholesale distribution contracts. We usually settle our payment by cash or bank transfer when the products are delivered from our suppliers to us. Revenue from general wholesale distribution business amounted to RMB44.7 million, RMB177.5 million, RMB236.5 million and RMB74.2 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively, representing 77.3%, 84.4%, 93.3% and 86.7% of the total revenue of wholesale distribution segment for the same periods.

The following table sets forth changes in the number of our general wholesale customers during the periods indicated below:

	Year ended 31 December			Four months ended 30 April
	2012	**2013**	**2014**	**2015**
At the commencement of year/period	24	25	1,206	1,586
Addition during the year/period	1	1,198	983	203
Decrease during the year/period	—	17	603	613
Net increase/(decrease)	1	1,181	380	(410)
At the end of the year/period	25	1,206	1,586	1,176

The addition in the number of our general wholesale customers for the year ended 31 December 2012, 2013 and 2014 was mainly attributable to (i) the increase in our exclusive consumer brands such that as at 31 December 2012, 2013 and 2014, we had 7, 10 and 14 exclusive consumer brands respectively with the addition of 1, 3 and 4 and no reduction in number of exclusive consumer brands during the respective periods. Products distributed under our relevant exclusive consumer brands are non-staple food products and the majority of our brands are the market leaders in their respective categories in the PRC. According to Euromonitor, as at 31 December 2014, our relevant exclusive consumer brands covered a market share of 56.7% for ready-to-drink tea, 40.0% for Asian specialty drinks, 39.6% for instant noodles, 29.8% for flavoured milk drinks, 17.7% for carbonates, 16.1% for juice, 8.7% for bottled water, 6.3% for sauces, dressings and condiments, and 0.9% for spirits in the respective categories in the PRC. Our exclusive consumer brand of salt was awarded as "Well-known Trademark in Guangdong Province" ("廣東省著名商標") and "Well-known Trademark in Guangzhou" ("廣州市著名商標"); (ii) the increase in the product varieties of our exclusive consumer brands such that our product types expanded from instant noodles, ready-to-drink tea, juice, carbonates, sauces, dressings and condiments, dry-processed food, Asian specialty drinks, and spirits as at 31 December 2012, to include also bottled water and flavoured milk drinks as at 31 December 2013, and to further include salt as at 31 December 2014, whereas the total number of our exclusive brand products increased from 293 as at 31 December 2012, to 368 as at 31 December 2013, and further increased to 475 as at 31 December 2014; (iii) the expansion of our geographical coverage from Foshan as at 31 December 2012, to Jiangmen as at 31 December 2013, to include Zhaoqing as at 31 December 2014 and the deployment of two additional sales teams in new locations and more manpower and resources to cater for such business expansion. The addition in the number of our general wholesale customers for the four months ended 30 April 2015 was mainly attributable to our continued business development and growth and consumer brands obtained in 2012 to 2014 accumulatively whilst the number of our exclusive consumer brands, product varieties and geographical coverage remained stable, our total number of our exclusive brand products further increased to 492 as at 30 April 2015.

The decrease in the number of our general wholesale customers for a particular financial year or period represented those customers who had no transaction or contact with us for that whole financial year or period. Since 2014, as a result of our expansion in our general wholesale business, we have focused more on serving large-scale sub-distributors who generally made regular and larger quantities of purchase while devoted less resources in catering for our retail store operators who were generally small scale and our customers making ad-hoc purchase from us. For the year ended 31 December 2014 and for the four months ended 30 April 2015, 83.4% and 93.6% of the general wholesale customers who ceased relationship with us were retail store operators with an average revenue contribution of less than RMB50,000 each, whereby the rest of which were sub-distributors and their average revenue contribution was less than RMB0.2 million each in their respective previous financial year.

We select our general wholesale customers based on their sales competency, financial soundness and inventory handling capabilities. Further, we also consider their geographical location, distribution channels such as their number of point of sales, in order to ensure that their sales networks match with our operating requirement and expansion strategies. We do not have direct contractual relationships with the customers of our sub-distributors. We rely on our sub-distributors to manage their customers such as those downstream sub-distributors to ensure that they comply with our policies. We believe that this strategy is in line with the industry norm and enables us to effectively manage our wholesale distributorship business by focusing only on our own sub-distributors. To the best knowledge of our Directors, customers of our sub-distributors are mainly hotels, restaurants, third party retail store operators in their designated regions. We do not consider these customers of our sub-distributors as our comparable competitors, as we mainly operate in the supermarket retailing business which is of a relatively larger operation scale with a more complex operating format and product mix comparing to these customers of our sub-distributors. These customers of our sub-distributors complement our distribution channels by maximising our consumer brand product reach to the end-consumers in a cost-efficient way so that we do not need to spend extra resources to develop and maintain relationship directly with such end-consumers. Due to the intermediary costs charged by us and our sub-distributors, the selling prices of the consumer brand products sold by the customers of our sub-distributors are generally less competitive than the selling prices of products sold in our Retail Outlets. Further, to mitigate the potential competition between our Retail Outlets and the customers of our sub-distributors, we require our sub-distributors not to sell our products to other third party supermarkets within the designated region.

We will set the minimum selling prices of our products for our general wholesale customers and they shall not deviate and set prices below our indicated prices for their onward sale or distribution. We also require our wholesale distribution customers to sell our products within designated geographic areas or otherwise we are entitled to terminate our distribution agreements. We may have different minimum selling prices for different general wholesale customers taking into account their business sizes and natures to avoid competition between different levels of our general wholesale customers. Our staff will conduct regular interviews, checks and inspections on our general wholesale customers to monitor the pricing and inventory level of our products to ensure their compliance with our requirements.

Distribution agreement with our general wholesale customers

We did not enter into long term distribution agreements with our general wholesale customers during the Track Record Period. We have entered and will enter into legally binding wholesale distribution agreements with our general wholesale customers and set out below are the material terms of our general wholesale distribution agreements:

- *Term* — most of our general wholesale distribution agreements have a fixed term of one year.

- *Products* — the agreements stipulate the brand and type of products under the distributorship.

- *Geographical area* — the agreements impose restrictions to confine our general wholesale customers to carry out sub-distribution and/or retail sales within the designated territories or locations and prohibit distributions or sales to any other places or areas.

- *Minimum purchase amount* — certain of our general wholesale customers shall purchase from us a minimum purchase amount per annum. We consider the minimum purchase amount as indicative only. Although we have the right to terminate the distribution agreements if the general wholesale customers fail to meet the minimum purchase amount requirement, with a view to maintain a viable and sustainable business relationship with them, we only consider termination of the distribution agreements after taking into account a number of factors including but not limited to their credit record, sales networks, historical sales performance etc., in addition to whether they can reach the stipulated minimum purchase amount of product purchase from us. For the years ended 31 December 2012, 2013 and 2014, one, three and 180 of our general wholesale customers were required to purchase a minimum amount of products from us respectively, whereby the average minimum purchase amount of these general wholesale customers was approximately RMB250,000 per annum. For the four months ended 30 April 2015, we had 229 general wholesale customers with an average minimum purchase amount of approximately RMB71,000.

- *Sales target and sales rebate* — we do not set any sales target or adopt any rebate scheme for our general wholesale customers.

- *Pricing* — the purchase price is stipulated in the agreements as agreed by the parties.

- *Payment and credit terms* — we generally receive our payment on a cash-on-delivery basis from our general wholesale customers except for certain products for which we agree with our general wholesale customers to be paid and settled on a monthly basis or with credit terms. The credit term granted by us generally range from 0 to 270 days.

- *Product returns and exchange* — with the endorsement of our head office, we agree with our general wholesale customers to return defective products (not caused by our general wholesale customers) to us for replacement only within 60 days after delivery. For details, please refer to the paragraph headed "Wholesale distribution — Return policy" in this section.

- *Other rights and obligations of our Group* — we are generally responsible for arranging delivery of our products to the warehouses or designated places of our general wholesale customers.

- *Other rights and obligations of our general wholesale customers* — our general wholesale customers are not allowed to sell products supplied by other parties which are of the same kinds or of similar nature to those products sourced from our Group.

- *Reporting* — our general wholesale customers are required to report sales and inventory data to us on a monthly basis.

- *Renewal and termination* — any renewal of the term shall be subject to further negotiations between the parties and confirmation by our Group. We are entitled to terminate the agreements if our general wholesale customers consistently fail to meet the minimum purchase amount requirement.

- *Anti-bribery provision* — we have included in our agreements with terms which expressly prohibits our general wholesale customers offering any benefits in any form to our employees.

Franchise operation

With a solid history of running supermarket business and brand building experience with respect to our "Shunkelong (順客隆)" brand, we also have a franchise scheme open for application from interested parties to franchise retail outlets under the "Ledi (樂的)" brand. We receive revenue for products purchased by our franchisees from us and their annual franchise fee.

We generated revenue of RMB13.2 million, RMB32.9 million, RMB17.0 million and RMB11.4 million from sales to our franchisees for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively, representing 22.7%, 15.6%, 6.7% and 13.3% of the revenue for the wholesale distribution segment for the same periods. Our Group received franchise fees of RMB0.3 million, RMB0.4 million, RMB0.3 million and RMB0.1 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. Our annual franchise fees range from RMB4,000 to RMB50,000 depending on the scale of operation of our franchisees. The franchisees are responsible for their own operation including fixed assets and operating expenses of their franchise outlets.

We conduct interviews and select our franchisees based on a number of factors such as whether they are in possession of valid business licences pursuant to the applicable laws and regulations or other operational approvals from the relevant regulatory authorities, their business models and proposals, retail experiences, their operation and financial performances as well as their willingness and undertaking to follow and comply with our operational policies such as outlets management, outlets layout and staff uniform, and we take into account their retail outlet locations during the selection process of potential partners as our franchisees.

We believe that our franchisees learn about our operations and our brand through our established reputation in markets where we had presence. Most of the franchisees are located in Foshan and we believe that franchising our "Ledi (樂的)" brand is an effective way to expand our reach without deploying substantial amount of manpower and resources. We believe that our franchise business model is commonly used by the supermarket retailing industry in China.

To avoid competition between the franchise outlets and our Retail Outlets, we have internal policies and guidelines that potential franchise outlets cannot be located within 2,000 meters of our Retail Outlets, we will therefore take into consideration the addresses and locations of such retail outlets during the selection process of our franchisees in order to avoid overlapping of sales network between the franchise outlets and our Retail Outlets and minimise and avoid competition between the franchise outlets and our Retail Outlets.

The following table sets forth the changes in number of our franchise outlets during the periods indicated below:

	Year ended 31 December			Four months ended 30 April
	2012	**2013**	**2014**	**2015**
At the commencement of year/period	38	34	30	26
Addition during the year/period	11	8	4	6
Termination during the year/period	15	12	8	1
Net increase/(decrease)	(4)	(4)	(4)	5
At the end of the year/period	34	30	26	31

The decreasing trend in the number of franchise outlets from 2012 to 2014 was the result of closure of the relevant outlets due to (1) our consistent focus on our Retail Outlets business rather than franchise scheme expansion, (2) expiry of the franchise agreements with the relevant franchisees, and (3) acquisition of the relevant franchise outlets by our Group. For the four months period ended 30 April 2015, we had one franchise outlet terminated due to the expiry of the franchise agreements leading to a net increase in franchise outlets. While we remain open to consider suitable candidates to apply for our franchise scheme, as at the Latest Practicable Date, we have no active plan or policy to seek to expand our franchise scheme or substantially increase the number of our franchise outlets in Foshan or in Guangdong province.

With respect to our arrangements with these franchisees, we generally provide them with guidelines regarding outlets management, outlets layout and staff presentation.

We provide retail price lists including minimum retail prices to our franchisees with respect to the products supplied by us and request our franchisees to follow our pricing. In order to ensure our franchisees are in compliance with our operational policies and requirements, we pay regular visits to the franchise outlets on a monthly basis.

Franchise agreement with our franchisees

We have entered and will enter into legally binding franchise agreements with our franchisees and set out below are the material terms of the franchise agreements:

- *Term* — most of our franchise agreements have a fixed term of two years.

- *Location of the franchise outlets* — the location and size of the franchise outlets are set out in the agreement.

- *Franchise fee* — franchise fee is charged annually and the franchisee shall make a fixed amount of deposit as guaranteed fund to us upon signing of the franchise agreements. The guaranteed fund is to ensure compliance of the franchise agreements by our franchisees and we may deduct all or part of the guaranteed fund for any breach on the part of our franchisees and the balance shall be returned to them upon expiration of the franchise agreements.

- *Minimum purchase amount* — our franchisees shall purchase from us a minimum purchase amount per annum. We consider the minimum purchase amount as indicative only. Although we have the right to terminate the franchise agreements if the franchisees fail to meet the minimum purchase amount requirement, with a view to maintain a viable and sustainable business relationship with them, we only consider termination of the franchise agreements after taking into account a number of factors including but not limited to their credit record, sales networks, historical sales performance etc., in addition to whether they can reach the stipulated minimum purchase amount of product purchase from us. For the years ended 31 December 2012, 2013 and 2014, the total minimum purchase amount of our franchisees were RMB0.6 million, RMB0.5 million and RMB0.5 million per month respectively, whereby for the four months ended 30 April 2015, the total monthly minimum purchase amount of all of these franchisees was approximately RMB0.7 million.

- *Sales target and sales rebate* — we generally set sales targets for our franchisees, and we reward those who achieve their sales targets with product rebates, in which the value of product is typically a certain percentage of their total purchase amount.

- *Pricing* — the purchase price is to be agreed by the parties according to the market price on the date of order.

- *Payment and credit terms* — our franchisees generally settle our prices on a cash-on-delivery basis except for certain products for which we agree with our franchisees to be paid and settled on a monthly basis.

- *Product returns and exchange* — with the endorsement of our head office, we agree our franchisees to return defective products (not caused by our franchisees) to us for replacement.

- *Reporting and inspection* — our franchisees are required to report sales, inventory and operation data to us on a monthly basis. We have the right to inspect the accounts and record of the franchise outlets at any time.

- *Other rights and obligation of our Group* — (i) we provide instructions on outlet decoration and layout to our franchisees; (ii) we provide necessary product description and promotional materials; and (iii) we provide training to their staff regarding outlet operations upon the request of our franchisees.

- *Other rights and obligation of our franchisees* — (i) our franchisees are allowed to use the trademarks as specified in the franchise agreements and only within that particular franchise outlets; (ii) our franchisees shall obtain all licences and permits necessary for operation of their franchise outlets; and (iii) our franchisees shall strictly adhere to the guidelines set out by our Group in operating the franchisee outlets.

- *Renewal and termination* — the franchise agreements shall be terminated upon expiry of the term. There is no automatic renewal provision and renewal shall be done by separate negotiation between the parties. We are entitled to terminate the agreements if our franchisees consistently failed to meet the minimum purchase amount requirement.

Pricing policy

For our wholesale distribution business, our wholesale prices are determined and set by us at a "cost-plus" method with reference to the indicative price lists set out by our suppliers in the suppliers' agreements and notices given by our suppliers from time to time which we believe is the market practice for the wholesale distribution business.

In general, we are not allowed to give any discount to our wholesale prices to such an extent that the selling prices are lower than the stipulated preset prices set out in our suppliers' agreements unless otherwise allowed or instructed by our suppliers for special promotional events. Our wholesale prices are generally set to be 2% to 10% higher than our sourcing price from our suppliers and the range may vary depending on the types of products and whether promotional discounts have been offered for such products.

Return policy

Subject to the approval of our head office, we generally allow our wholesale distribution customers the rights to return defective products (not caused by our wholesale distribution customers) to us for replacement within 60 days after delivery. We are entitled to return the defective products to our suppliers for replacement or reimbursements in accordance with our supplier agreements. Therefore, we are able to transfer our risks and losses in respect of the defective products to our suppliers. In general, we do not allow for any refund and all transportation costs and expenses in connection with the return and replacement of our products shall be borne by the relevant wholesale distribution customers.

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, the product returns from our wholesale distribution customers amounted to RMB2.7 million, RMB0.7 million, RMB1.8 million and RMB0.5 million, representing 0.4%, 0.1%, 0.2% and 0.1% of our total revenue for the same periods, respectively.

PRODUCTS PORTFOLIO

Through our Retail Outlet and sales and wholesale distribution operations, we offer a full range of daily consumer products for our end consumers as well as our sub-distributors and retail store operators. None of our products contributed over 5% of our revenue during the Track Record Period.

The table below sets forth the major categories of our products, major products in each category, general price ranges and major reasons for price fluctuation regarding our retail operation:

Category	Products	General Price Range	Major Reasons for Price Fluctuation
Fresh food	vegetables, fruits, meat and poultry, etc	RMB5.0-29.6	Weather and seasonality
Non-staple food	oil, rice, dried food, condiments, biscuits, sauces and seasonings, canned food, drinks and beverages, etc	RMB4.3-45.0	Seasonality and/or fluctuation in costs of goods
Household products	household cleaners, laundry products, paper products, wraps and foils, shampoo and conditioner, soap, skincare, hair treatment, stationeries, batteries, towels, clothes, electrical appliances, etc	RMB8.5-49.0	Fluctuation in costs of goods

The table below sets forth the major category of our products, major products in such category, general price range and major reasons for price fluctuation regarding our wholesale operation:

Category	Products	General Price Range	Major Reasons for Price Fluctuation
Non-staple food of our exclusive consumer brand products	instant noodles, sauces and seasonings, drinks and beverages, dry-processed food, etc	RMB2.0-70.5	Seasonality and/or fluctuation in costs of goods
Fast consumable products	instant noodles(note), sauces and seasonings(note), drinks and beverages(note), dry-processed food(note), biscuits, canned food, toothpastes, feminine hygiene products, shampoo and conditioner, soap, etc	RMB0.8-95.7	Seasonality and/or fluctuation in costs of goods

Note: These products include (i) non-staple food distributed under our exclusive consumer brands and (ii) those sourced from other suppliers.

During the Track Record Period, we did not experience any material price fluctuations and we do not anticipate any significant price fluctuation over the prices of our products in the near future.

As advised by our PRC Legal Advisers, according to《財政部、國家稅務總局關於免徵蔬菜流通環節增值稅有關問題的通知》(the Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Exemption of VAT at the Stage of Circulation of Vegetables) (財稅[2011]137號) and《財政部、國家稅務總局關於免徵部分鮮活肉蛋產品流通環節增值稅政策的通知》(the Notice of the Ministry of Finance and the State Administration of Taxation on the Value-added Tax Exemption Policies for Certain Fresh Meat and Egg Products in Circulation) (財稅[2012]75號) (together referred as "**Notices**") issued by Ministry of Finance and the State Administration of Taxation on 31 December 2012 and 27 September 2012, the relevant goods including vegetables and defined fresh meat categories referred in the Notices are VAT exempted. Our Directors confirm and the Sole Sponsor concurs all their fresh food sold except fruits are within the categories of the Notices.

For sales of fruits, the Company is subjected to VAT and the Company confirms it has paid all applicable VAT according to the relevant rules and regulations throughout the Track Record Period and up to the Latest Practicable Date.

Our Directors confirm, the sole Sponsor and the Reporting Accountants concur that the Company has paid applicable VAT according to the relevant rules.

Seasonality

The performance of our Retail Outlet operation and sales segment as well as our wholesale distribution segment are typically affected by seasonality such as strong sales usually recorded during long public holidays like Chinese New Year. We have experienced and expect to continue to be affected by seasonality and the associated holiday shopping habits and patterns commonly seen in the PRC. In view of the seasonality factors, we usually review and adjust our inventory level in advance in order to accommodate the anticipated increase in demand and needs of our products to avoid supply shortage and loss of profits.

Development of private label brands

In addition to sourcing from third party suppliers for products, since 2012 we have developed our own private label brands mainly under the name of "家樂園" for daily consumer products such as detergent, disposable cups, plastic bags, tissue paper. Our private label products are mainly for sale in our Retail Outlets, and a small portion of the products are also sold to our franchisees through our wholesale distribution channel. We set the retail prices of our private label brand products or the suggested retail prices for our franchisees by taking into account the associated costs involved, prices of similar or comparable products sold by our competitors and our marketing strategies with respect to our private label brand products. Our private label brand products accounted for RMB5.3 million, RMB4.2 million, RMB4.1 million and RMB1.0 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015 respectively, representing 0.8%, 0.5%, 0.4% and 0.3% of our total revenue for the same periods.

Our private label brand products are sourced directly from OEMs and as such, there are no intermediary mark-up or marketing costs involved. We are therefore able to offer our private label brand products at more competitive pricing with profit margins higher than those sourced from third party suppliers. We believe that the introduction of our private label brand products offers our customers a wider products choice, promotes our brand amongst our customers and in the local communities and increases our profit margins.

Cessation of the sales of tobacco products and the transfer and buyback of Other Transferred Products

Our principal operating subsidiary Shun Ke Long which was wholly owned by Lecong Supply and Marketing Group, was a PRC domestic enterprise prior to the Reorganisation. The supermarket business of Shun Ke Long prior to the completion of Reorganisation on 3 November 2014 involved the sales of tobacco and the Other Transferred Products in the PRC. In anticipation of completion of the Reorganisation which may change Shun Ke Long from a PRC domestic enterprise controlled by a PRC domestic enterprise into a PRC domestic enterprise controlled by a foreign-invested enterprise, Shun Ke Long might be forbidden to carry on the sales of tobacco, edible oils, rice and sugar products pursuant to the restriction imposed on foreign-invested enterprise under the applicable PRC laws and regulations, namely the "Catalogue for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》)" (the "**Catalogue**"). As a result of such potential prohibition, our Group undertook the Restricted Business Transfer. For more details about the Reorganisation, please refer to the section headed "History, development and Reorganisation — Reorganisation" to this prospectus.

On 29 October 2014, our Group entered into an asset and business transfer agreement (the "**Tobacco Transfer Agreement**") with Foshan Shente, an Independent Third Party, pursuant to which our Group transferred its assets relating to tobacco products for a consideration of RMB9.8 million based on the book value of the asset at the valuation date on 29 October 2014 (the "**Tobacco Business Transfer**"). The Tobacco Business Transfer was completed on 30 October 2014. During the years of 2014 and 2015, our Group entered into lease agreements and supplemental lease agreements (the

"**Lease Agreements**") with Foshan Shente as lessee, pursuant to which our Group agreed to lease certain areas of our Retail Outlets to Foshan Shente for the sale of tobacco products for the period from 30 October 2014 to 31 December 2015. Our Directors confirmed that since 30 October 2014, our Group has not carried on any business of the sales of tobacco products.

On 10 December 2014, our Group entered into a separate asset and business transfer agreement (the "**Other Products Transfer Agreement**") with Foshan Shente, which was a written record of all the material terms of the oral agreement reached on 3 November 2014 (the "**Oral Agreement**"), pursuant to which our Group transferred its assets relating to the Other Transferred Products for a consideration of RMB16.4 million based on the book value at the valuation date on 3 November 2014 (the "**Other Business Transfer**"). Such consideration was arrived after arm's length negotiation between our Group and Foshan Shente on normal commercial terms and the selling prices of the products were comparable to those we sold to other general wholesale customers. The Other Business Transfer was completed on 4 November 2014. Pursuant to a concessionaire sale agreement dated 29 October 2014 entered into between our Group and Foshan Shente as concessionaire (the "**Concessionaire Sale Agreement**"), our Group leased out our counters within our Retail Outlets to Foshan Shente for its sale of the Other Transferred Products at an agreed monthly commission during the period from 4 November 2014 to 31 December 2015.

Pursuant to an amended Catalogue which was promulgated on 10 March 2015 and took effect on 10 April 2015, the sales of the edible oils, rice and sugar products were no longer included in the amended Catalogue such that the previous restrictions over the sale of such products by foreign-invested enterprise were relaxed and that such restrictions are no longer applicable to foreign-invested enterprise. As a result of which, on 9 April 2015 our Group entered into an asset and business transfer agreement (the "**Other Product Buyback Agreement**") with Foshan Shente, pursuant to which our Group repurchased the assets relating to the Other Transferred Products previously sold to Foshan Shente for a consideration of RMB8.5 million based on the book value of the assets at the valuation date on 10 April 2015 and terminated the Concessionaire Sales Agreement. Such consideration was arrived after arm's length negotiation between our Group and Foshan Shente on normal commercial terms and the purchase prices of the products were comparable to those we sourced from other suppliers. As requested by Foshan Shente, we prepared approximately two months' inventories for Foshan Shente's initial operations subsequent to the Other Business Transfer. Foshan Shente then maintained approximately one month's inventories subsequently and therefore the consideration under the Other Product Buyback Agreement was approximately half of that under the Other Products Transfer Agreement. The buyback of the Other Transferred Products by our Group was completed on 10 April 2015. Our Directors confirmed that since 4 November 2014 until 9 April 2015, our Group were not involved in any sales of the Other Transferred Products.

As advised by our PRC Legal Advisers, the Tobacco Transfer Agreement, the Oral Agreement, the Other Products Transfer Agreement and the Other Product Buyback Agreement are all valid, legal and binding.

The rental paid by Foshan Shente to us from 30 October 2014 until 30 April 2015 was RMB2.8 million and the commission income paid by Foshan Shente to us from 4 November 2014 to 9 April 2015 was RMB3.4 million.

Set out below are the revenue, costs of sales, gross profit and gross profit margin contributed by the sales of tobacco products and the Other Transferred Products during the Track Record Period before the date of the Restricted Business Transfer:

	For the year ended 31 December		For the period ended 29 October
	2012	2013	2014
Tobacco			
Revenue *(RMB million)*	66.8	67.4	65.8
Costs of sales *(RMB million)*	60.6	61.3	59.0
Gross profit *(RMB million)*	6.2	6.1	6.8
Gross profit margin	9.3%	9.1%	10.3%

	For the year ended 31 December		For the period ended 3 November
	2012	2013	2014
Rice			
Revenue *(RMB million)*	30.5	32.9	47.9
Costs of sales *(RMB million)*	28.2	30.6	44.0
Gross profit *(RMB million)*	2.3	2.3	3.9
Gross profit margin	7.5%	7.0%	8.1%
Edible oils			
Revenue *(RMB million)*	44.4	43.5	39.9
Costs of sales *(RMB million)*	41.9	40.6	36.5
Gross profit *(RMB million)*	2.5	2.9	3.4
Gross profit margin	5.6%	6.7%	8.5%
Sugar			
Revenue *(RMB million)*	4.0	3.8	2.3
Costs of sales *(RMB million)*	3.4	3.1	1.9
Gross profit *(RMB million)*	0.6	0.7	0.4
Gross profit margin	15.0%	18.4%	17.4%

Assuming the profit generated from the Tobacco Business and the one-off revenue from the Restricted Business Transfer of RMB22.8 million were excluded, the total profits attributable to the owners of the Company were RMB11.5 million, RMB 22.5 million and RMB 24.5 million for the years ended 31 December 2012, 2013 and 2014 respectively. The accounting treatment of the Transfer of Restricted Business is recorded as sales of goods in accordance with IAS 18 — Revenue, pursuant to which sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customers.

OUR CUSTOMERS

The customers of our Retail Outlet operation and sales mainly consist of the general sales customers and bulk sales customers. General sales customers are primarily individuals living in the communities and areas surrounding our Retail Outlets and typically settle payments in cash or credit cards on their purchase. Bulk sales customers include customers like corporate, government entities and restaurants etc. and they typically settle payments in cash or bank transfer. We generally offer to our bulk sales customers free delivery services and credit terms ranging from 0 to 270 days during the Track Record Period. Save for the aforesaid arrangements, no other preferential treatments are accorded to our bulk sales customers.

Customers of our wholesale distribution are sub-distributors, retail store operators and our franchisees in the PRC, who in turn sell our products to other end consumers and their targeted customer groups. During the Track Record Period, our wholesale distribution customers generally settled payment by cash or through bank transfer upon our delivery of goods to their warehouses and designated places, whilst we provided certain wholesale distribution customers with credit terms ranging from 0 to 270 days during the Track Record Period.

None of our individual customer accounted for more than 5% of our revenue for each of the three years ended 31 December 2012, 2013 and 2014, and the four months ended 30 April 2015 and our five largest customers contributed in aggregate less than 30% of our revenue for each of the three years ended 31 December 2012, 2013 and 2014, and the four months ended 30 April 2015.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with our customers. We had a limited number of claims for defective products sold at our Retail Outlets and such claims, whether on an individual or an aggregate basis are not considered to have any material adverse impact on our Group during the Track Record Period.

OUR SUPPLIERS

Our suppliers could be broadly divided into manufacturers, distributors, and OEM manufacturers of our private label brand products. Our procurement department has a set of internal quality assessment criteria for selection of our suppliers taking into consideration their reputation, quality and price of goods and products supplied. We select only those suppliers who are able to meet our standards and satisfy our selection criteria. Each of our suppliers is subject to our annual assessment and evaluation over their quality and price of products supplied to us. We have established business relationships with most of our major suppliers ranging from one to 11 years, all of which are domestic suppliers in the PRC. We are generally given credit periods by our suppliers ranging from 0 to 360 days for our purchase and we usually make payments to our suppliers through bank transfer. The majority of our suppliers are manufacturers or distributors located in Foshan, Zhaoqing and Zhuhai in the PRC.

The table below sets forth the credit terms granted to us and the years of relationship with our top five suppliers during the Track Record Period:

For the year ended 31 December 2012,

Supplier	**Background**	**Credit Terms**	**Years of relationship as at 31 December 2012**
A	Principally engaged in the manufacture and wholesale of bottled drinks and instant noodles	Advanced payment	2 years
B	Principally engaged in the wholesale and retail of prepackaged food products	30 days	9 years
C	Principally engaged in the cultivating and sale of aquatic products	360 days	1 year
D	Principally engaged in the wholesale of tobacco products	Payment upon receipt of goods	2 years
E	Principally engaged in the prepackaged food products and wholesale of drinks	120 days	2 years

For the year ended 31 December 2013,

Supplier	**Background**	**Credit Terms**	**Years of relationship as at 31 December 2013**
A	Principally engaged in the manufacture and wholesale of bottled drinks and instant noodles	Advanced payment	3 years
Lecong Supply and Marketing Group	Principally engaged in the supply and marketing of consumables	30 days	4 years
H	Principally engaged in the sales of daily consumables and wholesale of prepackaged food products	60 days	10 years

Supplier	Background	Credit Terms	Years of relationship as at 31 December 2013
D	Principally engaged in the wholesale of tobacco products	payment upon receipt of goods	3 years
E	Principally engaged in the prepackaged food products and wholesale of drinks	Advanced payment	3 years

For the year ended 31 December 2014,

Supplier	Background	Credit Terms	Years of relationship as at 31 December 2014
A	Principally engaged in the manufacture and wholesale of bottled drinks and instant noodles	Advanced payment	4 years
Lecong Supply and Marketing Group	Principally engaged in the supply and marketing of consumables	30 days	5 years
E	Principally engaged in the prepackaged food products and wholesale of drinks	Advanced payment	4 years
I	Principally engaged in the wholesale of sauces and seasonings	Advanced payment	9 years
H	Principally engaged in the sales of daily consumables and wholesale of prepackaged food products	60 days	11 years

For the four months ended 30 April 2015,

Supplier	Background	Credit Terms	Years of relationship as at 30 April 2015
A	Principally engaged in the manufacture and wholesale of bottled drinks and instant noodles	Advanced payment	5 years

Supplier	Background	Credit Terms	Years of relationship as at 30 April 2015
Foshan Shente	Principally engaged in wholesale of prepackaged food products and retail of cigarettes	30 days	1 year
Lecong Supply and Marketing Group	Principally engaged in the supply and marketing of consumables	30 days	5 years
I	Principally engaged in the wholesale of sauces and seasonings	Advanced payment	9 years
J	Principally engaged in the cultivating and sale of aquatic products	120 days	1 year

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our total purchases from our top five suppliers were approximately RMB179.6 million, RMB204.3 million, RMB256.6 million and RMB111.1 million respectively, representing approximately 32.1%, 28.3%, 29.5% and 39.7% of our total cost of inventories sold for the same periods. During the same periods, our purchases from our top supplier were approximately RMB76.8 million, RMB89.0 million, RMB123.0 million and RMB40.0 million respectively, representing approximately 13.7%, 12.3%, 14.1% and 14.3% of our total costs of inventories sold for the same periods. We believe that alternative suppliers for most of our products are readily available and the loss of any single supplier would not have any material impact on our business. We generally have alternative source of supply for comparable products and we do not anticipate significant difficulties in obtaining the substitutes. We believe that we have maintained good relationships with our suppliers and we are able to source our products in a reliable manner and at reasonable commercial terms. During the Track Record Period, we did not experience any material interruption, shortage or delays of supply from our suppliers.

Lecong Supply and Marketing Group and its subsidiaries or Lecong Group was one of our major suppliers which ranked second for both years ended 31 December 2013 and 2014 and ranked third for the four months ended 30 April 2015. Lecong Group supplied mainly fresh meat and agricultural products to us in their ordinary course of business and our purchase from the Lecong Group accounted for approximately 6.1%, 7.0% and 7.9% of our total costs of inventories sold for the years ended 31 December 2013 and 2014 and the four months ended 30 April 2015, respectively. All the products we purchased from the Lecong Group are products under the own brands of the Lecong Group, such as "紅棉家園牌" for pork and "宴米" for rice, which are locally recognised and with a market demand. We also purchase similar products of different brands from other suppliers. Lecong Supply and Marketing Group, a connected person of us, also purchased a wide variety of daily consumer products from our Retail Outlets in its ordinary course of business during the Track Record Period. Our sales to Lecong Supply and Marketing Group accounted for 2.0%, 0.7%, 1.2% and 1.0% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015 , respectively. The costs related to the goods supplied to Lecong Supply and Marketing Group accounted for 2.1%, 0.7%, 1.2% of and 1.0% the total cost of inventories sold for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015 and their gross profit accounted for 1.6%, 0.8%, 1.2% and 0.6% of the total gross profit for the same periods. Our Directors confirmed that the products we supplied to Lecong Supply and Marketing Group and the products we purchased from the Lecong Group were different. It is expected that the above transactions would continue after Listing and constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules. For further details, please refer to the section headed "Connected Transactions" to this prospectus. Our Directors confirmed that all of our sales and procurement agreements entered into with the Lecong Group or Lecong Supply and Marketing Group were entered into on an arm's length basis and on normal commercial terms.

Save and except for the Lecong Group, the rest of our top five suppliers are all Independent Third Parties. None of our Directors, their associates or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital or of any of our subsidiaries, had any interest in the rest of our top five suppliers during the Track Record Period.

We did not experience any significant shortage of supply of products from our suppliers during the Track Record Period and the sourcing prices of the products were relatively stable. If we experience substantial increase in the sourcing prices of our products, we would renegotiate the prices with our suppliers and distributors in order to maintain our profit margins. We are generally able to pass on the increase in costs of products to our customers.

Our procurement department is responsible for the procurement of our products based on the monthly forecast data provided by our operation department, which arranges procurement and supply of products to maintain reasonable level of inventory of our products.

We have entered and will enter into legally binding procurement agreements with our suppliers for our Retail Outlet operation and sales business segment and set out below are the material terms of our procurement agreements:

- *Term* — the term of the agreements is generally one year. We did not enter into long term agreements with our suppliers during the Track Record Period.
- *Products* — the agreements stipulate the brand and type of products to be supplied to us.
- *Minimum purchase commitment* — generally we are not contractually committed to any minimum purchase quantity under the agreements.
- *Pricing policies* — the sourcing prices of the products are to be agreed by the parties according to the market prices on the date of order.

- *Payment and credit terms* — we are generally granted with 0 to 360 days of credit terms and the payments are settled by us via bank transfer.

- *Logistics* — in general, the suppliers are responsible for arranging delivery of the products to our designated locations. Title of goods is passed to us upon our receipt of products delivered.

- *Product returns and exchange* — defective products could be returned or exchanged generally within 90 days of delivery.

- *Renewal and termination clause* — agreements could be renewed upon expiry if mutually agreed by both parties.

We have entered and will enter into legally binding distribution agreements with our wholesale suppliers and set out below are the material terms of our distribution agreements:

- *Term* — the term of the agreements is generally one year. We did not enter into long term agreements with our suppliers during the Track Record Period.

- *Products* — the agreements stipulates the brand and type of products to be supplied to us.

- *Geographical area* — we are restricted to carry out the sub-distribution and/or retail sales within the designated territories or locations and are prohibited from distributing to any other places or areas.

- *Minimum purchase commitment* — for certain major distribution agreements, we are required to purchase a minimum purchase amount per annum, failing which the suppliers may terminate the agreements or restrict the geographical area and product coverage to which we are granted with the distributorship.

- *Pricing policies* — the sourcing price of the products are to be adjusted and agreed by the parties according to the market price on the date of order.

- *Payment and credit terms* — we are granted with 0 to 120 days of credit terms and the payments are generally settled by us via bank transfer.

- *Guaranteed fund and payment* — for certain major suppliers, we are required to deposit a fixed amount of guaranteed fund calculated as a percentage of the minimum purchase amount.

- *Infrastructure* — for certain major suppliers, we are required to conform to the storage needs and requirements to achieve a certain level of storage safety, layout, temperature and humidity.

- *Logistics* — in general, the suppliers are responsible for arranging delivery of the products to our designated locations. Title of goods is passed to us upon our receipt of delivery.

- *Product returns and exchange* — defective products could be returned for exchange or refund within certain period after delivery.

- *Renewal and termination clause* — there is no automatic renewal and termination clauses and further renewal of the agreement is subject to the parties' separate negotiation. The agreements may be terminated if we are in breach of the terms of the agreements.

OEM

Our private label brand products are manufactured and produced by OEMs in the PRC. We select our OEMs based on their reputation, production capacity, experience and quality and their business relationship with us ranging from one to three years. Pursuant to our contracts signed with our OEMs, they are prohibited from reproducing our private brand products, using our logos, or trademarks without our prior consent. Our total cost of inventories sold for our private label brand products for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015 were approximately RMB4.5 million, RMB3.5 million, RMB3.3 million and RMB0.7 million, respectively, representing approximately 0.8%, 0.5%, 0.4% and 0.3% of the total cost of inventories for the same periods.

We have entered and will enter into legally binding agreements with OEMs on an individual transaction basis and set out below are the material terms of the OEM agreements:

- *Term* — we generally set a fixed term of two to 12 months with our OEMs depending on the type of our private label brand products.

- *Products and quality* — OEMs are required to manufacture our private label brand products in accordance with our specifications and requirements.

- *Pricing and credit terms* — the sourcing prices of the products are to be agreed by the parties according to the market prices on the date of order or agreement which could be adjusted subject to mutual agreement by the parties.

- *Minimum purchase commitment* — we are not contractually committed to any minimum purchase quantity under the agreements.

- *Guaranteed fund* — we require our OEMs to deposit a fixed amount with us as a guaranteed fund to ensure our OEMs to manufacture and produce our private label brand products up to the standards and quality stipulated by us and we may deduce all or part of the guaranteed fund for any breach on the part of our OEMs and the balance shall be returned to our OEMs upon expiration of the OEM agreements.

- *Payment and credit terms* — we are generally granted by our OEMs a credit term of 15 to 30 days from the date of delivery save and except for seasonal products which may have a shorter credit term and the payments are generally settled by us via bank transfer.

- *Delivery* — our OEMs shall deliver and transport the private label brand products to our designated location.

- *Product returns and exchange* — our OEMs shall replace any defective products (not caused by us) and our OEMs shall be responsible for all issues and losses in relation to the quality of our private label brand products.

- *Renewal and termination clause* — there is no automatic renewal clause in the agreements. The agreements will be terminated upon expiry of the term.

INVENTORY MANAGEMENT

Procurement decisions are made based on sales history, existing inventories and sales plans to ensure that we maintain reasonable level of inventory.

Retail Outlet operation and sales

With respect to the inventory management of our Retail Outlets, we usually take into account different factors such as the need to balance our inventory holding costs and the need to provide a variety of products in sufficient quantities for the selection of our customers in order to maintain and enhance their shopping experiences with us. We also monitor and assess the sales performance in our Retail Outlets in order to identify and clear out obsolete inventories or unpopular products through special promotion or discounted sales.

In order to effectively monitor and manage our inventory level, we have implemented advanced information technology systems. Our advanced information technology systems are able to support our procurement, sales, inventory and logistics in an efficient manner, allow us to collect and monitor real time sales information to facilitate our analysis and decision making. With these real time sales information centralised in our information technology systems, our management is able to make timely responses and adjustments to our sales strategies, replenish and deliver products to our Retail Outlets in an efficient manner. We have devised and deployed our ERP System which synchronises the sales data of our POS System and records our products details and information such as costs, retail prices and quantities of our products to process and generate the inventory level of our Retail Outlets. With the benefit of the ERP System, we are able to monitor, maintain and control our inventory level in our Retail Outlets and distribution centres based on the past sales performance of our products, our expected sales performance of such products and our short-term or long-term sales plans with respect to such products. In case the inventory level of our products falls below a preset value, our ERP System will generate an alert to our outlet or duty managers for their further action of procurement instruction. Our ERP System therefore enables us to monitor and manage our inventory level to avoid any issues relating to shortage of or aged products. In general, we maintain a sufficient inventory level of products for sale in our Retail Outlets for at least seven to 25 days, depending on the type of our products offered for sale. Our average inventory turnover days were 53.5 days, 50.1 days, 44.9 days and 49.7 days for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, which represented the actual inventory level maintained by our Group. We usually make procurement in large quantities each time and on a regular basis after taking into account the lead time between order and actual delivery, rather than making frequent purchases in small quantities, so as to save overhead expenses such as administrative and transportation costs, resulting in the actual inventory level higher than that of our minimum inventory requirement to facilitate the efficient operation and smooth inventory management of our Group.

We adopt different types of storage methods for our products such as room temperate storage, cold storage and freezer storage depending on the type and nature of such products in order to keep and maintain the freshness or storage needs of such products.

The total amount of unsold inventories held by the closed Retail Outlets upon their closure during the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, were RMB2.1 million, RMB0.9 million, RMB0.4 million and RMB0.6 million, respectively. We are generally able to reallocate the unsold inventories of the closed Retail Outlets to other operating Retail Outlets or transfer the unsold inventories to the distribution centres for subsequent sales to end-consumers. When we envisage the closure of a Retail Outlet, we will procure less products for such particular Retail Outlet aiming to reduce the amount of unsold inventories.

When a new Retail Outlet is about to be opened, our procurement department usually starts to order and purchase inventories during the outlet renovation stage at approximately one month before the relevant Retail Outlet starts operations. We have not stocked up any inventory for our business expansion plan because there is sufficient lead time from the time of order of products to the time of delivery of products for the opening of our Retail Outlets.

Wholesale distribution

The distribution centres of our wholesale distribution operation also deploy the ERP System to keep track of and maintain the inventory level as specified by some of our major suppliers in particular for those granted sole and exclusive distributorship rights to us. In general, we maintain an inventory level sufficient for our expected sales for the next 15 to 60 days depending on the type of our products offered for sale. We have assigned designated sales staff to be responsible for the sales and procurement needs of our major general wholesale customers. Our sales staff review their inventory levels and communicate with the customers on their existing inventory level to ensure their inventories are stocked within reasonable levels prior to our acceptance of their further procurement orders. For our franchisees, our designated team from the head office also pays monthly visits to them and reviews, among other things, the inventory levels on spot to ensure a reasonable amount of inventories sourced from us are stocked.

We have a seller and buyer relationship with our wholesale distribution customers and the products are sold to them on the basis of outright sale whereby the titles of goods are passed to them upon delivery of products. We generally do not allow for products exchange or return unless they are found to be defective and which defective products should be handled in accordance with our return policy. As such, with respect to the inventories sold to and held by those general wholesale customers who had no transaction or contact with our Group for a whole calendar year since their last purchase with us during the Track Record Period, any and all unsold inventories were at the sole risks and responsibilities of these terminated general wholesale customers and franchisees. For details of our return policy, please refer to the section headed "Business — Wholesale distribution — Return policy" to this prospectus, and for details of the movement and the number of our terminated general wholesale customers, please refer to the section headed "Business — Wholesale distribution — General wholesale" to this prospectus.

Inventory provision

For aged inventories or products approaching the expiry dates, we conduct promotional sales and offer product discounts from time to time. With respect to products returned by our customers for replacement and the condition of the products are acceptable for resale pursuant to our return policy, in general we are able to resell the returned products to other customers at normal selling price. For products returned by our customers due to defective product issues, we could generally return such defective products to our suppliers for product exchange. As such, our Directors consider that the risk of impairment of inventories, including the products subject to replacement, is minimal. Therefore, we have not made any inventory provision during and subsequent to the Track Record Period.

MARKETING AND PROMOTIONS

Promotional campaigns

During the Track Record Period, we organised from time to time different kinds of promotional campaigns or other events in order to stimulate and maintain the interests of our customers in our products and their loyalty with our brand. Such events included certain seasonal or festival sales such as those organised during the Chinese New Year hosted by some of our Retail Outlets. We may provide discounts or gifts to our customers at those sales or promotional events and we also negotiate with our suppliers or franchisees and invite them to participate and share part of the promotional expenses or discounted prices together with us. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, we spent RMB1.8 million, RMB1.8 million, RMB2.5 million and RMB1.6 million respectively, on advertising and promotion expenses.

Our suppliers arrange promotion of their products with us from time to time and our promotion income from suppliers are attributable to these promotional events and activities, resulting in the recurring nature of such promotion income. The promotion income we received from our suppliers are mainly for (i) shelving their featured products in our Retail Outlets; (ii) sponsoring the seasonal or festival sales events; (iii) advertising their products in our sales pamphlets during the promotional campaigns conducted by us; and/or (iv) providing training to and managing their promotional staff who conduct the promotional events in our Retail Outlets. According to Euromonitor, it is common for supermarket and hypermarket operators in the PRC to have such promotion income arrangement with its suppliers and charge promotion fees, as such promotion activities can improve the sales of relevant products. We did not incur specific costs for generating the promotion income from suppliers. During the Track Record Period, our Group recorded promotion income from suppliers of RMB12.9 million, RMB13.5 million, RMB15.0 million and RMB11.5 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively from the aforesaid arrangement.

We generally enter into separate agreements with respect to the promotional arrangements with our suppliers. The terms of such agreements typically include, inter alia, (i) the products under promotional arrangements, (ii) the type of the promotional arrangements, (iii) the name of the Retail Outlet undertaking the promotions, (iv) the terms and conditions of the promotional arrangements and (v) the amount and basis of determining the promotion income. The promotion fees were agreed by our suppliers and us on a fixed fee basis and are calculated based on the following factors: (a) the season and duration of the promotional arrangement; (b) the location of the Retail Outlet; (c) the area in the Retail Outlet required for carrying out the promotional arrangement; and (d) our labour and printing costs for relevant promotional arrangement.

Set out below are the general range and the basis of determining the promotion fee payable by our suppliers during the Track Record Period:

Nature of promotional events and activities	**General range and basis of determining the promotion fee**
Shelving the featured products of the suppliers in our Retail Outlets	RMB500 to RMB10,000 monthly per product type in each Retail Outlet
Sponsoring our seasonal or festival sales events	RMB1,000 to RMB10,000 per year
Advertising the products of the suppliers in our sales pamphlets during the promotional events	RMB500 to RMB1,000 per product type in each issue of sales pamphlets
Providing training to and managing the promotional staff of the suppliers who conduct their promotional activities in our Retail Outlets	RMB100 monthly per promotional staff in each Retail Outlet

Customer membership programmes

We have maintained a customer membership programme under which we issue customer membership cards to our customers of Retail Outlets or the Online Supermarket. Once a customer joins our customer membership programme, the customer receives a membership card and accumulates points based on purchases. The accumulated points are redeemable for different items, such as products offered for sale in Retail Outlets. There is generally no minimum point accumulation required to maintain the membership card. As at 31 December 2014, we had more than 350,000 customer membership cards in issue. The customer membership programme is not applicable to our wholesale distribution business.

Token coupons

Prior to the year ended 31 December 2013, our Group had issued token coupons, which was classified as non-recordable pre-paid cards under the relevant PRC laws and regulations as advised by our PRC Legal Advisers, for use in our Retail Outlets. The token coupons were issued by Shun Ke Long and customers could use the token coupons on the face value to redeem products available for sale in our Retail Outlets. Our Group issued token coupons of RMB4.5 million, RMB1.9 million, nil and nil for the years ended 31 December 2012, 2013 and 2014 and for the four months ended 30 April 2015, respectively. We have not issued token coupons since 2014 and as of the Latest Practicable Date, there were no outstanding redeemable token coupons.

According to our PRC Legal Advisers, pursuant to relevant PRC laws and regulations, the issuer of pre-paid cards shall register with the relevant authority within 30 days upon commencement of issuance of the pre-paid cards, failing which the relevant authority is entitled to request the issuing enterprise to rectify the situation such as to complete the registration within a prescribed time limit. If such enterprise still fails to register, the issuer may be subject to a fine ranging from RMB10,000 to RMB30,000. Due to the inadvertent oversight of the registration requirement by our staff, we did not complete the registration with the relevant authority.

Our Directors confirmed that our Group has not been subject to any investigations or administrative penalties as a result of such non-registration and our Group has no plan to issue any further token coupons in the future. As advised by our PRC Legal Advisers, as (i) our Group has ceased to issue token coupons since the beginning of 2014 and has rectified the non-registration situation; and (ii) our Group has not been subject to any investigations or administrative penalties by relevant authority as a result of such non-registration, the risk of our Group to be penalised by the relevant authority as a result of the non-registration of the issuance of pre-paid cards is low.

Website

We maintain a website **www.skl.com.cn** as an online interface to display our store information, showcase our products, announce promotional events, and communicate with our customers. We have online customer service assistants and the information obtained allows us to further improve our customer service, product mix, marketing strategies and pricing policies.

AWARD AND ACCREDITATION

We have received various awards and recognition in the PRC for the development of our business. The following table sets out some of the major awards and accreditation of our Group:

Awards or Accreditation	Year of Award or Accreditation	Issuing Organisation
Top 100 Service Enterprise in Guangdong Province (廣東省服務業企業百強企業)	2014	Guangdong Enterprises Confederation, Guangdong Enterprises Association (廣東省企業聯合會, 廣東省企業家協會)
Agricultural Fair Value Shop (農副產品平價商店)	2011-2014	Foshan Shunde District Development Planning and Statistics Bureau (佛山市順德區發展規劃和統計局); Gaoyao Development Planning and Statistics Bureau (高要市發展規劃和統計局)
Top 100 Fast-moving Consumer Goods Chain Store Enterprise in the PRC (中國快速消費品連鎖百強)*(note 1)*	2011-2013	China Chain Store and Franchise Association (中國連鎖經營協會)
Top 50 Chain Store Enterprise in Guangdong Province (廣東連鎖五十強企業)*(note 2)*	2010-2011, 2013	Guangdong Chain Operations Association (廣東省連鎖經營協會)
Well-known Trademark in Guangdong Province (廣東省著名商標)	2011	Guangdong Province Administration for Industry and Commerce Bureau (廣東省工商行政管理局)
Best Growing Enterprise (最佳成長性企業)	2010	Guangdong Chain Operations Association (廣東省連鎖經營協會)
"Ten Thousand Villages" Marketing Project Standard Rural Shop ("萬村千鄉市場工程"連鎖店)	2009, 2011, 2013	Guangdong Province Economic and Trade Commission (廣東省經濟貿易委員會)
Favourite Brand of the Foshan Citizens (佛山市民最喜愛的品牌)	2007	Foshan Daily/Foshan General Chamber of Commerce (佛山日報/佛山市工商聯)

Notes:

1. "Top 100 Fast-moving Consumer Goods Chain Store Enterprise in the PRC" is a recognition granted by CCFA based on the turnovers (before tax) from the retail outlets, which include the directly-operated outlets, franchise outlets, chain outlets operated and managed under the corporate brand, as well as turnovers from the wholesale business of relevant enterprise. The turnover does not include, amongst others, turnovers generated from intra-group transactions.

2. "Top 50 Chain Store Enterprise in Guangdong Province" is a recognition granted by Guangdong Chain Operations Association based on the turnovers (before tax) from the retail outlets, which include the directly-operated outlets, franchise outlets, chain outlets operated and managed under the corporate brand, as well as turnovers from the wholesale business of relevant enterprise. The turnover does not include, amongst others, turnovers generated from intra-group transactions.

In addition, the quality assurance infrastructure and the quality control procedures adopted by our Group have demonstrated its commitment to internationally recognised quality management system standard. Our supermarket business was first awarded with ISO9001:2000 accreditation certificate by the World Standards Certification Center Inc. in 2006 with respect to the supermarket management and commodity retail services offered by us.

LOGISTICS

We have separate distribution centres and logistics teams for our Retail Outlet operation and sales and wholesale distribution.

As at the Latest Practicable Date, we leased four distribution centres for our Retail Outlet operation and sales located in Foshan, Zhaoqing and Zhuhai. While we keep majority of our products in our Retail Outlets, our distribution centres are where we warehouse a relatively high proportion of popular products we sourced from our suppliers and arrange for distribution of products to our Retail Outlets and our bulk sales customers. We have our own logistics team which is responsible for the delivery of products. Our logistics team of our Retail Outlet operation and sales was mainly based in Foshan, consisted of 122 personnel as at the Latest Practicable Date.

As at the Latest Practicable Date, we also leased six distribution centres for our wholesale distribution operation, four of which are located in Foshan, one is located in Zhaoqing and one is located in Jiangmen. The logistics team of our wholesale distribution operation consisted of 37 personnel as at the Latest Practicable Date.

With respect to products delivery to our customers, we owned and operated 52 transportation vehicles for our Retail Outlet operation and 25 transportation vehicles for our wholesale distribution operation. For busy holiday seasons when our own delivery team is running out of capacity, we may retain third-party logistics providers to ensure timely delivery of products to our customers. Such third-party logistics providers bear the risk of loss or damage during their delivery and transportation.

QUALITY CONTROL

We have implemented stringent quality control procedures for our operations and have assigned manpower responsible for monitoring the quality of products at both management and outlet levels. As at 30 April 2015, our quality control team at our head office had eight personnel with an average of eight years of supermarket and procurement experience in the PRC and the team was headed by Ms. He Aiqiong (何愛瓊), our deputy general manager of procurement who has over 18 years of relevant experience in supermarket management industry. For details of the experience and qualifications of Ms. He, please refer to the section headed "Directors and senior management — Senior management" to this prospectus.

We carefully select our suppliers based on their legal and business capacity, product quality, price, reliability and our past experiences in conducting business with them. Other than cautiously selecting our suppliers, we have devised and adhered to standardised quality control guidelines and conduct quality checks when products arrive at our Retail Outlets and distribution centres. As at the Latest Practicable Date, we had more than 63 quality control officers stationed at our Retail Outlets and distribution centres responsible for conducting on-site quality checks. As we place strong emphasis on food safety and quality, we have different inspection checklists for different kinds of products. Our quality control officers will perform quality controls on food products on a daily basis upon their delivery to our Retail Outlets and distribution centres including checks and inspections on their appearance, packaging, names and information of products, bar codes, production and/or expiry dates, quantities and quality. For quality checks and inspections, we also give top priority to perishable food products to ensure their qualities are in compliance with the agreed and regulatory standards so that they are then supplied at an acceptable level of freshness to our customers. We also have a set of guidelines on our outlet management so as to maintain an optimal hygiene environment for our products storage.

In terms of services, we have an operational manual for our Retail Outlets imposing requirements such as standardised internal layout and decorations for our Retail Outlets and uniform dressing code for our staff so as to create a consistent, comfortable and enjoyable shopping environment to our customers.

We also place strong emphasis on customer services and we have established guidelines for our staff to handle all complaints and enquiries of our customers in a timely and responsive manner. We have therefore established customer services hotlines and online systems including email and instant messaging systems for our customers to raise enquiries and lodge complaints with us regarding our products and services.

During the Track Record Period, we have not received any material customer complaints, product recalls or product liability claims, whether on an individual or aggregate basis, that would have any material and adverse impact on our operations or financial condition. Further, our supply contracts with our suppliers generally provide that all product defects or product liability in respect of any product supplied to us are the responsibilities of our suppliers.

INFORMATION TECHNOLOGY

We recognise the importance of information technology and strongly believe that information technology is a key component to support our business growth and internal controls. Our advanced information technology systems support our procurement, inventory, sales and logistics in an efficient manner, allowing us to collect and monitor real time sales information to facilitate our inventory analysis and procurement decision making. With the real time sales information processed by and centralised in our ERP System, our management is able to make timely responses and adjustments to our sales strategies, replenish and arrange delivery of products to our Retail Outlets in an efficient manner.

Our information technology systems include the POS System which is linked to our ERP System. Our POS System is used in all of our Retail Outlets to handle sales. It tracks the sales of each product and allows us to monitor our sales and inventory level. Access to this real time inventory and sales data of our Retail Outlets allows our management to monitor the sales performance of our Retail Outlets and make appropriate product adjustments in response to customers' needs. In case the inventory level of our products falls below a preset value, our ERP System will generate an alert to our outlet or duty managers for their further action in procurement or order replenishment from our distribution centres. We collect and monitor sales from each of our Retail Outlets on a daily basis through our centralised ERP System.

All of our Retail Outlets and distribution centres are required to input data including products procurement information into our ERP System and with the help of our POS System, our information technology systems will do automatic calculations and generate up-to-date inventory and sales data for our management to analyse and understand the sales performance and revenue generated from our Retail Outlets and distribution centres. We will then be able to make timely responses and adjust our product mix in line with the market demands and plan our sales strategies and forecasts.

We upgraded our ERP System in July and September 2014 and will upgrade our information technology systems from time to time in order to track and reflect our sales and inventory data in a timely and accurate manner. Our upgraded ERP System enables us to have real time products data to manage our procurement, warehousing, marketing and promotions, sales and logistics in an effective and timely manner under one integrated system. With our enhanced information technology systems, we have improved the communication amongst our procurement, operation and logistics departments, strengthened the procurement relationship with our suppliers and shortened the time-to-market of our products through close monitor and promotional sales of outdated inventories. The real time inventory and sales data generated by our information technology systems also enable us to analyse the market trends and assist us in our decision making process.

MARKET AND COMPETITION

We operate and focus on the supermarket retailing business in Guangdong province, while part of our revenue is contributed by the wholesale distribution segment. According to Euromonitor Report, supermarket retailing industry in Guangdong province is highly fragmented. Our key direct competitors include both domestic and international retail chain store operators as well as the regional and local supermarket operators. Each of these chain store operators has an established presence in the region and may expand their presence in the same cities where we have opened or intend to establish our Retail Outlets. Please refer to the section "Industry Overview — Supermarket retailing in Guangdong province" to this prospectus for further details of the relevant market.

In 2014, the total amount of retail value sales in supermarket retailing market in Guangdong province is RMB195.5 billion, out of which the top five leading supermarket operators in aggregate accounted for approximately 5.8% by retail value sales and 5.7% by outlet number within the supermarket retailing sector in Guangdong province. According to Euromonitor Report, we ranked fifth in terms of retail value sales with a market share of 0.2% and third in terms of outlet number with a market share of 0.5% in supermarket retailing category in Guangdong province in 2014.

According to Euromonitor Report, the landscape of supermarket retailing industry in Guangdong province will remain to be a fragmented one in the near future with slight regional variations. The supermarket retailing industry in the first and certain second-tier cities in Guangdong province is relatively mature with a high penetration rate in terms of retail outlet numbers. It is observed that a large number of independent and franchised supermarkets were located in the second and lower-tier cities in Guangdong province, had relatively stable outlet numbers and market share, and while they had a concentrated presence and focus in local areas, they were expanding their network to the surrounding third and lower-tier cities. It is also believed that leading supermarket operators would expand their presence towards the second or lower-tier cities with solid population base and they would have more outlet coverage across the Guangdong province.

According to Euromonitor Report, the entry barrier to the supermarket retailing industry will remain high due to significant capital needs required for the outlet construction and development, products procurement, personnel recruitment, training and management, warehousing needs and logistics arrangement. However, those established brand of leading supermarket operators may overcome the barrier for they are better equipped with better supply chain management and have stronger bargaining power in negotiating locations and rentals. However, we believe that our in-depth knowledge of local markets, experienced management team, scale of operation, operational efficiency, a comprehensive range of products at good value for money, as well as our ability to provide our customers with convenient, comprehensive and enjoyable shopping experiences, distinguish us from our competitors.

EMPLOYEES

Staff

We enter into written employment agreements with our employees. The agreements typically specify the employee's position, responsibilities, remuneration and grounds of termination pursuant to relevant labor laws and regulations. We had a total of 1,349 employees as at the Latest Practicable Date with breakdown by function as below:

Function	**PRC**	**Macau/ Hong Kong**
Administrative support and human resources	49	1
Operation	1,043	22
Information technology	9	1
Development and marketing	9	—
Procurement	19	1
Finance	32	4
Logistics and warehouse management	158	1
Total	1,319	30

Remuneration and welfare

We do not engage any employment agencies during our recruitment process and we recruit our employees based on a number of factors such as their relevant working experience, educational background and language skills. In general, we review the performance of our employees on an semi-annual basis, the results of which are used in his or her semi-annual salary review and promotion appraisal. Our remuneration packages include basic salary and allowances and we believe we have a competitive remuneration system that is able to favourably reward our best performing employees and incentivise our employees to strive for better results. We also provide flexibility to employees who would like to move between different departments of our Group based on their merits and capabilities and our policy is to allow our employees with outstanding performance to have more exposures and opportunities and upward mobility for senior roles.

During the Track Record Period, we did not fully comply with the relevant PRC laws and regulations in relation to housing provident fund and social insurance contributions for certain employees. For further details, please refer to the paragraph headed "Legal and compliance" in this section.

Training

Our human resources department will introduce our standards and culture to our new staff and prepare a series of compulsory trainings for them focusing on hard skills such as company introduction and working procedures. Our outlet managers will also train up our newly recruited staff to cater for the needs of the our existing Retail Outlets or our newly opened Retail Outlets.

We also offer regular and tailor-made trainings to our management and front-line personnel and identify suitable and promising candidates for future promotion to outlet managers. We believe our internal training programmes not only increase our staff retention rates as a result of the upward mobility prospect, but also produce the right kind of candidates as our management personnel we needed for our business expansion.

We do not have any labour unions. Our Directors confirmed that we have not experienced any labour strikes or material labour disputes during the Track Record Period and have not experienced any significant difficulties in recruiting or retaining qualified staff.

INSURANCE

We consider our current insurance coverage over our assets and operations is in line with the industry norm and is adequate.

We maintain various types of insurance policies to cover our business operations, including comprehensive properties insurance, public safety liability insurance, employer liability insurance and employee accident-related medical insurance. However, our Group does not maintain insurance to cover all risks associated with our operations for various reasons, such as some risks which are not generally covered by insurers in their standard insurance policy, the impact of which is minimal or not commercially justifiable having considered the amount of insurance premium. We do not maintain any product liability insurance to cover the associated risk, which we believe is in line with retail industry practice.

To mitigate the risks that we are exposed to the product liability claims from the end consumers, we have applied a set of stringent criteria in selection of our suppliers and inspect the products sourced from our suppliers upon delivery to ensure the products supplied to us are of high quality and standard. We also require our suppliers to reimburse us on any loss in relation to any defective products supplied by our suppliers.

RESEARCH AND DEVELOPMENT

We do not currently engage in any research and development activities and our Directors confirmed that this conformed to the industry norm as a retail chain supermarket operator and distributor of daily consumer products.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MEASURES

Health and work safety

We regard occupational health and safety as an important social responsibility. We strive to provide a safe working environment to our employees. We have implemented internal policies and rules to maintain effective health and work safety control for our Retail Outlets, distribution centres and other operational premises such as our offices which includes:-

- *occupational safety measures* — our employees are required to observe and follow the safety rules of the workplace, wear appropriate protective outfit and follow instruction manual in operating machineries, such as forklifts in the distribution centres; we also maintain work safety checklist as preventive measures for related accidents;

- *fire control and management rules* — we have guidelines for handling fire accidents and evacuation plans; our employees are required to participate in fire drills and are briefed on the instruction to use fire extinguisher;

- *emergency management rules* — we brief our employees on the rules and guidelines when emergency incidents occur; and

- *accidents reporting rules* — we have policies for handling and reporting accidents.

The Directors confirmed that during the Track Record Period, there was no material accident in the course of our Group's operations which involved personal or property damages, or compensation paid to employees.

Environment

We do not own or operate any manufacturing facilities. Our Directors confirmed that our annual cost of compliance with the applicable environmental protection rules and regulations during the Track Record Period were minimal and the expected cost of compliance going forward to be minimal. During the Track Record Period, we did not receive any material claim from either the PRC government or any third party relating to any liability relating to environmental or safety matters.

OUR INTELLECTUAL PROPERTY

We believe that trademarks are important to our business as these trademarks enable customers to differentiate our business from our competitors. At the Latest Practicable Date, we had 30 registered trademarks and 42 trademarks pending registration in the PRC, Macau and Hong Kong. Our Retail Outlets are mainly operated under the logo of "顺客隆" and "顺客隆" and our franchise outlets are operated under the "乐的" brand. We also own nine domain names, including, among others **www.skl.com.cn**, and **www.shunkelong.com**. Details of our major intellectual property rights are set out in the section headed "Statutory and general information — Intellectual property rights of the Group" in Appendix V to this prospectus.

We are not aware of any material incidents of intellectual property infringement claims or litigation initiated by others against us or *vice versa* during the Track Record Period.

OUR PROPERTIES

Our principal office, including our administration, development and marketing department, is located at our head office in Foshan of Guangdong province in the PRC. As at the Latest Practicable Date, all of our owned and leased properties were located in the PRC and Macau. For detailed information of our property interests, please refer to the property valuation report set forth in Appendix III to this prospectus.

Owned properties

As at the Latest Practicable Date, we owned 65 properties with a total gross floor area of approximately 16,568.4 sq.m. in Foshan and Zhaoqing of the PRC (the "**Owned Properties**"). The Owned Properties are primarily used as, amongst other things, offices, business operation premises and warehouse for our Retail Outlets. Our PRC Legal Advisers, confirmed that we hold valid title certificates with respect to all of our Owned Properties.

Leased properties

Lessee

As at the Latest Practicable Date, we entered into lease agreements with our lessors to lease 126 properties with a total gross floor area of approximately 153,555.5 sq.m. in the PRC and three properties with a total gross floor area of approximately 1,559.2 sq.m. in Macau, comprising offices and business operation premises for our Retail Outlets and distribution centres (the "**Leased**

Properties"). The typical lease term for our leased premises is approximately one to 15 years and the expiry dates of our lease agreements span across December 2015 to December 2029. Our rental expenses for our leased properties were approximately RMB15.5 million, RMB25.6 million, RMB36.5 million and RMB13.5 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. We did not have significant difficulties in renewing our lease agreements in a timely manner during the Track Record Period. We believe that our existing properties are adequate for our current business and we will be able to lease additional properties on commercially reasonable terms in case of our business expansion or non-renewal of the existing lease agreements.

The following table shows the expiry dates of the lease agreements that we have entered into as at the Latest Practicable Date in relation to the Retail Outlets operated and leased by us:

Expiry dates	**Number of lease agreements as at the Latest Practicable Date**
On or before 31 December 2015	19
1 January 2016 to 31 December 2020	75
1 January 2020 to 31 December 2025	22
On or after 1 January 2026	3
Total	119

Our leases generally provide for a fixed amount of rental throughout the lease term while a few leases provide for a fixed rent during the early stage of the lease term and an increased fixed rent during the subsequent stage of the lease term, calculated at a certain amount (ranging from RMB10,000 to RMB 20,000 per month) or percentage (ranging from 5% to 10%) on top of the fixed rent payable during the early stage of the lease term. The rental expenses for the Retail Outlets were RMB15.4 million, RMB24.4 million, RMB34.7 million and RMB12.8 million respectively for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015.

As at the Latest Practicable Date, our leased properties in the PRC include:

- 78 properties with a total gross floor area of approximately 97,172.5 sq.m., representing approximately 63.3% of the total gross floor area of all the properties we leased, our lessors of which were able to provide the relevant building ownership certificates showing valid ownership of or the right to lease such properties (the "**Valid Title Properties**"). We use these leased properties as our Retail Outlets.

- 39 properties with a total gross floor area of approximately 49,707.6 sq.m., representing approximately 32.4% of the total gross floor area of all the properties we leased, our lessors of which were unable to provide the relevant building ownership certificates or informed us there were no relevant building ownership certificates for such properties (the "**Defective Title Properties I**"). We use these properties as our Retail Outlets and distribution centres.

- nine properties with a total gross floor area of approximately 6,675.4 sq.m., representing approximately 4.3% of the total gross floor area of all the properties we leased. These properties are erected on collectively-owned lands (the "**Defective Title Properties II**", together with Defective Title Properties I, the "**Defective Title Properties**"). We use these properties as our Retail Outlets and distribution centres.

Lessor

As at the Latest Practicable Date, we entered into 279 lease agreements with our lessees in the PRC, which correspond to the following units (the "**Leased Units**") with a total gross floor area of approximately 45,784.6 sq.m.:-

- 96 Leased Units with a total gross floor area of approximately 2,797.1 sq.m., representing approximately 6.1% of the total gross floor area of all the units we leased to our lessees. These units are leased under our Owned Properties whereas we hold valid title certificates.

- 137 Leased Units with a total gross floor area of approximately 31,843.7 sq.m., representing approximately 69.5% of the total gross floor area of all the units we leased to our lessees. These units are leased under the Valid Title Properties.

- 38 Leased Units with a total gross floor area of approximately 10,968.8 sq.m., representing approximately 24.0% of the total gross floor area of all the units we leased to our lessees. These units are leased under the Defective Title Properties I (the "**Defective Leased Units I**").

- Eight Leased Units with a total gross floor area of approximately 175.0 sq.m., representing approximately 0.4% of the total gross floor area of all the units we leased to our lessees. These units are leased under the Defective Title Properties II (the "**Defective Leased Units II**", together with the Defective Leased Units I, hereinafter collectively referred to as the "**Defective Leased Units**")

Opinion from our PRC Legal Advisers

Our PRC Legal Advisers advised us that the corresponding lease agreements between our lessors and us for leasing the Defective Title Properties may be subject to the risk of being declared invalid upon being challenged by third parties or regulatory authorities. Consequentially we may be evicted from the Defective Title Properties. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there were no assertions or claims from third parties or regulatory authorities declaring the corresponding lease agreements invalid.

As advised by our PRC Legal Advisers, the corresponding lease agreements between our lessees and us for leasing the Defective Leased Units may be subject to the risk of being declared invalid upon being challenged by third parties or regulatory authorities. Consequentially, our lessees may be evicted from the Defective Leased Units. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, there were no assertions or claims from third parties or regulatory authorities declaring the corresponding lease agreements invalid.

Impact on our Group

To the best knowledge of our Directors, no notice of penalty, confiscation, demolition, or eviction had been received from the relevant regulatory authority as at the Latest Practicable Date in respect of the Defective Title Properties and the Defective Leased Units. As at the Latest Practicable Date, our Directors were not aware of any factors which would cause material difference in our rental payments in the Defective Title Properties, or rental income in the Defective Leased Units, if our leased properties did not have any defective titles. In addition, our Directors confirmed that they were not aware of any potential risk to the safety of the Defective Title Properties or the Defective Leased Units, and the safety conditions of the Defective Title Properties or the Defective Leased Units were not negatively impacted by reasons of the defective titles.

During the Track Record Period, revenue derived from the Defective Title Properties (including the rental income from leasing the Leased Units) is set out as follows:

	Year ended 31 December						**Four months ended**	
	2012		**2013**		**2014**		**30 April 2015**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Revenue	150,618	22.3%	176,648	20.3%	220,703	21.0%	70,494	20.4%

Remedial actions

In relation to the Defective Title Properties, our lease agreements contain indemnity provisions or our Group has executed supplemental agreements which would oblige our lessors to indemnify us in the event that we suffer losses in relation to the defective titles. The lease agreements of the Defective Title Properties, as amended by the relevant supplemental agreements, generally provide that in the event that we are evicted from the Defective Title Properties or suffer any loss because of the title defects, (i) our lessors shall indemnify all of our losses and damages; (ii) our lessors shall indemnify us a liquidated amount equivalent to two months' rental rates of the underlying properties; or (iii) our lessors shall indemnify us a liquidated amount equivalent to three months' rental rates of the underlying properties. As at the Latest Practicable Date, the lease agreements of the Defective Title Properties as amended by relevant supplemental agreements were covered by either of the aforesaid indemnify provisions and our PRC Legal Advisers were of the view that we would be entitled to claim our losses from the lessors pursuant to the indemnity clauses.

In relation to the Defective Leased Units, our lease agreements contain the limitation clauses or we have executed supplemental agreements with all our lessees which limit our liability to compensate our lessees in case of forced eviction. The lease agreements of the Defective Leased Units, as amended by the relevant supplemental agreements, provide that in case our lessees are evicted from our units, our liability to our lessees is limited to one months' rental rates.

Our Controlling Shareholders will also execute the Deed of Indemnity in favour of our Group whereby they will indemnify our Group and each member of our Group and hold each member of our Group harmless from and against all or any depletion in, loss of or reduction in, the value of our respective assets or increase in our respective liabilities as a result of or being any losses, liabilities or damages suffered by our Group arising out of or in connection with the defective titles relating to our leased properties and the Defective Leased Units.

Contingency plan

As at the Latest Practicable Date, we have formulated relocation plans for each of the Defective Title Properties in case we are evicted from these leased properties due to the title defects, which we believe our leased properties can easily be substituted by comparable properties. We estimate that the cost of relocation of our Retail Outlets and distribution centres on the Defective Title Properties would be in aggregate of approximately RMB6.7 million. We believe that it generally takes two to three months for us to relocate a Retail Outlet or a distribution centre to a new site. Given the monthly average revenue derived from all of the Defective Title Properties for four months ended 30 April 2015 was approximately RMB17.6 million, we estimate that the two to three months loss of such revenue would be approximately RMB35.2 million to RMB52.8 million. The lease agreements between us and our lessors also generally provide for a notice period of three months in case of early termination whereby our Directors believe that we will be able to complete relocation of our Retail Outlets or distribution centres to new sites within such notice period. As such, our Directors are of the view that in case we are evicted from these leased properties due to the title defects, we will be able to relocate our Retail Outlets or distribution centres to new sites and resume operations without material interruption to our business taken as a whole and there will not be any material adverse impact to our financial condition.

View from the Directors

Our Directors believe that the Defective Title Properties would not individually or collectively have any material adverse impact to our business taken as a whole because (i) we have the contractual rights to use the Defective Title Properties; (ii) we have not received any notice of eviction and are not aware that any of the Defective Title Properties are listed in any demolition plan and the risk that we may be evicted from these leased properties are not materially foreseeable; (iii) in case of early termination, pursuant to the lease agreements between us and our lessors there is in general a notice period of three months and we believe we can readily find comparable alternative properties to relocate our business to new sites with such notice period; (iv) the indemnity provisions in the lease agreements, as amended by supplemental agreements with our lessors, can mitigate our risk of loss arising from the defective titles such as in the case of forced eviction we will be able to claim against our lessors to indemnify us and this will mitigate our loss and compensations payable by us to our lessees; (v) we have included the limitation clauses in the lease agreements, as amended by the supplemental agreement, with our lessees to limit our liabilities under the Defective Leased Units in case of forced eviction; and (vi) we will obtain the Deed of Indemnity from our Controlling Shareholders.

Enhanced internal control measures

We have adopted the following enhanced internal control policies to prevent the recurrence of similar title defects issues in relation to our renewal of existing and/or future leased properties:

- For future lease agreements to be entered into by our Group, our development and marketing department will be responsible for reviewing the title certificates and ascertaining the approved usage of the underlying properties through conducting due diligence exercise in order to avoid future properties leased by us will be affected by defective titles.

- We will request the incorporation of warranty and indemnity clauses in our future lease agreements or the renewed lease agreements to require our lessors to provide valid title certificates and indemnify us against any losses and damages arising from defective titles.

- Our development and marketing department has compiled a list of our leased properties with title defects, and will continue to review and assess the risks arising from the title defects and review the relocation plans on a regular basis.

- For future lease agreements or the renewed lease agreements with our lessees, we will include maximum liability clauses in the lease agreements to provide for in case of forced eviction or early termination due to defective titles, our lessees are only entitled to claim against us for a maximum amount of one month's rental payment.

Non-registration of lease agreements

Pursuant to the applicable PRC laws and regulations, lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As at the Latest Practicable Date, we have not registered 283 leases, consisting of 64 leases of our leased properties and 219 leases for the Leased Units with the relevant authority. The reason for the non-registration of these lease agreements was mainly because the underlying properties are Defective Title Properties or Defective Leased Units and we were unable to register these leases with the relevant authority.

Opinion from our PRC Legal Advisers

If a lease agreement is not registered within 30 days after execution, the relevant authority may request the contracting parties of the lease agreement to rectify the situation within a stipulated period. If the contracting parties fail to comply and register the lease agreement within such stipulated period, they may be subject to a fine ranging from RMB1,000 to RMB10,000 for a lease agreement which has not been registered.

Our PRC Legal Advisers advised that failure to register the lease agreements alone will not affect the legality, validity and enforceability of the corresponding lease agreements.

Our PRC Legal Advisers conducted interviews with Gaoyao Housing and Urban-Rural Development Bureau (高要市住房和城鄉規劃建設局) on 23 March 2015 and Foshan Housing and Urban-Rural Development Bureau (佛山市住房和城鄉規劃建設局) on 20 April 2015 and 22 April 2015, and we were advised that (i) in Zhaoqing (which includes Gaoyao), there have been no enforcement actions taken and penalties imposed by the relevant authorities in relation to the non-registration of lease agreements and the relevant authorities will not impose penalties on our Group; (ii) in Foshan, there have been no local policies of penalties enacted in relation to non-registration of lease agreements prior to the promulgation of a set of new regulations on 3 November 2014; only the lease agreements executed after 3 November 2014 which are not registered within the stipulated period will be subject to the penalties under relevant regulations.

Based on the aforesaid interviews, our PRC Legal Advisers confirmed that (i) Gaoyao Housing and Urban-Rural Development Bureau (高要市住房和城鄉規劃建設局) and Foshan Housing and Urban-Rural Development Bureau (佛山市住房和城鄉規劃建設局) are the competent authorities for lease registration of our relevant subsidiaries, and (ii) the risk of our Group being penalised for the non-registration of such lease agreements is low.

Impact on our Group

If the relevant authority is to take action against non-registration of our lease agreements, the maximum amount of fine that may be imposed on our Group in relation to non-registration of the lease agreements irrespective of their dates of execution is estimated to be approximately RMB2.8 million. As at the Latest Practicable Date, we have not been subject to any penalties or administrative action taken by relevant authorities in respect of non-registration of the lease agreements.

Remedial action

Notwithstanding our intention and determination to register the lease agreements as far as feasible with the local branch of the Ministry of Housing and Urban Rural Development of the PRC, as some of our leased properties do not have the underlying title certificates, we believe that it is not possible for these leases to be registered.

In addition to conducting interviews with relevant local Housing and Urban-Rural Development Bureaus with a view to identify the risk involved in non-registration of lease agreements, our Controlling Shareholders will execute the Deed of Indemnity in favour of our Group whereby they will indemnify our Group and each member of our Group and hold each member of our Group harmless from and against all or any depletion in, loss of or reduction in, the value of our respective assets or increase in our respective liabilities as a result of or being any losses, liabilities or damages suffered by our Group arising out of or in connection with the non-registration of the lease agreements.

View from the Directors

Our Directors believe that non-registration of the lease agreements would not individually or collectively have any material adverse impact to our business taken as a whole because (i) as advised by our PRC Legal Advisers, non-registration of the lease agreements on its own will not affect the validity, legality and enforceability of the lease agreements; (ii) lease agreements of our commercial properties are not required to be registered in certain area; (iii) as advised by our PRC Legal Advisers, the risk of our Group being penalised for such non-compliance is low, and (iv) we will obtain the Deed of Indemnity from our Controlling Shareholders.

Enhance internal control measures

We have adopted the following enhanced internal control policies to prevent the recurrence of non-registration of lease agreements:

- We will strengthen our management process for leased properties by requiring our development and marketing department to register all the newly entered lease agreements within the timeframe prescribed under the relevant rule and regulations. Our development and marketing department will maintain a master file to record the signing and registration status of our lease agreements and compile a monthly report for the review of our Board. Where the reasons for failure to register lease agreements are due to title defects of the property owners, we will request our lessors to include indemnity provisions in the lease agreements which oblige our lessors to indemnify all our losses and liabilities arising from such title defects.

- We have arranged our in-house legal counsel to provide training to the staff of our development and marketing department on relevant PRC laws and regulations.

- Where necessary, we will consult Mr. Guan Shiping (關仕平), our independent non-executive Director, for advice on the requirement on registration of lease agreement and invite him to provide training to our senior management and employees on the relevant PRC laws and regulations. Further details of his biography are set out in the section headed "Directors and senior management" to this prospectus.

Exemption to valuation report requirements for the Leased Properties

Since we are not the owner of the Leased Properties, no carrying amount is recognised in relation to the Leased Properties. The market value of the Leased Properties has been determined as no commercial value by AVISTA Valuation Advisory Limited, the independent property valuer of the Company. As none of our Leased Properties had a carrying amount of 15% or more of our total assets as at 30 April 2015, we are not required by rule 5.01A of the Listing Rules to include a valuation report of the Leased Properties in this prospectus.

Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, we are exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance to include in this prospectus a valuation report with respect to the Leased Properties. A full valuation report of all the Owned Properties containing the particulars required under section 6(4) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice and in compliance with the requirements under paragraph 46(a) to (c) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance is included as Appendix III to this prospectus. Overview information on the number, area, tenure, uses, particulars of occupancy and general description of the locations of the Leased Properties are included in the properties under Group III and Group IV of the valuation report as set out in Appendix III to this prospectus and the paragraph headed "Leased properties — Lessee" above of this section.

LICENSE AND PERMITS

The regulatory and legal framework of the retail and wholesale industry in the PRC and Macau is set out in the section headed "Regulations" to this prospectus.

Regulatory compliance

Our PRC and Macau subsidiaries are required to obtain and maintain licences and permits required for the sales and distribution activities. Other than the business licence, the following are the material licences and permits under PRC and Macau laws and regulations applicable to our Group depending on the products offered:-

	Licence/Permits	**Purpose**	**Date of grant**	**Expiry date**
PRC	Food circulation permit (食品流通許可證)	Sale of food	March 2010 to August 2015	October 2015 to August 2018
	Table salt retail permit (食鹽零售許可證)	Sale of table salts	January 2012 to August 2015	January 2017 to August 2020
	Publications operation permit (出版物經營許可證)	Sale of books and newspaper	January 2012 to May 2014	January 2016 to March 2021
	Road transportation business permit (道路運輸經營許可証)	Cargo transportation	July 2011 to March 2014	September 2015 to March 2018

	Licence/Permits	Purpose	Effective date	Expiry date
Macau	Retail license of fisheries (零售漁獲場所准照)	Retail sale of fisheries	1 January 2015	31 December 2015
	Retail license of vegetables (零售蔬菜場所准照)	Retail sale of vegetables	1 January 2015	31 December 2015
	Retail license of fresh meat, chilled meat or frozen meat products (零售新鮮、冰鮮或急凍肉類場所准照)	Retail sale of fresh meat, chilled meat or frozen meat products	1 January 2015	31 December 2015

Our Directors, our PRC Legal Advisers, and our Macau Legal Advisers, confirmed that our Group has obtained all necessary licenses, permits, approvals and certificates required for our business operations in all material respects, that such licenses, permits, approvals and certificates are valid and subsisting and that our Group complied with all applicable laws and regulations during the Track Record Period in all material respects. During the Track Record Period, we did not experience any material difficulty in renewing the business licenses, permits and certificates of our business operations. As advised by our PRC Legal Advisers and Macau Legal Advisers, there will be no legal impediments to renew the necessary licenses and permits when they expire.

LEGAL AND COMPLIANCE

Legal proceedings

We have been, and may be in the future be occasionally involved in legal and/or regulatory proceedings or disputes in our ordinary course of business. During the Track Record Period and as at the Latest Practicable Date, we did not involve in any material litigation, arbitration, bankruptcy, receivership or administrative proceedings, claims, or disputes pending or, to our knowledge threatened against us or any of our Directors that would have a material adverse effect on our business, financial condition, results of operations or prospects.

Non-compliance incidents

During the Track Record Period, our Group did not comply with certain applicable laws and regulations in the PRC, a summary of such non-compliances and our remedial measures are set out below:

Summary of non-compliance incidents and reasons	Relevant laws and regulations, legal consequences for non-compliance and the potential maximum fine/penalty that may be imposed by the relevant authorities in PRC	Rectification measures and impact on our Group	Measures taken to prevent any future breaches and ensure on-going compliance
Failure to make adequate contributions to social insurance			
Incident: During the Track Record Period, some of our subsidiaries did not pay the relevant social insurance contributions in respect of certain employees or we did not make adequate social insurance contributions for certain employees as required by the relevant laws and regulations such as the Social Insurance Law of the PRC (社會保險法). We estimate that the outstanding contributions for social insurance during the Track Record Period amounted to approximately RMB5.7 million. Reason: During the relevant period, some of our employees were reluctant to contribute to the social insurance according to the prescribed amount and our employees in human resources department handling the social insurance did not have a comprehensive understanding of the legal requirement in relation to social insurance contributions.	According to Social Insurance Law of the PRC (社會保險法), we are required to participate in the social insurance contribution plans organised by the relevant local government departments. We are required to make full contributions to the social insurance premium for our employees, including pension insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance (if applicable). For the unsubscribed social insurance contributions, the relevant governmental authority may require our company to make the unsubscribed contributions with an additional late payment fee at a daily rate of 0.05% of the outstanding contributions from the due date within a given period and, if our company fails to do so, may impose a fine on our company ranging from one to three times of the total amount of the unsubscribed contributions.	We received a written confirmation from Gaoyao Human Resources and Social Security Bureau (高要市人力資源和社會保障局) on 6 February 2015, which stipulates that (i) Gaoyao Letong and Gaoyao SKL were in compliance with the relevant local regulations for the social insurance during the Track Record Period, (ii) there has been no incident of any outstanding payment or dispute of Gaoyao Letong and Gaoyao SKL in relation to social insurance; and (iii) Gaoyao Letong and Gaoyao SKL have not been imposed any administrative penalties in relation to social insurance contributions. Our PRC Legal Advisers have conducted interviews with Foshan Shunde Social Security Bureau (佛山市順德區社會保險基金管理局) and Zhuhai Doumen Human Resources and Social Security Bureau (珠海市斗門區人力資源和社會保障勞動局) on 26 March 2015 and 14 April 2015 respectively, and they were advised that (i) there has been no record of administrative penalties imposed by the relevant authorities in relation to the outstanding social insurance contributions in Doumen district of Zhuhai, (ii) there has been no dispute or complaints from our employees against Shun Ke Long, Yubang Trading and Zhuhai SKL in relation to the outstanding social insurance contributions; and (iii) Shun Ke Long, Yubang Trading and Zhuhai SKL will not be required to make the outstanding payment or be subject to any administrative penalties in relation to social insurance contributions if there is no complaints lodged by our employees. As at the Latest Practicable Date, most of our employees have signed confirmations to undertake that they will not require our Company to make the unsubscribed contributions.	We have implemented a set of risk management policies to avoid similar non-compliance in the future. Please refer to the paragraph headed "Risk management policies and internal control — Risk identified — Failure to make adequate social insurance contributions and housing provident fund contributions" in this section for further details.

Summary of non-compliance incidents and reasons	Relevant laws and regulations, legal consequences for non-compliance and the potential maximum fine/penalty that may be imposed by the relevant authorities in PRC	Rectification measures and impact on our Group	Measures taken to prevent any future breaches and ensure on-going compliance
		As at the Latest Practicable Date, we had not been demanded by the relevant government authorities to pay any outstanding social insurance contributions or any penalties nor we were aware of any employee's complaints or demand for payment of outstanding social insurance contributions. For prudence sake, we have made a provision of RMB2.7 million for the outstanding contributions as at 30 April 2015. We have liaised with the relevant authorities with a view to rectify such non-compliance by making adequate social insurance contributions for our employees going forward; however, we were informed by the relevant authorities that the amount of monthly payment on the social insurance contributions could only be adjusted in July 2015 during their annual adjustment exercise. Our Directors confirm that we have made the relevant adjusted monthly social insurance contributions in July 2015. Save for the above, the Controlling Shareholders will execute the Deed of Indemnity in favour of our Group whereby they will indemnify our Group and each member of our Group and hold each member of our Group harmless from and against all or any depletion in, loss of or reduction in, the value of our respective assets or increase in our respective liabilities as a result of or being any losses, liabilities or damages suffered by our Group arising out of or in connection with failure to make adequate contributions to social insurance, except for the provision which has been made for such social insurance contributions during the Track Record Period. Based on the aforesaid confirmation and interviews, our PRC Legal Advisers have confirmed that (i) Gaoyao Human Resources and Social Security Bureau (高要市人力資源和社會保障局) is the competent authority to issue the confirmations; (ii) Zhuhai Doumen Human Resources and Social Security Bureau (珠海市斗門區人力資源和社會保障勞動局) and Foshan Shunde Human Resources and Social Security Bureau (佛山市順德區社會保險基金管理局) are the competent authorities to provide the information to them and (iii) our risk of being penalised for such historical non-compliance is low. Base on the foregoing, we are of the view that non-compliance incident disclosed above is not material non-compliance and does not have any material effect on the operations and financial condition of our Group.	

Summary of non-compliance incidents and reasons	Relevant laws and regulations, legal consequences for non-compliance and the potential maximum fine/penalty that may be imposed by the relevant authorities in PRC	Rectification measures and impact on our Group	Measures taken to prevent any future breaches and ensure on-going compliance
Failure to make adequate contributions to housing provident fund			
Incident: During the Track Record Period, some of our subsidiaries did not pay the relevant housing provident fund contributions in respect of certain employees or we did not make adequate housing provident fund contributions as required by the relevant laws and regulations such as the Regulations on the Management of Housing Provident Fund (住房公積金管理條例). We estimate that the outstanding contributions for housing provident fund during the Track Record Period amounted to approximately RMB6.2 million. Reason: During the relevant period, some of our employees were reluctant to contribute to the housing provident fund according to the prescribed amount and our staff in human resources department handling housing provident fund did not have a comprehensive understanding of the legal requirements in relation to housing provident fund contributions.	According to the Regulations on Management of Housing Provident Fund (住房公積金管理條例), we are required to file our registration with the competent housing provident fund administration and make contributions to the housing provident fund for our employees. If we fail to pay the housing provident fund contributions in time or in full, we may be subject to rectification order by the competent housing fund management centre.	Our PRC Legal Advisers interviewed Foshan Housing Fund Management Centre (佛山市住房公積金管理中心) on 3 April 2015, and they were advised that (i) there has been no record of administrative penalties imposed by the relevant authorities in relation to the outstanding housing provident fund contributions in Foshan, (ii) there has been no dispute or complaints from the our employees against Shun Ke Long and Yubang Trading in relation to the outstanding housing provident fund contributions; (iii) Shun Ke Long and Yubang Trading will not be required to make the outstanding payment or be subject to any administrative penalties in relation to housing provident fund contributions if there are no complaints lodged by our employees; in the unlikely event that Shun Ke Long and Yubang Trading are required to make the outstanding housing provident fund contributions, there is no other penalty if Shun Ke Long and Yubang Trading can pay the outstanding pension fund contributions in accordance with the demands of the relevant authorities. Our PRC Legal Advisers interviewed Gaoyao Department of Zhaoqing Housing Fund Management Centre (肇慶市住房公積金管理中心高要管理部) on 14 April 2015, they were advised that (i) Gaoyao SKL and Gaoyao Letong will not be required to make the outstanding payment in relation to housing provident fund if there is no complaints lodged by our employees, or if our employees do not want to make relevant contributions; and (ii) Gaoyao SKL and Gaoyao Letong will not be subject to any administrative penalties in relation to housing provident fund contributions unless Gaoyao SKL or Gaoyao Letong refuse to rectify the outstanding payment upon request by the relevant authority. As at the Latest Practicable Date, most of our employees signed confirmations to undertake that they will not require our Company to make the unsubscribed contributions. As at the Latest Practicable Date, we were not demanded by relevant government authorities to pay any outstanding housing provident fund contributions or any penalties nor we were aware of any employee's complaints or demands for payment of outstanding housing provident fund contributions. For prudence sake, we have made a provision of RMB3.0 million for the outstanding contributions as at 30 April 2015.	We have implemented a set of risk management policies to avoid any similar non-compliance in the future. Please refer to the paragraph headed "Risk management policies and internal control — Risk identified — Failure to make adequate social insurance contributions and housing provident fund contributions" in this section for further details.

Summary of non-compliance incidents and reasons	Relevant laws and regulations, legal consequences for non-compliance and the potential maximum fine/penalty that may be imposed by the relevant authorities in PRC	Rectification measures and impact on our Group	Measures taken to prevent any future breaches and ensure on-going compliance
		Our Directors confirm that we have made the relevant monthly housing provident fund contributions in May 2015. Save for the above, the Controlling Shareholders will execute the Deed of Indemnity in favour of our Group whereby they will indemnify our Group and each member of our Group and hold each member of our Group harmless from and against all or any depletion in, loss of or reduction in, the value of our respective assets or increase in our respective liabilities as a result of or being any losses, liabilities or damages suffered by our Group arising out of or in connection with failure to make adequate contributions to housing provident fund, except for the provision which has been made for such housing provident fund contributions during the Track Record Period. Based on the aforesaid interviews, our PRC Legal Advisers confirmed that (i) Foshan Housing Fund Management Centre (佛山市住房公積金管理中心) and Gaoyao Department of Zhaoqing Housing Fund Management Centre (肇慶市住房公積金管理中心高要管理部) are the competent authorities to provide the information to them and (ii) our risk of being penalised for such historical non-compliance is low. Base on the foregoing, we are of the view that non-compliance incident disclosed above is not material non-compliance and does not have any material effect on the operations and financial condition of our Group.	

Note: As at the Latest Practicable Date, we have not registered 283 lease agreements with the relevant authorities. For further details concerning such non-compliance incident, please refer to the paragraph headed "Our properties — Lease properties — Non-registration of lease agreements" in this section.

Measures to prevent recurrence of non-compliance

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, finance and auditing, as appropriate for the needs of our Group.

To strengthen our internal control, we intend to adopt or have adopted the following measures, in addition to the remedial measures for the specific non-compliance set out in the paragraphs under "Legal and compliance — Non-compliance incidents" above in this section.

1. we engaged an independent internal control reviewer (the "**Independent Reviewer**") to conduct a review of our internal control systems and have implemented the relevant suggestions proposed by the Independent Reviewer. As our business continues to expand, we will refine and enhance our internal control systems to respond to the evolving requirements of our expanded operations as appropriate. We will continue to review our internal control systems to ensure compliance with applicable legal and regulatory requirements;

2. our company secretary will act as the principal channel of communication between members of our Group and our Company in relation to legal, regulatory and financial reporting compliance matters of our Group as well as the chief coordinator to oversee the internal control procedures in general. Upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, our company secretary will look into the matter and, if considered appropriate, seek advice, guidance and recommendation from professional advisers and report to relevant members of our Group and/or our Board;

3. we appointed Innovax Capital Limited as our compliance adviser upon Listing to advise our Group on compliance matters in accordance with the Listing Rules;

4. we have employed an in-house legal counsel who will be responsible for our Group's internal legal and compliance matters, we will appoint a qualified PRC law firm as our external PRC legal advisers which will provide assistance to us in relation to the PRC legal and compliance matters in the future;

5. we will provide our Directors, senior management and employees with training, development programmes and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time; and

6. we will appoint an external Hong Kong legal adviser to advise us on compliance with the Listing Rules and the applicable Hong Kong laws and regulations.

View of our Directors and Sole Sponsor

Our Directors are of the view that the non-compliance incidents were not of a serious nature and each of them was an isolated event, which was primarily due to unfamiliarity of the relevant legal requirement by our handling staff in the PRC.

Our Directors confirm that we have taken reasonable steps to improve the internal control system and procedures based on the suggestions recommended by our Independent Reviewer. Our Directors are of the view, and the Sole Sponsor concurs, that the enhanced internal control measures adopted by us are adequate and effective in significantly reducing the risk of future non-compliance with the relevant legal and regulatory requirements. In addition, the Sole Sponsor, after considering the above, concur with our Directors' view that our Directors have the character, experience, and integrity and the level of competence required of a director under Rules 3.08 and 3.09 of the Listing Rules and our Company and business is suitable for listing under Rule 8.04 of the Listing Rule.

Taxation

Our Directors confirm that, during the Track Record period, each of our subsidiaries had fully paid up all taxes as required by the applicable tax laws and regulations and was not subject to any administrative penalties.

RISK MANAGEMENT POLICIES AND INTERNAL CONTROL

We have adopted written risk management policies and guidelines to manage our operational risks as part of our internal control measures. We have classified possible operational scenarios and risks into different levels, nature, reporting mechanism and reporting timeline. The objective of our risk management policies is to streamline the risk control process, enable the management to understand the factual circumstances which may lead to potential adverse conditions and act in a prudent and swift manner. Our risk management policies target to cover various major aspects, namely, market risk, financial risk, operational risk and business risk. To manage these risks, our policies comprise the following major steps in our risk management procedure:

- information collection;
- risk assessment;
- formulation of risk management strategies;
- implementation of risk management measures; and
- review and improvement of risk management measures.

We are of the view that through the adoption of standardised risk management policies and procedures, we will be able to identify, assess and mitigate the risks in an adequate and effective manner. Pursuant to our risk management policies, our deputy general manager of operations, Mr. Lian Congfeng (練從鋒) is responsible for the formulation of our key risk management strategies, which are subject to the approval of our Board. For details of Mr. Lian's experience and qualifications, please refer to the section headed "Directors and senior management — Senior management" to this prospectus.

Our board of Directors is responsible for the supervision and implementation of our risk management policies and they will meet periodically to assess the risks we face and formulate measures to manage the risks. As at the Latest Practicable Date, we have identified risks relating to our business in relation to certain non-compliance incidents. The following table sets out the risks identified relating to our business and our risk management measure:

Risk identified	**On-going risk management measures and procedures**
Failure to make adequate social insurance contributions and housing provident fund contributions	We have further sought legal advice from our PRC Legal Advisers and will consult them from time to time. We will enhance our human resources policy requiring our human resources department to update our employees register for time to time to keep track of the contribution schedules of social insurance. Our human resources department will (i) check the number of employees for whom we are making social insurance and housing provident fund contributions against the up-to-date employees record kept by our human resource team before making contributions; and (ii) perform regular monthly review on the social insurance and housing provident fund contributions. We have arranged our in-house legal counsel to provide training to the staff of our human resources department. Where necessary, we will consult Mr. Guan Shiping (關仕平), an independent non-executive Director of our Company, for advice on our contributions to social insurance and housing provident fund and invite him to provide training to our senior management and employees on the relevant PRC laws and regulations. For details of Mr. Guan's experience and qualifications, please refer to the section headed "Directors and senior management" to this prospectus.
Non-registration of lease agreements	Please refer to the paragraph headed "Our properties — Leased properties — Non-registration of lease agreements — Enhanced internal control measures" in this section for further details.

For more information about the details of the non-compliance incidents, please refer to the paragraph headed "Legal and Compliance — Non-compliance incidents" in this section.

Internal Control Review

In order to manage our external and internal risks and to ensure the smooth running of our business, we engaged the Independent Reviewer in September 2014 to assist our Group and the Sole Sponsor to review our internal control system and provide recommendations for improving our internal control system. The Independent Reviewer is experienced in providing consultancy services in internal controls and performing independent review on internal control and risk management systems and provides a wide range of professional services including corporate governance assessment and design, enterprise risk assessment, internal audit and compliance consultancy and advisory services. The Independent Reviewer has conducted certain review procedures on our internal control system in multi-disciplinary aspects, including revenue, procurement, inventory management, human resources, financial reporting and information technology.

During the internal control review process, the Independent Reviewer provided recommendations for our management's consideration to enhance and rectify those deficiencies identified in our internal control system, which included certain remedial measures in respect of the historical non-compliance as disclosed in this section. We have implemented such remedial measures in our policies and procedures, which has been confirmed by the Independent Reviewer, who has reviewed the rectification status of the identified internal control deficiencies of the selected entities of our Group by reviewing the revised policies and procedures.

Cash management

Cash represents a significant proportion of our sales proceeds. Payment by our customers at our Retail Outlets are handled by our cashiers at our check-out counters. We have comprehensive cash management policies which provide guidelines with respect to (i) the procedures for handling our cashiers; (ii) treatment of discrepancies between prices in the ERP System and shelf prices; (iii) procedures for verifying the genuineness of banknotes. We also have insurance coverage against loss by theft or robbery in our Retail Outlets. Over 78.5% of our sales were in the form of cash transactions during the Track Record Period. Our Retail Outlets are linked to our ERP System so that our management may monitor sales on a daily basis. We deposit cash received from sales into our bank accounts every day, and maintain a specified level of cash-on-hand in each Retail Outlet as designated by our management guidelines. Each Retail Outlet manager is responsible for the cash count, reconciliation and deposit for that Retail Outlet. Other procedures for cash management include daily reconciliation of sales and actual cash receipts. Reports from our Retail Outlets are sent to our management through our central accounting system for reconciliation at the close of business each day, while our management may utilise this information and monitor the deposit of cash by checking the bank account. If there are late or missing cash deposits, our management will inform our Retail Outlet manager who will in turn follow up with the relevant outlet to resolve the issues.

For our bulk sales customers and wholesale distribution customers, in case of cash on delivery payments, the logistics staff or sales staff will collect the sales proceeds from the customers for the products delivered and hand the cash collected to our cashier or accounting officer forthwith, who will deposit the cash to our bank accounts after daily reconciliation. For customers who are offered with credit terms, such customers will sign on a duplicate delivery notes upon receipt of the goods, which will then be kept in a ledger recording the dates of delivery, the customers' names, invoice numbers and amounts for further reconciliation or settlement of payments.

During the Track Record Period, we did not experience any misappropriation of cash by our employees or any irregularity in our cash management system that had any material adverse impact on our business and results of operations.

Loan or advance policies

We have devised internal control policy for identifying, approving, reporting, monitoring and disclosing inter-company loans. We have circulated our such policy to related departments and senior management members and notified them that inter-company loans will not be approved except for advances which are made in ordinary trade nature and proposed disciplinary actions for any breach of our such policy.

Our subsidiaries shall submit application to our finance department when they intend to provide advances to each other or related companies, or vice versa, on business needs. The applications are subject to review by our deputy general manager of finance and recommendation by our financial controller.

Anti-bribery policies

We have also implemented a series of administrative procedures such as anti-bribery measures, including but not limited to:

- including anti-bribery provisions in supplier and distribution agreements. Standardised anti-bribery provisions have been incorporated in our template contracts with our suppliers and sub-distributors. These provisions contain prohibition on accepting bribery and other related misconducts by related officers and our employees. Suppliers and customers are prohibited from giving gifts, cash, or any other benefits in kind to our employees. Our suppliers and distribution customers are required to report to us of any misconduct committed or purported to be committed by any of our employees. We are entitled to terminate the relevant contracts with immediate effect with relevant parties should there be any breach of the anti-bribery provisions;

- implementing an employee accountability system and imposing stringent punishment on our employees who accept bribery;

- providing our employees with education and training on our internal rules, anti-bribery laws and regulations on a regular basis; and

- reinforcing control and supervision over the exercise of power in various departments; to minimise risks for misconduct, we have devised a standard operating procedure requiring approving and endorsement authority for contract amounts exceeding certain threshold. Ms. Wang Yanfen (王艷芬), our executive Director, is responsible for supervising the aforesaid procurement and operational contract management. For details of the qualifications of Ms. Wang, please refer to the section headed "Directors and senior management — Directors" to this prospectus. Relevant contracts will also be reviewed and counter-approved by our legal department before execution.

Procurement policies

We have placed high importance to the integrity on the staff. In order to avoid any potential corruption, we have adopted the below internal control policies and procedures for the procurement:

- All purchases performed by the procurement department (the "**Procurement Department**") are under supervision and monitored by a separate internal control division under the operation department (the "**Operation Department**") called supervision division (the "**Supervision Division**"). The aforesaid two departments are headed by different senior management, namely, Ms. He Aiqiong (何愛瓊) for the Procurement Department and Mr. Lian Congfeng (練從鋒) for Supervision Division. These two departments represent different reporting lines.

- Each procurement is conducted by a team of three members on rotational basis, with standard team composition of two staff from Procurement Department and one staff from the Supervision Division ("procurement team"). The procurement team compares prices with different suppliers before each procurement and any purchase has to be agreed and endorsed by the staff of the Supervision Division.

- In terms of payment of the purchases, where the payment is made in cash, in addition to endorsement by the staff of Supervision Division, the procurement team also presents the relevant invoices, delivery notes and petty cash to the accounting department for record, review and reconciliation. Where the payment is made by bank remittance, the payment has to be reviewed and endorsed by the staff of Supervision Department.

- Further, the Supervision Division produces regular procurement reports on the purchase prices for different goods by comparing them with the market data and analysing the abnormal items, which are identified for management review.

Corporate governance

Our Group is committed to maintaining a high standard of corporate governance practices and business ethics in the belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. We recognise the importance of good corporate governance and have adopted the following measures to safeguard the interests of our Shareholders:

- our Articles provide that, except in limited circumstances, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest, nor shall such Director be counted in the quorum present at the meeting;

- our board of Directors include a balanced composition of executive and independent non-executive Directors. We believe that our independent non-executive Directors are experienced and free of any business or other relationship which may interfere the exercise of their independent judgment and they will be able to provide an impartial opinion to protect the interest of our Shareholders;

- we have established an audit committee on 19 August 2015 to review and supervise the Group's financial and accounting policies, review and approve the Group's internal control plans, review and adopt risk management policies and evaluate and supervise the Group's internal control measures. The audit committee consists of three members, namely Mr. Shin Yick Fabian (冼易), Mr. Guan Shiping (關仕平) and Ms. Lao Weiping (勞偉萍). For further details concerning the biographies of the aforesaid committee members, please refer to the section headed "Directors and senior management" to this prospectus;

- we have established a remuneration committee on 19 August 2015 comprising of three members, namely Mr. Guan Shiping (關仕平), Mr. Sun Hong (孫洪) and Mr. Chen Yijian (陳義建). The remuneration committee is responsible for making recommendations to the board of Directors on our Company's policy and structure on the remuneration of all Directors and senior management of our Company and on the establishment of a formal and transparent procedure for developing remuneration policy for the approval of our Directors;

- we will ensure that any transaction that is proposed between us and our connected persons shall will comply with Chapter 14A of the Listing Rules including, where applicable, the requirements for announcement, reporting and independent shareholders' approvals;

- we have appointed Innovax Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advice to our Directors and management team relating to the Listing Rules. Please refer to the section headed "Directors and senior management" to this prospectus for further details;

- subject to recommendations from our audit committee, we will appoint external internal control advisor to perform periodic review of our internal control system to evaluate the effectiveness and formulate plans and recommendations for improvement of our internal control policies and procedures;

- each of our Directors has participated in the training session conducted by our Hong Kong legal adviser regarding the responsibilities and duties of Directors; and

- we have implemented internal control measure to prevent the occurrence of bribery or kick-back activities. For details, please refer to the paragraph headed "Anti-bribery policies" in this section.

Immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option), Golden Prime will own approximately 37.3% of the issued share capital of our Company and Mr. Lao will be interested in approximately 34.6% of the issued capital of Golden Prime. Mr. Lao will own the entire issued share capital of Ever Prosperous, which in turn will own the entire issued share capital of Shun Ao. Shun Ao will own approximately 4.5% of the issued share capital of our Company. Hence, each of Mr. Lao, Golden Prime, Ever Prosperous and Shun Ao is considered as our Controlling Shareholder.

RELATIONSHIP WITH LECONG SUPPLY AND MARKETING GROUP

Lecong Supply and Marketing Group is a company established in the PRC and owned by Golden Prime Investment as to approximately 56.81%, Xing Nong Co-op as to approximately 29.36% and Jian Nong Co-op as to approximately 13.83%. Golden Prime Investment is a company established in the PRC on 25 December 2007 and, as at the Latest Practicable Date, was owned by Mr. Lao as to approximately 33.981% and other 45 individuals. Xing Nong Co-op is a co-operative on 30 January 2008 and, as at the Latest Practicable Date, was owned by Mr. Lao as to approximately 4.935% and other 412 individuals. Jian Nong Co-op is a co-operative established in the PRC on 21 January 2011 and, as at the Latest Practicable Date, was owned by Mr. Lao as to approximately 11.215% and other 341 individuals.

Lecong Supply and Marketing Group is a holding company for a group of its subsidiaries which are engaged in various segments of businesses including agricultural business, tourism, jewellery, restaurant and catering services and property development, etc.. As part of its property development business, the Lecong Group owned and managed the China-Europe Electronic Commerce City (中歐電商城) ("**EC City**"). EC City is a physical premise with area of over 200,000 square meters and currently contains various types of tenants including shops and offices. As at the Latest Practicable Date, within EC City, there are only three tenants which are also the subsidiaries of the Lecong Group. Two of them are operating catering services and the other one engages in trading business.

Immediately before the Reorganisation, Lecong Supply and Marketing Group also engaged in the operation of supermarket chain stores through the holding of 100% equity interests in Shun Ke Long and 51% equity interest in Chang Wan Long. Please also refer to the corporate and shareholding structure of our Group prior to the Reorganisation as set out in the section headed "Reorganisation" of this prospectus.

It was decided that the business and operation to be included in our Group would limit to the operation of supermarket chain stores. As such, in preparation for the Listing and through the Reorganisation, all the operation and subsidiaries under Lecong Supply and Marketing Group which are principally engaged in the operation of supermarket chain stores and similar business were transferred to our Group while other business and operational activities of Lecong Supply and Marketing Group and its subsidiaries would be excluded from our Group. In addition, since Lecong Supply and Marketing Group is a holding company for subsidiaries of different business segments, it would be more cost and time effective that the Reorganisation is to take place by transferring the operation of supermarket chain stores to our Group instead of disposing all these other business and operation from Lecong Supply and Marketing Group.

Upon completion of the Reorganisation, all the operation of supermarket chain stores used to be conducted by subsidiaries of Lecong Supply and Marketing Group has been transferred to our Group, and Lecong Supply and Marketing Group and its subsidiaries are no longer engaged in the business of the operation of supermarket chain stores or similar business.

Since Mr. Lao holds approximately 33.981% interests in Golden Prime Investment, Lecong Supply and Marketing Group is a connected person of our Company under Chapter 14A of the Listing Rules. We will continue to carry out certain transactions with Lecong Supply and Marketing Group and such transactions will become continuing connected transactions of our Company under Chapter 14A of the Listing Rules after the Listing. For details of such transactions, please refer to the section headed "Connected transactions" to this prospectus.

Mr. Chen Yijian, one of our non-executive Directors, is a director and legal representative of Lecong Supply and Marketing Group. Ms. Lao Weiping, one of our non-executive Directors, is the general manager of the Commercial Assets and Hotel Business Division of Lecong Supply and Marketing Group.

Despite the above over-lapping of our non-executive Directors with the management team of Lecong Supply and Marketing Group, we are of the view that there are sufficient and effective control mechanism to enable our Directors to discharge their duties appropriately, avoid potential conflicts of interests and safeguard the interests of our Shareholders as a whole on the following grounds:

- our principal business and that of Lecong Supply and Marketing Group are of different segments with different markets and target customers;
- the over-lapping Directors are our non-executive Directors who will not participate in our daily operations and management;
- the non-overlapping Directors together compose more than majority of our Board;
- a system of stringent corporate governance has been adopted by our Company to ensure the implementation of the Deed of Non-Competition, deal with potential conflicts of interests and safeguard the interests of our Shareholders as a whole; and
- our Group's management and operational decisions are made by our Board and a team of senior management.

COMPETING INTERESTS

As confirmed by our Directors, our Controlling Shareholders and their respective associates do not have any interests in any business, apart from the business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the business of our Group.

DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, each of Mr. Lao, Golden Prime, Ever Prosperous and Shun Ao (the "**Covenantors**") has entered into the Deed of Non-Competition with our Company whereby each of the Covenantors irrevocably and unconditionally, undertakes with our Company that with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange and (i) the Covenantors collectively are, directly or indirectly, interested in not less than 30% of our Shares in issue; or (ii) the relevant Covenantor remains as our executive Director, each of the Covenantors shall, and shall procure that its/his respective associates shall:-

(a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of our Group or any business activities which our Group may undertake in the future;

(b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of customers, suppliers and staff of our Group;

(c) keep our Board informed of any matter of potential conflicts of interests between the relevant Covenantor (including its/his associates) and our Group, in particular, a transaction between any of the relevant Covenantor (including its/his associates) and our Group; and

(d) provide as soon as practicable upon our Company's request a written confirmation in respect of compliance by it with the terms of the Deed of Non-Competition and their respective consent to the inclusion of such confirmation in our Company's annual report and all such information as may be reasonably requested by our Company for its review.

In addition, each of the Covenantors hereby irrevocably and unconditionally, undertakes that if any new business opportunity relating to any products and/or services of our Group (the "**Business Opportunity**") is made available to it/him or its/his associates (other than members of our Group), it or he will direct or procure the relevant associate to direct such Business Opportunity to our Group with such required information to enable our Group to evaluate the merits of the Business Opportunity.

The relevant Covenantor shall provide or procure its/his associates to provide all such reasonable assistance to enable our Group to secure the Business Opportunity. If he or it (or his/its associates) plans to participate or engage in any new activities or new business which may, directly or indirectly, compete with the existing business activities of our Group, he or it shall give our Company a first right of refusal to participate or engage in the Business Opportunity and will not participate or engage in these activities unless with the prior written consent of our Company. None of the Covenantors and their respective associates (other than members of our Group) will pursue the Business Opportunity until our Group decides not to pursue the Business Opportunity because of commercial reasons. Any decision of our Company will have to be approved by our independent non-executive Directors taking into consideration the prevailing business and financial resources of our Group, the financial resources required for the Business Opportunity and, where necessary, any expert opinion on the commercial viability of the Business Opportunity.

Each of the Covenantors further irrevocably and unconditionally, undertakes that it or he will (i) provide to our Group all information necessary for the enforcement of the undertakings contained in the deed of non-competition; and (ii) confirm to our Company on an annual basis as to whether it or he has complied with such undertakings.

The Deed of Non-Competition will cease to have any effect on the earliest of the date on which:

(a) our Company becomes wholly-owned by any of the Covenantor and/or its/his associates;

(b) the aggregate beneficial shareholding (whether direct or indirect) of the Covenantors and/or its/his associates in the Shares in issue falls below 30% of the number of Shares in issue and the relevant Covenantor shall cease to be our executive Director; or

(c) the Shares cease to be listed on the Stock Exchange.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having taken into account of the following factors, our Directors are satisfied that our Group can carry on its business independently of our Controlling Shareholders following the Listing:

Management independence

Each of our Directors is aware of his/her fiduciary duties as a Director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Further, the independent non-executive Directors will bring independent judgment to the decision making process of our Board. The senior management team possesses in-depth experience and understanding of the industry in which our Group is engaged. In this regard, our Directors are of the view that our Group can be managed independently.

Operational independence

The organisational structure of our Group is made up of a number of departments, comprising administrative support and human resources, operations, information technology, development and marketing, procurement, finance, logistics and warehouse management. Each department takes a specific role in our Group's operations. There are internal control procedures to ensure effective operation of our Group's business. Furthermore, our Group has its own sources of independent suppliers and customers. Accordingly, our Group can carry out its business operations independently.

Financial independence

Our Directors are of the view that our Group does not unduly rely on the advances from our Controlling Shareholders and related parties for its business operations. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders. Furthermore, our Group has its own finance department and has established its own financial accounting system independent of our Controlling Shareholders. Our Group has its own bank accounts, makes its tax registrations and has employed a sufficient number of financial accounting and treasury personnel. Accordingly, our Directors consider that our Group is capable of operating independently from a financial perspective.

NON-DISPOSAL UNDERTAKINGS GIVEN BY OUR CONTROLLING SHAREHOLDERS

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that each of them shall not and shall procure that the relevant registered holder(s) shall not:

(a) in the period commencing on the date of by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner(s); and

(b) in the period of six months commencing on the date on which the First Six-Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be our Controlling Shareholders of our Company, i.e. they cease to control 30% or more of the voting power at general meetings of our Company.

Further, each of our Controlling Shareholders has, jointly and severally, undertaken with our Company and the Stock Exchange that within a period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date on which is 12 months from the Listing Date, he or it shall:

(a) when he or it pledges or charges any securities beneficially owned by he or it in favour of an authorised institution (as defined under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(b) when he or it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company of such indications.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following governance measures to manage the potential conflict of interests between us and our Controlling Shareholders, and to safeguard the interests of our Shareholders:

(i) our independent non-executive Directors will review, at least on an annual basis, compliance and enforcement of the terms of the Deed of Non-Competition;

(ii) we will disclose any decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition either through our annual report or by way of announcement;

(iii) we will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-Competition have been complied with and enforced; and

(iv) in the event that any of our Directors and/or their respective close associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Deed of Non-Competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

After the Listing, we will continue to carry out the following transactions with our connected persons and such transactions will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

Purchase of goods

Before the Listing, as part of our operations, we purchased goods including fresh meat and agricultural products from Lecong Supply and Marketing Group and its subsidiaries. Lecong Supply and Marketing Group is a company established in the PRC. Golden Prime Investment holds approximately 56.81% interests in Lecong Supply and Marketing Group, and Mr. Lao holds approximately 33.981% interests in Golden Prime Investment. After the Listing, we will continue purchasing such goods for our operations from the Lecong Group. Since we are satisfied with the transactions made with the Lecong Group, including the quality of products and delivery time, during the Track Record Period and the terms offered by the Lecong Group to us are of normal commercial terms, our Directors are of the view that it will be in the interest of our Company and its Shareholders as a whole to continue such transactions with the Lecong Group after the Listing.

In this regard, our Company (for itself and on behalf of its subsidiaries) and Lecong Supply and Marketing Group (for itself and on behalf of its subsidiaries) entered into a master purchase agreement on 5 August 2015, whereby we (including our subsidiaries) will continue to purchase from the Lecong Group (the "**Goods Purchase Agreement**").

The Goods Purchase Agreement is for a term commencing on the Listing Date and expiring on 31 December 2017. Pursuant to the Goods Purchase Agreement, the Lecong Group has agreed to exclusively supply to our Group the fresh meat and other agricultural products the Lecong Group sourced from the farmers or other suppliers. The consideration of the transactions will be based on: (a) historical transaction prices and amount; (b) prevailing comparable wholesale prices; and (c) discounts offered on bulk-purchase. Specific terms of the transactions will be determined on a case-by-case basis and separate agreements will be entered into by the parties.

Before completion of the Reorganisation, we purchased fresh meat and other agricultural products from other companies under the Lecong Group. Substantially, all of such products sourced by these companies under the Lecong Group were sold to us. In addition, all the products we purchased from the Lecong Group are products under the own brands of the Lecong Group, such as "紅棉家園牌" for pork and "宴米" for rice, which are locally recognised and with a market demand. To continue such mode of operation and consistent with our past practice and maintain a stable of supply of such products, pursuant to the Goods Purchase Agreement, the Lecong Group has agreed to supply such products to us on an exclusive basis. Despite such exclusivity rights granted by the Lecong Group to us, we are not obliged to purchase only from the Lecong Group. The Goods Purchase Agreement does not explicitly provide for a first right of refusal, however, by supplying the products to us on an exclusive basis, our Group effectively has such right where the Lecong Group can sell the products to other parties after our Group decides not to purchase the same from the Lecong Group.

We run through the same internal procedures for purchases from the Lecong Group and as those for other independent suppliers including (i) following the same set of internal quality assessment criteria for selection of our suppliers taking into consideration of their reputation, quality and price of goods and products supplied; (ii) regularly obtain quotation from other independent suppliers and compares the prices among all suppliers including the Lecong Group to ensure our purchase prices and profit margin are reasonable and comparable to the market after considering factors including quality of goods and popularity among our customers. Our Directors confirm that no preferential treatment has been offered to the Lecong Group for being one of its suppliers.

For the years ended 31 December 2012, 2013, 2014 and the four months ended 30 April 2015, the transactions with the Lecong Group in respect of the our purchases of products from the Lecong Group amounted to approximately RMB21.1 million, RMB44.0 million, RMB61.2 million and RMB25.1 million, respectively, representing approximately 3.8%, 6.1%, 7.0% and 9.0% of our total cost of inventories sold for the corresponding period. The increase of our purchases from the Lecong Group from 2012 to 2013 was mainly due to our purchase of fresh meat in the amount of approximately RMB22.5 million in the year ended 31 December 2013. The amount of our purchase from the Lecong Group in respect of fresh meat continued to increase in the year ended 31 December 2014.

The following are our estimated annual caps of purchase amount of products from the Lecong Group for the three years ending 31 December 2017:

Year ending 31 December		
2015	**2016**	**2017**
(RMB'000)	*(RMB'000)*	*(RMB'000)*
66,000	72,000	80,000

We made the above estimates of annual caps for the purchase amount of products from the Lecong Group based on factors including (i) historical transaction amount; (ii) expected demand for our goods by our customers; (iii) our expansion plan; and (iv) the expected increase in the wholesale prices.

The applicable percentage ratio (other than the profits ratio) of the estimated annual caps for the transactions contemplated under the Goods Purchase Agreement is more than 5% and the Goods Purchase Agreement and the transactions contemplated thereunder will be subject to reporting, annual review, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Sales of goods

Our Group has been selling daily consuming products, food products and stationery, etc. to the Lecong Group. Sales to the Lecong Group are generally made as bulk purchase for internal consumption by the Lecong Group as one of our bulk purchase corporate customers and such transaction will continue after the Listing. In this regard, our Company (for itself and on behalf of its subsidiaries) and Lecong Supply and Marketing Group (for itself and on behalf of its subsidiaries) entered into a master goods sales agreement on 5 August 2015 (the "**Goods Sales Agreement**").

The Goods Sales Agreement is for a term commencing on the Listing Date and expiring on 31 December 2017. Pursuant to the Goods Sales Agreement, our Group has agreed that we will supply to the Lecong Group goods on terms that are equivalent to those we offer to Independent Third Parties. The consideration of the transactions will be based on: (a) historical transaction prices and amount; (b) prevailing market price; and (c) the discount rate we offer to our other bulk purchase customers. Specific terms of the transactions will be determined on a case-by-case basis and separate agreements will be entered into by the parties.

For the years ended 31 December 2012, 2013, 2014 and the four month ended 30 April 2015, the transactions with the Lecong Group in respect of the sales of our goods amounted to approximately RMB13.3 million, RMB6.1 million, RMB12.0 million and RMB3.2 million, respectively, representing approximately 2.0%, 0.7%, 1.1% and 1.0% of our total revenue for the corresponding period. The decrease in the amount of sales of goods to the Lecong Group from 2012 to 2013 was mainly due to the termination of operation of one of the companies within the Lecong Group which purchased approximately RMB1.8 million of goods from us in 2012 and the cessation of purchase from two other companies within the Lecong Group which purchased approximately RMB5.4 million of goods from us in 2012 due to economic consideration. The amount of sales of goods to the Lecong Group increased from 2013 to 2014 as one company within the Lecong Group purchased sugar from us in the amount of approximately RMB4.1 million in 2014.

The following are our estimated annual caps of sales amount of goods to the Lecong Group for the three years ending 31 December 2017:

Year ending 31 December		
2015	**2016**	**2017**
(RMB'000)	*(RMB'000)*	*(RMB'000)*
8,800	10,000	11,000

We made the above estimates of annual caps for the sales amount of goods to the Lecong Group based on factors including (i) historical transaction amount; (ii) expected demand for our goods; and (iii) the expected increase in the market prices of our goods.

The applicable percentage ratio (other than the profits ratio) of the estimated annual caps for the transactions contemplated under the Goods Sales Agreement is less than 5% and the Goods Sales Agreement and the transactions contemplated thereunder will be subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Leasing of properties from the Lecong Group

During the Track Record Period, we leased certain properties from the Lecong Group for use as headquarters, outlets and logistics centre. For the years ended 31 December 2012, 2013, 2014 and the four months ended 30 April 2015, the amount of rents paid to the Lecong Group was approximately RMB1.7 million, RMB5.9 million, RMB9.4 million and RMB3.6 million, respectively. To avoid disturbances of our operations, we will continue to lease the properties after the Listing.

Our Company (for itself and on behalf of its subsidiaries) have entered into a master lease agreement (the "**Master Leasing Agreement**") with Lecong Supply and Marketing (for itself and on behalf of its subsidiaries) on 5 August 2015 with respect to the leasing of 22 properties for use as headquarters, outlets and logistics centre. The following are our estimated annual rental to be paid by us in respect of these properties for the three years ending 31 December 2017:

Year ending 31 December		
2015	**2016**	**2017**
(RMB'000)	*(RMB'000)*	*(RMB'000)*
12,900	15,000	15,500

The Master Leasing Agreement is for a term commencing on the Listing Date and expiring on 31 December 2017. The estimated rents under the Master Leasing Agreement are determined at arm's length and reflect the market rates. AVISTA Valuation Advisory Limited, an independent valuer, has confirmed that the rents payable by our Group for the properties leased from the Lecong Group under the Master Leasing Agreement are fair and reasonable. The parties will separately enter into a tenancy agreement in respect of each property.

The applicable percentage ratio (other than the profits ratio) of the estimated annual caps for the transactions contemplated under the Master Leasing Agreement is less than 5% and the Master Leasing Agreement and the transactions contemplated thereunder will be subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

APPLICATIONS FOR WAIVERS

Pursuant to the Listing Rules, the transactions under the Goods Sales Agreement and the Master Leasing Agreement require reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, and the transactions under the Goods Purchase Agreement require reporting, annual review, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

We have applied for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules to exempt:

(a) each of the Goods Sales Agreement and the Master Leasing Agreement and the transactions contemplated thereunder from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules; and

(b) the Goods Purchase Agreement and the transactions contemplated thereunder from strict compliance with the announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules,

subject to (i) our Directors' undertaking that we will comply with the applicable requirements under Chapter 14A of the Listing Rules for the three years ending 31 December 2017; and (ii) the aggregate value of each of the above continuing connected transactions described above for each financing year not exceeding the relevant cap set forth above.

Confirmation from Directors

Our Directors (including our independent non-executive Directors) confirm that the Goods Sales Agreement, the Goods Purchase Agreement and the Master Leasing Agreement have been entered into in or incidental to the ordinary course of our business and is based on normal commercial terms that are fair and reasonable and in the interest of our Company and Shareholders as a whole, and that the proposed annual caps are fair and reasonable and in the interest of our Company and Shareholders as a whole.

Confirmation for the Sole Sponsor

The Sole Sponsor is of the view that the above non-exempted continuing connected transactions, for which waivers have been sought, have been entered into in the ordinary and usual course of business and is based on normal commercial terms that are fair and reasonable and in the interest of our Company and Shareholders as a whole, and that the proposed annual caps are fair and reasonable and in the interest of our Company and Shareholders as a whole.

CORPORATE GOVERNANCE MEASURES ON CONNECTED TRANSACTIONS

To monitor the continuing connected transaction with Lecong Group, our Company has adopted the following corporate governance measures:-

(a) consistently adopted the same set of policy and procedures for purchase, sales and leasing throughout our Company and for all suppliers, customers and landlords. All of our staff are reminded to consistently and strictly apply the internal policy and procedures to all counter parties and transactions. In particular to purchases, our Company adopted the same set of procurement policies and procedures ("**Procurement Policy**") for all its suppliers including Lecong Group and other independent suppliers. All suppliers are subjected to the same internal quality assessment criteria including their reputation, quality and price of goods and products supplied. Where a supplier qualification is internally approved, all suppliers, including Lecong Group have to enter the agreement under the same standard template;

(b) maintained its lists of suppliers, customers and landlords with sufficient numbers and parties variation including the Lecong Group and other independent third parties so as to secure stable supply, obtain competitive prices for transactions, diversify risks of concentration and maintain its bargaining power. In particular for purchases, for products under the same category including those sourced from the Lecong Group, our Company has several suppliers on list and only considers purchases from the relevant suppliers after taking several factors like pricing, product quality and popularity etc. into account;

(c) frequently reference to the market prices for its products sourced and sold and leases to ensure the pricing that our Company paid or sold is reasonable. As part of the Procurement Policy, our Company regularly obtains quotation from other independent suppliers and compares the purchase prices of all suppliers including the Lecong Group and other independent suppliers to ensure the reasonableness of the purchase prices;

(d) regularly monitored the gross profit margin of its products sold including those sourced from the Lecong Group is maintained within reasonable level and comparable to other products;

(e) after the Listing, produce and circulate a half-yearly report which contains analysis the continued connected transactions between our Company and the Lecong Group including the sales and purchases with the Lecong Group, rental fee paid and comparison with other independent suppliers for the review by the independent non-executive directors; and

(f) after the Listing, details of connected transactions will be disclosed in the annual reports of our Company according to the requirement of Rule 14.71 of the Listing Rules and the annual report will be reviewed and approved by our board of Directors.

DIRECTORS

Name	Age	Position	Date of appointment as our Director	Date of joining our Group	Principal responsibilities
Mr. Lao Songsheng (劳松盛)	67	Chairman and executive Director	13 September 2013	July 2003	Formulation of the overall planning and strategic plan and business development direction of our Group, formulation and execution of operational plan and overseeing the corporate management structure of our Group
Ms. Wang Yanfen (王艷芬)	39	Chief executive officer and executive Director	31 October 2013	July 2003	Drawing up the overall business operation plan of our Group, issuance of annual management plan, management and arrangement of corporate resources and development of new projects of our Group
Mr. Wu Zhaohui (吳兆輝)	39	Executive Director	22 April 2015	July 2003	Operation and management of new retailing technologies strategies and business and promotion of the strategies to our entire supermarket chains operation system

Name	Age	Position	Date of appointment as our Director	Date of joining our Group	Principal responsibilities
Mr. Chen Yijian (陳義建)	46	Non-executive Director	31 October 2013	N/A	Providing advice on strategic development of our Group
Ms. Lao Weiping (勞偉萍)	40	Non-executive Director	31 October 2013	N/A	Providing advice on strategic development of our Group
Mr. Sun Hong (孫洪) (formerly Sun Xiong (孫雄))	66	Independent non-executive Director	19 August 2015	N/A	Supervising our Group's compliance and corporate governance matters, providing independent view and advice to our Board
Mr. Shin Yick Fabian (冼易)	46	Independent non-executive Director	19 August 2015	N/A	Supervising our Group's compliance and corporate governance matters, providing independent view and advice to our Board
Mr. Guan Shiping (關仕平)	60	Independent non-executive Director	19 August 2015	N/A	Supervising our Group's compliance and corporate governance matters, providing independent view and advice to our Board

Executive Directors

Mr. Lao Songsheng (勞松盛), aged 67, is our chairman and executive Director. He is responsible for formulation of the overall planning and strategic plan and business development direction of our Group, formulation and execution of operational plan and overseeing the corporate management structure of our Group. He joined our Group as the chairman of Shun Ke Long in July 2003, responsible for the strategic planning and development of our Group. He is the father of Ms. Lao Weiping and father-in-law of Mr. Chen Yijian, both our non-executive Directors.

Mr. Lao was conferred by Foshan Science and Technology Department (佛山市科學技術幹部局) as an economist in 1989. Between June 1987 and February 2010, he was the supervisor of Foshan Shunde Lecong Supply and Marketing Society (佛山市順德區樂從供銷社). Between September 1997 and August 2013, he was the executive director of Lecong Supply and Marketing Group. Since June 2013, he has been the chairman of Golden Prime Investment. He was named as Outstanding Manager (優秀經理) in 2003 and was awarded Labour Medal of Guangdong Province (廣東省五一勞動獎章) in 2005 by Federation of Trade Unions of Guangdong Province (廣東省總工會). He was appointed as the 11th, 12th and 13th vice-president of the executive committee of Foshan Shunde Federation of Commerce (佛山市順德區工商業聯合會) and Foshan Shunde Chamber of Commerce (佛山市順德區總商會) since 2006 and the president of Lecong Chamber of Commerce (樂從商會) since April 2007. He was the 11th to 15th deputy to the People's Congress of Shunde, and the 11th to 14th deputy to the People's Congress of Lecong, Shunde. Mr. Lao has 44 years of experience in management of companies in various industries.

Ms. Wang Yanfen (王艷芬), aged 39, is our chief executive officer and executive Director. She is responsible for drawing up of the overall business operation plan of our Group, issuance of annual management plan, management and arrangement of corporate resources and development of new projects of our Group. She joined our Group in July 2003 as a deputy manager. Ms. Wang was promoted as the deputy general manager of our Group in July 2006. Since April 2007, she has been the general manager of our Group.

Ms. Wang graduated from Jinan University (暨南大學) in the PRC majoring in business administration in 2004. She joined Lecong Supply and Marketing Group in August 1996 as a management staff, being responsible for mall operational management and wholesale management. Ms. Wang has approximately 19 years of working experience in supermarket management. She was appointed as the deputy to the People's Congress of the Foshan Municipal in November 2011.

Mr. Wu Zhaohui (吳兆輝), aged 39, is our executive Director. He is responsible for the operation and management of new retailing technologies strategies and business and promotion of the strategies to our entire supermarket chains operation system. He joined our Group in July 2003 as a manager. He was promoted as the deputy general manager of our Group in July 2011.

Mr. Wu graduated from Wuyi University (五邑大學) with a bachelor degree in economics in 1998. He joined Lecong Supply and Marketing Group in June 1998 as a technician of the information and technology division, being responsible for the operation and promotion of information network. He was promoted as the head of the information and technology division of Lecong Supply and Marketing Group in January 1999. Mr. Wu has approximately 17 years of experience in management.

Non-executive Directors

Mr. Chen Yijian (陳義建), aged 46, is our non-executive Director. He is the husband of Ms. Lao Weiping, our non-executive Director and son-in-law of Mr. Lao, our executive Director.

Mr. Chen graduated from South China Normal University (華南師範大學) with a bachelor degree in science in 1991. He was conferred by Shunde Science and Technology Department (順德市科技局) as an assistant statistician in 1995. Between June 1997 and June 2003, Mr. Chen acted as the deputy manager, manager, deputy general manager and general manager of Lecong Supply and Marketing Group. From July 2003 to April 2007, he was the general manager of Shun Ke Long. He was appointed as the chief executive officer of Lecong Supply and Marketing Group in April 2007. Since August 2013, he has been the executive director of Lecong Supply and Marketing Group. Mr. Chen has not less than 18 years of working experience in business management. He was appointed as the director of China Federation of Supply and Marketing Cooperatives (中華全國供銷合作總社理事) in March 2010, the member of Economic Decision-making Advisory Committee of the Economy and Technology Promotion Bureau (經濟和科技促進局經濟決策諮詢委員會) in Shunde in November 2013, the second consultant of Shunde Research Centre on Local Tax Expansion (順德區地方稅收拓展研究室) in May 2014, the visiting professor of Guangdong Province Finance School of Vocational Education and Training (廣東省財經職業技術學校) in December 2014, the director of Guangdong Council for the Development Promotion of Small and Medium Enterprises (廣東省中小企業發展促進會理事) in 2015 and the 14th and 15th deputy to the People's Congress of Lecong.

Ms. Lao Weiping (勞偉萍), aged 40, is our non-executive Director. She is the daughter of Mr. Lao, our executive Director, and the wife of Mr. Chen Yijian, our non-executive Director.

Ms. Lao studied professional accountancy in Foshan Finance School (佛山市財政學校) from 1990 to 1993, and graduated from Guangzhou Institute of Education (廣州教育學院) majoring in industrial and corporate administration in 1996. Ms. Lao has 20 years of working experience in business and financial management. As the general manager of the Commercial Assets and Hotel Business Division in Lecong Supply and Marketing Group, she has gained rich exposure to the areas in business, hotel, restaurant and catering services and in financial internal control and corporate governance. She was the vice-president of Foshan Shunde Lecong Association of Women Entrepreneurs (佛山市順德區樂從鎮女企業家協會) between June 2012 and May 2015.

Independent non-executive Directors

Mr. Sun Hong (孫洪) (formerly Sun Xiong (孫雄)), aged 66, was appointed as our independent non-executive Director on 19 August 2015. He has been the chairman of Guangdong Chain Operations Association (廣東省連鎖經營協會會長) from 2012 to 2015, and was appointed as council member of the China Chain Store and Franchise Association (中國連鎖經營協會常務理事) in December 1998 and the vice president of Guangdong Association of Commerce and Economic (廣東省商業經濟學會) in 2008. He was appointed as the committee member of the Advisory Committee in Economic Decision-making and Promotion Bureau of Shunde District (順德區(經濟促進局)經濟決策諮詢委員會) from October 2011 to December 2016. Mr. Sun was the expert consultant of the Foshan government in May 2010. He was elected as a member of the expert committee of Guangdong Consumer Council (廣東省消費者委員會專家委員會委員) from March 2012 to March 2015. On 12 November 2013, he was appointed as and is currently an independent non-executive director of Yi Hua Development Store Holdings Limited, a company listed on the Stock Exchange (stock code: 02213). He was an independent director of a company listed on the Shenzhen Stock Exchange, Shenzhen Agricultural Products Co., Ltd (深圳市農產品股份有限公司) (Shenzhen stock code: 000061) from October 2006 to October 2009. He studied commerce and economics in Renmin University of China

(中國人民大學) in 1985 and obtained a graduation certificate in June 1988. In 2011, Mr. Sun was appointed as an Adjunct Professor in the College of Business in the City University of Hong Kong from January 2011 to December 2014. Mr. Sun was appointed as the MBA Adjunct Professor of the school of business administration in the South China University of Technology (華南理工大學) in 2002.

Mr. Shin Yick Fabian (冼易), aged 46, was appointed as our independent non-executive Director on 19 August 2015. Mr. Shin has been an independent non-executive director of Lisi Group (Holdings) Limited, a company listed on the Stock Exchange (stock code: 00526) and Newton Resources Ltd, a company listed on the Stock Exchange (stock code: 01231) since 1 January 2013 and 14 August 2015, respectively. Mr. Shin was an independent non-executive director of Little Sheep Group Limited (stock code: 00968), a company listed in Hong Kong till 2012 and C&O Pharmaceutical Technology (Holdings) Limited (Singapore stock code: E92.SI), a company listed in Singapore till 2011. Mr. Shin graduated from the University of Birmingham in England with a bachelor's degree in commerce in July 1990. After graduation, he worked in the audit department of Deloitte Touche Tohmatsu from August 1991 to February 1994. He had also worked in Victory City International Holdings Limited, a company listed on the Stock Exchange (stock code: 00539), as group financial controller and company secretary from July 1996 to June 1998. From February 2010 to July 2015, he was the Deputy Chief Executive Officer of CMB International Capital Corporation Limited. Since July 2015, he had been appointed as the chief executive officer of Zhaobangji International Capital Limited (兆邦基國際融資有限公司). Prior to joining Zhaobanji International Capital Limited, Mr. Shin worked in several investment banks in Hong Kong. Mr. Shin has over 22 years of experience in investment banking and financial management. He is a fellow member of Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants, Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

Mr. Guan Shiping (關仕平), aged 60, was appointed as our independent non-executive Director on 19 August 2015. Mr. Guan graduated from South China Normal University (華南師範大學) majoring in biology in 1982. Mr. Guan studied law in the China University of Political Science and Law (中國政法大學) in 1988 and obtained a diploma in Chinese from Sun Yat-sen University (中山大學) in November 1989. In 2001, he completed his study of criminal law in the postgraduate school of Sun Yat-sen University (中山大學研究生院). He was qualified to practise law in the PRC in January 1992. He was qualified as a second-grade lawyer in Guangdong Province in 2005.

He was the manager and lawyer of Foshan Municipal Law Firm (佛山市城區律師事務所) from November 1992 to May 1994. He has been the manager and lawyer of Guangdong Guanglixin Law Firm (廣東廣立信律師事務所) since May 1994. Mr. Guan was named as Outstanding Lawyer (優秀律師) by Foshan Justice Bureau (佛山市司法局) in 1998, by Foshan Municipal Justice Bureau (佛山市城區司法局) in 2000 and by Lawyers' Association of the Foshan Municipal (佛山市律師協會) in 2007. He was awarded Outstanding Contribution Award on Stabilising the Province's Legal Profession (全省律師行業維穩工作傑出貢獻獎) by Lawyers' Association of Guangdong Province (廣東省律師協會) in 2010. Mr. Guan has been the legal advisory group member of Standing Committee of the Foshan

Municipal Chancheng City (佛山市禪城區人大常委會) between 2003 and 2011 and of People's Government of the Foshan Municipal Chancheng City (佛山市禪城區人民政府) between 2007 and 2012. He has also been the consultant of Legal Aid Expert Advisory Group of the Foshan Municipal (佛山市法律援助專家顧問組) between 2007 and 2009.

Save as disclosed in this prospectus, each of our Directors confirmed that he/she (i) did not hold any directorships in the last three years prior to the Latest Practicable Date in public companies, the securities of which are listed on any securities market in Hong Kong or overseas; (ii) does not hold any other positions with us or other members of our Group; and (iii) does not have any relationship with other Directors, senior management or Controlling Shareholders, if any, of our Company or any interest in our Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group as senior management	Principal responsibilities
Ms. He Aiqiong (何愛瓊)	41	Deputy general manager	September 2005	Procuring goods and establishing logistics and procurement strategies of our Group
Mr. Lian Congfeng (練從鋒)	38	Deputy general manager	June 2013	Supermarket operational management of our Group
Mr. Huo Zhaoliang (霍照亮)	41	Deputy general manager	April 2009	Building wholesale and distribution customer relationships and proposing marketing strategies of our Group
Mr. Wu Weihua (吳衛華)	37	Deputy general manager	August 2012	Establishment and implementation of financial management system of our Group and proposal of financial improvements

Biographies of each member of our senior management team are set forth below:-

Ms. He Aiqiong (何愛瓊), aged 41, is our deputy general manager. She is responsible for procuring goods and establishing logistics and procurement strategies of our Group. She joined Lecong Supply and Marketing Group in February 1997 as a supervisor, being responsible for management of shopping malls and implementation of marketing strategies. Since September 2005, she has been the deputy general manager in charge of management of the procurement department in Shun Ke Long.

Mr. Lian Congfeng (練從鋒), aged 38, is our deputy general manager. He is responsible for supermarket operational management of our Group. He joined our Group in June 2013 as the deputy general manager of Shun Ke Long. Mr. Lian graduated from Shanghai College of Chemistry (上海市化學工業學校) in 1998. Between 2010 and 2013, he was the director of operations in the headquarter of Fujian Yuanan Supermarket Company Limited (福建源安超市有限公司). Prior to joining our Group, he worked in Huarun Wanjia Company Limited (華潤萬家有限公司) and was awarded with the honour of "senior manager" for his five years of working in the company in November 2006.

Mr. Huo Zhaoliang (霍照亮), aged 41, is our deputy general manager. He is responsible for building wholesale and distribution customer relationships and proposing marketing strategies of our Group. He joined Lecong Supply and Marketing Group in June 1997 as a salesperson, being responsible for the wholesale business. Between July 2003 and April 2009, Mr. Huo acted as the salesperson, purchasing officer and wholesale line manager of Shun Ke Long. Since April 2009, he has been the deputy general manager in charge of management of wholesale business in Shun Ke Long.

Mr. Wu Weihua (吳衛華), aged 37, is our deputy general manager. He is responsible for establishment and implementation of financial management system of our Group and proposal of financial improvements. He joined our Group in August 2012. Mr. Wu graduated from Zhongnan University of Economics and Law (中南財經政法大學) in 2001. Between March 2002 and August 2012, he worked in Renrenle Commercial Group Company Limited (人人樂連鎖商業集團股份有限公司) and held positions including manager and senior manager of the audit department. Since August 2012, he has been the deputy general manager in charge of finance in Shun Ke Long.

COMPANY SECRETARY

Mr. Fan Chi Yuen Charles (樊志遠), aged 41, is the company secretary and financial controller of our Group. Mr. Fan is responsible for the financial reporting functions as well as the company secretarial affairs of our Group. Mr. Fan obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in 1996. Mr. Fan joined our Group on 2 February 2015 as our company secretary and financial controller. Mr. Fan has over 18 years of accounting, audit and corporate finance experience. Mr. Fan has been a member of the Hong Kong Institute of Certified Public Accountants since 2000 and is a CFA charterholder. From September 1996 to January 2011, Mr. Fan was employed at KPMG with his last position being director. He was an assistant director of corporate finance in Reorient Global Limited from December 2011 to July 2014. He worked as vice president of corporate finance from August 2014 to December 2014 in Ares Asia Limited (stock code: 00645), a company listed on the Stock Exchange.

BOARD COMMITTEES

Audit Committee

An audit committee was established by our Company on 19 August 2015 with written terms of reference in compliance with Rule 3.21 of the Listing Rules. The primary duties of our audit committee are to review and approve our Group's financial reporting process and internal control system. Our audit committee comprises three members, namely, Mr. Shin Yick Fabian, Mr. Guan Shiping, both being our independent non-executive Directors, and Ms. Lao Weiping, our non-executive Director. Mr. Shin Yick Fabian is the chairman of our audit committee.

Remuneration Committee

A remuneration committee was established by our Company on 19 August 2015 with written terms of reference in compliance with Rule 3.25 of the Listing Rules. The primary duties of our remuneration committee include reviewing and determining the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of our Group. Our remuneration committee is chaired by Mr. Sun Hong, our independent non-executive Director, and other members are Mr. Guan Shiping, our independent non-executive Director, and Mr. Chen Yijian, our non-executive Director.

Nomination Committee

A nomination committee was established by our Company on 19 August 2015 with written terms of reference in compliance with paragraph A.5.1 of Appendix 14 of the Listing Rules. The primary duties of our nomination committee are to make recommendations to our Board on the appointment of Directors and the senior management of our Group. The members of our nomination committee are Mr. Guan Shiping, Mr. Sun Hong, both being our independent non-executive Directors, and Mr. Lao, our chairman and an executive Director. Mr. Lao is the chairman of our nomination committee.

SUPERVISORS

Our Directors recognise the importance of good corporate governance and internal control measures. As such, our Company has established a board of supervisors. At present, our board of supervisors comprises of three supervisors, namely, Mr. Liao Yangen (廖楊恩), Mr. Liang Zhiming (梁志明) and Ms. Zhang Bei (張蓓). Each of Mr. Liao Yangen, Mr. Liang Zhiming and Ms. Zhang Bei is the shareholder of Golden Prime holding approximately 4.768%, 3.261% and 0.879% interests, respectively. The main duties of our supervisors are to monitor the implementation of and adherence with the major policies adopted by our Group and resolutions passed by the directors and shareholders of any member of our Group. Our supervisors are entitled to attend all shareholders' and directors' meetings. The supervisors may from time to time provide advice and recommendations to our Board on matters relating to corporate governance and policy implementation.

DIRECTORS' REMUNERATION

The aggregate amount of fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of our Directors) and discretionary bonuses paid by us to our Directors for the years ended 31 December 2012, 2013, 2014 and the four months ended 30 April 2015 were approximately RMB295,000, RMB286,000, RMB274,000 and RMB118,000, respectively.

The aggregate amount of fees, salaries, housing allowances, other allowances, benefits in kind (including contribution to the pension scheme on behalf of our Directors) and discretionary bonuses paid to the five highest paid individuals of our Group for the years 31 December 2012, 2013, 2014 and the four months ended 30 April 2015 were approximately RMB681,000, RMB677,000, RMB664,000 and RMB315,000, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. In addition, none of our Directors has waived any emoluments.

Save as disclosed above, no other payments have been paid, or are payable, by our Group to our Directors during the Track Record Period.

Under the arrangements currently in force, the aggregate remuneration of our Directors (including our independent non-executive Directors) payable in respect of the year ending 31 December 2015 is estimated to be approximately RMB1 million.

COMPLIANCE ADVISER

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

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) if we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or if the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and

(iv) if the Stock Exchange makes an inquiry of our Group under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year ending 31 December 2016.

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme):

		HK$
Authorised Share capital:		
2,000,000,000	Shares of HK$0.01 each	20,000,000

		HK$
Issued and to be issued, fully paid or credited as fully paid:		
11,429	Shares in issue as at the date of this prospectus	114.29
214,845,571	Shares to be issued pursuant to the Capitalisation Issue	2,148,455.71
71,620,000	Shares to be issued pursuant to the Global Offering	716,200
286,477,000		2,864,770

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering and Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandate granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will qualify for all dividends or other distributions declared, paid or made on the Shares after the date of this prospectus save for entitlements to the Capitalisation Issue.

CAPITALISATION ISSUE

Conditional on the share premium account of our Company being credited as a result of the Global Offering, the Directors are authorised to capitalise the amount of HK$2,148,455.71 from such account and to apply such sum in paying up in full at par a total of 214,845,571 Shares for allotment and issue to its then Shareholders.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

(a) 20% of the total nominal amount of the share capital of our Company in issue immediately following the completion of Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and

(b) the total nominal amount of share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option granted or which may be granted under the Share Option Scheme.

This mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- at the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Further information on this general mandate is set out in the paragraph headed "Resolutions in writing of all our Shareholders passed on 19 August 2015" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Repurchases of Shares by our Company" in Appendix V to this prospectus.

This mandate will expire:

- at the conclusion of our Company's next annual general meeting; or
- at the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

whichever is earliest.

Further information on this general mandate is set out in the paragraph headed "Resolutions in writing of all our Shareholders passed on 19 August 2015" in Appendix V to this prospectus.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholder dated 19 August 2015, we conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in the paragraph headed "Share Option Scheme" respectively in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, see the paragraph headed "Summary of the constitution of our Company and Cayman Islands Companies Law — 2. Articles of Association — (c) Alteration of capital" in Appendix IV to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, see the paragraph headed "Summary of the constitution of the Company and Cayman Islands Companies Law — 2. Articles of Association — (d) Variation of rights of existing shares or classes of shares" in Appendix IV to this prospectus.

THE CORNERSTONE PLACING

On 24 August 2015, we have entered into cornerstone investment agreements with three cornerstone investors (the "**Cornerstone Investors**" and each a "**Cornerstone Investor**") pursuant to which the Cornerstone Investors have agreed to subscribe, or cause their respective designated entities to subscribe, at the Offer Price, for such number of Offer Shares in aggregate (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased with U.S. dollars or Hong Kong dollars with an amount equivalent to approximately HK$77.4 million (the "**Cornerstone Placing**").

The table below sets out the total number of Offer Shares that the Cornerstone Investors would subscribe in aggregate and the respective approximate percentages of (i) the International Placing Shares; (ii) the Offer Shares; (iii) the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and (iv) the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is exercised in full):

	Total number of Offer Shares to be subscribed for by the Cornerstone Investors (rounded down to the nearest whole board lot of 1,000 Shares)	**Approximate percentages of the International Placing Shares**	**Approximate percentages of the Offer Shares**	**Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised)**	**Approximate percentages of the Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is exercised in full)**
Assuming an Offer Price of HK$2.4 (being the low end of the Offer Price range stated in this prospectus)	32,250,000	50.0%	45.0%	11.3%	10.9%
Assuming an Offer Price of HK$2.8 (being the mid-point of the Offer Price range stated in this prospectus)	27,642,000	42.9%	38.6%	9.6%	9.3%
Assuming an Offer Price of HK$3.2 (being the high end of the Offer Price range stated in this prospectus)	24,186,000	37.5%	33.8%	8.4%	8.1%

To the best knowledge of our Company, each of the Cornerstone Investors and the ultimate beneficial owners of the Cornerstone Investors which is a corporate is a party which is independent of and not connected with any Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective associates, and none of them will be a substantial shareholder of our Company upon Listing and during the six-month lock-up period as described below. Each of the Cornerstone Investors and the ultimate beneficial owners of the corporate Cornerstone Investors is independent of each other. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or around 9 September 2015.

The Cornerstone Placing forms part of the Global Offering. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering other than pursuant to the respective cornerstone investment agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will rank pari passu in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company. Immediately following the completion of the Global offering, no Cornerstone Investor will have any board representation in our Company, nor will any Cornerstone Investor become our Substantial Shareholder. The Sole Global Coordinator and our Company have the right to adjust the number of Offer Shares to be purchased by the Cornerstone Investors if necessary in order to satisfy the Listing Rules requirement that not more than 50% of the Shares in public hands at the time of Listing can be beneficially owned by the three largest public Shareholders. Similarly, the Sole Global Coordinator and our Company have the right to reduce the number of Offer Shares to be purchased by the Cornerstone Investors on a pro rata basis if required as a result of any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer as described in the section headed "Structure of the Global Offering — Hong Kong Public Offer" to this prospectus.

THE CORNERSTONE INVESTORS

We set out below a brief description of each of the Cornerstone Investors, which has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

Jiuding Saturn Limited

Jiuding Saturn Limited ("**Jiuding Saturn**") is a company incorporated in Hong Kong with limited liability. Jiuding Saturn is wholly-owned by JD International Fund I, L.P., a limited partnership registered in the Cayman Islands with investment portfolio spanning across private equity investment, real estate, and fund of funds.

Jiuding Saturn has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be purchased with an aggregate amount of US$5.0 million (equivalent to HK$39.0 million) (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.4, HK$2.8 or HK$3.2 (being the minimum, mid-point or maximum of the indicative Offer Price range stated in this prospectus), Jiuding Saturn will subscribe for approximately 16,250,000, 13,928,000 or 12,187,000 Offer Shares respectively, representing approximately (i) 5.7%, 4.9% or

4.3%, respectively, of the Shares in issue upon the completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 5.5%, 4.7% or 4.1%, respectively, of the Shares in issue upon the completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Jiashili Limited

Jiashili Limited is a company incorporated under the laws of the British Virgin Islands with limited liability. It is a direct wholly-owned subsidiary of Jiashili Group Limited, the ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 01285) (together with its subsidiaries, the "**Jiashili Group**"). Jiashili Group is an established biscuit manufacturer in the biscuit market in the PRC with nationwide distribution and sales network in the PRC.

Jiashili Limited has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be purchased with an aggregate amount of US$3.0 million (equivalent to HK$23.4 million) (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.4, HK$2.8 or HK$3.2 (being the minimum, mid-point or maximum of the indicative Offer Price range stated in this prospectus), Jiashili Group will subscribe for approximately 9,750,000, 8,357,000 or 7,312,000 Offer Shares respectively, representing approximately (i) 3.4%, 2.9% or 2.6%, respectively, of the Shares in issue upon the completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 3.3%, 2.8% or 2.5%, respectively, of the Shares in issue upon the completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Mr. Wang Guangsha

Mr. Wang Guangsha ("**Mr. Wang**") is an individual Cornerstone Investor , who is a businessman. Mr. Wang is the chairman and the controlling shareholder of Foshan Yingsheng Food Limited Company (佛山市盈盛食品有限公司), one of our suppliers of drinks and beverages.

Mr. Wang has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be purchased with an aggregate amount of HK$15.0 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK$2.4, HK$2.8 or HK$3.2 (being the minimum, mid-point or maximum of the indicative Offer Price range stated in this prospectus), Mr. Wang will subscribe for approximately 6,250,000, 5,357,000 or 4,687,000 Offer Shares respectively, representing approximately (i) 2.2%, 1.9% or 1.6%, respectively, of the Shares in issue upon the completion of the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 2.1%, 1.8% or 1.6%, respectively, of the Shares in issue upon the completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is conditional upon, among others:-

(a) the Hong Kong Underwriting Agreement and the International Placing Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the parties thereto) and not having been terminated;

(b) neither of the Hong Kong Underwriting Agreement and the International Placing Agreement having been terminated; and

(c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares and that such approval or permission has not been revoked.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Company and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any Shares subscribed for pursuant to the respective cornerstone investor agreement (or any interest in any company or entity holding any of the Shares if as a result of that disposal, such company or entity would cease to be a subsidiary unless such company or entity first transfers such Shares back to the relevant Cornerstone Investor or another subsidiary). Each Cornerstone Investor may transfer the Shares so subscribed for in certain limited circumstances, such as transferring to a wholly-owned subsidiary, provided that such a transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on such Cornerstone Investor. Each of the Cornerstone Investors has also agreed that in the event of any disposal of any of its Offer Shares at any time after the six-month lock-up period, it shall take all reasonable steps to ensure that any such disposal is in compliance with, among others, the Listing Rules, the Companies Ordinance and the SFO.

So far as our Directors are aware, the following persons will, immediately following the completion of the Global Offering and the Capitalisation Issue taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, have interests or short position in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	**Capacity**	**Number of Shares**	**Approximate percentage of issued Shares**
Golden Prime *(note 1)*	Beneficial owner	106,806,460 (long position)	37.3%
Xing Nong *(note 2)*	Beneficial owner	55,208,173 (long position)	19.2%
Jian Nong *(note 3)*	Beneficial owner	25,985,367 (long position)	9.1%
Mr. Lao	Interest of a controlled corporation	119,698,460 (long position) *(note 4)*	41.8%

Notes:

1. Golden Prime is a company incorporated in the BVI. As at the Latest Practicable Date, Golden Prime had 45 individual shareholders, of whom Mr. Lao was interested in approximately 34.6% of its issued shares, Ms. Wang Yanfen was interested in approximately 3.310%, Mr. Wu Zhaohui was interested in approximately 0.649%, Mr. Chen Yijian was interested in approximately 5.806% and Ms. Lao Weiping was interested in approximately 4.436% and each of the other shareholders was interested in less than 5.0% of its issued shares. Accordingly, Mr. Lao is deemed to be interested in the Shares held by Gold Prime under the SFO.

2. Xing Nong is a company incorporated in the BVI. As at the Latest Practicable Date, Xing Nong had 397 individual shareholders, of whom Mr. Lao was interested in approximately 7.44% of its issued shares and each of the other shareholders was interested in less than 2.0% of its issued shares.

3. Jian Nong is a company incorporated in the BVI. As at the Latest Practicable Date, Jian Nong had 317 individual shareholders, of whom Mr. Lao was interested in approximately 17.173% of its issued share and each of the other shareholders was interested in less than 2.0% of its issued shares.

4. Out of these 119,698,460 Shares, 12,892,000 Shares are beneficially owned by Shun Ao and 106,806,460 Shares are beneficially owned by Golden Prime. Shun Ao is a company incorporated in the BVI and its entire issued share capital is owned by Ever Prosperous. Ever Prosperous is a company incorporated in the BVI and its entire issued share capital is owned by Mr. Lao. Accordingly, Mr. Lao is deemed to be interested in the Shares held by Golden Prime and Shun Ao.

If the Over-allotment Option is exercised in full, the shareholding of Golden Prime, Xing Nong, Jian Nong and Mr. Lao in our Company will be approximately 35.9%, 18.6%, 8.7% and 40.2%, respectively.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and the Capitalisation Issue (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short position in any Shares or underlying Shares, which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our combined financial information, including the notes thereto, as set forth in the Accountant's Report included as Appendix I to this prospectus. Our combined financial information have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

This following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are an established supermarket chain store operator with geographical focus in Guangdong province of the PRC with a particular strong network in Foshan which is one of the wealthiest cities in the region. Our operations span across retail and wholesale distribution channels. We were ranked by CCFA as one of the Top 100 Fast-moving Consumer Goods Chain Store Enterprises in the PRC*(Note)* in 2013. As at 30 April 2015, we operated 84 Retail Outlets, comprising 68 supermarkets and 16 hypermarkets located in Foshan, Zhaoqing, Zhuhai and Guangzhou in Guangdong province and Macau. We have been and will also be focusing on the supermarket business leveraging our expertise and experiences on supermarket operation. According to Euromonitor Report, our supermarket retailing business ranked fifth in terms of retail value sales with a market share of 0.2%, and third in terms of outlet number with a market share of 0.5% in supermarket retailing category in Guangdong province in 2014.

We operate our retail business under the well-recognised "Shunkelong (順客隆)" brand, offering a broad range of consumer products including our private label brands mainly for sale in our Retail Outlets. We have been expanding our retail network by opening new Retail Outlets in Guangdong province and Macau and launched our Online Supermarket. We also generate rental income through leasing certain areas of our Retail Outlets to our tenants.

Our wholesale distribution business distributes non-staple food products of certain consumer brands to sub-distributors and retail store operators, and also supplies fast consumable products to our franchisees. As at 30 April 2015, we have obtained sole and exclusive distributorship rights for 14 consumer brands for distribution in designated regions. We have established a franchise scheme open for application from interested parties to operate their franchise retail stores under our "Ledi (樂的)" brand. As at 30 April 2015, we had 31 franchise outlets.

Note: "Top 100 Fast-moving Consumer Goods Chain Store Enterprise in the PRC" is a recognition granted by CCFA based on the turnovers (including tax) from the retail outlets, which include the directly-operated outlets, franchise outlets, chain outlets operated and managed under the corporate brand, as well as turnovers from the wholesale business of relevant enterprise. The turnover does not include, amongst others, turnovers generated from intra-group transactions.

We have established a strong and solid local presence in the third and fourth-tier cities catering for the continued expansion of our business in the suburban and rural areas in Guangdong province. Our current strategy is to continue expanding our footprints in Guangdong province, from Foshan to other third and fourth-tier cities in the Pearl River Delta in view of their high economic growth potential.

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our revenue was RMB674.3 million, RMB869.1 million, RMB1,053.4 million and RMB345.6 million, respectively while our net profit for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015 was RMB16.1 million, RMB27.1 million, RMB31.0 million and RMB13.5 million, respectively. Our total revenue and net profit grew at a CAGR of 25.0% and 38.8% from 2012 to 2014, respectively.

BASIS OF PRESENTATION

Our combined statements of financial position, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group, the text of which is set out in Appendix I to this prospectus, include the results and cash flows of all companies now comprising our Group for the Track Record Period, as if the current structure had been in existence throughout the Track Record Period, or since their respective dates of acquisition or incorporation, where this is a shorter period, but excludes certain excluded business which is not part of the Group pursuant to the Reorganisation and have historically been managed separately from the listing business.

Our Company is an investment holding company. Our Company and its subsidiaries are principally engaged in the operation and management of retail stores and wholesale of goods in the PRC and Macau. Lecong Supply and Marketing Group is the immediate holding company of our Group prior to the completion of the Reorganisation. The Reorganisation involved the insertion of new holding companies on top of the existing group. None of the new holding companies carried out any business as at the date of the Reorganisation. The insertion of the holding companies on top of the existing group during the Relevant Periods has not resulted in any substantive change in the ultimate ownership, management or economic substance of our listing business. Accordingly, the financial information is a continuation of the existing group. Details of the reorganisation is set out in the section headed "History, development and Reorganisation" to this prospectus.

Our financial information has been prepared in accordance with the IFRSs issued by the International Accounting Standards Board. The IASB has issued a number of new or revised IFRSs which were relevant to our Group and became effective during the Track Record Periods. In preparing the combined financial information, our Group has adopted all these new or revised IFRSs consistently throughout the Track Record Period. Our financial information has been prepared under the historical cost convention. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the combined financial statements.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our business, financial position and results of operations have been, or may be expected to be in the future, significantly affected by a number of factors, many of which may be beyond our control. A discussion of certain of the key factors is set out below.

We derive significant amount of revenue from Guangdong province

We are an established supermarket chain store operator with geographical focus in Foshan and the rest of Guangdong province. As at 30 April 2015, our retail network consist of 84 Retail Outlets, of which 81 stores are located in Guangdong province and the rest in Macau. During the Track Record Period, a significant amount of revenue was generated from Guangdong province. Our profitability thus is dependent on the sustainability of the economic vigorousness and growth of Guangdong province, particularly in Foshan. We intend to expand our retail network beyond Guangdong province to other regions of the PRC. Certain indicators of economic growth, such as the per capita GDP, per capita disposable income and retail value sale of Guangdong province, have been increasing in the past years. During the Track Record Period, since our main income source is derived from Guangdong Province, our operation results will highly depend on the social and economic conditions and whether the region can continue to sustain the historical growth rate. Our revenue and profitability might be adversely affected by any unfavourable change in the business environment of Guangdong province, such as change in government policies, natural disasters, occurrence of epidemics, and imposition of new legal restrictions, which may lead to a decline in our sales or increase in our operating costs.

Coverage, location and expense of our Retail Outlets

The coverage of our retail network has affected, and will continue to affect, our business and results of operations. Since the establishment of our Group in 2003, we had expanded our network including a total of 84 Retail Outlets and 31 franchised stores as at 30 April 2015. From 2012 to 2014, our revenue has increased at a CAGR of 25.0% which was in part due to the expansion of our retail network.

The amount of turnover an outlet generates depends on the level of customer traffic, quality of outlets management, extent of redecoration and renovation, and rate of growth in the local economy.

Our cost of securing new locations for our new Retail Outlets, whether through ownership or through leases, may increase in the near future. In addition, upon expiration of our current leases, we need to re-negotiate the leases with the relevant landlords who may seek to impose higher rental rates or more onerous leasing conditions. Please see the section headed "Risk Factors — Risk relating to our business — We may not be able to find suitable location for our business, or renew our existing leases for our Retail Outlets on terms commercially acceptable to us and our leases may be subject to early termination risks".

Product Mix and Pricing

Through our Retail Outlets operation and sales and wholesale distribution, we offer a full range of quality products including daily consumer products to end users and customers as well as a variety of products to the business segments such as our sub-distributors and retail store operators. We strive to provide the best value for money for our customers and respond to the needs and tastes of our customers by optimising the range of products we offer in order to attract and maintain a large pool of customers. Changes in the mix of products we sell can impact our sales and operating profit as the gross profit margins may vary across different categories of products and different products. Such margins may vary for a number of reasons, including supply and demand factors, inflation, competition and purchase cost. Our gross profit margin is affected by the adjustments to product mix that we make to meet the changing needs of our customers.

For general sales and bulk sales, we price our products taking into account our costs of products and the associated operational costs. Regarding the rentals chargeable on our tenants and the commissions chargeable on our concessionaires, we set our rentals and commissions based on the nature of business of our tenants or concessionaires and the market rates set by our competitors of comparable size. For our wholesale distribution business, we follow the indicative price lists set by our suppliers. Based on the above factors, any adjustment to prices of our products will directly impact our revenue, profitability and results of operations.

Seasonality

The performance of our Retail Outlets operation and sales as well as our wholesale distribution are typically affected by seasonality such as strong sales usually recorded during long public holidays like Chinese New Year. We have experienced and expect to continue to be affected by seasonality and the associated holiday shopping habits and patterns commonly seen in the PRC. In view of the seasonality factors, we usually review and adjust our inventory level in advance in order to accommodate the anticipated increase in demand and needs of our products to avoid supply shortage and our loss of profits.

Operational expenses and costs

Our shop operating costs include, among others, rental expenses, utilities, maintenance and advertising expenses. These costs and expenses fluctuate and differ from shop to shop depending on a variety of factors and are affected by inflation. Inflation increases our operating costs, which in turn may adversely affect our results of operations. In addition, the increase in fixed operating costs arising from the opening of new outlets could have a material adverse effect on our operating margin. In addition, we carry out periodic redecorations and renovations of our outlets, which we believe are important in maintaining and enhancing the image of our outlets and in attracting customers. In our experience, redecorations and renovations generally lead to increases in turnover. However, during redecorations and renovations, we may incur significant expenses and may also experience disruptions to our normal operations which may affect our turnover.

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the IFRSs requires the management of our Company to adopt accounting policies and make estimates and assumptions that affect amounts reported in its financial statements. Our Group's significant accounting policies, which are important for an understanding of the results of operations and financial condition of our Group, are set forth in detail in Appendix I to this prospectus. The policies have been consistently applied to all the years presented unless otherwise stated. In applying those accounting policies, our Company makes subjective and complex judgments that frequently require estimates about matters that are of an inherently uncertain nature and may change in subsequent periods. Our Group has adopted certain accounting policies that are significant to the preparation of our financial information.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Our Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

Revenue recognition

Our revenue comprises the fair value of the consideration received or receivable for the sale of goods and the use by others of our assets yielding interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows :

(i) Sale of goods are recognised upon transfer of the significant risks and rewards of ownership to the customers. This is usually taken at the time when the goods are received by customers;

(ii) Income from concessions is recognised on an accrual basis in accordance with the substance of the relevant agreements;

(iii) Promotion income is recognised when services have been provided;

(iv) Rental income from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease terms, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease income receivable. Contingent rentals are recognised as income in the accounting period in which they are earned; and

(v) Interest income is recognised on a time-proportion basis using the effective interest method.

Financial assets

We classify our financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers, and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment loss on financial assets

Financial asset is impaired if any one or more events has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Evidence of impairment may include: 1) significant financial difficulty of the debtor; 2) a breach of contract, such as a default or delinquency in interest or principal payments; 3) granting concession to a debtor because of debtor's financial difficulty; 4) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the combined statement of income in the period in which it is incurred. If the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, our Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold buildings	The terms of land use rights
Leasehold improvements	Over the lease terms
Plants and machinery	19% to 32%
Motor vehicles	9% to 24%
Furniture, fixtures and equipment	9% to 32%

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Inventories comprise products purchased for resale. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Employee benefits

The employees of our Group's subsidiaries which operate in China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in China are required to make contributions for their employees who are registered as permanent residents in China. The contributions are charged to the combined income statement as they become payable in accordance with the rules of the central pension scheme.

Income tax

Significant judgment is required in determining the amount of the provision of income tax and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in periods in which such determination are made.

Provision for impairment of trade receivables

The policy for the provision for impairment of trade receivables of our Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the immediate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of our Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

Classification of properties with dual use

Significant judgment is required in separating the portions of rental areas and the areas for own use for the Group's properties with dual use. This evaluation requires judgments to be made including the ability of separation of rental area and the area for own use in terms of physical separation and legal separation; the significance of proportions of the properties used for rental area and for own use. Our Group reviews and reassesses the properties at each reporting date and has made adjustment if considers necessary and appropriate.

RESULTS OF OPERATIONS

The following table summarises our combined revenue and results for the Track Record Period prepared on the basis set out in the audited financial statements as set out in the Accountant's Report of our Group contained in Appendix I to this prospectus. Potential investors should read this section in conjunction with the Accountant's Report of our Group contained in Appendix I to this prospectus and not rely merely on the information contained in this section.

Combined statements of comprehensive income

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	674,275	869,087	1,053,359	314,315	345,639
Cost of inventories sold	(559,473)	(721,432)	(870,062)	(261,307)	(280,197)
Gross profit	114,802	147,655	183,297	53,008	65,442
Other operating income	17,551	22,345	23,814	4,824	14,593
Selling and distribution costs	(85,503)	(99,626)	(133,298)	(37,819)	(48,160)
Administrative expenses	(21,960)	(29,933)	(27,472)	(8,503)	(12,152)
Profit from operations	24,890	40,441	46,341	11,510	19,723
Finance costs	—	(4,026)	(4,210)	(1,086)	(1,660)
Profit before income tax expense	24,890	36,415	42,131	10,424	18,063
Income tax expense	(8,773)	(9,344)	(11,096)	(2,520)	(4,555)
Profit for the year/period	16,117	27,071	31,035	7,904	13,508
Other comprehensive income, that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations	—	2	(300)	(302)	2
Total comprehensive income for the year/period	16,117	27,073	30,735	7,602	13,510

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period attributable to:					
- Owners of the Company	16,117	27,070	30,951	7,933	13,464
- Non-controlling interests	—	1	84	(29)	44
	16,117	27,071	31,035	7,904	13,508
Total comprehensive income for the year/period attributable to:					
- Owners of the Company	16,117	27,072	30,651	7,631	13,466
- Non-controlling interests	—	1	84	(29)	44
	16,117	27,073	30,735	7,602	13,510
Earnings per share — basic and diluted (RMB cents)	N/A	N/A	N/A	N/A	N/A

DESCRIPTION OF SELECTED COMPONENTS OF STATEMENT OF INCOME

Revenue

Revenue represents the sales of goods net of sales tax, value-added tax and discounts, rental income and services rendered. We derived our revenue from our Retail Outlet operation and sales, and wholesale distribution.

The following table sets forth the revenue of different business segments during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Retail Outlet operation and sales	616,378	91.4	658,782	75.8	799,808	75.9	251,510	80.0	260,092	75.2
Wholesale distribution	57,897	8.6	210,305	24.2	253,551	24.1	62,805	20.0	85,547	24.8
	674,275	100.0	869,087	100.0	1,053,359	100.0	314,315	100.0	345,639	100.0

Our total revenue was RMB674.3 million, RMB869.1 million, RMB1,053.4 million and RMB345.6 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. The increase of our revenue from 2012 to 2013 was mainly driven by the growth in our sales in wholesale distribution segment. The increase of our revenue from 2013 to 2014 was mainly driven by the growth in sales in both wholesale distribution segment and Retail Outlet operation and sales segment. The growth in Retail Outlet operation and sales segment was mainly due to the increase in general sales and bulk sales resulting from the increased number of our Retail Outlets from 71 to 85 with an aim to expand the coverage of our main sales regions including Foshan, Zhaoqiang, Zhuhai and Guangzhou. The growth in sales in our wholesale distribution segment for the years ended 31 December 2012, 2013 and 2014 was mainly due to (i) the increase in our exclusive consumer brands, (ii) the increase in the product varieties of our exclusive consumer brands, (iii) the expansion of our geographical coverage, and (iv) the increase in the number of our general wholesale customers. The increase of our revenue from RMB314.3 million for the four months ended 30 April 2014 to RMB 345.6 million for the four months ended 30 April 2015 was mainly driven by the growth in our sales in wholesale distribution segment attributable to (i) the continued development and growth in purchase volume deriving from the increased number of general wholesale customers accumulated and consumer brands obtained during 2012 to 2014 whilst the number of exclusive consumer brands, product varieties and our geographical coverage remained stable, (ii) the increase in the total number of our exclusive brand products, (iii) increase in the number of franchisees, and (iv) increase in the number and proportion of sub-distributors which in general have a wider sale coverage and a stronger demand for our products.

Retail Outlet operation and sales

We operate the Retail Outlets and offer for sale to end-consumers which is divided into general sales or bulk sales. In certain Retail Outlets, we lease areas to operators of businesses that we believe are complementary to the shopping environment and services offered at our Retail Outlets. The following table sets forth the revenue of the breakdown of different business segments for Retail Outlet operation and sales during the Track Record Period:

	Year ended 31 December						**Four months ended 30 April**			
	2012		**2013**		**2014**		**2014**		**2015**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Retail Outlet operation and sales										
General sales *(Note)*	524,750	85.1	544,844	82.7	615,872	77.0	203,523	80.9	194,446	74.7
Bulk sales	66,785	10.9	84,054	12.8	146,392	18.3	36,526	14.5	50,183	19.3
Rental income from leasing of shop premises	23,729	3.8	29,107	4.4	35,237	4.4	11,213	4.5	13,480	5.2
Commission from concessionaire sales	1,114	0.2	777	0.1	2,307	0.3	248	0.1	1,983	0.8
	616,378	100.0	658,782	100.0	799,808	100.0	251,510	100.0	260,092	100.0

Note: General sales include the compensation to our loss of profit due to the lower selling price of approximately RMB4.4 million, RMB4.1 million, RMB4.2 million and RMB4.7 million from the local government in the PRC under the fair value shop accreditation system "農副商品平價商店" which is classified as turnover for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. The Directors confirmed that such compensation relates directly to the sale of daily necessities food and to the ordinary and usual course of the business of the Group. The same is classified as turnover of the Group accordingly.

Our revenue derived from Retail Outlet operation and sales segment were RMB616.4 million, RMB658.8 million, RMB799.8 million and RMB260.1 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively.

The increase in general sales and bulk sales for the years ended 31 December 2012, 2013 and 2014 was mainly due to the (i) increase in the number of our Retail Outlets from 67 to 71 and further to 85 as at 31 December 2012, 2013 and 2014, respectively (ii) increase in revenue generated from our increased number of bulk sales customers and certain customers handled by the sales team designated by our head office for marketing purpose, and (iii) increase in our coverage and network in our main sales regions including Foshan, Zhaoqiang, Zhuhai and Guangzhou. Our general sales decreased for the four months ended 30 April 2015 comparing to the four months ended 30 April 2014 was mainly due to our cessation of sales of Other Transferred Products and tobacco products as a result of the Restricted Business Transfer whereas our bulk sales increased because of the increase in the number of our Retail Outlets from 76 as at 30 April 2014 to 84 as at 30 April 2015. Please refer to the section headed "Business — Products portfolio — Cessation of the sales of tobacco products and the transfer and buyback of Other Transferred Products" for details of the Restricted Business Transfer, reason for cessation and resumption of the sale of the Other Transferred Products.

Our revenue from rental income from leasing of shop premises were RMB23.7 million, RMB29.1 million, RMB35.2 million, and RMB13.5 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. The increase during the Track Record Period was mainly due to the (i) increase in the number of Retail Outlets with leasing activities from 36 to 47 and further to 71 as at 31 December 2012, 2013 and 2014, respectively and from 60 as at 30 April 2014 to 81 as at 30 April 2015, taken into account the rental income derived from the Restricted Business Transfer in the sum of RMB0.6 million for the year ended 31 December 2014 and RMB2.2 million for the four months ended 30 April 2015; (ii) increase in rental upon renewal of the leases and; (iii) increase in rental of a particular Retail Outlet after its renovation in the first quarter of 2013.

Commission from concessionaire sales was RMB1.1 million, RMB0.8 million, RMB2.3 million, and RMB2.0 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. The decrease from 2012 to 2013 by RMB0.3 million or 30.3% was mainly due to the drop of sales of the concessionaires by RMB2.0 million or 34.6% as a result of temporary suspension of our concessionaire sales in Zhaoqing whereby such concessionaire sales is expected to resume when suitable concessionaires arise. The increase from the year ended 31 December 2013 to the year ended 31 December 2014 and from the four months ended 30 April 2014 to the four months ended 30 April 2015 was mainly due to the RMB1.6 million and RMB1.8 million commission earned from our concessionaire in its sale of the Other Transferred Products as a result of the Restricted Business Transfer.

For details of the Restricted Business Transfer, please refer to the section headed "Business — Products portfolio — Cessation of the sales of tobacco products and the transfer and buyback of Other Transferred Products" to this prospectus.

Average same store sales

The table below sets forth the average same store sales of our Retail Outlets during the Track Record Period:

	Year ended 31 December 2012 and 2013		Year ended 31 December 2013 and 2014		Four months ended 30 April 2014 and 2015	
	2012	**2013**	**2013**	**2014**	**2014**	**2015**
Number of comparable Retail Outlets	55		60		63	
Average same store sales(Note) *(RMB'000)*	9,684	10,425	9,984	9,891	3,210	2,605
Average same store sales growth rate	7.7%		-0.9%		-18.8%	
Pro-forma average same store sales excluding the sale of tobacco products and the Other Transferred Products (RMB'000)	7,299	7,980	7,642	7,868	2,525	2,559
Pro-forma average same store sales growth rate excluding the sale of tobacco products and the Other Transferred Products	9.3%		3.0%		1.4%	

Note: Average same store sales represented the total sales generated by our Retail Outlets (excluding rental income from leasing of shop premises and commission from concessionaire sales) that operated for the full year of both prior year and current year divided by the relevant number of Retail Outlets.

Our average same store sales increased by RMB0.7 million or 7.7% from RMB9.7 million for the year ended 31 December 2012 to RMB10.4 million for the year ended 31 December 2013 mainly due to upward price adjustment to our products at the Retail Outlets and our development of bulk sales business. Our average same store sales recorded a drop by RMB0.1 million or 0.9% from RMB10.0 million for the year ended 31 December 2013 to RMB9.9 million for the year ended 31 December 2014 due to the Restricted Business Transfer in late 2014 whereby our Group ceased to sell the tobacco products and Other Transferred Products from the date of relevant transfer to the year end of 2014.

Our average same store sales decreased from RMB3.2 million for the four months ended 30 April 2014 to RMB2.6 million for the four months ended 30 April 2015, which was mainly due to our cessation of sale of tobacco products and the Other Transferred Products since late 2014 as a result of the Restricted Business Transfer to Foshan Shente and we only resumed the sale of the Other Transferred Products since 10 April 2015, whereas we were able to sell the tobacco products and the Other Transferred Products for the four months ended 30 April 2014, and this resulted in the drop in our average same store sales for the four months ended 30 April 2015. Assuming the sales of the tobacco products and Other Transferred Products were excluded throughout the Track Record Period, the pro-forma average same store sales growth rate would have been 9.3%, 3.0% and 1.4% respectively. The growth rate of 9.3% between the year ended 31 December 2012 and 2013 was mainly due to our upward price adjustment in 2013. In 2014, the price of our products became relatively stable as a result of the organic growth of our business and a moderate growth of 3.0% was recorded between the year ended 31 December 2013 and 2014. In October 2014, the leasing floor area of one of our major Retail Outlets was largely reduced leading to a decrease in same store sales for 19.4% comparing the four months ended 30 April 2014 and 2015 and the pro-forma average same store sales therefore dropped from 3.0% to 1.4%. For details of the Restricted Business Transfer and revenue derived from the sale of tobacco products and the Other Transferred Products, please refer to the section headed "Business — Products portfolio — Cessation of the sales of tobacco products and the transfer and buyback of Other Transferred Products" to this prospectus.

Wholesale distribution

Our wholesale distribution generates revenue from wholesale of certain consumer brands of non-staple food products to our general wholesale customers, and supply of consumable products to our franchisees.

	Year ended 31 December						Four months ended 30 April			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Wholesale distribution										
General wholesale	44,741	77.3	177,454	84.4	236,503	93.3	56,517	90.0	74,180	86.7
Franchise	13,156	22.7	32,851	15.6	17,048	6.7	6,288	10.0	11,367	13.3
	57,897	100.0	210,305	100.0	253,551	100.0	62,805	100.0	85,547	100.0

Our revenue derived from wholesale distribution segment was RMB57.9 million, RMB210.3 million and RMB253.6 million for the years ended 31 December 2012, 2013 and 2014, respectively. Such increase was attributable to (i) the increase in our exclusive consumer brands such that as at 31 December 2012, 2013 and 2014, we had 7, 10 and 14 exclusive consumer brands, respectively with the addition of 1, 3 and 4 and no reduction in number of exclusive consumer brands during the respective periods. The newly added exclusive consumer brands contributed to our revenue in the amount of RMB5.7 million, RMB68.9 million and RMB98.9 million for the years ended 31 December 2012, 2013 and 2014, respectively. Products distributed under our relevant exclusive consumer brands are non-staple food products and the majority of our brands are the market leaders in their respective categories in the PRC. According to Euromonitor, as at 31 December 2014, our exclusive consumer brands covered a market share of 56.7% for ready-to-drink tea, 40.0% for Asian specialty drinks, 39.6% for instant noodles, 29.8% for flavoured milk drinks, 17.7% for carbonates, 16.1% for juice, 8.7% for bottled water, 6.3% for sauces, dressings and condiments, and 0.9% for spirits in the respective categories in the PRC. Our exclusive consumer brand of salt was awarded as "Well-known Trademark in Guangdong Province" ("廣東省著名商標") and "Well-known Trademark in Guangzhou" ("廣州市著名商標"); (ii) the increase in the product varieties of our exclusive consumer brands such that our product types expanded from instant noodles, ready-to-drink tea, juice, carbonates, sauces, dressings and condiments, dry-processed food, Asian specialty drinks, and spirits as at 31 December 2012, to include also bottled water and flavoured milk drinks as at 31 December 2013, to include salt as at 31 December 2014, whereas the total number of our exclusive brand products increased from 293 as at 31 December 2012, to 368 as at 31 December 2013 and further to 475 as at 31 December 2014; (iii) the expansion of our geographical coverage from Foshan as at 31 December 2012, to Jiangmen as at 31 December 2013, to include Zhaoqing as at 31 December 2014 and the deployment of two additional sales teams in new locations and more manpower and resources to cater for such business expansion; and (iv) the increase in the number of our general wholesale customers from 25 to 1,206 to 1,586 as at 31 December 2012, 2013 and 2014, respectively as a result of our increased consumer brands, our enriched product portfolio, our increased product numbers and our expanded geographical coverage. Additionally, there was an one-off consideration in the amount of RMB22.8 million received by our Group arising from the Restricted Business Transfer and this also contributed to the increase in our revenue of wholesale distribution business for the year ended 31 December 2014. Please refer to the section headed "Business — Products portfolio — Cessation of the sales of tobacco products and the transfer and buyback of Other Transferred Products" to this prospectus for details of the Restricted Business Transfer.

For the four months ended 30 April 2014 and 2015, our revenue derived from wholesale distribution segment was RMB62.8 million and RMB85.5 million, respectively. Such growth was mainly attributable to (i) the continued development and growth in purchase volume deriving from the increased number of general wholesale customers accumulated and consumer brands obtained during 2012 to 2014 whilst the number of exclusive consumer brands, product varieties and our geographical coverage remained stable, (ii) the increase in the total number of our exclusive brand products from 433 as at 30 April 2014 to 492 as at 30 April 2015, (iii) the increase in sales to our franchisees from RMB6.3 million for the four months ended 30 April 2014 to RMB11.4 million for the four months ended 30 April 2015 due to the sales to newly joined franchisees between 31 December 2014 and 30 April 2015, (iv) increase in both the number and proportion of sub-distributors which in general have a wider sales coverage and a stronger demand for our products. The number of our sub-distributors increased from 314 to 565 for the four months ended 30 April 2014 and 2015, respectively, and the proportion of the number of our sub-distributors to the total number of general wholesale customers increased from 25.7% to 48.0% for the same periods.

We recorded RMB13.2 million, RMB32.9 million, RMB17.0 million and RMB11.4 million for sales to our franchisees for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. The increase from 2012 to 2013 was mainly due to the increase in sales volume to our franchisees and the subsequent drop from 2013 to 2014 was mainly due to reduced number of our franchisees. The increase from RMB6.3 million for the four months ended 30 April 2014 to RMB11.4 million for the four months ended 30 April 2015 was mainly due to increase in sales volume to our franchisees.

Cost of Inventories Sold, Gross Profit, and Gross Profit Margin

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our total cost of inventories sold was approximately RMB559.5 million, RMB721.4 million, RMB870.1 million and RMB280.2 million, respectively. Our total gross profit was approximately RMB114.8 million, RMB147.7 million, RMB183.3 million and RMB65.4 million, respectively, with gross profit margin of 17.0%, 17.0%, 17.4% and 18.9%, respectively, for the same periods.

The following table sets forth a breakdown of the relevant components of cost of inventories sold, gross profit and gross profit margin by business segment during the Track Record Period:

	Year ended 31 December						**Four months ended 30 April**			
	2012		**2013**		**2014**		**2014**		**2015**	
	RMB'000	*% of segment revenue*	*RMB'000*	*% of segment revenue*	*RMB'000*	*% of segment revenue*	*RMB'000 (unaudited)*	*% of segment revenue*	*RMB'000*	*% of segment revenue*
Retail Outlet operation and sales										
Segment revenue	616,378	100.0	658,782	100.0	799,808	100.0	251,510	100.0	260,092	100.0
Segment cost of inventories sold	506,384	82.2	519,655	78.9	631,638	79.0	201,322	80.0	198,795	76.4
Segment gross profit	109,994	17.8	139,127	21.1	168,170	21.0	50,188	20.0	61,297	23.6
Wholesale Distribution										
Segment revenue	57,897	100.0	210,305	100.0	253,551	100.0	62,805	100.0	85,547	100.0
Segment cost of inventories sold	53,089	91.7	201,777	95.9	238,424	94.0	59,985	95.5	81,402	95.2
Segment gross profit	4,808	8.3	8,528	4.1	15,127	6.0	2,820	4.5	4,145	4.8

Retail Outlet operation and sales

Our segment cost of inventories sold for the years ended 31 December 2012, 2013 and 2014 was RMB506.4 million, RMB519.7 million and RMB631.6 million, respectively. Such increase was in line with the increase in sales revenue derived from Retail Outlet operation and sales segment for the same periods. For the years ended 31 December 2012, 2013 and 2014, our segment gross profit for Retail Outlet operation and sales was RMB110.0 million, RMB139.1 million, RMB168.2 million, respectively. Our segment gross profit margin was 17.8%, 21.1% and 21.0%, respectively, for the same periods. The increase of gross profit margin from 2012 to 2013 was mainly due to the upward price adjustment to our products at the Retail Outlets after our regular review on the profit margin of the segment. The gross profit margin remained relatively stable and consistent for the years ended 31 December 2013 and 2014.

Our cost of inventories sold decreased from RMB201.3 million for the four months ended 30 April 2014 to RMB198.8 million for the four months ended 30 April 2015 as a result of our cessation of the sales of tobacco products and the Other Transferred Products pursuant to the Restricted Business Transfer. Our segment gross profit grew from RMB50.2 million for the four months ended 30 April 2014 to RMB61.3 million for the four months ended 30 April 2015 due to the increase in rental income from leasing shop premises and commission from concessionaire sales, which did not contribute to cost of inventories sold. As a result, our gross profit margin rose from 20.0% to 23.6%.

Wholesale distribution

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2014 and 2015, the cost of inventories sold of our wholesale business was approximately RMB53.1 million, RMB201.8 million, RMB238.4 million, RMB60.0 million and RMB81.4 million, respectively, and such increase was in line with the growth of our general wholesale business.

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2014 and 2015, our segment gross profit for our wholesale business was RMB4.8 million, RMB8.5 million, RMB15.1 million, RMB2.8 million and RMB4.1 million, respectively, such increase was mainly due to our increased segment sales. Our segment gross profit margin was 8.3%, 4.1%, 6.0%, 4.5% and 4.8%, respectively. The decrease of the segment gross profit margin for our wholesale business from 2012 to 2013 was mainly attributable to the lower selling prices offered to our wholesale distribution customers as compared with that of 2012 in order to expand our market share by stimulating the sales in our wholesale business. The increase of our segment gross profit margin from 2013 to 2014 was mainly due to the increased selling prices. The increase of gross profit margin from 4.5% to 4.8% for the four months ended 30 April 2014 and 2015 respectively was mainly due to the increase in sales to franchisees which in general had a higher gross profit margin than the sales to general wholesale customers.

Other operating income

Our other operating income consists of government grants, promotion income from suppliers, interest income, and others. The following table sets forth a breakdown of the components of other income during the Track Record Period.

	Year ended 31 December						Four months ended 30 April			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Government grants	1,071	6.1	311	1.4	136	0.6	79	1.6	309	2.1
Promotion income from suppliers	12,855	73.2	13,531	60.6	15,032	63.1	2,123	44.0	11,531	79.0
Interest income	263	1.5	362	1.6	975	4.1	293	6.1	61	0.4
Others	3,362	19.2	8,141	36.4	7,671	32.2	2,329	48.3	2,692	18.5
Total:	17,551	100.0	22,345	100.0	23,814	100.0	4,824	100.0	14,593	100.0

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our other operating income was RMB17.6 million, RMB22.3 million, RMB23.8 million and RMB14.6 million, respectively. The increase from 2012 to 2013 was mainly due to the increase in promotion income from our suppliers and miscellaneous income from "Others", and the increase from 2013 to 2014 was mainly due to the increase in promotion income from our suppliers. The increase of other operating income from RMB4.8 million for the four months ended 30 April 2014 to RMB14.6 million for the four months ended 30 April 2015 was mainly due to the increase in promotion income from our suppliers in the amount of RMB9.4 million.

Government grants represent special subsidies that are offered by the local government, which are also non-recurring in nature. The amount mainly comprises of subsidies for enhancement of technology system in suburban regions (農村信息化建設基金), corporate development, and subsidies for establishing new retail outlets in suburban regions. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, the government grants were RMB1.1 million, RMB0.3 million, RMB0.1 million and RMB0.3 million, respectively. The decrease from 2012 to 2013 was mainly due to the absence of certain government grants previously available to us such as the subsidies for enhancement of technology system in suburban regions (農村信息化建設基金), subsidies for establishing new retail outlets in suburban regions and subsidies for corporate development, resulting in a decrease in government subsidies available to us in an aggregate amount of RMB0.8 million as compared to 2012. The further decrease from 2013 to 2014 was mainly due to the absence or unavailability of government subsidies, resulting in a further decrease of government subsidies available to us in an aggregate amount of RMB0.2 million as compared to 2013. The increase in government grant from RMB79,000 for the four months ended 30 April 2014 to RMB0.3 million for the four months ended 30 April 2015 was mainly due to the receipt of the government subsidies of RMB0.3 million for the establishment of new Retail Outlets in suburban regions for the four months ended 30 April 2015.

Promotion income from suppliers are fees received from our suppliers with respect to promotional events requested by our suppliers to be conducted by us on their behalf to promote their products in our Retail Outlets. For the three years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2014 and 2015, our promotion income from suppliers was RMB12.9 million, RMB13.5 million, RMB15.0 million, RMB2.1 million and RMB11.5 million, respectively. Such increase during the Track Record Period was mainly due to an increase in the number of products promotional requests from our suppliers as a result of an increase in the number of our Retail Outlets. Our total number of Retail Outlets as at 31 December 2012, 2013 and 2014 was 67, 71 and 85, respectively and the total number of Retail Outlets as at 30 April 2014 and 2015 was 76 and 84, respectively.

Interest income derives from bank deposits made by our Group. For the years ended 31 December 2012, 2013 and the four months ended 30 April 2015, our interest income was RMB0.3 million, RMB0.4 million, RMB1.0 million and RMB0.1 million, respectively.

Income from "Others" includes miscellaneous operating income such as gift commodities and franchise fees. For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our other operating income was RMB3.4 million, RMB8.1 million, RMB7.7 million and RMB2.7 million, respectively. The increase from 2012 to 2013 was mainly attributable to the increase in handling fees of RMB1.9 million from third parties for our sale and distribution on their behalf of their products such as prepaid cards and coupons, increase of RMB0.6 million income from children recreational facilities installed at our Retail Outlets, and increase of RMB0.5 million income from the sale of carton papers disposed from our products packaging. The decrease from 2013 to 2014 was mainly attributable to reduced income from third party handling fees, franchise fees and less round-off concessions granted by our suppliers. The increase from RMB2.3 million for the four months ended 30 April 2014 to RMB2.7 million for the four months ended 30 April 2015 was mainly due to increase of RMB0.2 million income from children recreational facilities installed at our Retail Outlets.

Selling and distribution costs

Our selling and distribution costs primarily include, among others, staff costs and property expenses. The following table sets forth a breakdown of our selling and distribution costs during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2012		2013		2014		2014		2015	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (*unaudited*)	%	*RMB'000*	%
Staff costs	43,869	51.3	47,517	47.7	56,291	42.2	17,376	45.9	21,635	44.9
Property expenses	34,273	40.0	41,120	41.3	59,458	44.6	17,067	45.1	21,149	43.9
Promotion expenses	1,010	1.2	987	1.0	1,655	1.2	518	1.4	983	2.0
Office expenses	1,797	2.1	2,138	2.2	2,537	1.9	841	2.2	663	1.4
Tax and surcharges	282	0.3	711	0.7	893	0.7	240	0.6	254	0.5
Inventory write-off	81	0.1	932	0.9	1,619	1.2	89	0.2	631	1.3
Transportation and packaging expenses	2,924	3.4	3,696	3.7	4,441	3.3	1,297	3.5	1,720	3.6
Others	1,267	1.6	2,525	2.5	6,404	4.9	391	1.1	1,125	2.4
	85,503	100.0	99,626	100.0	133,298	100.0	37,819	100.0	48,160	100.0

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our selling and distribution costs was RMB85.5 million, RMB99.6 million, RMB133.3 million and RMB48.2 million, respectively, representing 12.7%, 11.5%, 12.7% and 13.9% of our total revenue for the same periods. The increase in our selling and distribution costs during the Track Record Period was mainly attributable to an increase of staff costs, property expenses and transportation and packaging expenses which was corresponding to and in line with the growth of our business. The slight decrease in percentage over revenue in 2013 was due to our revenue growth in that year contributed mainly by upward price adjustments to our products, while the increase in percentage over revenue in 2014 was mainly attributable to the increased costs and expenses as a result of an increase in the number of our Retail Outlets and the associated staff costs and property expenses. The increase from RMB37.8 million for the four months ended 30 April 2014 to RMB48.2 million for the four months ended 30 April 2015 was mainly due to the increase of staff costs in the amount of RMB4.2 million and property expenses in the amount of RMB4.1 million as a result of an increase in the number of our Retail Outlets and the associated staff costs and property expenses.

Administrative expenses

Our administrative expenses primarily include staff costs, taxes and charges, listing expenses and property expenses. The following table sets forth a breakdown of our administrative expenses during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2012		2013		2014		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000 (unaudited)*	*%*	*RMB'000*	*%*
Staff costs	7,041	32.1	12,381	41.4	9,313	33.9	2,662	31.3	3,772	31.0
Taxes and surcharges	4,424	20.1	6,017	20.1	8,178	29.8	2,934	34.5	2,291	18.9
Listing expenses	—	—	872	2.9	1,508	5.5	—	—	1,515	12.5
Office expenses	2,886	13.1	2,678	8.9	2,964	10.8	698	8.2	2,065	17.0
Promotion expenses	818	3.7	814	2.7	820	3.0	535	6.3	626	5.1
Property expenses	4,441	20.2	4,932	16.5	1,774	6.5	484	5.7	621	5.1
Others	2,350	10.8	2,239	7.5	2,915	10.5	1,190	14.0	1,262	10.4
	21,960	100.0	29,933	100.0	27,472	100.0	8,503	100.0	12,152	100.0

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our administrative expenses were RMB22.0 million, RMB29.9 million, RMB27.5 million and RMB12.2 million, respectively. Our administrative expenses increased from 2012 to 2013 mainly due to an increase in our staff salaries in the sum of RMB5.3 million. Our administrative expenses decreased from 2013 to 2014 was mainly due to (i) reduced staff costs by RMB3.1 million as a result of reduction in the number of administrative and management staff, and (ii) reduction of property expenses by RMB3.2 million as more depreciation costs of assets were allocated and amortised as selling and distribution expenses mainly due to higher usage of properties by our operation department in 2014. The increase of administrative expenses from RMB8.5 million for the four months ended 30 April 2014 to RMB12.2 million for the four months ended 30 April 2015 was mainly due to the (i) increase in staff salaries in the amount of RMB1.1 million and office expenses in the amount of RMB1.3 million as a result of the increase in the number of staff, and (ii) increase in listing expenses in the amount of RMB1.5 million.

Finance costs

Our finance costs primarily consist of interest on our bank loans. The following table sets forth a breakdown of our finance costs during the Track Record Period:

	Year ended 31 December						Four months ended 30 April			
	2012		2013		2014		2014		2015	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* *(unaudited)*	%	*RMB'000*	%
Interest charged on bank borrowings: - Wholly repayable within five years *(Note)*	—	—	3,872	96.2	4,074	96.8	950	87.5	1,660	100.0
Interest charged on current account with related company	—	—	154	3.8	136	3.2	136	12.5	—	—
	—	—	4,026	100.0	4,210	100.0	1,086	100.0	1,660	100.0

Note: The interest charged on bank borrowings and reimbursed by the related company of the Group is detailed in note 24 to the Accountants' Report in Appendix I to this prospectus.

Our finance costs for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015 were nil, RMB4.0 million, RMB4.2 million and RMB1.7 million, respectively. The bank borrowing in the amount of RMB199.5 million as at 31 December 2012 did not attract any finance costs because it was drawn by our Group in 2012 and further advanced to Lecong Supply and Marketing Group, our related company, which was responsible for the payment of all associated interests. As a result, our finance costs was recorded as nil for 2012. For details of the bank borrowings, please refer to the paragraph headed "Bank Borrowings" in this section. Our finance costs increased for the rest of the Track Record Period because we drew down addition loan amounts from our banking facilities for our general working capital and business operation purposes. As at 31 December 2013 and 2014 and as at 30 April 2015, we had bank borrowings in the sum of RMB31.6 million, RMB57.0 million and RMB113.0 million, respectively.

Income tax expenses

Under Cayman Islands and the BVI law, we are not subject to any income tax in the Cayman Islands and the BVI. Hong Kong and Macau profits tax is calculated at 16.5% and 12.0%, respectively, of the estimated assessable profit during the Track Record Period. No provision for Hong Kong during the relevant period.

Our income tax expense consists of enterprise income tax we paid/payable in the PRC. Pursuant to the relevant income tax rules and regulations of the PRC, the applicable PRC enterprise income tax rates during the Track Record Period which our subsidiaries in the PRC were subject to was at the rate of 25.0% based on the estimated assessable profits. Our Group's subsidiaries in Macau were subject to Complementary Tax at the rate of 12.0% based on estimated assessable profit during the Relevant Periods.

The table below sets forth the major components of the income tax expenses during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before income tax expenses	24,890	36,415	42,131	10,424	18,063
Tax on profit before income tax expenses, calculated at the rates applicable to profit in the tax jurisdictions concerned	6,223	9,230	10,457	2,569	4,422
Tax effect of expenses not deductible for tax purposes	2,550	115	223	—	100
Tax effect of revenue not taxable for tax purpose	—	(1)	(111)	(51)	(19)
Utilisation of tax losses previously not recognised	—	—	(36)	(6)	(85)
Tax effect of tax losses not recognised	—	—	563	8	191
Effect of tax exemptions granted to Macau subsidiaries	—	—	—	—	(54)
Income tax expenses	8,773	9,344	11,096	2,520	4,555

Our income tax expenses were RMB8.8 million, RMB9.3 million, RMB11.1 million and RMB4.6 million for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively, and such increase over the Track Record Period was mainly due to increase in our assessable profits during the same periods. Our effective tax rate (calculated by dividing income tax expenses by pre-tax profit) was approximately 35.2%, 25.7%, 26.3% and 25.2% for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively.

For the year ended 31 December 2012, the tax effect of expenses not deductible for tax purposes mainly related to rental expenses of RMB9.4 million without invoices resulting in such expenses not being treated as deductible expenses. We did not insist our lessors to provide those invoices to us in 2012 before the Reorganisation. To optimise the management of our record-keeping, we started to obtain rental invoices from our lessors since 2013. After exclusion of such rental expenses from the calculation, the effective tax rate for the year ended 31 December 2012 would be 25.8%, which remained consistent with the effective tax rates over the rest of the Track Record Period.

Our Directors confirmed that we have paid all relevant taxes and there is no dispute or material unresolved tax issue with the relevant tax authorities during the Track Record Period.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four months ended 30 April 2015 compared to four months ended 30 April 2014

Revenue

Our total revenue increased from RMB314.3 million for the four months ended 30 April 2014 to RMB345.6 million for the four months ended 30 April 2015, representing an increase of RMB31.3 million or 10.0%. The increase was mainly driven by the growth in both of our Retail Outlet operation and sales segment and wholesale distribution segment.

Retail Outlet operation and sales

Segment revenue increased from RMB251.5 million for the four months ended 30 April 2014 to RMB260.1 million for the four months ended 30 April 2015, representing an increase of RMB8.6 million or 3.4%. Such increase was mainly due to increase in our bulk sales and increase in rental income from leasing of shop premises and commission from concessionaire sales, partially offset by the decrease in our general sales.

Our revenue from general sales decreased from RMB203.5 million for the four months ended 30 April 2014 to RMB194.4 million for the four months ended 30 April 2015, representing a decrease of approximately RMB9.1 million or 4.5%. The decrease was mainly attributable to the cessation of our sale of tobacco products and the Other Transferred Products in late 2014 as a result of the Restricted Business Transfer to Foshan Shente and we only resumed the sale of the Other Transferred Products since 10 April 2015. Please refer to the section headed “Business — Products portfolio — Cessation of the sales of tobacco products and the transfer and buyback of Other Transferred Products” to this prospectus for details of the Restricted Business Transfer, reason for cessation and resumption of the sale of the Other Transferred Products.

Our revenue from bulk sales increased from RMB36.5 million for the four months ended 30 April 2014 to RMB50.2 million for the four months ended 30 April 2015, representing an increase of RMB13.7 million or 37.4%. The increase was mainly due to an increase in bulk sales revenue generated from our increased number of bulk sales customers and certain customers handled by the sales team designated by our head office for marketing reasons. The number of our bulk sales customers increased from 431 for the four months ended 30 April 2014 to 668 for the four months ended 30 April 2015, which included corporate, government entities and restaurants etc..

Our revenue from rental income from leasing of shop premises increased from RMB11.2 million for the four months ended 30 April 2014 to RMB13.5 million for the four months ended 30 April 2015, representing an increase of RMB2.3 million or 20.2%. The increase was mainly due to the rental income for the four months ended 30 April 2015 from Foshan Shente which conducted the sale of tobacco products pursuant to the Restricted Business Transfer.

Our revenue arising from commission from concessionaire sales increased from RMB0.2 million for the four months ended 30 April 2014 to RMB2.0 million for the four months ended 30 April 2015, representing an increase of RMB1.8 million or 699.6%. The increase was mainly due to the RMB1.8 million commission earned from our concessionaire in its sale of the Other Transferred Products for the period ended 9 April 2015 as a result of the Restricted Business Transfer.

Wholesale distribution

Segment revenue increased from RMB62.8 million for the four months ended 30 April 2014 to RMB85.5 million for the four months ended 30 April 2015, representing an increase of RMB22.7 million or 36.2%. Such increase was mainly due to the increase in revenue generated from our general wholesale customers and franchisees.

For the four months ended 30 April 2014 and 2015, our revenue derived from wholesale distribution segment was RMB62.8 million and RMB85.5 million, respectively. Such growth was mainly attributable to (i) the continued development and growth in purchase volume deriving from the increased number of general wholesale customers accumulated and consumer brands obtained during 2012 to 2014 whilst the number of exclusive consumer brands, product varieties and our geographical coverage remained stable, (ii) increase in the total number of our exclusive brand products from 433 as at 30 April 2014 to 492 as at 30 April 2015, (iii) the increase in sales to our franchisees from RMB6.3 million for the four months ended 30 April 2014 to RMB11.4 million for the four months ended 30 April 2015 due to the sales to newly joined franchisees between 31 December 2014 and 30 April 2015, (iv) increase in the number and proportion of sub-distributors which in general have a wider sales coverage and a stronger demand for our products. The number of our sub-distributors increased from 314 to 565 for the four months ended 30 April 2014 and 2015, respectively, and the proportion of the number of our sub-distributors to the total number of general wholesale customers increased from 25.7% to 48.0% for the same periods.

Our revenue from franchisees increased from RMB6.3 million for the four months ended 30 April 2014 to RMB11.4 million for the four months ended 30 April 2015, representing an increase of RMB5.1 million or 80.8%. The increase was mainly due to the increase in sales volume to our franchisees.

Cost of inventories sold, gross profit and gross profit margin

Our cost of inventories sold increased from RMB261.3 million for the four months ended 30 April 2014 to RMB280.2 million for the four months ended 30 April 2015, representing an increase of RMB18.9 million or 7.2%. The growth in our total cost of inventories sold was mainly due to the overall expansion of our business.

Our gross profit increased from RMB53.0 million for the four months ended 30 April 2014 to RMB65.4 million for the four months ended 30 April 2015, representing an increase of RMB12.4 million or 23.5% and our gross profit margin increased from 16.9% for the four months ended 30 April 2014 to 18.9% for the four months ended 30 April 2015 mainly attributable to the relevant growth in Retail Outlet operation and sales.

Retail Outlet operation and sales

Our cost of inventories sold decreased from RMB201.3 million for the four months ended 30 April 2014 to RMB198.8 million for the four months ended 30 April 2015 as a result of the cessation of our sales of tobacco products and the Other Transferred Products pursuant to the Restricted Business Transfer. Our segment gross profit grew from RMB50.2 million for the four months ended 30 April 2014 to RMB61.3 million for the four months ended 30 April 2015 due to the increase in rental income from leasing shop premises and commission from concessionaire sales, which did not contribute to cost of inventories sold. As a result, our gross profit margin rose from 20.0% to 23.6%.

Wholesale distribution

Our cost of inventories sold in the wholesale distribution segment increased from RMB60.0 million for the four months ended 30 April 2014 to RMB81.4 million for the four months ended 30 April 2015, representing an increase of RMB21.4 million or 35.7%. Such increase was in line with our business growth of this segment.

Our gross profit in wholesale distribution segment increased from RMB2.8 million for the four months ended 30 April 2014 to RMB4.1 million for the four months ended 30 April 2015, representing an increase of RMB1.3 million or 47.0% due to our increased sales. Despite our cost of inventories sold grew faster than that of sales, our gross profit margin for this segment increased from 4.5% for the four months ended 30 April 2014 to 4.8% for the four months ended 30 April 2015 mainly due to the increase in sales to franchisees which in general had a comparatively higher gross profit margin than the sales to general wholesale customers.

Other operating income

Our other operating income increased from RMB4.8 million for the four months ended 30 April 2014 to RMB14.6 million for the four months ended 30 April 2015, representing an increase of RMB9.8 million or 202.5%, which was mainly due to an increase of RMB9.4 million in promotion income from suppliers due to an increase in the number of products promotional requests from our suppliers as a result of the increase in the number of our Retail Outlets from 76 as at 30 April 2014 to 84 as at 30 April 2015.

Selling and distribution costs

For the four months ended 30 April 2014 and 2015, our selling and distribution costs increased from RMB37.8 million to RMB48.2 million, representing an increase of RMB10.3 million or 27.3%. Such increase was mainly due to the increase of staff costs in the amount of RMB4.2 million and property expenses in the amount of RMB4.1 million as a result of an increase in the number of our Retail Outlets and the associated staff costs and property expenses.

Administrative expenses

The increase of administrative expenses from RMB8.5 million for the four months ended 30 April 2014 to RMB12.2 million for the four months ended 30 April 2015 was mainly due to (i) increase in staff salaries in the amount of RMB1.1 million and office expenses in the amount of RMB1.4 million as a result of the increase in the number of staff, and (ii) increase in listing expenses in the amount of RMB1.5 million.

Finance costs

For the four months ended 30 April 2014 and 2015, our finance costs increased from RMB1.1 million to RMB1.7 million, representing an increase of RMB0.6 million or 52.9% and such increase was mainly due to an increase in bank borrowings for the financing of our working capital and business expansion.

Profit before income tax

Our profit before income tax increased by RMB7.7 million or 73.3% from RMB10.4 million for the four months ended 30 April 2014 to RMB18.1 million for the four months ended 30 April 2015. The increase was mainly due to an increase in our gross profit and other operating income, as partially offset by the increase in our selling and distribution expenses and administrative expenses.

Income tax expense

Our income tax expense increased from RMB2.5 million for the four months ended 30 April 2014 to RMB4.6 million for the four months ended 30 April 2015 representing an increase of RMB2.1 million, or 80.8%. Such increase was mainly due to an increase in our taxable profit.

Our effective tax rate remained relatively stable and consistent at 24.2% and 25.2% for the four months ended 30 April 2014 and 2015, respectively.

Profit for the period and net profit margin

As a result of the cumulative effect of the above factors, our profit for the period increased by RMB5.6 million or 70.9% from RMB7.9 million for the four months ended 30 April 2014 to RMB13.5 million for the four months ended 30 April 2015. Our net profit margin for the four months ended 30 April 2014 and 2015 were 2.5% and 3.9%, respectively. Such increase was due to the increase of gross profit margin and the increase in the proportion of other operating income to total revenue which was partially offset by the increase in the selling and distribution costs and the administrative expenses to total revenue.

Year ended 31 December 2014 compared to year ended 31 December 2013

Revenue

Our total revenue increased from RMB869.1 million for the year ended 31 December 2013 to RMB1,053.4 million for the year ended 31 December 2014, representing an increase of RMB184.3 million or 21.2%. The increase was mainly driven by the growth in our Retail Outlet operation and sales segment.

Retail Outlet operation and sales

Segment revenue increased from RMB658.8 million for the year ended 31 December 2013 to RMB799.8 million for the year ended 31 December 2014, representing an increase of RMB141.0 million or 21.4%. Such increase was mainly due to an increase in our general sales and bulk sales.

Our revenue from general sales increased from RMB544.8 million for the year ended 31 December 2013 to RMB615.9 million for the year ended 31 December 2014, representing an increase of approximately RMB71.0 million or 13.0%. The increase was mainly due to growth in our business as a result of the increased number of our Retail Outlets from 71 to 85 as at 31 December 2013 and 2014, respectively, with an aim to expand our sales coverage in our main sales regions including Foshan, Zhaoqiang, Zhuhai and Guangzhou.

Our revenue from bulk sales increased from RMB84.1 million for the year ended 31 December 2013 to RMB146.4 million for the year ended 31 December 2014, representing an increase of RMB62.3 million or 74.2%. The increase was mainly due to the increase in bulk sales revenue generated from our increased number of Retail Outlets and revenue generated from our increased number of bulk sales customers and certain customers handled by the sales team designated by our head office for marketing reasons starting in 2014 amounted to RMB54.1 million. The number of our bulk sales customers increased from 405 for the year ended 31 December 2013 to 655 for the year ended 31 December 2014, which included corporate, government entities and restaurants etc..

Our revenue from rental income from leasing of shop premises increased from RMB29.1 million for the year ended 31 December 2013 to RMB35.2 million for the year ended 31 December 2014, representing an increase of RMB6.1 million or 21.1%. The increase was mainly due to (i) an increase in the number of Retail Outlet with leasing activities from 47 as at 31 December 2013 to 71 as at 31 December 2014, respectively, taken into account the rental income derived from the Restricted Business Transfer in the sum of RMB0.6 million in 2014, (ii) an increase in rental upon renewal of leases, and (iii) an increase in rental of a particular Retail Outlet after its renovation in the first quarter of 2013.

The revenue arising from commission from concessionaire sales increased from RMB0.8 million for the year ended 31 December 2013 to RMB2.3 million for the year ended 31 December 2014, representing an increase of RMB1.5 million or 196.9%. The increase was mainly due to the RMB1.6 million commission earned from our concessionaire in its sale of the Other Transferred Products for the year ended 31 December 2014 as a result of the Restricted Business Transfer. For details of the Restricted Business Transfer, please refer to the section headed "Business — Products portfolio — Cessation of the sales of tobacco products and the transfer and buyback of Other Transferred Products" to this prospectus.

Wholesale distribution

Segment revenue increased from RMB210.3 million for the year ended 31 December 2013 to RMB253.6 million for the year ended 31 December 2014, representing an increase of RMB43.2 million or 20.6%. Such increase was mainly due to an increase in our general wholesales customers.

Our revenue from general wholesale increased from RMB177.5 million for the year ended 31 December 2013 to RMB236.5 million for the year ended 31 December 2014, representing an increase of RMB59.0 million or 33.3%, which was mainly due to (i) an increase in our exclusive consumer brands, (ii) an increase in the product varieties of our exclusive consumer brands, (iii) the expansion of our geographical coverage, and (iv) an increase in the number of general wholesale customers from 1,206 to 1,586, and one-off revenue of RMB22.8 million with respect to our sales of tobacco products and the Other Transferred Products to Foshan Shente in connection with the Restricted Business Transfer as we might be forbidden to sell such products under the applicable PRC laws or regulations. For details, please refer to the section headed "Business — Products portfolio — Cessation of the sales of tobacco products and the transfer and buyback of Other Transferred Products" to this prospectus.

Our revenue from franchisees decreased from RMB32.9 million for the year ended 31 December 2013 to RMB17.0 million for the year ended 31 December 2014, representing a decrease of RMB15.8 million or 48.1%. The decrease was mainly due to the decrease in the number of our franchisees as a result of expiry or termination of the relevant franchise agreements.

Cost of inventories sold, gross profit and gross profit margin

Our cost of inventories sold increased from RMB721.4 million for the year ended 31 December 2013 to RMB870.1 million for the year ended 31 December 2014, representing an increase of RMB148.6 million or 20.6%. The growth in our total cost of inventories sold was mainly due to the overall expansion of our business.

Our gross profit increased from RMB147.7 million for the year ended 31 December 2013 to RMB183.3 million for the year ended 31 December 2014, representing an increase of RMB35.6 million or 24.1%. Such increase was in line with the increase in our total revenue. Our gross profit margin remained relatively stable and consistent at 17.0% and 17.4% for the years ended 31 December 2013 and 2014, respectively.

Retail Outlet operation and sales

Our cost of inventories sold in the Retail Outlet operation and sales segment increased from RMB519.7 million for the year ended 31 December 2013 to RMB631.6 million for the year ended 31 December 2014, representing an increase of RMB112.0 million or 21.5%. Such increase was in line with our revenue growth in this segment.

Our gross profit in Retail Outlet operation and sales segment increased from RMB139.1 million for the year ended 31 December 2013 to RMB168.2 million for the year ended 31 December 2014, representing an increase of RMB29.0 million or 20.9% which was in line with our business growth. Our gross profit margin in this segment remained relatively stable and consistent at 21.1% and 21.0% for the years ended 31 December 2013 and 2014, respectively.

Wholesale distribution

Our cost of inventories sold in the wholesale distribution segment increased from RMB201.8 million for the year ended 31 December 2013 to RMB238.4 million for the year ended 31 December 2014, representing an increase of RMB36.6 million or 18.2%. Such increase was in line with our business growth of this segment.

Our gross profit in wholesale distribution segment increased from RMB8.5 million for the year ended 31 December 2013 to RMB15.1 million for the year ended 31 December 2014, representing an increase of RMB6.6 million or 77.4%. Our gross profit margin for this segment increased from 4.1% for the year ended 31 December 2013 to 6.0% for the year ended 31 December 2014 and such increase was mainly due to our upward price adjustments to our products.

Other operating income

Our other operating income increased from RMB22.3 million for the year ended 31 December 2013 to RMB23.8 million for the year ended 31 December 2014, representing an increase of RMB1.5 million or 6.6%, which was mainly due to an increase of RMB1.5 million in promotion income from suppliers due to an increase in the number of products promotional requests from our suppliers as a result of our increased number of Retail Outlets.

Selling and distribution costs

For the years ended 31 December 2013 and 2014, our selling and distribution costs increased from RMB99.6 million to RMB133.3 million, representing an increase of RMB33.7 million or 33.8%. Such increase was mainly due to (i) an increase of RMB8.8 million in staff costs as a result of increased number and salaries of our staff, (ii) an increase of RMB18.3 million in property expenses associated with an increase in the number of our Retail Outlets, and (iii) an increase of RMB0.7 million in transportation and packaging expenses in line with our increase of sales.

Administrative expenses

Our administrative expenses decreased from RMB29.9 million for the year ended 31 December 2013 to RMB27.5 million for the year ended 31 December 2014, representing a decrease of RMB2.5 million or 8.2%. Such decrease was mainly due to reduced staff costs of RMB3.1 million as a result of the reduction in the number of staff, and reduction of property expenses in the amount of RMB3.2 million as more depreciation costs of assets were allocated and amortised as selling and distribution expenses due to higher usage of fixed assets by our sales department in 2014.

Finance costs

For the years ended 31 December 2013 and 2014, our finance costs increased from RMB4.0 million to RMB4.2 million, representing an increase of RMB0.2 million or 4.6% and such increase was mainly due to an increase in bank borrowings.

Profit before income tax

Our profit before income tax increased by RMB5.7 million or 15.7% from RMB36.4 million in 2013 to RMB42.1 million in 2014. The increase was mainly due to an increase in our gross profit, as partially offset by an increase in our selling and distribution expenses.

Income tax expense

Our income tax expense increased from RMB9.3 million for the year ended 31 December 2013 to RMB11.1 million for the year ended 31 December 2014 representing an increase of RMB1.8 million, or 18.8%. Such increase was mainly due to an increase in our taxable profit.

Our effective tax rate remained relatively stable at 25.7% and 26.3% for the years ended 31 December 2013 and 2014, respectively.

Profit for the year and net profit margin

As a result of the cumulative effect of the above factors, our profit for the year increased by RMB4.0 million or 14.6% from RMB27.1 million for the year ended 31 December 2013 to RMB31.0 million for the year ended 31 December 2014. Our net profit margin for the years ended 31 December 2013 and 2014 was 3.1% and 2.9%, respectively.

Year ended 31 December 2013 compared to year ended 31 December 2012

Revenue

Our total revenue increased from RMB674.3 million for the year ended 31 December 2012 to RMB869.1 million for the year ended 31 December 2013, representing an increase of RMB194.8 million or 28.9%. The increase was mainly driven by the growth of the wholesale distribution segment.

Retail Outlet operation and sales

Segment revenue increased from RMB616.4 million for the year ended 31 December 2012 to RMB658.8 million for the year ended 31 December 2013, representing an increase of RMB42.4 million or 6.9%. Such increase was mainly due to the increase in our general sales and bulk sales.

Our revenue from general sales increased from RMB524.8 million for the year ended 31 December 2012 to RMB544.8 million for the year ended 31 December 2013, representing an increase of RMB20.1 million or 3.8%. The increase was mainly due to growth in the sales as a result of the increased number of our Retail Outlets from 67 as at 31 December 2012 to 71 as at 31 December 2013 with an aim to expand our sales coverage in our main sales regions including Foshan, Zhaoqiang, Zhuhai and Guangzhou.

Our revenue from bulk sales increased from RMB66.8 million for the year ended 31 December 2012 to RMB84.1 million for the year ended 31 December 2013, representing an increase of RMB17.3 million or 25.9%. The increase was mainly due to an increase in the total sales as a result of increased number of Retail Outlets and revenue generated from our increased number of bulk sales customers. The number of our bulk sales customers increased from 334 for the year ended 31 December 2012 to 405 for the year ended 31 December 2013, which included corporate, government entities and restaurants etc..

Our revenue from rental income generated from leasing of shop premises increased from RMB23.7 million for the year ended 31 December 2012 to RMB29.1 million for the year ended 31 December 2013, representing an increase of RMB5.4 million or 22.7%. The increase was mainly due to (i) an increase in the number of Retail Outlet with leasing activities from 36 as at 31 December 2012 to 47 as at 31 December 2013, (ii) an increase in rental upon renewal of leases and (iii) an increase in rental of a particular Retail Outlet after its renovation in the first quarter of 2013.

Our revenue from the commission from concessionaire sales decreased from RMB1.1 million for the year ended 31 December 2012 to RMB0.8 million for the year ended 31 December 2013, representing a decrease of RMB0.3 million or 30.3%, as a result of the decrease in the sales of our concessionaires by RMB2.0 million or 34.6% as a result of temporary suspension of our concessionaire sales in Zhaoqing whereby such concessionaire sales will be resumed when suitable concessionaires arise.

Wholesale distribution

Segment revenue increased from RMB57.9 million for the year ended 31 December 2012 to RMB210.3 million for the year ended 31 December 2013, representing an increase of RMB152.4 million or 263.2%. Such increase was mainly due to an increase in our general wholesales customers from 25 to 1,206.

Our revenue from general wholesale increased from RMB44.7 million for the year ended 31 December 2012 to RMB177.5 million for the year ended 31 December 2013, representing an increase of RMB132.7 million or 296.6%, which was mainly due to (i) an increase in our exclusive consumer brands, (ii) an increase in the product varieties of our exclusive consumer brands, (iii) the expansion of our geographical coverage, and (iv) an increase in the number of general wholesale customers from 25 to 1,206.

Our revenue from franchisees increased from RMB13.2 million for the year ended 31 December 2012 to RMB32.9 million for the year ended 31 December 2013, representing an increase of RMB19.7 million or 149.7%, and such increase was mainly due to an increase in the sales volume to our purchasing franchisees.

Cost of inventories sold, gross profit and gross profit margin

Our cost of inventories sold increased from RMB559.5 million for the year ended 31 December 2012 to RMB721.4 million for the year ended 31 December 2013, representing an increase of RMB162.0 million or 28.9%. The growth in our cost of inventories sold was mainly due to the overall expansion of our business.

Our gross profit increased from RMB114.8 million for the year ended 31 December 2012 to RMB147.7 million for the year ended 31 December 2013, representing an increase of RMB32.9 million or 28.6%. Such increase was in line with the increase in our total revenue. Our gross profit margin remained relatively stable and consistent at 17.0% for both years ended 31 December 2012 and 2013.

Retail Outlet operation and sales

Our cost of inventories sold in Retail Outlet operation and sales increased from RMB506.4 million for the year ended 31 December 2012 to RMB519.7 million for the year ended 31 December 2013, representing an increase of RMB13.3 million or 2.6% and such increase was mainly due to an increase in the revenue in this segment.

Our gross profit in Retail Outlet operation and sales segment increased from RMB110.0 million for the year ended 31 December 2012 to RMB139.1 million for the year ended 31 December 2013, representing an increase of RMB29.1 million or 26.5%. The increase in gross profit was mainly attributable to an increase in segment revenue. Meanwhile, our gross profit margin in this segment improved from 17.8% for the year ended 31 December 2012 to 21.1% for the year ended 31 December 2013 as a result of our upward price adjustments to our products after our regular review on the profit margin of the segment business.

Wholesale distribution

Our cost of inventories sold in wholesale business increased from RMB53.1 million to RMB201.8 million for the years ended 31 December 2012 and 2013, respectively, representing an increase of RMB148.7 or 280.1% which was in line with the growth in the segment revenue.

Our gross profit in wholesale business increased from RMB4.8 million for the year ended 31 December 2012 to RMB8.5 million for the year ended 31 December 2013 by RMB3.7 million or 77.4%. The increase in our cost of inventories sold and gross profits was mainly attributable to an increase in our wholesale business resulting from (i) an increase in our exclusive consumer brands, (ii) an increase in the product varieties of our exclusive consumer brands, (iii) the expansion of our geographical coverage, and (iv) an increase in the number of general wholesale customers. Meanwhile, our gross profit margin in wholesale business decreased from 8.3% for the year ended 31 December 2012 to 4.1% for the year ended 31 December 2013 as a result of the lower selling price offered to our general wholesale customers in 2013 compared with that in 2012 in order to expand our market share by stimulating the sales in our wholesale business.

Other operating income

Our other operating income increased from RMB17.6 million for the year ended 31 December 2012 to RMB22.3 million for the year ended 31 December 2013, representing an increase of RMB4.8 million or 27.3%, and such increase was mainly due to increases in other income such as handling fees of RMB1.9 million from third parties for our sale and distribution on their behalf of their products such as prepaid cards and coupons, RMB0.6 million income from children recreational facilities installed at our Retail Outlets, and RMB0.5 million income from the sale of carton papers disposed from our products packaging.

Selling and distribution costs

Our selling and distribution costs increased from RMB85.5 million to RMB99.6 million for the years ended 31 December 2012 and 2013, respectively, representing an increase of RMB14.1 million or 16.5%. Such increase was mainly due to an increase of RMB3.6 million in staff costs as a result of (i) an increase in the number and salaries of our staff, (ii) an increase of RMB6.8 million in property expenses associated with an increase in the number of our Retail Outlets, and (iii) an increase of RMB0.8 million in the transportation and packaging expenses in line with our increased sales.

Administrative expenses

Our administrative expenses increased from RMB22.0 million for the year ended 31 December 2012 to RMB29.9 million for the year ended 31 December 2013, representing an increase of RMB8.0 million or 36.3%. The increase in our administrative expenses was mainly due to an increase in staff cost of RMB5.3 million as a result of an increase in the number and salaries of our staff and an increase of RMB1.6 million in taxes and charges involving business tax and surcharges as a result of an increase in our sales and rental income.

Finance costs

Our finance costs increased from nil for the year ended 31 December 2012 to RMB4.0 million for the year ended 31 December 2013. Such increase was mainly due to the finance costs associated with the bank borrowings of RMB199.5 million for the year ended 31 December 2012 was not borne by our Group. For details, please see paragraph headed "Liquidity and capital resources — Loans to a related company" in this section.

Profit before income tax

Our profit before income tax increased by 46.3% from RMB24.9 million in 2012 to RMB36.4 million in 2013. The increase was mainly due to increase in our gross profit and other operating income.

Income tax expense

Our income tax expense increased from RMB8.8 million for the year ended 31 December 2012 to RMB9.3 million for the year ended 31 December 2013, representing an increase of RMB0.6 million or 6.5%. Such increase was mainly due to the increase in our taxable profit.

Our effective tax rate was 35.2% and 25.7% for the years ended 31 December 2012 and 2013, respectively.

For the year ended 31 December 2012, the tax effect of expenses not deductible for tax purposes mainly resulted from rental expenses of RMB9.4 million without rental invoices resulting in such expenses not being treated as deductible expenses. We did not have such invoices because we did not insist our lessors to provide those invoices to us in 2012 before the Reorganisation. To optimise the management of our record-keeping, we started to obtain rental invoices from our lessors since 2013. After exclusion of such non-deductible rental expenses from the calculation, the effective tax rate for the year ended 31 December 2012 would be 25.8%.

Profit for the year and net profit margin

As a result of the cumulative effect of the above factors, our profit for the year increased by 68.0% from RMB16.1 million for the year ended 31 December 2012 to RMB27.1 million for the year ended 31 December 2013. Our net profit margin for the years ended 31 December 2012 and 2013 was 2.4% and 3.1%, respectively.

DISCUSSION OF CERTAIN ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION

The table below sets out the information on our current assets, current liabilities and net current liabilities as of the dates indicated.

	As at 31 December			As at 30 April	As at 30 June
	2012	**2013**	**2014**	**2015**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current assets					
Inventories	95,559	102,642	111,509	120,403	121,437
Trade receivables	12,100	38,468	76,071	38,756	34,364
Deposits paid, prepayments and other receivables	27,535	33,841	68,614	70,374	77,909
Amounts due from related companies	8,161	3,511	7,796	1,351	839
Amounts due from shareholders	—	61	61	61	61
Loans to a related company	199,520	—	—	—	—
Cash and cash equivalents	20,269	37,549	25,761	52,765	65,002
	363,144	216,072	289,812	283,710	299,612
Current liabilities					
Trade payables	66,631	129,550	141,068	139,156	129,632
Deposits received, receipts in advance, accruals and other payables	11,679	38,912	55,584	45,453	50,205
Amounts due to related companies	107,416	11,962	61,160	14,284	15,891
Amount due to a carved-out subsidiary	7,991	272	—	—	—
Bank borrowings	199,520	31,550	57,000	57,000	69,000
Income tax payable	6,437	4,148	1,486	861	1,558
	399,674	216,394	316,298	256,754	266,286
Net current (liabilities)/assets	(36,530)	(322)	(26,486)	26,956	33,326

We had net current liabilities of RMB36.5 million, RMB0.3 million and RMB26.5 million as at 31 December 2012, 2013 and 2014, respectively. As at 30 April 2015, we had net current assets of RMB27.0 million. During the Track Record Period, the nature of our business operations is such that all of our liabilities are short-term except a long term bank borrowing as at 30 April 2015, consisting mainly of (i) payables to suppliers; (ii) deposits received, receipts in advance accruals and other payables; and (iii) short-term borrowings. We generally maintain a low amount of trade receivables as we are primarily a cash-based business. Our cash level is low since we utilise the cash received mainly for establishment of new outlets, so as to create strategic value and improve profitability in the long run.

In particular, (i) RMB10.9 million, RMB11.5 million, RMB20.8 million and RMB7.4 million were amounts due to related companies in trade nature as at the years ended 31 December 2012, 2013 and 2014 and as at 30 April 2015 and the trade payables represented our payables to suppliers including our related parties and independent third parties. Our suppliers generally granted us credit period ranging from 0 to 360 days for our purchases and our average trade payables turnover days were 47.8 days, 49.6 days, 56.8 days and 60.0 days as at 31 December 2012, 2013 and 2014 and as at 30 April 2015, respectively; (ii) our deposits received, receipts in advance, accruals and other payables were balances of rental deposits received for our leasing area to our tenants, payments received on behalf of our concessionaires and value of our shopping coupons etc., at any given point of time, we had a significant balance of payables to suppliers and deposits received, receipts in advance, accruals and other payables, which contributed to our net current liabilities position as at 31 December 2012, 2013 and 2014. Trade payables increased as at 31 December 2012, 2013 and 2014, principally due to increases in trade payables to our suppliers as we expanded our business.

Our borrowings were entered for our working capital purposes and therefore they were short-term, which comprised of (i) funds provided by Lecong Supply and Marketing Group, our immediate holding company before Reorganisation and Shunde Jinle, a group company of Lecong Supply and Marketing Group in 2012. Despite we had bank borrowings of RMB199.5 million as at 31 December 2012, the amount was in turn advanced to our immediate holding company and therefore not for our Company use. For details, please see paragraphs headed "Liquidity and capital resources — Amounts due to related parties" and "Liquidity and capital resources — Amount due to a carved-out subsidiary" in this section; (ii) funds provided by Lecong Supply and Marketing Group and its group company and bank borrowings in 2013; and (iii) bank borrowings in 2014.

Our net current liabilities decreased from RMB36.5 million as at 31 December 2012 to RMB0.3 million as at 31 December 2013. The decrease was mainly attributable to the settlement of our amounts due to Lecong Supply and Marketing Group, our related companies, by RMB96.5 million and the settlement of our amounts due to Shunde Jinle, a carved-out subsidiary, by RMB7.7 million which were provided to us for working capital purpose before Reorganisation. Such effect was partially offset by the increase in trade payables to suppliers by RMB62.9 million resulting from the growth of our business for the year ended 31 December 2013.

Our net current liabilities increased from RMB0.3 million as at 31 December 2013 to RMB26.5 million as at 31 December 2014. The increase was mainly attributable to the increase in amounts due to related companies to RMB61.2 million, of which (i) RMB43.2 million was payable to Lecong Supply and Marketing Group as a result of the acquisition of Shun Ke Long as part of the Reorganisation and please refer to the section headed "History, Development and Reorganisation" to this prospectus for details; and (ii) RMB18.0 million was payable to our related companies in trade nature as a result of expansion of our business.

We reversed net current liabilities of RMB26.5 million as at 31 December 2014 to net current assets of RMB27.0 million as at 30 April 2015. The decrease was mainly attributable to the decrease in the amounts due to related companies from RMB61.2 million to RMB14.3 million as a result of settlements of RMB36.0 million made by us to Lecong Supply and Marketing Group arising from the acquisition of Shun Ke Long pursuant to the Reorganisation, and the net settlements of RMB10.9 million made to the balances due to all related companies in trade nature. The further improvement of our net current assets position to RMB33.3 million as at 30 June 2015 was mainly due to (i) the increase in deposits paid, prepayments and other receivables from RMB70.4 million to RMB77.9 million which was attributable to (a) an increase of RMB4.7 million in other receivables mainly due to provision of petty cash to our procurement department for subsequent purchase of products in preparation of the opening of new Retail Outlets and in particular, the O'city; (b) an increase of RMB1.4 million in advance payment to our suppliers for our wholesale distribution as a result of increase in our purchases from them, (ii) increase in cash and cash equivalents and (iii) decrease in trade payables from RMB139.2 million to RMB129.6 million due to settlement in view of our increased cash availability, which was partially offset by (i) the increase in deposits received, receipts in advance, accruals and other payables from RMB45.5 million to RMB50.2 million attributable to (a) an increase of RMB2.8 million as provision made for our listing fees and expenses and (b) increase of RMB1.3 million in our monthly other tax payable mainly due to our increase in net output value-added tax in June 2015 compared to April 2015 as a result of our increased turnover and less receipt of tax invoices which contained input value-added tax from our suppliers to offset the output value-added tax and (ii) an increase in short-term bank borrowings due to our additional drawdown of RMB12.0 million in June 2015.

Our Directors believe that our business, in particular our financial position, is in line with the market norm where the net current liabilities position is typical for retail or supermarket businesses.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically met our liquidity requirements principally through a combination of cash flow from operations and bank borrowings. Our principal uses of cash have been, and are expected to continue to be, our operational costs and capital investments for the opening of new Retail Outlets for the continual expansion of our sales network and renovation and redecoration of existing Retail Outlets.

Cash Flows

The table below is a summary of our consolidated statements of cash flows during the Track Record Period.

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net cash generated from/(used in) operating activities	66,354	87,584	(9,033)	(25,258)	26,357
Net cash (used in)/generated from investing activities	(221,975)	185,649	(18,795)	(3,999)	(19,812)
Net cash generated from/(used in) financing activities	159,643	(255,956)	16,054	51,761	20,447
Net increase/(decrease) in cash and cash equivalents	4,022	17,277	(11,774)	22,504	26,992
Cash and cash equivalents at beginning of the year	16,247	20,269	37,549	37,549	25,761
Effect of exchange rates changes on cash and cash equivalents	—	3	(14)	(31)	12
Cash and cash equivalents at end of the year/period	20,269	37,549	25,761	60,022	52,765

Net cash flows generated from operating activities

For the year ended 31 December 2012, our net cash generated from operating activities was RMB66.4 million, reflecting (i) profit before taxation of RMB24.9 million, as adjusted positively by RMB10.9 million of non-cash items and other adjustments, primarily including RMB10.0 million of depreciation of property, plant and equipment; (ii) RMB54.2 million of decrease in balances with related companies due to settlements received from such related companies mainly arising from trade transactions; (iii) RMB9.5 million of decrease in trade receivables due to settlements of long outstanding amounts; and (iv) RMB9.5 million of decrease in amount due from a carved-out subsidiary arising from the settlements of such balance; which was partially offset by (a) RMB27.3 million of increase in inventories due to increase in purchase resulting from the expansion of business scale; and (b) RMB13.7 million of decrease in trade payables due to settlements made by us.

For the year ended 31 December 2013, our net cash generated from operating activities was RMB87.6 million, reflecting (i) profit before taxation of RMB36.4 million, as adjusted positively by RMB14.7 million of non-cash items and other adjustments, primarily including RMB9.1 million of depreciation of property, plant and equipment and RMB4.0 million of interest expenses; (ii) RMB62.9 million of increase in trade payables due to the increase in our purchase of products to in line with the growth of our business scale; (iii) RMB27.2 million of increase in deposits received, receipts in advance, accruals and other payables primarily due to the increases in rental deposits for Retail Outlets with leasing activities, receipts in advance from wholesale distribution customers, and unutilised government subsidies resulting from the increase in the scale of our business; (iv) RMB5.2 million of decrease in amount due from related companies arising from trading transactions; which was partially offset by (a) the decrease in the balance with our carved-out subsidiary by RMB7.7 million due to settlements made by our Group as a result of the Reorganisation; (b) RMB5.2 million of increase in deposits paid, prepayments and other receivables due to business expansion; (c) RMB26.4 million of increase in trade receivables primarily due to growth in our sales in wholesale distribution as a result of business expansion; and (d) RMB8.0 million of increase in inventory primarily due to increase in our purchase of products in line with our business expansion.

For the year ended 31 December 2014, our net cash used in operating activities was RMB9.0 million, reflecting (i) our profit before income tax expense of RMB42.1 million, as adjusted positively by RMB15.1 million of non-cash items and other adjustments, primarily including RMB9.2 million of depreciation of property, plant and equipment and RMB4.2 million of interest expenses; (ii) RMB13.4 million of increase in deposits received, receipts advance, accruals and other payables mainly due to increase in accruals and other payables mainly resulting from amount due to a shareholder of Golden Prime and rental payable as a result of increase in the scale of our overall business; (iii) RMB10.9 million of increase in trade payables due to increase in our purchase of products in line with our business expansion; (iv) RMB4.7 million of decrease in amount due from related companies arising from trading transactions; which was partially offset by (a) RMB37.6 million of increase in trade receivables due to growth in wholesale distribution segment and bulk sales under Retail Outlet operation and sales segment as a result of increase in the scale of our overall business; (b) RMB34.5 million of increase in deposit paid, prepayments and other receivables mainly due to increase in prepaid expenses for the opening of our new Retail Outlets, advances to suppliers, and value-added tax recoverable as a result of our business expansion.

For the four months ended 30 April 2015, our net cash generated from operating activities was RMB26.4 million, reflecting (i) our profit before income tax expense of RMB18.1 million, as adjusted positively by RMB6.9 million of non-cash items and other adjustments, primarily including RMB3.8 million of depreciation of property, plant and equipment and RMB1.7 million of interest expenses; (ii) RMB37.3 million of decrease in trade receivables resulting from our measures to recover receivables from our customers; which was partially offset by (a) RMB5.2 million of income tax paid; (b) RMB9.5 million increase in inventories due to increase in our purchase of products in line with our business expansion and the repurchase of the Other Transferred Products in April 2015 pursuant to the Restricted Business Transfer; (c) RMB2.3 million of increase in deposits paid, prepayments and other receivables mainly due to increase in prepaid expenses for the opening of our new Retail Outlets, advances to suppliers, and value-added tax recoverable as a result of our business expansion; (d) RMB1.9 million of decrease in trade payables due to settlement made by us; (e) RMB10.1 million of decrease in deposit received, receipts in advance, accruals and other payables due to our settlement of deposit paid by our customers for ordering of goods when our new Retail Outlets formally opened and repayment to the shareholder of Golden Prime; and (f) RMB 6.9 million increase in balances with related companies due to the increase in net settlement of trade balances with the related companies by us.

Net cash flows generated from investing activities

For the year ended 31 December 2012, our net cash used in investing activities was RMB222.0 million, primarily reflecting cash outflows of (i) RMB199.5 million of loans to our related company for its operational use; and (ii) RMB22.2 million of purchases of property, plant and equipment primarily due to the establishment of new Retail Outlets during the year.

For the year ended 31 December 2013, our net cash generated from investing activities was RMB185.6 million, primarily reflecting cash inflows of payment from our related company of RMB199.5 million for the repayments of our loans to them in 2012; which is partially offset by RMB14.5 million of purchases of property, plant and equipment primarily due to the establishment of new Retail Outlets during the year.

For the year ended 31 December 2014, our net cash used in investing activities was RMB18.8 million, primarily reflecting cash outflows of RMB20.8 million of purchases of property, plant and equipment primarily due to the establishment of new Retail Outlets; which was partially offset by (i) RMB0.8 million of proceeds from sale of property, plant and equipment and (ii) RMB0.5 million of proceeds from the disposal of investment properties.

For the four months ended 30 April 2015, our net cash used in investing activities was RMB19.8 million, primarily reflecting cash outflows of RMB20.0 million of purchases of property, plant and equipment primarily due to the establishment of new Retail Outlets during the period partially offset by proceeds from sales of property, plant and equipment.

Net cash flows generated from financing activities

For the year ended 31 December 2012, our net cash generated from financing activities was RMB159.6 million, primarily reflecting cash inflows of RMB245.5 million of drawdowns from bank borrowings including the RMB199.5 million of bank borrowings we lent to our related company, Lecong Supply and Marketing Group; which was partially offset by the RMB116.9 million of repayment of bank borrowings.

For the year ended 31 December 2013, our net cash used in financing activities was RMB256.0 million, primarily reflecting cash outflows of (i) RMB267.0 million of repayments of bank borrowings including the RMB199.5 million of bank borrowings we lent to our related company, Lecong Supply and Marketing Group; and (ii) RMB4.0 million of interest paid in respect of the bank borrowings; which was partially offset primarily by RMB99.0 million of drawdowns from bank borrowing to fund our general working capital.

For the year ended 31 December 2014, our net cash generated from financing activities was RMB16.1 million, primarily reflecting cash inflows of (i) RMB57.0 million of bank borrowings to fund our general working capital, (ii) RMB29.5 million of proceeds from issuance of our Shares to Shun Ao, being one of our Shareholders, pursuant to the Reorganisation, which was partially offset primarily by (a) RMB31.6 million of repayments of bank borrowing, (b) RMB18.8 million of dividends paid to our Shareholders and (c) RMB4.2 million of interest paid in respect of the bank borrowings.

For the four months ended 30 April 2015, our net cash generated from financing activities was RMB20.5 million, primarily reflecting cash inflow of RMB56.0 million of new bank borrowings which was primarily offset by the settlement of the acquisition cost of Shun Ke Long in the amount of RMB36.0 million pursuant to the Reorganisation.

Working Capital Sufficiency

Notwithstanding having net current liabilities position of our Group for the years ended 31 December 2012, 2013 and 2014, our Directors believe that it is essential to manage our Group's cash flow efficiently and has a set of policies and arrangements to monitor and manage fund sufficiency to maintain adequate liquidity for the business and operations of our Group. Set out below are the relevant policies and plans formulated by our management and prepared by our finance department in order to maintain our working capital sufficiency:—

1. Annual financial budget — we have set the annual revenue targets and expenditure budgets in accordance with the business goal of our Group for the operation of Retail Outlet operation and sales segment and the wholesale distribution segment.

2. Quarterly cash flow budget — we have formulate a quarterly forecast over the expected cash and revenue in receipt and the anticipated expenditure and expenses to be incurred in order to estimate and allow sufficient buffer to maintain and safeguard sufficient cash flow and liquidity for our operations.

3. Monthly financial analysis — we review and monitor the overall cash flow positions of our Group, and the cash flow positions of our Retail Outlet operation and sales segment and wholesale distribution segment by comparing the forecast and actual financial performance, devise and implement any necessary follow-up or contingency measures to ensure that our cash flow position is sufficiently maintained and under control.

Our Directors believe that the policies and plans set out above should be able to assist the Group to effectively monitor and manage our cash flow position and maintain sufficient fund and liquidity for our business and operations.

Subsequent to 30 April 2015 and up to 30 June 2015, being the latest practicable date for the purpose of the indebtedness statement in this prospectus, we made additional drawdown of RMB12.0 million to be matured in June 2016. For details, please refer to the section headed "Indebtedness and contingencies" in this section.

We have not encountered any difficulties in obtaining bank loans or borrowings during the Track Record Period and in view of the credit history of our Group, our Directors believe that our Group should be able to continue to obtain bank loans or facilities in future when there arises any financial needs of our Group and business. We expect to finance the working capital needs of our Group through internal resources, cash generated from our business and operations, bank borrowings as well as the net proceeds from the Global Offering.

To improve our liquidity position, after Listing and going forward, we will (i) fund our operations and expansion plan through the use of proceeds from the Global Offering and reduce our reliance on bank borrowings; (ii) repay outstanding loans by the profits generated from our business in order to reduce the outstanding loans and associated finance costs whenever necessary and appropriate; (iii) carefully manage the settlement of trade receivables and trade payables to ensure sufficient operating cash flows to be maintained for our operations; and (iv) consider a balanced mix of debt and equity financing to improve our liquidity position.

Taking into account our cash and cash equivalents on hand, cash generated from our operating activities, our available banking facilities as at the Latest Practicable Date and the estimated net proceeds from the Global Offering, our Directors are of the opinion, and the Sole Sponsor concurs, that we have sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this prospectus.

Inventories

Our inventories consist of outlet products we purchased from our suppliers for sale to our customers and low value consumables. Low value consumables are consumables for our internal use. The value of our inventories accounted for approximately 26.3%, 47.5%, 38.5% and 42.4% of our total current assets as at 31 December 2012, 2013 and 2014 and as at 30 April 2015, respectively.

The following table sets out the details of our inventories as of the dates indicated:

	As at 31 December			**As at 30 April**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Merchandise for resale	95,244	102,629	111,509	120,403
Low value consumables	315	13	—	—
	95,559	102,642	111,509	120,403

Our inventories increased by RMB7.1 million or 7.4% from RMB95.6 million as at 31 December 2012 to RMB102.6 million as at 31 December 2013 and further increased by RMB8.9 million or 8.6% to RMB111.5 million as at 31 December 2014. As at 30 April 2015, our inventories grew to RMB120.4 million. Such increase was mainly due to our business expansion associated with an increase in the number of our Retail Outlets and wholesale distribution customers and the repurchase of the Other Transferred Products pursuant to the Other Product Buyback Agreement. For more information about the Other Product Buyback Agreement, please refer to the section headed "Business — Products portfolio — Cessation of the sales of tobacco products and the transfer and buyback of Other Transferred Products" to this prospectus.

As at 31 July 2015, we had subsequently sold RMB110.9 million or 92.1% of our inventories as of 30 April 2015.

The following table sets out a summary of our inventory turnover for the periods indicated:

	Year ended 31 December			Four months ended 30 April
	2012	**2013**	**2014**	**2015**
Inventory turnover (days) *(Note)*	53.5	50.1	44.9	49.7

Note: Inventory turnover days is calculated using the average of the opening and closing inventory balances for the period, divided by cost of inventories sold for the period, multiplied by the number of days in the period.

Our inventory turnover days for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015 was 53.5 days, 50.1 days, 44.9 days and 49.7 days, respectively. In 2013, benefited from the expanded business of our Company, we were able to attain a lower inventory level comparing to the cost of inventories sold as our suppliers were willing to provide more in-time delivery for our increased purchase volume and this resulted in a drop in inventory turnover days from 2012 to 2013. The decrease between 2013 and 2014 was mainly due to the sale of inventories to Foshan Shente in 2014 amounted to RMB22.8 million as a result of the Restricted Business Transfer as mentioned in the section headed "Business — Products portfolio — Cessation of the sales of tobacco products and the transfer and buyback of Other Transferred Products" to this prospectus. If these inventories were included, our average turnover day for the year end 31 December 2014 would be 49.7 days which would be comparable to the inventory turnover days in 2013. The increase in our inventory turnover days to 49.7 days for the four months ended 30 April 2015 was mainly due to the lower cost of inventories sold as a result of cessation of the sale of tobacco products and the Other Transferred Products by us pursuant to the Restricted Business Transfer in late 2014 and a higher inventories level recorded by us as a result of our one-off repurchase of the Other Transferred Products pursuant to the Other Product Buyback Agreement and we resumed the sale of the Other Transferred Products since 10 April 2015. For more information about the Other Product Buyback Agreement, please refer to the section headed "Business — Products portfolio — Cessation of the sales of tobacco products and the transfer and buyback of Other Transferred Products" to this prospectus.

While majority of our inventories and cost of inventories sold represent those for our Retail Outlet operations and sales, our actual inventories turnover days during the Track Record Period were higher than our inventory policy of the Retail Outlet operation and sales of at least seven to 25 days because we usually make procurement in large quantities each time and on a regular basis after taking into account the lead time between order and actual delivery so as to save overhead expenses such as administrative and transportation costs. As a result, our actual inventory level is higher than that of our minimum inventory requirement to facilitate the efficient operation and smooth inventory management of the Group.

Trade receivables

Our trade receivables include amount due from wholesale distribution customers, bulk sales customers and rental income receivable from our tenants. The following table sets forth a breakdown of our trade receivables classified by business segments as of the dates indicated:

	As at 31 December			As at 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Retail Outlet operation and sales	9,387	10,543	44,966	21,262
Wholesale distribution	2,713	27,925	31,105	17,494
	12,100	38,468	76,071	38,756

Our trade receivables increased by RMB26.4 million or 217.9% from RMB12.1 million as at 31 December 2012 to RMB38.5 million as at 31 December 2013, and further increased by RMB37.6 million or 97.8% to RMB76.1 million as at 31 December 2014. As at 30 April 2015, our trade receivables dropped to RMB38.8 million.

Our trade receivables for Retail Outlet operation and sales increased by RMB1.2 million or 12.3% from RMB9.4 million as at 31 December 2012 to RMB10.5 million as at 31 December 2013 and further increased by RMB34.4 million or 326.5% to RMB45.0 million as at 31 December 2014. The increase from 2012 to 2013 was mainly attributable to the increase in our bulk sales, and the increase in trade receivables from 2013 to 2014 was mainly attributable to trade receivables in the amount of RMB32.8 million relating to the bulk sales from certain customers handled by the sales team designated by our head office in order to provide more incentive and to foster good business relationship with such customers for marketing purposes. The decrease of trade receivables to RMB21.3 million as at 30 April 2015 was mainly due to measures taken by us to recover trade receivables.

Our trade receivables for wholesale distribution increased by RMB25.2 million or 929.3% from RMB2.7 million as at 31 December 2012 to RMB27.9 million as at 31 December 2013 and further increased by RMB3.2 million or 11.4% to RMB31.1 million as at 31 December 2014. The increase in 2013 when compared with 2012 was mainly attributable to the increases in the revenue of wholesale distribution segment resulting from the increased sales to franchisees and increased number of general wholesale customers. The increase in 2014 when compared with 2013 was mainly attributable to (i) the RMB1.9 million due from Foshan Shente as a result of the Restricted Business Transfer in late 2014 which has been settled by Foshan Shente, and (ii) the increased number of general wholesale customers from 1,206 to 1,586. The decrease of trade receivables to RMB17.5 million as at 30 April 2015 was mainly due to measures taken by us to recover trade receivables.

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

	As at 31 December			As at 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	8,022	13,900	22,215	21,982
31 to 60 days	2,117	7,112	10,308	8,636
61 to 180 days	1,346	10,668	26,296	4,851
181 to 365 days	446	6,788	4,625	543
Over 1 year	169	—	12,627	2,744
	12,100	38,468	76,071	38,756

The credit terms offered by us to our bulk sales customers and wholesale distribution customers ranging from 0 to 270 days from the invoice date. We do not provide any credit period to our tenants.

The trade receivables aged over one year of RMB12.6 million as at 31 December 2014 mainly arose from the overdue payment from our franchisees who made purchase with us in 2013 in the amount of RMB10.7 million representing 84.8% of our trade receivables aged over one year. We granted more allowance to the overdue payment since we intended to support the operations of our franchisees. We closely monitored the operations and business performance of these franchisees such as paying regular visits to and having communications with them and we were not aware of circumstances which might cause impairment to these trade receivables and therefore we considered and concluded that these trade receivables were recoverable and not impaired.

The trade receivables aged over one year of RMB2.7 million as at 30 April 2015 mainly concerned with two general wholesale customers who purchased from us at two different offices and settled with us usually at a particular office leaving the trade receivables at another office overdue disregard of credit terms granted by the different offices. We regarded such overdue due to administrative inadvertence of these customers. While we have been receiving settlement from them regularly and were not aware of any circumstances which might cause impairment to these trade receivables, we therefore considered and concluded that these trade receivables were recoverable and not impaired. We will continue to closely monitor such trade receivables.

As at 31 July 2015, RMB0.9 million representing 31.1% of the trade receivables aged over 1 year as at 30 April 2015 were subsequently settled with us.

The policy for the provision for impairment of trade receivables of our Group is based on the evaluation of collectability and ageing analysis of accounts and on our management's judgment. A considerable amount of judgment is required in assessing the realisation of the trade receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required.

The below table sets forth an aged analysis of the trade receivables that are not considered to be impaired is as follows:

	As at 31 December			As at 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	10,937	26,343	41,544	32,588
Past due but not impaired				
Less than 1 month past due	398	2,527	10,166	1,955
1 to 3 months past due	150	2,810	7,110	927
Over 3 months past due	615	6,788	17,251	3,286
	1,163	12,125	34,527	6,168
	12,100	38,468	76,071	38,756

Receivables that were past due but not impaired relate to a number of independent customers that had a good track record with our Group. Based on past experiences, our Directors are of the opinion that no provision for impairment is necessary in respect of these receivables as there has not been a significant change in credit quality and the receivables are therefore still considered fully recoverable. Our Group does not hold any collateral or other credit enhancements over these receivables.

Our trade receivables that were past due but not impaired amounted to RMB1.2 million, RMB12.1 million, RMB34.5 million and RMB6.2 million as at each of the three years ended 31 December 2012, 2013 and 2014 and as at 30 April 2015, respectively, representing 9.6%, 31.5%, 45.4% and 15.9% of the total trade receivables for the same periods. The increase in trade receivables that were past due but not impaired as at 31 December 2014 in comparison with that as at 31 December 2013 was mostly due to increase in these receivables due from wholesale distribution customers, bulk sales customers and customers handled by the sales team designated by our head office whom we have confidence with their creditworthiness based on our credit assessment. The decrease in trade receivables that were past due but not impaired as at 30 April 2015 in comparison with that as at 31 December 2014 was mainly due to measures taken by us to recover these trade receivables.

We closely monitor and perform regular review on our trade receivables. During the Track Record Period, we did not make any provisions for our trade receivables. As at 31 July 2015, RMB33.4 million, or 86.1% of the trade receivables outstanding as at 30 April 2015 were subsequently settled.

The following table sets forth our average trade receivables turnover days for the periods indicated:

	Year ended 31 December			Four months ended 30 April
	2012	**2013**	**2014**	**2015**
Average trade receivables turnover days (*Note*)	9.5	10.6	19.8	19.9

Note: Our average trade receivables turnover days is calculated as the average of the opening and closing trade receivables for the year, divided by our revenue for that year, multiplied by the number of days in the period.

The average trade receivables turnover days were 9.5 days, 10.6 days, 19.8 days and 19.9 days for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. We recorded a short average receivables turnover days during the Track Record Period was because a large portion of our revenue was generated from general sales and commission from concessionaire sales, whereby our customers settled their payment by cash upon receipt of products. The aggregated revenue of our general sales and concessionaire sales and rental contributed to 81.5%, 66.1%, 62.0% and 60.7% of our total revenue for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively.

The relatively shorter average trade receivables turnover days for 2012 and 2013 was mainly attributable to a higher portion of our revenue contributed by general sales and commission from concessionaire sales during such years. Due to our growth of business, we generated more revenue from wholesale distribution customers, bulk sales customers and leasing of Retail Outlets, to whom we generally offered credit terms resulting in an increase in the average trade receivables turnover days from 2012 to 2013.

The increase in average trade receivables turnover days from 10.6 days in 2013 to 19.8 days in 2014 was mainly attributable to the amount due from Foshan Shente as a result of the Restricted Business Transfer in late 2014, and the increase in bulk sales from certain customers handled by the sales team designated by our head office, which led to the increase in the total trade receivable balance for 2014 and increase in the average trade receivables turnover days.

The average trade receivables turnover days remained relatively stable at 19.8 days for the year ended 31 December 2014 and at 19.9 days for the four months ended 30 April 2015.

The following table sets forth our average trade receivables turnover days (excluding the general sales and commission from concessionaire sales) by segment for the periods indicated:

	Year ended 31 December			Four months ended 30 April
	2012	**2013**	**2014**	**2015**
Retail Outlet operation and sales	52.2	32.1	55.8	62.4
Wholesale distribution	28.5	26.6	42.5	34.1

Excluding the general sales and commission from concessionaire sales, the average trade receivables turnover days in respect of Retail Outlet operation and sales which comprised mainly bulk sales and a small amount of rental income from leasing of shop premises were 52.2 days, 32.1 days, 55.8 days and 62.4 days for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. We generally offered credit period of 0 to 90 days to our bulk sales customers in 2012 and 2013 and further extended such credit period to 0 to 120 days in 2014 and during the four months ended 30 April 2015. Such increase was attributable to a longer credit period offered by us to certain customers handled by the sales team designated by our head office in order to provide more incentive and to foster good business relationship with such customers for marketing purpose in 2014. On the contrary, we did not offer credit period to our tenants during the Track Record Period. Notwithstanding the same credit period of 0 to 90 days was offered to our bulk sales customers in 2012 and 2013, the average trade receivables turnover days decreased from 52.2 days in 2012 to 32.1 days in 2013 mainly due to the measures taken by us to recover receivables from our debtors in 2013 whereas the increase from 2013 to 2014 and from 2014 to 30 April 2015 were due to a longer credit period granted to our bulk sales customers.

The average trade receivables turnover days in respect of wholesale distribution were 28.5 days, 26.6 days, 42.5 days and 34.1 days for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. We offer a credit period ranging from 0 to 270 days to our wholesale distribution customers. The average trade receivables turnover days from 2012 to 2013 remained relatively stable whereas the increase in 2014 was mainly due to the amount due from Foshan Shunde as a result of the Restricted Business Transfer in late 2014, leading to the increase in the year-end balance of the trade receivables and thus increase in the number of turnover days for this segment. The decrease of average trade receivables turnover days for the four months ended 30 April 2015 was mainly due to measures taken by us to recover trade receivables from our franchisees.

Deposit paid, prepayments and other receivables (current portion)

The following table sets forth the current portion of deposits paid, prepayments and other receivables as of the dates indicated:

	As at 31 December			As at 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
- Prepayments	98	2,349	9,682	7,774
- Advances to suppliers	22,966	10,916	17,004	14,931
- Deposits paid	1,836	2,229	2,614	2,601
- Other receivables	2,635	18,347	39,314	45,068
	27,535	33,841	68,614	70,374

As at 31 December 2012, 2013 and 2014 and as at 30 April 2015, our deposits paid, prepayments and other receivables were RMB27.5 million, RMB33.8 million, RMB68.6 million and RMB70.4 million, respectively. Other receivables mainly comprised (i) value-added tax recoverable, which represents the value-added tax component of the purchase price for products which is expected to be recovered by us from the taxation authorities through submission of tax invoices provided by our suppliers; (ii) utilities expenses prepaid on behalf of our suppliers, concessionaires and tenants; and (iii) promotional service fees due from our suppliers.

The increase from 31 December 2012 to 31 December 2013 by RMB6.3 million or 22.9% was mainly due to (i) an increase of RMB2.3 million in prepayments mainly for the opening expenses of our new Retail Outlets, (ii) an increase of RMB15.7 million in other receivables, mainly included (a) an increase of RMB7.2 million in the value-added tax recoverable as a result of (1) our increased purchases and trade payables and (2) our better utilisation of the enhanced credit terms and extended trade payables period with an aim to prioritise our cash resources towards further development of our business and our reduced reliance on urging our suppliers to provide tax invoices offsetting the value-added tax recoverable in 2013; (b) an increase of RMB3.0 million in promotional service fees due from our suppliers; (c) an increase of RMB2.2 million in utilities expenses prepaid on behalf of our suppliers, concessionaires and tenants as a result of our business growth; and (d) an increase of RMB1.3 million proceeds from the sale of shopping tokens coupons, which was partially offset by the decrease of RMB12.0 million of advances to suppliers due to the reduced request for prepayments by our suppliers for our Retail Outlet operation and sales as our volume of purchase from them increased.

The increase from 31 December 2013 to 31 December 2014 by RMB34.8 million or 102.8% was mainly due to (i) an increase in prepayments of RMB7.3 million mainly for the opening expenses for our new Retail Outlets, (ii) an increase of RMB6.1 million in advance payment to our suppliers for our wholesale distribution as a result of increase in our purchases from them, (iii) an increase of RMB21.0 million in other receivables, mainly included (a) an increase of RMB15.1 million in value-added tax recoverable as a result of (1) our increased purchases and trade payables and (2) our continued utilisation of the enhanced credit terms and extended trade payables period in 2014 and our reduced reliance on urging our suppliers to provide tax invoices offsetting the value-added tax recoverable in 2014; (b) an increase of RMB3.8 million in utilities expenses prepaid on behalf our suppliers, concessionaires and tenants as a result of our business growth; and (c) RMB2.7 million of petty cash provided to our procurement department as at 31 December 2014 for subsequent purchase of products; partially offset by the decrease of RMB1.4 million in promotional service fees due from our suppliers.

The increase by RMB1.8 million or 2.6% from RMB68.6 million as at 31 December 2014 to RMB70.4 million as at 30 April 2015 was mainly due to increase in other receivables in the amount of RMB5.7 million, mainly included the increase of promotion fees due from our suppliers in the amount of RMB4.3 million resulting from increasing promotion activities carried out for our suppliers; and partially offset by (i) the RMB1.9 million decrease in prepayment for the purchase of property, plant and equipment; and (ii) the decrease of RMB2.1 million in advances to suppliers due to less prepayment for purchase was made in April 2015 as compared with the end of 2014 when more procurement was required before Chinese New Year.

As at 31 July 2015, RMB37.6 million or 95.7% of the other receivables as at 31 December 2014 and RMB41.5 million or 92.0% of the other receivables as at 30 April 2015 were subsequently settled.

Amounts due from related companies

As at 31 December 2012, 2013, 2014 and as at 30 April 2015, our Group had amounts due from related companies amounted to RMB8.2 million, RMB3.5 million, RMB7.8 million and RMB1.4 million, respectively, which were in trade nature comprised of sales of products and renting of premises to our related companies. The balance decreased by RMB4.7 million or 57.0% from RMB8.2 million as at 31 December 2012 to RMB3.5 million as at 31 December 2013 mainly due to decrease in trading volume with these related companies as a result of closure of a related company and certain related companies made purchases with other suppliers. The increase from 2013 to 2014 by RMB4.3 million or 122.0% was mainly due to the prepayments made by us at the end of the financial year. The balance decreased by RMB6.4 million or 82.7% from RMB7.8 million as at 31 December 2014 to RMB1.4 million as at 30 April 2015 mainly due to our effort in recovering outstanding balances from the related companies.

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, the amounts due from related companies were unsecured, interest-free and repayable on demand.

As at 31 July 2015, RMB0.9 million or 68.7% of amounts due from related companies outstanding as at 30 April 2015 were subsequently settled.

Amounts due from shareholders

As at 31 December 2012, 2013 and 2014 and as at 30 April 2015, our Group had amounts due from shareholders amounted to nil, RMB61,000, RMB61,000 and RMB61,000, respectively, and such amounts were unpaid share capital by shareholders for capital injection and they would be repaid before Listing.

Loans to a related company

As at 31 December 2012, the balance of RMB199.5 million represented our bank borrowings drawn down by us on behalf of our related company, Lecong Supply and Marketing Group which was our immediate holding company before Reorganisation for its operational and working capital use. Lecong Supply and Marketing Group had borne all interest expenses of these bank loans. The balance was unsecured and bearing the same interest rates of the bank borrowings. The repayment schedule of the loans to related company is the same as the repayment terms of the bank borrowings of our Group. The loans to a related company were settled by Lecong Supply and Marketing Group to us in 2013 and the related interest was settled in 2014. The bank borrowings and the related interest were settled by us to the banks in 2013.

According to our PRC Legal Advisers, such lending activities between enterprises did not comply with the Lending General Provisions (貸款通則) promulgated by the PBOC in 1996. PBOC may impose a fine on the lending party in an amount equal to one to five times of the illegal proceeds generated from the lending activities, and concurrently invalidate such lending activities. Our PRC Legal Advisers have interviewed Shunde branch of PBOC (中國人民銀行順德支行) and confirmed that it has not imposed any penalties against any companies in Shunde in relation to inter-company loans and it would not impose any penalties against Shun Ke Long. As confirmed by our PRC Legal Advisers, the Shunde branch of PBOC (中國人民銀行順德支行) is a competent authority to give the aforesaid confirmations. Given that (i) we did not receive any economic benefits from the advances; (ii) the relevant advances had been fully repaid by the related company; (iii) we had already ceased such practice; and (iv) the interview results with the Shunde branch of PBOC, our PRC Legal Advisers are of the view that the risk of PBOC in imposing any penalty on us is low.

We have implemented a set of risk management policies to avoid similar incident in future. In essence, under our policies, inter-company loans and loans to third parties are prohibited except for advances which are made in the ordinary course of business. For details of our risk management policies, please refer to the section headed the "Business — Risk management policies and internal control — Loan or advance policies" to this prospectus. Our Directors confirmed that no such advances to related companies or third parties was outstanding as at the Latest Practicable Date and that we will not make such advances to related companies or third parties after the Listing.

Trade payables

Our trade payables represent the amount due to our suppliers with respect to the purchase of products for sale. Our trade payables increased by RMB63.0 million or 94.4% from RMB66.6 million as at 31 December 2012 to RMB129.6 million as at 31 December 2013, and further increased by RMB11.5 million or 8.9% to RMB141.1 million as at 31 December 2014 mainly due to an increase in our procurement amount as a result of our business expansion. Our trade payables remained relatively stable at RMB141.1 million as at 31 December 2014 and at RMB139.2 million as at 30 April 2015.

The below table sets forth an aged analysis of the trade payables as of the dates indicated based on the invoice date:

	As at 31 December			As at 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current to 30 days	16,369	53,387	53,170	40,897
31 to 60 days	4,884	25,013	36,123	21,234
61 to 180 days	16,503	39,689	42,991	64,993
181 to 365 days	23,443	1,960	4,789	7,501
Over 1 year	5,432	9,501	3,995	4,531
	66,631	129,550	141,068	139,156

The following table sets forth our average trade payables turnover days for the periods indicated.

	Year ended 31 December			Four months ended 30 April
	2012	**2013**	**2014**	**2015**
Average trade payables turnover days *(Note)*	47.8	49.6	56.8	60.0

Note:

Our average trade payables turnover days is calculated using the average of the opening and closing trade creditor balances for the period, divided by cost of inventories sold for the period, multiplied by the number of days in the period.

Our average trade payables turnover days increased slightly from 47.8 days to 49.6 days and increased further to 56.8 days and 60.0 days for the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, respectively. Such increases were mainly due to our increasing purchase volume for which our suppliers in general agreed to grant longer credit terms to us. During the Track Record Period, we had been granted by our suppliers with credit period ranging from 0 to 360 days and our average trade payables turnover days were within the credit terms.

70.2% of the trade payables outstanding as at 30 April 2015 in the amount of RMB97.7 million was subsequently settled by us as at 31 July 2015.

Deposits received, receipts in advance, accruals and other payables

Our deposits received represents rental deposits and deposits from franchisees. Receipts in advance represents repayment by bulk purchase customers. Accruals and other payables represent value of our issued shopping coupons, payments received on behalf of our concessionaires and salary payable to our employees.

The following table sets forth the breakdown of our deposits received, receipts in advance, accruals and other payables as of the dates indicated.

	As at 31 December			As at 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received	572	6,316	7,114	9,112
Receipts in advance	2,293	12,074	9,314	5,376
Accruals and other payables	8,814	20,522	39,156	30,965
	11,679	38,912	55,584	45,453

Our deposits received, receipts in advance, accruals and other payables increased from RMB11.7 million as at 31 December 2012 to RMB38.9 million as at 31 December 2013, representing an increase of RMB27.2 million or 233.2%. Such increase was mainly attributable to (i) an increase in deposits received in the amount of RMB5.7 million due to the increase in rental deposits received from our tenants for their renting unit and increase in the number of Retail Outlets with leasing activities, (ii) an increase in receipts in advance by RMB9.8 million mainly attributable to (a) a corresponding increase in receipts in advance from our wholesale distribution customers in an aggregate amount of RMB2.8 million as a result of the growth in such business segment, and (b) deferred income in respect of government subsidies of RMB5.6 million, and (iii) an increase in accruals and other payables by RMB11.7 million as a result of (a) an increase of RMB3.4 million in salary payables for December 2013 to be paid by us in January 2014 whereas the salary payable for December 2012 was settled in 2012, (b) an increase of RMB1.6 million in payables to concessionaire for payments received on their behalf, (c) an increase of RMB1.1 million in advances received from a shareholder of Golden Prime, and (d) an increase of RMB0.9 million in renovation expenses payable for one of our Retail Outlets.

Our deposits received, receipts in advance, accruals and other payables increased from RMB38.9 million as at 31 December 2013 to RMB55.6 million as at 31 December 2014, representing an increase of RMB16.7 million or 42.8%. Such increase was mainly attributable to (i) an increase in accruals and other payables as a result of (a) an increase of RMB1.4 million in other payables for social insurance and housing provident fund due to an increase in our number of staff as a result of our business growth, (b) an increase of RMB5.5 million in amount due to a shareholder of Golden Prime which was the additional deposit paid by such shareholder in connection with its intention to subscribe Shares of our Company before Listing. As a result of no mutual agreement reached between us and the shareholder, our Group settled all outstanding deposit in the amount of RMB6.2 million to the shareholder of Golden Prime in April 2015, (c) an increase of RMB5.8 million in rental payable to our lessors as a result of increased number of our leasing properties, (d) an increase of RMB1.3 million as provision made for our listing fees and expenses, and (e) an increase of RMB1.1 million in expenses for establishment of new Retail Outlets. The decrease in receipts in advance was mainly attributable to the decrease in the balance of deferred income in respect of government subsidies in an aggregate amount of RMB4.0 million.

Our deposits received, receipts in advance, accruals and other payables decreased from RMB55.6 million as at 31 December 2014 to RMB45.5 million as at 30 April 2015, representing a decrease of RMB10.1 million or 18.2%. Such decrease was mainly attributable to (i) a decrease of receipts in advance of RMB 3.9 million due to our settlement of deposit paid by our customers for pre-ordering of goods when our new Retail Outlets formally opened and (ii) a decrease of accruals and other payables of RMB8.2 million primary due to the repayment to the shareholder of Golden Prime and our return of products quality assurance deposits to suppliers, which was partially offset by an increase in deposits received in the amount of RMB2.0 million due to the increase in rental deposits received from our tenants for their renting unit and increase in the number of Retail Outlets with leasing activities.

Amounts due to related companies

As at 31 December 2012, 2013 and 2014 and as at 30 April 2015, the amounts due to related companies from our Group amounted to RMB107.4 million, RMB12.0 million, RMB61.2 million and RMB14.3 million, respectively.

The amount of RMB107.4 million due to related companies as at 31 December 2012 mainly represented (i) RMB96.5 million due to Lecong Supply and Marketing Group, our immediate holding company before Reorganisation, and such amount was used for our general working capital purpose, and (ii) RMB10.9 million due to the subsidiaries of Lecong Supply and Marketing Group arising from our purchase of products from such subsidiaries. For the year ended 31 December 2012, the amounts due to related companies were unsecured, interest-free and repayable on demand.

The amount of RMB12.0 million due to related companies as at 31 December 2013 mainly represented (i) RMB11.5 million due to the subsidiaries of Lecong Supply and Marketing Group arising from our purchases of products from such subsidiaries, and such amount was unsecured, interest-free and repayable on demand, and (ii) RMB0.5 million due to Lecong Supply and Marketing

Group after the netting off of (a) an interest receivable by us of RMB10.3 million, and (b) payables in trade nature of RMB0.8 million and an advance from Lecong Supply and Marketing Group of RMB10.0 million for our working capital needs, and such amount was unsecured, interest bearing of 7.2% per annum and repayable on demand.

The decrease in the amounts due to related companies from 31 December 2012 to 31 December 2013 was a result of repayments made by us to Lecong Supply and Marketing Group in 2013.

The amount of RMB61.2 million due to related companies as at 31 December 2014 mainly represented (i) RMB40.4 million due to Lecong Supply and Marketing Group comprising RMB43.2 million arising from acquisition of Shun Ke Long by Jincheng Commercial Trading pursuant to the Reorganisation ("**Jincheng Acquisition**"), such amount was unsecured, interest-free and repayable on or before 29 October 2015 and offset by RMB2.8 million of amount due from Lecong Supply and Marketing Group, and (ii) RMB20.8 million due to the subsidiaries of Lecong Supply and Marketing Group, and such amount was trade in nature, unsecured, interest-free and repayable on demand. The increase in such amount was mainly due to the increase in purchases as a result of our business expansion.

The amount of RMB14.3 million due to related companies as at 30 April 2015 mainly represented (i) RMB6.9 million due to Lecong Supply and Marketing Group which including RMB7.2 million arising from the Jincheng Acquisition, and such amount was unsecured, interest-free and repayable on or before 29 October 2015 and offset by RMB0.3 million of amount due from Lecong Supply and Marketing Group, and (ii) RMB7.4 million due to the subsidiaries of Lecong Supply and Marketing Group, and such amount was trade in nature, unsecured, interest-free and repayable on demand. The decrease in the amount due to related companies from 31 December 2014 to 30 April 2015 was mainly due to our settlement in the amount of RMB36.0 million for the Jincheng Acquisition.

As at 31 July 2015, RMB7.3 million or 50.8% of amount due to related companies outstanding as at 30 April 2015 were subsequently settled.

Amount due to a carved-out subsidiary

Amount due to a carved-out subsidiary was RMB8.0 million, RMB0.3 million, nil and nil as at 31 December 2012, 2013 and 2014 and as at 30 April 2015, respectively. It represented the amount due to Shunde Jinle, a group company of Lecong Supply and Marketing Group which was our immediate holding company before Reorganisation. Before Reorganisation, we relied on funds provided by Lecong Supply Marketing Group and its group companies including Shunde Jinle for our working capital needs. We repaid RMB7.7 million to Shunde Jinle in 2013 and further repaid RMB0.3 million to Shunde Jinle in 2014.

The amount due to a carved-out subsidiary was unsecured, interest-free and repayable on demand.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in Note 27(i) to the Accountants' Report in Appendix I to this prospectus, our Directors confirmed that these transactions were conducted on an arm's length basis, on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole. Our Directors further confirmed that such transactions would not distort our historical results of operations or make our historical results not reflective of our future performance.

CAPITAL EXPENDITURES

Our capital expenditure requirements mainly relate to expansion of our outlet network and addition in our property, plants and equipment, including renovation, and decoration for our Retail Outlets. The following table sets forth our capital expenditures during the periods indicated:

	Year ended 31 December			Four months ended 30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, Plant and Equipment	14,744	12,598	20,845	19,971
Prepaid Land Lease	7,451	1,869	—	—
Investment Properties	523	—	—	—
	22,718	14,467	20,845	19,971

For the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, our capital expenditures were RMB22.7 million, RMB14.5 million, RMB20.8 million and RMB20.0 million, respectively. The decrease from 2012 to 2013 was mainly attributable to fewer Retail Outlets opened or acquired by us in 2013 and the increase from 2013 to 2014 was mainly attributable to the increase in expenditure on property, plant and equipment as a result of the increase in the number of our Retail Outlets. For the four months ended 30 April 2015, our capital expenditures were RMB20.0 million representing the capital investment relating to the opening of nine Retail Outlets within such period.

We expect to incur capital expenditures of approximately RMB43.8 million, RMB49.0 million and RMB42.4 million in 2015, 2016 and 2017, respectively. These expected capital expenditures are primarily for capital investment relating to the opening of our Retail Outlets. Please refer to the sections "Business — Our Business Strategies — Strengthen our market position further by expanding our presence and number of Retail Outlets" and "Future Plans and use of proceeds" to this prospectus for further details. We expect to finance our capital expenditure through a combination of our internally generated funds, the net proceeds from the Global Offering and bank borrowings. We may adjust our capital expenditures for any given period according to our development plans and the market conditions and other factors which we considered applicable to our business.

INDEBTEDNESS AND CONTINGENCIES

				As at	As at
	As at 31 December			30 April	30 June
	2012	2013	2014	2015	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank Borrowings					
- due for repayment within one year	199,520	31,550	57,000	57,000	69,000
- due for repayment after one year but within two years	—	—	—	56,000	56,000
Amount due to a related company (Note)	96,548	495	40,417	6,900	6,835
Total	296,068	32,045	97,417	119,900	131,835

Note: The amount due to a related company in the table above represents the amount due to Lecong Supply and Marketing Group which are mainly of non-trade nature. For details, please refer to the paragraph "Amounts due to related companies."

As at 31 December 2012, 2013 and 2014 and 30 April 2015, our outstanding bank borrowings were RMB199.5 million, RMB31.6 million, RMB57.0 million and RMB113.0 million, respectively. Our bank borrowings were denominated in Renminbi, repayable within one to two years and bearing interest rates at fixed base rates and floating rates ranging from 6.3% to 7.9%, 6.3% to 7.5%, 7.2% to 7.3% and 6.0% to 7.3% per annum for the years ended 31 December 2012, 2013 and 2014 and 30 April 2015, respectively. Subsequent to 30 April 2015 and up to 30 June 2015, being the latest practicable date for the purpose of the indebtedness statement in this prospectus, we made additional drawdown of RMB12.0 million which is to be matured in June 2016 for our working capital purpose. As at 30 June 2015, we had in aggregate total banking facilities of RMB149.0 million, of which RMB125.0 million was utilised and there remained an available banking facilities of RMB24.0 million.

The bank borrowings of RMB199.5 million as at 31 December 2012 was drawndown on behalf of Lecong Supply and Marketing Group, our related company whereby all relevant interests were borne and paid by it. Our finance costs was therefore nil for 2012. Such balance were fully settled in 2013 from Lecong Supply and Marketing Group to us and in turn to the bank. For details, please refer to the paragraph headed "Liquidity and capital resources — Loans to a related company" in this section. As at the years ended 31 December 2013, 2014 and 30 April 2015, we had bank borrowings of RMB31.6 million, RMB57.0 million and RMB113.0 million, respectively in order to fund our working capital and the increase in bank borrowings was mainly due to the expansion in our scale of business. The borrowing of RMB31.6 million as at 31 December 2013 was fully settled in 2014. The borrowing of RMB57.0 million as at 31 December 2014 comprised a sum of RMB12.0 million to be matured in August 2015 and RMB45.0 million to be matured in December 2015. The additional bank borrowings of RMB56.0 million as at 30 April 2015 comprised a sum of RMB15.0 million to be matured in February 2017 and RMB41.0 million to be matured in March 2017.

As at 31 December 2012, 2013 and 2014 and 30 April 2015 and 30 June 2015, our Group's interest-bearing bank borrowings were secured by:

(i) the pledge of certain leasehold buildings of our Group with a net carrying amount of approximately RMB3.4 million, RMB1.9 million, RMB15.0 million, RMB14.9 million and RMB16.2 million as at 31 December 2012, 2013 and 2014 and as at 30 April 2015 and 30 June 2015, respectively;

(ii) the pledge of certain prepaid land lease of our Group with a net carrying amount of approximately RMB2.5 million, RMB1.5 million, RMB28.9 million, RMB28.7 million and RMB32.4 million as at 31 December 2012, 2013 and 2014 and as at 30 April 2015 and 30 June 2015, respectively;

(iii) the pledge of certain investment properties of our Group with a net carrying amount of approximately RMB2.7 million, RMB2.7 million, RMB2.6 million, RMB2.6 million and RMB2.6 million as at 31 December 2012, 2013 and 2014 and as at 30 April 2015 and 30 June 2015, respectively;

(iv) the pledge of certain property, plant and equipment of related company with a net carrying amount of approximately RMB237.3 million, RMB30.7 million, nil, nil and nil as at 31 December 2012, 2013 and 2014 and as at 30 April 2015 and 30 June 2015, respectively; and

(v) a corporate guarantee by our related company to the extent of approximately RMB240.0 million, RMB86.0 million, nil, nil and nil together with its certain property, plant and equipment as at 31 December 2012, 2013 and 2014 and as at 30 April 2015 and 30 June 2015, respectively. The corporate guarantee was expired in 2014.

As mentioned in "Summary of financial ratios" in this section, our gearing ratio was not applicable, 49.2%, 80.7%, 134.3% and net debt to equity ratio was net cash, 4.7%, 44.2% and 71.6% as at 31 December 2012, 2013 and 2014 and as at 30 April 2015, respectively. Despite the increases in gearing ratio and net debt to equity ratio, our Directors considered our financial status as healthy. Our interest coverage ratio for the four months ended 30 April 2015 was 11.9 times. Based on the bank borrowing balance of RMB125.0 million as at 30 June 2015, it is expected that our Group will incur interest expenses of RMB6.8 million for the year ending 31 December 2015.

Save and except as disclosed above in this prospectus, our bank borrowing agreements do not contain any material terms or covenants that may have any material adverse effect or restrictions on us to make further borrowings or our ability to issue debt or equity securities in future.

Our Directors confirmed that we did not have any material default in payment of our trade or non-trade payables or bank borrowings. We have certain customary finance covenants in relation to reorganisation for instance, restriction on change of control or name of the borrower. We obtained waivers and conducted interviews with the relevant banks subsequently, the banks confirmed that we were not in breach of any finance covenants as a result of the Reorganisation. In such circumstances, there was no material breach of our finance covenants during the Track Record Period. Our Directors confirmed that we did not have any plan to raise material external debt financing as at the date of this prospectus.

Except as described above, as at 30 June 2015, being the latest practicable date for the purpose of the indebtedness statement in this prospectus, we did not have any other material borrowings or indebtedness, hire purchase commitments, mortgages and charges, or other material contingent liabilities, any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

FINANCIAL GUARANTEE CONTRACTS

Our Group provided financial guarantee to Lecong Supply and Marketing Group with guaranteed amount in the sum of RMB117.1 million, RMB89.1 million, nil and nil as at 31 December 2012, 2013 and 2014 and as at 30 April 2015, respectively, involving, the pledge of the Group's certain prepaid land lease with a net carrying amount of RMB24.9 million, RMB15.8 million, nil and nil, and the pledge of our Group's certain leasehold buildings with a net carrying amount of RMB11.4 million, RMB9.3 million, nil and nil, respectively. Our Group did not provide any corporate guarantee to Lecong Supply and Marketing Group.

Pursuant to the financial guarantee contracts, our Group would be liable to repay the bank loans if the loans are irrecoverable from Lecong Supply and Marketing Group by the banks.

No provision for our Group's obligation under the financial guarantee contracts has been made as it was not foreseeable by our Directors that there would be any default in repayment of these loans. Our Directors confirmed that all loans under the financial guarantee contracts were settled and released in 2014 and there was no outstanding financial guarantee contracts as at the Latest Practicable Date.

Contingent liabilities

As at the Latest Practicable Date, except as otherwise disclosed in this prospectus, our Group was not involved in any current material legal proceedings, and our Group was not aware of any pending or potential material legal proceedings involving our Group. If our Group was involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it would be probable that a loss has been incurred and the amount of the loss could be reasonably estimated. We confirmed that there has not been any material change in the level of our contingent liability since the Latest Practicable Date.

Capital and other commitments

Capital commitments

Our capital commitments primarily related to property, plant and equipment and land use rights. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As at 31 December			As at 30 April	As at 30 June
	2012	**2013**	**2014**	**2015**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for, in respect of acquisition of property, plant and equipment	—	1,420	2,657	1,090	1,237

Operating lease arrangements

As lessee

We leased certain of its office and shop premises and warehouses under operating lease commitments arrangements, with terms ranging from one to 15 years. The following table sets forth the total minimum future lease payments by our Group under non-cancellable operating leases as of the dates indicated:

	As at 31 December			As at 30 April	As at 30 June
	2012	**2013**	**2014**	**2015**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	5,121	9,044	22,862	17,383	16,901
Later than one year and not later than five years	4,827	11,632	15,493	16,555	17,076
Later than five years	799	155	1,373	1,455	1,298
Total	10,747	20,831	39,728	35,393	35,275

As lessor

Our Company sub-leases out certain areas inside their retail outlets. The leases were negotiated for terms ranging from one to 10 years. None of the leases includes any contingents rentals.

The following table sets forth the total future minimum lease receipts by our Group under non-cancellable operating leases as of the dates indicated below:

	As at 31 December			As at 30 April	As at 30 June
	2012	2013	2014	2015	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	9,829	7,114	13,621	15,209	13,296

Off-balance sheet commitments and arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has: (i) made guarantees, or (ii) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to our Company, or that engages in leasing, hedging, or research and development arrangements with our Company.

As at the Latest Practicable Date, save as disclosed in this prospectus, we did not have any material off-balance sheet arrangements.

SUMMARY OF FINANCIAL RATIOS

The table below sets out our key financial ratios as of the dates or for the years indicated.

	As at/for the year ended 31 December			As at/for the four months ended 30 April
	2012	2013	2014	2015
Return on equity (%)[1]	35.8	32.2	44.1	48.3
Return on total assets (%)[2]	3.6	9.0	8.0	10.2
Interest coverage ratio[3]	N/A	10.0	11.0	11.9
Gearing ratio (%)[4]	N/A	49.2	80.7	134.3
Net debt to equity ratio (%)[5]	net cash	4.7	44.2	71.6
Current ratio[6]	0.9	1.0	0.9	1.1
Quick ratio[7]	0.7	0.5	0.6	0.6

Notes:

(1) Return on equity is calculated based on our annualised net profit attributable to owners of our Company for the period divided by the equity attributable to owners of our Company as of the end of each reporting period.

(2) Return on total assets is calculated based on annualised net profit for the period divided by total assets as of the end of the reporting period.

(3) Interest coverage ratio is calculated based on our operating profit before finance costs and income tax divided by our finance costs for the same reporting period.

(4) Gearing ratio is calculated based on our total interest-bearing debts divided by our total equity and multiplied by 100 as of the end of the reporting period.

(5) Net debt to equity ratio is calculated based on our net debt (i.e. total interest-bearing debts net of cash and cash equivalents) divided by our total equity and multiplied by 100 as of the end of the reporting period.

(6) Current ratio is calculated based on our total current assets divided by our total current liabilities as of the end of the reporting period.

(7) Quick ratio is calculated based on our total current assets minus inventories divided by our total current liabilities as of the end of the reporting period.

Return on equity

Our return on equity for the years ended 31 December 2012 and 2013 were 35.8% and 32.2%, respectively. The decrease was due to increase in equity attributable to the owners of our Company mainly derived from the increase in special reserve as a result of disposal of a carved-out subsidiary. Our return on equity for the years ended 31 December 2013 and 2014 were 32.2% and 44.1%, respectively. The increase was due to increase in the net profit and decrease in equity attributable to owners of our Company after dividend paid in 2014. Our return on equity for the year ended 31 December 2014 and the four months ended 30 April 2015 were 44.1% and 48.3%, respectively. The increase was mainly due to increase in annualised net profit.

Return on total asset

Our return on total assets for the years ended 31 December 2012 and 2013 were 3.6% and 9.0%, respectively. Such increase was due to the decrease in total asset resulting from the settlement of loans to our related company in 2013. Our return on total assets for the years ended 31 December 2013 and 2014 were 9.0% and 8.0%, respectively. Such decrease was due to growth in current assets such as increases in inventories, trade receivables, and other receivables as a result of our business growth. Our return on total assets for the year ended 31 December 2014 and the four months ended 30 April 2015 were 8.0% and 10.2%, respectively. The increase was mainly due to increase in annualised net profit.

Interest coverage ratio

Our interest coverage ratio was not applicable for the year ended 31 December 2012 because we did not incur any finance costs for the year ended 31 December 2012. Our interest coverage ratio for the years ended 31 December 2013 and 2014 were 10.0 and 11.0, respectively. The increase was due to increase in interest expenses incurred from our bank borrowings. Our interest coverage ratio as at 30 April 2015 increased to 11.9, mainly due to increase in annualised profit from operation.

Gearing ratio

Our gearing ratio was not applicable, 49.2%, 80.7% and 134.3% as at 31 December 2012, 2013 and 2014 and as at 30 April 2015, respectively. The gearing ratio was not available as at 31 December 2012 because the interests associated with the bank borrowings of RMB199.5 million was not borne by us and therefore such amount was not applicable for the gearing ratio calculation. For details, please see paragraph headed "Liquidity and capital resources — Loans to a related company" in this section.

Our gearing ratio increased from 49.2% as at 31 December 2013 to 80.7% as at 31 December 2014 was due to the increase in our total interest-bearing debt from RMB41.6 million to RMB57.0 million which were all composed of short-term bank borrowings whereas our total equity dropped from RMB84.5 million to RMB70.6 million mainly due to the RMB56.2 million distribution arising from the acquisition of Shun Ke Long pursuant to the Reorganisation and RMB18.8 million interim dividend paid partially offset by our net profit for the year amounted to RMB31.0 million and proceeds from issuance of shares amounted to RMB29.5 million for the purposing of financing the acquisition of Chang Wan Long pursuant to the Reorganisation. Our gearing ratio further increased to 134.3% as at 30 April 2015 due to the further growth in our total debt to RMB113.0 million as a result of our drawdown of RMB56.0 million from our long-term bank borrowing while our total equity also increased to RMB84.1 million which was mainly attributable to the net profit for the period amounted to RMB13.5 million. Our bank borrowings were entered for the purpose of the working capital of the Group. Please refer to "Indebtedness and Contingencies" in this section.

Net debt to equity ratio

Our net debt to equity ratio was net cash, 4.7%, 44.2% and 71.6% as at 31 December 2012, 2013, and 2014 and as at 30 April 2015, respectively. We had net cash as at 31 December 2012 because the interests associated with the bank borrowings of RMB199.5 million was not borne by us and therefore such amount was not applicable for the net debt to equity ratio calculation. For details, please see paragraph headed "Liquidity and capital resources — Loans to a related company" in this section. Our net debt to equity ratio increased from net cash as at 31 December 2012 to 4.7% as at 31 December 2013, which was mainly attributable to the bank borrowings of RMB31.6 million as at year end of 2013. Our net debt to equity ratio increased from 4.7% as at 31 December 2013 to 44.2% as at 31 December 2014, which was mainly attributable to the increase in our bank borrowings and the decrease in cash as a result of payment of dividends by us amounted to RMB18.8 million during the year 2014. Our net debt to equity ratio increased to 71.6% as at 30 April 2015 mainly attributable to increase in bank borrowings to RMB113.0 million to finance our working capital.

Current ratio

Our current ratio remained relatively stable and consistent at 0.9, 1.0, 0.9 as at 31 December 2012, 2013, and 2014, respectively. Our current ratio increased to 1.1 as at 30 April 2015 was mainly attributable to the decrease in the amounts due to related companies.

Quick ratio

Our quick ratios as at 31 December 2012, 2013 and 2014 was 0.7, 0.5 and 0.6, respectively. Excluding the RMB199.5 million of loans to a related company and bank borrowings in 2012, the quick ratio as at 31 December 2012 was 0.3. The quick ratio increased across 2012 to 2014 mainly due to increased trade receivables as a result of the growing business scale of our bulk sales and wholesale distribution. As at 30 April 2015, our quick ratio remained stable at 0.6.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary financial risks we face in the ordinary course of business are credit risk, liquidity risk and interest rate risk. Please refer to Note 34 of Appendix I to this prospectus for details.

Credit Risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

We have no significant concentrations of credit risk. Most of the sales transactions were settled on cash basis or by credit card payment. Credit risk on cash and bank balances is mitigated by depositing cash with banks of high credit rating.

Our policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by our Group. When considered appropriate, customers may be requested to provide proof as to their financial position. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored by us. Monthly reports of customer payment history are produced and reviewed by our finance department. Overdue balances and significant trade receivables are highlighted for follow-up and the Group will determine the appropriate recovery actions.

This is no requirement for collateral or other credit enhancement by our Group.

The credit and investment policies have been followed by our Group for a period of time and are considered by our Directors to be effective in limiting our exposure to credit risk to a desirable and acceptable level.

Liquidity Risk

Liquidity risk relates to the risk that we will not be able to meet our obligations associated with the relevant financial liabilities. We are exposed to liquidity risk in respect of settlement of trade payables and the associated financing obligations and also in respect of our cash flow management.

Our policy is to maintain sufficient cash and bank balances and have available funding to meet our working capital requirements. Our liquidity is dependent upon the cash received from our customers. Our Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

The liquidity policies have been followed by the Group and are considered by our Directors to be effective in managing and controlling our liquidity risks.

Interest rate risk

Our exposure to interest rate risk for changes in interest rates primarily relates to the Group's cash at bank and bank borrowings. Our Company manages the risk by regularly evaluating its cash flows and by repaying the bank borrowings when sufficient funds are available.

As at 31 December 2012, 2013 and 2014 and as at 30 April 2015, we had interest-bearing borrowings of RMB112.5 million, RMB11.6 million, nil and RMB56.0 million, respectively which carried floating interest rates ranging 6.0% to 7.9%. It is estimated that a general decrease or increase of 100 basis points in interest rates for floating rate borrowings and floating rate assets for the years ended 31 December 2012, 2013 and 2014 and for the four months ended 30 April 2015, with all other variables held constant, would increase or decrease our Company's profit/retained earnings for the same periods by RMB0.6 million, RMB58,000, nil and RMB0.3 million, respectively. There is no impact on other components of equity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the years ended 31 December 2012, 2013 and 2014 and for the four months ended 30 April 2015.

PROPERTY INTERESTS AND PROPERTY VALUATION

AVISTA Valuation Advisory Limited, an independent valuer, has valued the property interest of our Group at RMB107.3 million as at 30 June 2015. Texts of its letters, summary of valuation and valuation certificates to such property interests are set forth in Appendix III — "Property Valuation" to this prospectus. The table below sets forth the reconciliation of the net book value of our Group's property interest as at 30 April 2015 with the valuation of such interests as at 30 June 2015 as stated in Appendix III to this prospectus.

	(RMB'000)
Net book value of property interest of our Group as at 30 April 2015	58,122
Movements during the 2 months ended 30 June 2015	
Less: Depreciation (unaudited)	(262)
Net Book value as at 30 June 2015 (unaudited)	57,860
Valuation surplus as at 30 June 2015 (unaudited)	49,440
Valuation as at 30 June 2015 *(Note)*	107,300

Note: The property interests of our Group as indicated are comprised of the properties valued by AVISTA Valuation Advisory Limited and contained in Appendix III to this prospectus.

DIVIDEND POLICY

Dividend distribution prior to the Listing

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares wil1 be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment and amount of dividends will be subject to our discretion.

Under Cayman law and the Articles, dividends may be paid out of our profits and, with the approval of our shareholders and subject to our Company being able to pay its debts as they fall due in the ordinary course of business, our share premium. To the extent profits are distributed as dividends, such portion of profits will not be available to be re-invested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Our Company does not have specific dividend payout ratio.

During each of the years ended 31 December 2012, 2013 and 2014 and the four months ended 30 April 2015, the dividends declared and paid to our Shareholders were nil, nil, RMB18.8 million and nil, respectively. On 18 August 2015, we declared a dividend of RMB18.8 million in relation to the profits of the Group prior to the Reorganisation, which will be distributed before Listing.

Distributable reserves

As at 30 April 2015, we had RMB28.5 million of reserve available for distribution to our Shareholders.

DISCLOSURE REQUIREMENTS UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirmed that as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure obligation under Rules 13.13 to 13.19 of the Listing Rules.

LISTING EXPENSES

The estimated total listing expenses (based on HK$2.8 per Offer Share, being the mid-point of our indicative Offer Price range and that the Over-allotment Option is not exercised) in relation to the Global Offering are RMB19.4 million, of which approximately (i) RMB8.2 million is directly attributable to the issue of new Shares in the Global Offering and to be accounted for as a deduction from the equity, and (ii) RMB11.2 million is to be charged as administrative expenses to our profit and loss accounts. Out of this amount, a total of RMB2.4 million had been charged to our profit and loss account for the years ended 31 December 2013 and 2014, and the remaining RMB8.8 million is expected to be charged to our profit and loss account as administrative expenses for the year ending 31 December 2015.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in this prospectus, our Directors confirmed that, since 30 April 2015 and up to the date of this prospectus, there had been no material adverse change in our financial or trading position or prospects and no event had occurred that would materially and adversely affect the financial information in the Accountants' Report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted combined net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set out here to illustrate the effect of the Global Offering as if it had taken place on 30 April 2015.

The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our combined net tangible assets as at 30 April 2015 or any future date following the Global Offering. It is prepared based on our combined net assets as at 30 April 2015 as set out in the Accountant's Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of net tangible assets does not form part of the Accountant's Report as set out in Appendix I of this prospectus.

	Audited combined net tangible assets of the Group attributable to owners of our Company as at 30 April 2015	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted combined net tangible assets as at 30 April 2015**	**Unaudited pro forma adjusted combined net tangible assets per Share attributable to owners of the Company**	**Unaudited pro forma adjusted combined net tangible assets per Share attributable to owners of the Company**
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 5)*
Based on the Offer Price of HK$2.4 per Share	81,153	122,423	203,576	0.71	0.90
Based on the Offer Price of HK$3.2 per Share	81,153	166,401	247,554	0.86	1.09

Notes:

(1) The audited combined net tangible assets of our Group attributable to owners of our Company as at 30 April 2015 is extracted from the Accountant's Report set out in Appendix I to this prospectus of approximately RMB83,695,000 with an adjustment for goodwill of approximately RMB2,542,000.

(2) The estimated net proceeds from the Global Offering are based on 71,620,000 Offer Shares and the indicative Offer Price of HK$2.4 and HK$3.2 per Offer Share, being the lower and higher end of the stated Offer Price range per Offer Share, assuming no exercise of Over-allotment Option or any options which may be granted under the Share Option Scheme, after deduction of the underwriting fees and related expenses (excluding listing related expenses of approximately RMB5,200,000 which have been accounted for prior to 30 April 2015) payable by our Company in connection with the Global Offering.

(3) The unaudited pro forma adjusted combined net tangible assets per Share attributable to owners of our Company is calculated based on 286,477,000 Shares in issue assuming (i) the Global Offering had been completed on 30 April 2015 and (ii) no exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme and no Shares allotted and issued or repurchased by our Company pursuant to the General Mandate to Issue Shares or the General Mandate to Repurchase Shares as described in the section headed "Share Capital" to this prospectus.

(4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2015.

(5) For the purpose of this unaudited pro forma adjusted combined net tangible assets, the amounts stated in Renminbi are converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.7913.

FUTURE PLANS

Please refer to the section headed "Business — Our Business strategies" to this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds of the Global Offering will be approximately HK$176.0 million, assuming the Over-allotment Option is not exercised, after deduction of the underwriting commissions and other estimated offering expenses in connection with the Global Offering and assuming the initial public Offer Price of HK$2.8 per Share, being the mid-point of the indicative Offer Price range. If the Offer Price is fixed at the high-end of the indicative Offer Price range being HK$3.2 per Share, the net proceeds will increase by approximately HK$27.8 million. If the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK$2.4 per Share, the net proceeds will decrease by approximately HK$27.8 million. If the Over-allotment Option is exercised in full, we estimate that our additional net proceeds from the offering of these additional Shares will be approximately HK$29.2 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$2.8 per Share.

We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

(i) approximately 75.4%, or HK$132.7 million, is expected to be used to open 35 to 50 new supermarkets mainly in the third and fourth-tier cities in Guangdong province from the Listing Date to the first half of 2018, with an average gross floor area per supermarket of around 2,000 sq.m.;

(ii) approximately 7.2%, or HK$12.6 million, is expected to be used for our information technology upgrades including enhancement to our existing information infrastructure to process and analyse big data, future upgrades of our O2O server system, and installation of interactive display panels and terminals in our Retail Outlets;

(iii) approximately 8.6%, or HK$15.2 million, is expected to be used for upgrading and expanding the existing two distribution centres in Foshan and Zhaoqing, whereby such expansion is expected to be completed in two phases in the first half of 2016 and the second half of 2017, respectively; and

(iv) approximately 8.8%, or HK$15.5 million, is expected to be used to fund our working capital and general corporate purposes which include the purchase costs of our products for sale.

As a result of our plan to open more new supermarkets after Listing, we expect our depreciation charge will increase.

The above allocation of the net proceeds will be adjusted on a pro-rata basis in the event that the Over-allotment Option is not exercised and the Offer Price is fixed at a higher or lower level compared to the mid-point of the proposed Offer Price range stated in this prospectus.

In each of the above circumstances, we expect that the respective portions of the net proceeds from the Global Offering will be fully utilised during the year ending 31 December 2018 for the above purposes.

To the extent that the net proceeds are not immediately used for the above purposes, we intend to deposit the net proceeds into short-term demand deposits, interest-bearing bank accounts with licensed banks or financial institutions as permitted by the relevant laws and regulations.

SOLE GLOBAL COORDINATOR AND SOLE BOOKRUNNER

China Everbright Securities (HK) Limited

UNDERWRITERS

Hong Kong Underwriters

Joint Lead Managers

China Everbright Securities (HK) Limited
BMI Securities Limited
Innovax Capital Limited

Co-lead manager

China Investment Securities International Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement, and our Company agreeing to the final Offer Price, the Hong Kong Underwriters have severally agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination

The respective obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to the termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), in its sole and absolute opinion, with immediate effect by written notice to our Company and the Hong Kong Underwriters at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date if any of the following events shall occur prior to such time:

(a) there has come to the notice of the Sole Global Coordinator that:

(i) any statement contained in this prospectus, the Application Forms, any supplemental offering materials, any notices, announcements, advertisements, communications or other documents which have been approved by our Company and issued or used by or on behalf of our Company in connection with the Global Offering (including any supplement or amendments thereto) (collectively, the "**Offer Documents**"), was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Underwriters), fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the respective dates of the publication of the Offer Documents, constitute a material omission therefrom; or

(iii) any breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of any of our Company, the Controlling Shareholders and the warranting Directors (the "**Warrantors**") pursuant to the indemnities given by our Company or any of the warrantors under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(v) any material adverse change or development involving a prospective material adverse change in the assets, liabilities, general affairs, management, shareholders' equity, profits, losses, results of operations, position or conditions (financial, trading or otherwise) or performance of any member of our Group; or

(vi) any material breach of, or any event or circumstance rending untrue or incorrect in any material respect, any of the warranties under the Hong Kong Underwriting Agreement; or

(vii) the grant of the approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws any of the Offer Documents or the Global Offering; or

(ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

(x) that a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xi) an authority or a political body or organisation in any relevant jurisdiction has commenced any investigation or other action, or announced an intention to investigate or take other action, against any of the Directors and senior management members of our Group as set out in the "Directors and senior management" section of this prospectus, which may have a material adverse effect on the Global Offering; or

(xii) any loss or damage has been sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person) which is considered by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) in its sole absolute opinion to be material; or

(b) there shall develop, occur, exist or come into effect:

(i) any local, national, regional, international event or circumstance, or series of events or circumstances, beyond the reasonable control of the Underwriters (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a local, regional, national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases, pandemics or epidemics (including, without limitation, Severe Acute Respiratory Syndrome, avian influenza A (H5N1), Swine Flu (H1N1) or such related or mutated forms) or interruption or delay in transportation); or

(ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change, in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

(iii) any moratorium, suspension or restriction on trading in securities generally (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on the Hong Kong Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the American Stock Exchange, the Nasdaq National Market, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange;

(iv) any new laws, or any change or development involving a prospective change in existing laws, or any event or circumstance or series of events or circumstances likely to result in any change or development involving a prospective change in the interpretation or application of existing laws by any court or other competent authority, in each case, in or affecting any of Hong Kong, the PRC, the United States, the European Union or any other jurisdictions relevant to any member of our Group or the Global Offering (the "**Specific Jurisdictions**"); or

(v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions (other than those already known by the Hong Kong Underwriters); or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment laws (including, without limitation, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a material fluctuation in the exchange rate of the Hong Kong dollar or the Renminbi against any foreign currency) in or affecting any of the Specific Jurisdictions or affecting an investment in the Shares; or

(viii) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" of this prospectus; or

(ix) any litigation or claim of any third party involving a material amount being threatened or instigated against any member of our Group or any of the Warrantors; or

(x) the chairman or chief executive officer of our Company vacating his office; or

(xi) the commencement by any governmental, regulatory or political body or organisation of any action against a Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action; or

(xii) a prohibition on our Company for whatever reason from allotting, issuing or selling the Offer Shares and/or the any Shares which may be allotted and issued upon the exercise of the Over-allotment Option pursuant to the terms of the Global Offering; or

(xiii) non-compliance of this prospectus and the other Offer Documents or any aspect of the Global Offering with the Listing Rules or any Hong Kong laws applicable to the Global Offering in Hong Kong, save and except any such non-compliance is/are caused by the Sole Sponsor, the Sole Global Coordinator and/or the Hong Kong Underwriters; or

(xiv) a valid demand by any creditor for repayment or payment of any indebtedness, in each case, of a material amount, of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;

which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Underwriters):

(a) has or is or will or may or could be expected to have a material adverse effect on the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, results of operation, financial, trading or other condition or prospects or risks of our Company or our Group or any member of our Group or on any present or prospective shareholder of our Company in his, her or its capacity as such; or

(b) has or will or may have or could be expected to have a material adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or

(c) makes or will make or may make it inadvisable, inexpedient, impracticable or incapable for any part of the Hong Kong Underwriting Agreement, the International Placing or the Global Offering to be performed or implemented or proceeded with as envisaged including without limitation to the processing of applications and/or payments pursuant to the Global Offering or to market the Global Offering or shall otherwise result in an interruption to or delay thereof.

International Placing

International Underwriting Agreement

In connection with the International Placing, it is expected that our Company, will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, agree to subscribe for or procure subscribers to subscribe for the International Placing Shares. The International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement.

Over-allotment Option

Our Company intends to grant to the International Underwriters the Over-allotment Option, which is exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the Price Determination Date until the date falling the 30th day after the last day for lodging of applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 10,743,000 additional Shares, representing 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, among other things, to cover over-allocations in the International Placing, if any.

Commission and expenses

According to the applicable Underwriting Agreements, the Hong Kong Underwriters will receive a commission of 3% of the aggregate Offer Price of all the Hong Kong Public Offer Shares, out of which they will pay any sub-underwriting commissions. The Sole Sponsor will receive financial advisory and documentation fees. The underwriting commission, financial advisory and documentation fee, Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Global Offering are estimated to amount to approximately RMB19.4 million (or HK$24.5 million) in total (based on an Offer Price of HK$2.8 per Share, being the mid-point of the indicative Offer Price range of between HK$2.4 and HK$3.2 per Share, and on the assumption that the Over-allotment Option is not exercised), and will be payable by our Company.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Global Offering and the Over-allotment Option as described and contained in this prospectus, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) will be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances as prescribed under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Global Offering and the Over-allotment Option as described and contained in this prospectus, it/he shall not and shall procure that the relevant registered shareholder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; or

(b) in the period of six months commencing on the date on which the First Six-Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

Each of the Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of his/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

(a) when it/he pledges or charges any Shares beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when it/he receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform us of such indications.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By our Company

Except pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), our Company hereby undertakes to each of the Sole Sponsor, the Sole Global Coordinator, the Sole

Bookrunner, the Joint Lead Managers and the Hong Kong Underwriters not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transactions specified in sub-paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in sub-paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

Our Company will not, and will procure each other member of our Group not to, enter into any of the transactions specified in sub-paragraphs (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that the Controlling Shareholder would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**").

In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in sub-paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

By our Controlling Shareholders

Each of the Controlling Shareholders jointly and severally undertakes to each of our Company, the Hong Kong Stock Exchange, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the other Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(i) at any time during the First Six-Month Period, it/he shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him and the companies controlled by it/him (together, the "**Controlled Entities**") shall not, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him directly or indirectly through its Controlled Entities (the "**Relevant Securities**"); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) at any time during the Second Six-Month Period, it/he shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in sub-paragraphs (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it/he would cease to be a "controlling shareholder" (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be "controlling shareholders" (as defined in the Listing Rules) of our Company;

(iii) in the event that it/he enters into any of the transactions specified in sub-paragraphs (i)(a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he shall take all reasonable steps to ensure that it/he will not create a disorderly or false market for any Shares or other securities of our Company; and

(iv) it/he shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/him or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Each of the Controlling Shareholders further undertakes to each of our Company, the Stock Exchange, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the other Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, it/he will:

(i) when it/he pledges or charges any securities or interests in the Relevant Securities in favour of an authorised institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(ii) when it/he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as for their obligations as contemplated under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, as at the Latest Practicable Date, none of the Underwriters was interested, directly or indirectly, in any shares or securities in any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of our Group.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issue Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering (subject to reallocation and the Over-allotment Option) comprises:

(a) the Hong Kong Public Offer of 7,162,000 Offer Shares (subject to reallocation) (representing 10% of the total number of Offer Shares initially available under the Global Offering) in Hong Kong as described below under the paragraph headed "Hong Kong Public Offer" in this section; and

(b) the International Placing of 64,458,000 International Placing Shares (subject to reallocation and the Over-allotment Option) (representing 90% of the total number of Offer Shares initially available under the Global Offering) outside the United States (including to professional and institutional investors within Hong Kong) in reliance on Regulation S as described below under the paragraph headed "International Placing" in this section.

The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite Hong Kong Public Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters have agreed to underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" to this prospectus.

Investors may apply for the Offer Shares under the Hong Kong Public Offer or indicate an interest, if qualified to do so, for Offer Shares under the International Placing, but may not do both.

THE OFFER PRICE RANGE

The Offer Price will not be more than HK$3.2 per Offer Share and is expected to be not less than HK$2.4 per Offer Share unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date maybe, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

PRICE PAYABLE ON APPLICATION

Applicants for Offer Shares under the Hong Kong Public Offer should pay, on application, the maximum Offer Price of HK$3.2 for each Hong Kong Public Offer Share plus 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, which amounted to a total of HK$3,232.25 for one board lot of 1,000 Shares. The Application Forms have tables showing the exact amount payable for certain multiples of Offer Shares. Further details are set out in the section headed "How to apply for the Hong Kong Public Offer Shares" to this prospectus.

If the Offer Price is lower than HK$3.2 per Offer Share, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies, without interest. You may find further details in the section headed "How to apply for the Hong Kong Public Offer Shares — 13. Refund of application monies" to this prospectus.

DETERMINATION OF OFFER PRICE

The Offer Price is expected to be fixed by an agreement between our Company and the Sole Global Coordinator on or before the Price Determination Date when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or around Wednesday, 2 September 2015 and in any event no later than Tuesday, 8 September 2015. If, based on the level of interests expressed by prospective professional, institutional and/or other investors during the book-building process, the Sole Global Coordinator thinks it appropriate (for instance, if the level of interests is below the indicative Offer Price range), the number of Offer Shares offered in the Global Offering and/or indicative Offer Price range may be reduced below that as stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, cause notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on our Company's website at **www.skl.com.cn** and the Stock Exchange's website at **www.hkexnews.hk**. Such notice will include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" to this prospectus, the working capital statement as currently disclosed in "Financial information" to this prospectus, the use of proceeds in the section headed "Future plans and use of proceeds" to this prospectus and any financial information which may change as a result of any such reduction. In the absence of any notice so published, the Offer Price, if agreed upon by our Company with the Sole Bookrunner, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to enter into the Price Determination Agreement by the Price Determination Date, the Global Offering will not become unconditional and will not proceed and will lapse.

The final Offer Price, the levels of indication of interest in the Global Offering, the level of applications in the Hong Kong Public Offer and the basis of allotment of Offer Shares under the Hong Kong Public Offer, are expected to be announced on Wednesday, 9 September 2015 in the manner set out in the section headed "How to apply for the Hong Kong Public Offer Shares" to this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offer is conditional upon:

1. Listing

The Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any additional shares issuable pursuant to the exercise of over-allotment option) on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares;

2. Underwriting Agreements

The obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional, and not being terminated in accordance with the terms of the respective agreements. Details of the Underwriting Agreements and their respective conditions and grounds for termination are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" to this prospectus; and

3. Price Determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or about the Price Determination Date.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.skl.com.cn**) on the next business day after such lapse.

In the above situation, we will return all application monies to the applicants, without interest, and by post at your own risk. Details of the terms are set out in the section headed "How to apply for the Hong Kong Public Offer Shares — 13. Refund of application monies" to this Prospectus. In the meantime, the application monies will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Wednesday, 9 September 2015 but will only become valid certificates of title at 8:00 a.m. on Thursday, 10 September 2015 provided that the Global Offering has become unconditional in all respects and the right of termination described in the section headed "Underwriting" has not been exercised.

HONG KONG PUBLIC OFFER

Our Company is initially offering 7,162,000 Offer Shares for subscription (subject to re-allocation) by the public in Hong Kong under the Hong Kong Public Offer, representing 10% of the total number of Offer Shares initially offered under the Global Offering. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. Applicants for Hong Kong Public Offer Shares are required on application to pay the maximum Offer Price of HK$3.2 for each Hong Kong Public Offer Share plus a 1.0% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy.

The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involve dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set out in "Conditions of the Global Offering" in this section.

Allocation

Allocation of Hong Kong Public Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Public Offer shares validly applied for by applicants. When there is over-subscription under the Hong Kong Public Offer, allocation of Hong Kong Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Public Offer Shares than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

For allocation purposes only, the total number of Hong Kong Public Offer Shares (after taking into account any reallocation of Offer Shares between the Hong Kong Public Offer and the International Placing) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. Hong Kong Public Offer Shares in pool A will consist of 3,581,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares in the aggregate value of HK$5 million (excluding the brokerage fee, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. Hong Kong Public Offer Shares available in pool B will consist of 3,581,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares in the aggregate value of more than HK$5 million (excluding the brokerage fee, the Stock Exchange trading fee and the SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple or suspected multiple applications within either pool or between pools and any application made for more than 3,581,000 Hong Kong Public Offer Shares will be rejected.

Reallocation

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offer is subject to reallocation on the following basis:

(a) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offer will be increased to 21,486,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

(b) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Offer Shares available for subscription under the Hong Kong Public Offer will be increased to 28,648,000 Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

(c) if the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Offer Shares available for subscription under the Hong Kong Public Offer will be increased to 35,810,000 Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In all cases, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy valid application under the Hong Kong Public Offer.

If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any of the unsubscribed Hong Kong Public Offer Shares originally included in the Hong Kong Public Offer to the International Placing in such proportions as it deems appropriate.

Applications

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, Such applicant's application is liable to be rejected if such undertaking and/or confirmation is breached and/or untrue (as the case may be) or if it has been or will be placed or allocated Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum Offer Price of HK$3.2 per Hong Kong Public Offer Share in addition to the brokerage fee, SFC transaction levy and Stock Exchange trading fee payable on each Hong Kong Public Offer Share. If the Offer Price, as finally determined is less than the maximum Offer Price of HK$3.2 per Hong Kong Public Offer Share, appropriate refund payments (including the brokerage fee, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to apply for the Hong Kong Public Offer Shares" to this prospectus.

INTERNATIONAL PLACING

Our Company is offering initially 64,458,000 International Placing Shares (subject to reallocation and Over-allotment Option) at the Offer Price under the International Placing. The number of International Placing Shares initially available for subscription or purchase under the International Placing represents 90% of the total number of Offer Shares being initially offered under the Global Offering. The International Placing is expected to be fully underwritten by the International Underwriters. Investors subscribing for the International Placing Shares are required to pay the maximum Offer Price of HK$3.2 per Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy of the Offer Price.

It is expected that the International Underwriters, or selling agents nominated by them, on behalf of our Company, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and other investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Other investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand the total size of the relevant investor's invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake not to apply for Offer Shares under the Hong Kong Public Offer.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offer.

OVER-ALLOTMENT OPTION

Pursuant to the Over-allotment Option, the Sole Global Coordinator (on behalf of the International Underwriters) will have the right, exercisable at any time from the Listing Date until the date falling the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer, to require our Company to issue up to an aggregate of 10,743,000 Offer Shares at the Offer Price and on the same terms as those applicable to the Global Offering, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering to, among other things, cover over-allocations in the International Placing, If any. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent a decline in the market price of the securities below the initial offering price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the initial offering price.

In connection with the Global Offering, the Stabilizing Manager (on behalf of the Underwriters) may, to the extent permitted by applicable laws of Hong Kong or elsewhere, may over-allocate or effect transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period commencing from the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization action, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be allotted and issued upon exercise of the Over-allotment Option, being 10,743,000 Shares, which is approximately 15% of the total number of Offer Shares initially available under the Global Offering.

Subject to and under the Securities and Futures (Price Stabilizing) Rules of the SFO, the Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

(i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares; and/or

(ii) in connection with any action described in paragraph (i) above:

A. (1) over-allocate the Shares, for the purpose of preventing or minimising any reduction in the market price of the Shares; or

(2) sell or agree to sell the Shares so as to establish a short position in them, for the purpose of preventing or minimising any reduction in the market price of the Shares;

B. exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Shares in order to close out any position established under paragraph (ii)(A) above;

C. sell or agree to sell any of the Shares acquired by it in the course of the stabilizing action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; and/or

D. offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager, its affiliates or any person acting for it, which may include a decline in the market price of the Shares.

Stabilization cannot be used to support the price of the Shares for longer than the stabilisation period, which begins on the day on which dealings in the Shares commence on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. The stabilization period is expected to expire on 2 October 2015. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore their market price, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilization period. Stabilization bids or transactions effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilizing period.

All stabilizing actions will be taken in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager Coordinator may borrow up to 10,743,000 Shares, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. Such stock borrowing arrangement will be in compliance with Rule 10.07(3) of the Listing Rules such that it will not be subject to the restrictions as set out in Rule 10.07(1)(a) of the Listing Rules.

COMMENCEMENT OF DEALING

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 10 September 2015, it is expected that dealings in the Offer Shares on the Main Board of the Stock Exchange will commence at 9:00 a.m. on Thursday, 10 September 2015, and will be traded in board lots of 1,000 Shares each.

1. HOW TO APPLY

If you apply for the Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for the Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for the Hong Kong Public Offer Shares on a **WHITE** or **YELLOW Application Form** if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you wish to apply for the Hong Kong Public Offer Shares online through the designated website at **www.hkeipo.hk** under the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Sole Global Coordinator may accept it at their discretion, and subject to any conditions they thinks fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are an associate or a close associate (as defined in the Listing Rules) of any of the above;
- are a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participation in the International Placing.

3. APPLYING FOR THE HONG KONG PUBLIC OFFER SHARES

Which application channel to use

For the Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For the Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 28 August 2015 until 12:00 noon on Wednesday, 2 September 2015 from:

(i) any of the following offices of the Hong Kong Underwriters:

China Everbright Securities (HK) Limited	36/F, Far East Finance Centre 16 Harcourt Road Hong Kong
BMI Securities Limited	Units 909-916, 9/F Floor Shui On Centre 6-8 Harbour Road Wan Chai Hong Kong
Innovax Capital Limited	Office 1, 1/F, Lucky Building No. 39 Wellington Street Central Hong Kong

(ii) any of the following branches of the following receiving bank for the Hong Kong Public Offer:

The Bank of East Asia, Limited

Hong Kong Island	Main Branch	10 Des Voeux Road Central, Central
	88 Des Voeux Road West Branch	Shop 2-3, G/F, Princeton Tower, 88 Des Voeux Road West, Sheung Wan
	Causeway Bay Branch	46 Yee Wo Street, Causeway Bay
	North Point Branch	326-328 King's Road, North Point
Kowloon	Tsim Sha Tsui Branch	Shop A & B, Milton Mansion, 96 Nathan Road, Tsim Sha Tsui
	Yaumatei Branch	G/F, 526 Nathan Road, Yaumatei
	Waterloo Road Branch	Shop A, G/F, Richland House, 77B & 77C Waterloo Road, Ho Man Tin

New Territories	Shatin Plaza Branch	Shop 3-4, Level 1, Shatin Plaza, Shatin
	Tuen Mun Town Plaza Branch	Shop 2-10, UG/F, Tuen Mun Town Plaza Phase II, 3 Tuen Lung Street, Tuen Mun
	East Point City Branch	Shop 217B, Level 2, East Point City, 8 Chung Wa Road, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 28 August 2015 until 12:00 noon on Wednesday, 2 September 2015 from the **Depository Counter of HKSCC** at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "The Bank of East Asia (Nominees) Limited — China Shun Ke Long Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 28 August 2015, 9:00 a.m. — 5:00 p.m.
Saturday, 29 August 2015, 9:00 a.m. — 1:00 p.m.
Monday, 31 August 2015, 9:00 a.m. — 5:00 p.m.
Tuesday, 1 September 2015, 9:00 a.m. — 5:00 p.m.
Wednesday, 2 September 2015, 9:00 a.m. — 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 2 September 2015, the last application day or such later time as described in "Effect of bad weather on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor and/or the Sole Global Coordinator (or their agents or nominees) as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, and the Underwriters nor any of their respective directors, advisors, agents, employees, officers, partners and any other person involved in the Global Offering will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-auto refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company, the Sole Sponsor, the Sole Global Coordinator, and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional instructions for Yellow Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "2. Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website at **www.hkeipo.hk**. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 28 August 2015 until 11:30 a.m. on Wednesday, 2 September 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 2 September 2015 or such later time under the "10. Effect of bad weather on the opening of the application lists" in this section.

No multiple applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for the Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator, and the Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing;

- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors, the Sole Sponsor and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors, or any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and their respective directors, advisors, agents, employees, officers, partners and any other person involved in the Global Offering;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for the Hong Kong Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Hong Kong Public Offer Shares. Instructions for more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, 28 August 2015 — 9:00 a.m. to 8:30 p.m.[(1)]
Saturday, 29 August 2015 — 8:00 a.m. to 1:00 p.m.[(1)]
Monday, 31 August 2015 — 8:00 a.m. to 8:30 p.m.[(1)]
Tuesday, 1 September 2015 — 8:00 a.m. to 8:30 p.m.[(1)]
Wednesday, 2 September 2015 — 8:00 a.m.[(1)] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants or CCASS Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 28 August 2015 until 12:00 noon on Wednesday, 2 September 2015 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, 2 September 2015, the last application day or such later time as described in "10. Effect of bad weather on the opening of the application lists" in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Underwriters and any of their respective advisors, officers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Bookrunner, the Sole Sponsor, the Joint Lead Managers, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, 2 September 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of our company;
- control more than half of the voting power of our company; or
- hold more than half of the issued share capital of our company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering — The Offer Price" to this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 2 September 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 2 September 2015 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected timetable" to this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Public Offer Shares on Wednesday, 9 September 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on our Company's website at **www.skl.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be published on our Company's website at **www.skl.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk** by no later than Wednesday, 9 September 2015.

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "Search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 9 September 2015 to 12:00 midnight on Tuesday, 15 September 2015.

- by telephone enquiry line by calling 852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 9 September 2015 to Monday, 14 September 2015 (excluding Saturday and Sunday);

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 9 September 2015 to Friday, 11 September 2015 at all the receiving bank branches at the addresses set out in the paragraph headed "Where to collect the Application Forms" in this section above.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" to this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which Hong Kong Public Offer Shares will not be allocated to you:

(a) **If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked before the expiration of the fifth day after the time of the opening of the application lists under the Hong Kong Public Offer (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their application in accordance with the procedure, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) **If the allocation of the Hong Kong Public Offer Shares is void:**

The allocation of the Hong Kong Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(c) **If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Sponsor, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application without giving any reasons.

(d) **If:**

- you make multiple applications or suspected multiple applications;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.hkeipo.hk**;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured on its first presentation;
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for or have received or have been or will be placed or allocated (including conditionally and/or provisionally) the Hong Kong Public Offer shares and International Placing Shares;
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offer;

- any of the Underwriting Agreements does not become unconditional or is terminated in accordance with the terms thereof or otherwise; or

- our Company, the Sole Sponsor and the Sole Global Coordinator, believes that by accepting your application, it or they would violate the applicable securities or other laws, rules or regulations.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$3.2 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Global Offering" to this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 9 September 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 9 September 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid from 8:00 a.m. on Thursday, 10 September 2015 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section to this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) ***If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 September 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 9 September 2015, by ordinary post and at your own risk.

(ii) ***If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 9 September 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 9 September 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)**

  For the Hong Kong Public Offer shares credited to your designated CCASS Participant stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer shares allotted to you with that CCASS Participant.

- **If you apply as a CCASS Investor Participant**

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 9 September 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) ***If you apply through the HK eIPO White Form service***

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 9 September 2015, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-auto refund payment instructions/ refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on **HK eIPO White Form** Service Provider on Wednesday, 9 September 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-auto refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) ***If you apply via Electronic Application Instructions to HKSCC***

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 9 September 2015, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "11. Publication of Results" above on Wednesday, 9 September 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 9 September 2015 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 9 September 2015. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 9 September 2015.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong.

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28 August 2015

The Directors
China Shun Ke Long Holdings Limited
China Everbright Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") of China Shun Ke Long Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the years ended 31 December 2012, 2013, 2014 and the four months ended 30 April 2015 (the "Relevant Periods"), and the combined statements of financial position of the Group as at 31 December 2012, 2013, 2014 and 30 April 2015 and the statements of financial position of the Company as at 31 December 2013 and 2014 and 30 April 2015, together with notes thereon, for inclusion in the prospectus of the Company dated 28 August 2015 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands on 18 March 2013 as an exempted company with limited liability under the laws of the Cayman Islands in the name of Prospect Luck Limited. The name of the Company was changed to China Shun Ke Long Holdings Limited pursuant to a resolution dated 1 November 2013.

Pursuant to a corporate reorganisation (the "Reorganisation") as described in note 2.1 of section II of this report, the Company became the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation saves for the aforementioned Reorganisation.

The Group is principally engaged in the operation and management of retail outlets and wholesale of goods in the People's Republic of China (the "PRC") and Macau. The Company and its subsidiaries have adopted 31 December as their financial year end date. Particulars of the subsidiaries comprising the Group are set out in note 1 of section II of this report.

No audited financial statements have been prepared for the Company as it is newly incorporated and has not been involved in any significant business transactions except for the Reorganisation.

No audited financial statements have been prepared for Shun Ke Long International Limited ("SKL International) as there is no statutory audit requirement under the relevant rules and regulations in its jurisdiction of incorporation.

The statutory financial statements of Hong Kong Shun Ke Long International Limited ("HK SKL") for the period from 11 June 2013 (date of incorporation) to 31 December 2013 and year ended 31 December 2014 were audited by GC&CO., Certified Public Accountants, a firm of certified public accountants registered in Hong Kong. All these statutory financial statements were prepared in accordance with the relevant accounting principles and accounting rules applicable to enterprises established in Hong Kong.

The statutory financial statements of Foshan Shun Ke Long Commercial Limited* ("Shun Ke Long") (佛山市順客隆商業有限公司), Gaoyao Shun Ke Long Commercial Chain Limited.* ("Gaoyao SKL") (高要市順客隆商業連鎖有限公司), Guangzhou Shun Ke Long Supermarket Limited* ("Guangzhou SKL") (廣州市順客隆超市有限公司), Foshan Shunde Yubang Hang Trading Company Limited* ("Yubang Trading") (佛山市順德區譽邦行貿易有限公司) and Gaoyao Letong Trading Limited* ("Gaoyao Letong") (高要市樂通貿易有限公司) for the years ended 31 December 2012, 2013 and/or 2014 were audited by Foshan Hen Daxin Certified Public Accountants Firm (佛山市恆達信會計師事務所), a firm of certified public accountants registered in PRC. The statutory financial statements of Zhuhai Shun Ke Long Commercial Limited* ("Zhuhai SKL") (珠海市順客隆商業有限公司) for the years ended 31 December 2012, 2013 and 2014 were audited by Zhuhai Men Dan Cheng Certified Public Accountants Firm (珠海市門丹誠有限責任會計師事務所), a firm of certified public accountants registered in the PRC. The statutory financial statements of Foshan Shunde Chang Wan Long Composite Materials Company Limited* ("Chang Wan Long") (佛山市順德區昌萬隆複合材料有限公司) for the years ended 31 December 2012, 2013 and 2014 were audited by FoshanDaZheng Certified Public Accountants Company Limited (佛山市達正會計師事務所), a firm of certified public accountants registered in the PRC. The statutory financial statements of Foshan Shunde Junle Commercial Management Limited* ("Junle Commercial") (佛山市順德區駿樂商業管理有限公司) and Foshan Shunde Jincheng Commercial Trading Limited* ("Jincheng Commercial Trading") (佛山市順德區金程商貿有限公司) for the year ended 31 December 2014 were audited by Foshan Hen Daxin Certified Public Accountants Firm (佛山市恆達信會計師事務所), a firm of certified public accountants registered in the PRC. All these statutory financial statements were prepared in accordance with the relevant accounting principles and accounting rules applicable to enterprises established in the PRC.

The statutory financial statements of Macau Son Hak Long International Sociedade Unipessoal Limitada ("Macau SKL") for the years ended 31 December 2013 and 2014 and Usmart Chain Supermarket Company Limited ("Usmart Chain Supermarket") for the year ended 31 December 2014 were audited by Keng Ou Certified Public Accountant, a firm of certified public accountants registered in Macau. All these statutory financial statements were prepared in accordance with the relevant accounting principles and accounting rules applicable to enterprises established in Macau.

* *The English name of the subsidiaries established in the PRC represent management's best effort at translating the Chinese name of such subsidiaries as no English name has been registered.*

Basis of preparation

For the purpose of the Financial Information of this report, the directors of the Company have prepared the combined financial statements (the "Underlying Financial Statements") of the Group for the Relevant Periods in accordance with the basis of presentation and preparation set out in notes 1 and 2.2 of section II and accounting policies set out in note 3 of section II which conform with International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board (the "IASB"). The Financial Information set out in this report has been prepared by the directors based on the Underlying Financial Statements. No statement of adjustments as defined under Rule 4.15 of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Main Board Listing Rules") is considered necessary.

Respective responsibility of directors and reporting accountants

The directors of the Company are responsible for the contents of the Prospectus, including the preparation and the true and fair presentation of the Financial Information prepared in accordance with the basis of presentation and preparation set out in notes 1 and 2.2 of section II and accounting policies set out in note 3 of section II and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Main Board Listing Rules, and for such internal control as the directors determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you.

Basis of opinion

For the purpose of this report, we have carried out audit procedures on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA. We have examined the Financial Information in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA and have carried out such additional procedures on the Financial Information as we considered necessary.

Opinion

In our opinion, the Financial Information set out below, for the purpose of this report, prepared on the basis of presentation and preparation set out in notes 1 and 2.2 of section II and in accordance with accounting policies set out in note 3 of section II below, give a true and fair view of the financial performance and cash flows of the Group for the Relevant Periods and of the financial position of the Group as at 31 December 2012, 2013, 2014 and 30 April 2015 and the Company as at 31 December 2013 and 31 December 2014 and 30 April 2015.

Comparative financial information

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the four months ended 30 April 2014, together with the notes thereto (the "Comparative Financial Information"), for which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The directors of the Company are responsible for the preparation of the Comparative Financial Information in accordance with the basis of presentation set out in note 1 and 2.2 of section II and in accordance with the accounting policies set out in note 3 of section II, the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures to the Comparative Financial Information. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Combined statements of comprehensive income

	Notes	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Four months ended 30 April 2014 RMB'000 (unaudited)	2015 RMB'000
Revenue	6a	674,275	869,087	1,053,359	314,315	345,639
Cost of inventories sold		(559,473)	(721,432)	(870,062)	(261,307)	(280,197)
Gross profit		114,802	147,655	183,297	53,008	65,442
Other operating income	6b	17,551	22,345	23,814	4,824	14,593
Selling and distribution costs		(85,503)	(99,626)	(133,298)	(37,819)	(48,160)
Administrative expenses		(21,960)	(29,933)	(27,472)	(8,503)	(12,152)
Profit from operations	7	24,890	40,441	46,341	11,510	19,723
Finance costs	8	—	(4,026)	(4,210)	(1,086)	(1,660)
Profit before income tax expense		24,890	36,415	42,131	10,424	18,063
Income tax expense	11	(8,773)	(9,344)	(11,096)	(2,520)	(4,555)
Profit for the year		16,117	27,071	31,035	7,904	13,508
Other comprehensive income, that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations		—	2	(300)	(302)	2
Total comprehensive income for the year/period		16,117	27,073	30,735	7,602	13,510
Profit for the year/period attributable to:						
- Owners of the Company		16,117	27,070	30,951	7,933	13,464
- Non-controlling interests		—	1	84	(29)	44
		16,117	27,071	31,035	7,904	13,508

	Notes	Year ended 31 December 2012 RMB'000	2013 RMB'000	2014 RMB'000	Four months ended 30 April 2014 RMB'000 (unaudited)	2015 RMB'000
Total comprehensive income for the year/period attributable to:						
- Owners of the Company		16,117	27,072	30,651	7,631	13,466
- Non-controlling interests		—	1	84	(29)	44
		16,117	27,073	30,735	7,602	13,510
Earnings per share — basic and diluted (RMB cents)	12	N/A	N/A	N/A	N/A	N/A

Combined statements of financial position

		At 31 December			At 30 April
		2012	**2013**	**2014**	**2015**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	13	34,958	38,212	49,213	64,728
Prepaid land lease	14	35,963	36,945	35,934	35,578
Investment properties	15	5,153	5,049	4,444	4,412
Deposits paid and prepayments	17	5,416	4,595	4,955	5,908
Goodwill	16	—	—	2,554	2,542
		81,490	84,801	97,100	113,168
Current assets					
Inventories	18	95,559	102,642	111,509	120,403
Trade receivables	19	12,100	38,468	76,071	38,756
Deposits paid, prepayments and other receivables	17	27,535	33,841	68,614	70,374
Amounts due from related companies	23	8,161	3,511	7,796	1,351
Amounts due from shareholders	23	—	61	61	61
Loans to a related company	23	199,520	—	—	—
Cash and cash equivalents	20	20,269	37,549	25,761	52,765
		363,144	216,072	289,812	283,710
Current liabilities					
Trade payables	21	66,631	129,550	141,068	139,156
Deposits received, receipts in advance, accruals and other payables	22	11,679	38,912	55,584	45,453
Amounts due to related companies	23	107,416	11,962	61,160	14,284
Amount due to a carved-out subsidiary	23	7,991	272	—	—
Bank borrowings	24	199,520	31,550	57,000	57,000
Income tax payable		6,437	4,148	1,486	861
		399,674	216,394	316,298	256,754
Net current (liabilities)/assets		(36,530)	(322)	(26,486)	26,956
Total assets less current liabilities		44,960	84,479	70,614	140,124

		At 31 December			At 30 April
		2012	2013	2014	2015
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Bank borrowings	24	—	—	—	56,000
Total non-current liabilities		—	—	—	56,000
Net assets		44,960	84,479	70,614	84,124
EQUITY					
Share capital	25	—	62	70	70
Reserves	26	44,960	84,116	70,159	83,625
Equity attributable to owners of the Company		44,960	84,178	70,229	83,695
Non-controlling interests		—	301	385	429
Total equity		44,960	84,479	70,614	84,124

Combined statements of changes in equity

	Equity attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Merger reserve	Capital reserve	Statutory reserve	Capital contribution reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(note a)	*(note b)*	*(note c)*	*(note d)*	*(note e)*					
At 1 January 2012	—	—	(12,000)	50,000	200	74	—	—	(9,431)	28,843	—	28,843
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	—	16,117	16,117	—	16,117
Transfer to statutory reserve	—	—	—	—	—	1,946	—	—	(1,946)	—	—	—
At 31 December 2012 and 1 January 2013	—	—	(12,000)	50,000	200	2,020	—	—	4,740	44,960	—	44,960
Comprehensive income												
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	—	2	—	2	—	2
Profit for the year	—	—	—	—	—	—	—	—	27,070	27,070	1	27,071
Total comprehensive income for the year	—	—	—	—	—	—	—	2	27,070	27,072	1	27,073
Issuance of shares	62	—	—	—	—	—	—	—	—	62	—	62
Disposal of a carved-out subsidiary	—	—	12,084	—	—	—	—	—	—	12,084	—	12,084
Incorporation of a subsidiary	—	—	—	—	—	—	—	—	—	—	300	300
Transfer to statutory reserve	—	—	—	—	—	2,012	—	—	(2,012)	—	—	—
At 31 December 2013 and 1 January 2014	62	—	84	50,000	200	4,032	—	2	29,798	84,178	301	84,479
Comprehensive income												
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	—	(300)	—	(300)	—	(300)
Profit for the year	—	—	—	—	—	—	—	—	30,951	30,951	84	31,035
Total comprehensive income for the year	—	—	—	—	—	—	—	(300)	30,951	30,651	84	30,735
Interim dividend paid	—	—	—	—	—	—	—	—	(18,800)	(18,800)	—	(18,800)
Issuance of shares	8	29,519	—	—	—	—	—	—	—	29,527	—	29,527
Capital contribution in acquisition of net assets of a subsidiary	—	—	—	—	—	—	873	—	—	873	—	873
Distribution arising from the Reorganisation	—	—	—	(56,200)	—	—	—	—	—	(56,200)	—	(56,200)
Transfer to statutory reserve	—	—	—	—	—	2,932	—	—	(2,932)	—	—	—
At 31 December 2014	70	29,519	84	(6,200)	200	6,964	873	(298)	39,017	70,229	385	70,614

	Equity attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Merger reserve	Capital reserve	Statutory reserve	Capital contribution reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(note a)	*(note b)*	*(note c)*	*(note d)*	*(note e)*					
Comprehensive income												
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	—	2	—	2	—	2
Profit for the period	—	—	—	—	—	—	—	—	13,464	13,464	44	13,508
Total comprehensive income for the period	—	—	—	—	—	—	—	2	13,464	13,466	44	13,510
Transfer to statutory reserve	—	—	—	—	—	9,841	—	—	(9,841)	—	—	—
At 30 April 2015	70	29,519	84	(6,200)	200	16,805	873	(296)	42,640	83,695	429	84,124

(a) Special reserve represents the investment cost of a subsidiary which has been carved out of the Group as part of the Reorganisation as explained in note 1 of Section II below and the proceeds from disposal of that subsidiary.

(b) The merger reserve of the Group arose as a result of the Reorganisation. As at 31 December 2012, 2013 and 2014, the balance of the merger reserve includes the distribution upon the acquisition of a subsidiary from the controlling shareholder as part of the Reorganisation as explained in note 2.1(i) of Section II below.

(c) Capital reserve represents the capital contribution from the previous shareholders to a subsidiary of the Group.

(d) In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

(e) Capital contribution reserve of the Group represented the consideration paid by the Group to acquire the net assets of a subsidiary is in excess of their carrying amounts.

Significant non-cash transaction

The Company recorded amounts due from shareholders of RMB62,000 for unpaid share capital of the company during 2013.

The Group recorded amount due to a related company of RMB43,200,000 for outstanding purchase consideration about acquisition of a subsidiary from the shareholder pursuant to the Reorganisation during 2014.

Combined statements of cash flows

		Year ended 31 December			Four months ended 30 April	
		2012	2013	2014	2014	2015
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Cash flows from operating activities						
Profit before income tax expense		24,890	36,415	42,131	10,424	18,063
Adjustments for:						
Interest income	6(b)	(263)	(362)	(975)	(293)	(61)
Interest expenses	8	—	4,026	4,210	1,086	1,660
Depreciation of property, plant and equipment	7	10,008	9,110	9,183	3,156	3,777
Depreciation of investment properties	7	104	104	102	35	32
Amortisation of prepaid land lease	7	813	887	1,011	337	356
(Gain)/loss on disposal of property, plant and equipment	7	—	—	(8)	—	581
Obsolete inventories written-off	7	195	926	1,619	64	587
Operating profit before working capital changes		35,747	51,106	57,273	14,809	24,995
(Increase)/decrease in inventories		(27,282)	(8,009)	(9,199)	4,057	(9,492)
Decrease/(increase) in trade receivables		9,457	(26,368)	(37,581)	(6,661)	37,315
Decrease/(increase) in deposits paid, prepayments and other receivables		133	(5,194)	(34,452)	(42,352)	(2,306)
(Decrease)/increase in trade payables		(13,707)	62,919	10,895	(3,258)	(1,902)
Increase/(decrease) in deposits received, receipts in advance, accruals and other payables		489	27,233	13,359	18,159	(10,124)
Decrease/(increase) in balances with related companies		54,157	5,249	4,702	(4,990)	(6,949)
Decrease/(increase) in balance with a carved-out subsidiary		9,491	(7,719)	(272)	3	—
Cash generated from/(used in) operations		68,485	99,217	4,725	(20,233)	31,537
Income tax paid		(2,131)	(11,633)	(13,758)	(5,025)	(5,180)

		Year ended 31 December			Four months ended 30 April	
		2012	**2013**	**2014**	**2014**	**2015**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Net cash generated from/(used in) operating activities		66,354	87,584	(9,033)	(25,258)	26,357
Cash flows from investing activities						
Interest received		263	362	975	293	61
(Advance)/repayment of loans to/from a related company		(199,520)	199,520	—	—	—
Purchases of property, plant and equipment		(22,195)	(14,467)	(20,845)	(4,815)	(19,971)
Proceeds from sale of property, plant and equipment		—	234	779	20	98
Purchases of investment properties		(523)	—	—	—	—
Proceeds from sale of investment properties		—	—	503	503	—
Net cash outflow from acquisition of a subsidiary	32	—	—	(207)	—	—
Net cash (used in)/generated from investing activities		(221,975)	185,649	(18,795)	(3,999)	(19,812)
Cash flows from financing activities						
Proceeds from bank borrowings		245,460	99,000	57,000	49,000	56,000
Repayments of bank borrowings		(116,940)	(266,970)	(31,550)	(25,550)	—
Decrease/(increase) in balance with a related company		31,123	(96,053)	(3,278)	(495)	2,520
Interest paid		—	(4,026)	(4,210)	(1,086)	(1,660)
Capital contribution from non-controlling interests of subsidiary		—	300	—	—	—
Proceeds from disposal of a carved-out subsidiary		—	12,084	—	—	—
Dividends paid to previous shareholder of a subsidiary		—	—	(18,800)	—	—
Proceeds from issuance of ordinary shares		—	—	29,527	29,527	—
Share offer expenses paid		—	(291)	(502)	(502)	(413)
Distribution arising from the Reorganisation		—	—	(13,000)	—	(36,000)

		Year ended 31 December			Four months ended 30 April	
		2012	**2013**	**2014**	**2014**	**2015**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Capital contribution upon acquisition of net assets of a subsidiary		—	—	867	867	—
Net cash generated from/(used in) financing activities		159,643	(255,956)	16,054	51,761	20,447
Net increase/(decrease) in cash and cash equivalents		4,022	17,277	(11,774)	22,504	26,992
Cash and cash equivalents at beginning of year/period		16,247	20,269	37,549	37,549	25,761
Effect of exchange rate changes on cash and cash equivalents		—	3	(14)	(31)	12
Cash and cash equivalents at end of year/period		20,269	37,549	25,761	60,022	52,765

Statement of financial position of the Company

	Note	31 December 2013 RMB'000	31 December 2014 RMB'000	30 April 2015 RMB'000
ASSETS AND LIABILITIES				
Non-current assets				
Investments in subsidiaries	31	—	29,674	29,441
Current assets				
Amounts due from shareholders	23	61	61	61
Cash and cash equivalents		—	16	15
		—	77	76
Current liabilities				
Other payables	22	—	16	16
Amounts due to subsidiaries	23	—	—	946
		—	16	962
Net current assets/(liabilities)		61	61	(886)
Net assets		61	29,735	28,555
EQUITY				
Share capital	25	62	70	70
Reserves	35	(1)	29,665	28,485
Total equity		61	29,735	28,555

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated as an exempted company with limited liability in Cayman Islands on 18 March 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY1-1112, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in the operation and management of retail stores and wholesale of goods in the PRC and Macau (the "Listing Business").

Particulars of the companies now comprising the Group have been set out below in the report. The Company has not carried on any business since the date of incorporation, saved for the transactions relating to the Reorganisation.

Pursuant to a group reorganisation as more fully explained in the section headed "History, development and Reorganisation — Reorganisation" to the prospectus (the "Reorganisation"), the companies now comprising the Group underwent the ''Reorganisation'' to rationalise the existing group structure for the purpose of the Company's proposed listing of its shares on the Main Broad of the Stock Exchange. The Reorganisation was completed on 24 November 2014.

Prior to the completion of the Reorganisation, the Listing Business was wholly owned by Shunde Lecong Supply and Marketing Group Limited (順德市樂從供銷集團有限公司) ("Lecong Supply and Marketing Group'). Lecong Supply and Marketing Group is the immediate holding company of the Group prior to the completion of the Reorganisation. Mr. Lo and other parties ("the Shareholders") are the ultimate shareholders of Lecong Supply and Marketing Group.

Immediately after the Reorganisation, Lecong Supply and Marketing Group and its subsidiaries became the related companies of the Group.

The Reorganisation involved the insertion of new holding companies on top of the existing group. The new holding companies include the Company, SKL International, HK SKL, Macau SKL and Chang Wan Long. None of the new holding companies carried out any business as at the date of the Reorganisation. The insertion of the holding companies on top of the existing group during the Relevant Periods has not resulted in any change of economic substance. Accordingly, the Financial Information is a continuation of the existing group.

The Reorganisation also involved the acquisition of Usmart Chain Supermarket during the Relevant Periods. This company is engaged in the operation and management of retail stores and wholesale of goods in Macau. The acquisition method has been applied to this transaction.

The Listing Business excluded Foshan Shunde Jinle Trading Company Limited (佛山市順德區金樂貿易有限公司) ("Shunde Jinle") which is the excluded business of the Group ("Excluded Business"). This company was engaged in the trading business. The entire equity interest of the Excluded Business was transferred from Shun Ke Long to Lecong Supply and Marketing Group during the Relevant Periods. The financial information of the Excluded Business has not been included in the Financial Information throughout the Relevant Periods as it has distinct and separate management personnel, maintained separate accounting records and has been financed separately as if it was autonomous and it was in dissimilar business and operations.

Immediately after the Reorganisation, the Company became the holding company of its subsidiaries now comprising the Group on 24 November 2014.

The combined financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the combined financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

For the purpose of this report, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the Relevant Periods, or since their respective dates of acquisition or incorporation/establishment, where this is a shorter period, but excludes the Excluded Business which is not part of the Group pursuant to the Reorganisation and have historically been managed separately from the Listing Business. The combined statements of financial position of the Group as at 31 December 2012, 2013, 2014 and 30 April 2015 have been prepared to present the state of affairs of the Group as if the current structure had been in existence at these dates or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies with limited liability, the particulars of which are set out below:

Company name	Place and date of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Subsidiaries					
Shun Ke Long International Limited (previously known as Vibrant Hero Holdings Limited)	BVI, 25 March 2013	2 ordinary shares of US$1.00 each	100	—	Investment holding

Company name	Place and date of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Hong Kong Shun Ke Long International Limited (previously known as Deals achiever Limited)	Hong Kong, 11 June 2013	1 ordinary share of Hong Kong dollars ("HK$") 1.00 each	—	100	Investment holding
Macau Son Hak Long International Sociedade Unipessoal Limitada	Macau, 9 September 2013	MOP38,625,000	—	100	Operations and management of retail stores in Macau
Usmart Chain Supermarket Company Limited	Macau, 1 July 2010	MOP38,657,000	—	100	Operations and management of retail stores in Macau
Foshan Shunde Chang Wan Long Composite Materials Company Limited* (佛山市順德區昌萬隆複合材料有限公司)	PRC, 5 March 2004	Paid up capital of HK$35,500,000	—	100	Investment holding
Foshan Shunde Junle Commercial Management Limited* (佛山市順德區駿樂商業管理有限公司)	PRC, 24 October 2014	Paid up capital of RMB 1,000,000	—	100	Investment holding
Foshan Shunde Jincheng Commercial Trading Limited* (佛山市順德區金程商貿有限公司)	PRC, 29 October 2014	Paid up capital of RMB 6,000,000	—	100	Investment holding
Foshan Shun Ke Long Commercial Limited* (佛山市順客隆商業有限公司)	PRC, 28 July 2003	Paid up capital of RMB 50,000,000	—	100	Operations and management of retail stores and wholesale in the PRC
Zhuhai Shun Ke Long Commercial Limited* (珠海市順客隆商業有限公司)	PRC, 19 September 2011	Paid up capital of RMB 1,000,000	—	100	Operations and management of retail stores in the PRC

Company name	Place and date of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Gaoyao Shun Ke Long Commercial Chain Limited* (高要市順客隆商業連鎖有限公司)	PRC, 14 November 2005	Paid up capital of RMB 10,000,000	—	100	Operations and management of retail stores in the PRC
Guangzhou Shun Ke Long Supermarket Limited* (廣州市順客隆超市有限公司)	PRC, 9 October 2013	Paid up capital of RMB 1,000,000	—	70	Operations and management of retail stores in the PRC
Foshan Shunde Yubang Hang Trading Company Limited* (佛山市順德區譽邦行貿易有限公司)	PRC, 9 December 2004	Paid up capital of RMB 500,000	—	100	Wholesale of goods in the PRC
Gaoyao Letong Trading Limited* (高要市樂通貿易有限公司)	PRC, 12 June 2014	Paid up capital of RMB 1,000,000	—	100	Wholesale of goods in the PRC
Foshan Shunde Mingjian Trading Limited* (佛山市順德區名建貿易有限公司)	PRC, 4 November 2014	Issued capital of RMB 6,000,000	—	100	Operations and management of retail stores in the PRC

* *The English name of the subsidiaries established in the PRC represent management's best effort at translating the Chinese name of such subsidiaries as no English name has been registered.*

As at the date of this report, no statutory audited financial statements have been prepared for the Company since the date of its incorporation as the Company has not been involved in any significant business transactions other than the Reorganisation described in ''Appendix IV — V'' to the Prospectus.

2. GROUP REORGANISATION AND BASIS OF PREPARATION

2.1 Group reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the shares of the Company on the Stock Exchange. The reorganisation involved the following:

The change of shareholding and the reorganisation of the Group during the Relevant Periods are set out as follows:

(a) ***Incorporation of the Company***

The Company was incorporated in the Cayman Island on 18 March 2013 as an exempted company with limited liability with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. The shareholders of the Company are Golden Prime Holdings Limited (金元控股有限公司), Jian Nong Holdings Limited (建農控股有限公司) and Xing Nong Holdings Limited (興農控股有限公司) during the Relevant Periods.

(b) ***Disposal of Shunde Jinle by Shun Ke Long***

On 9 August 2013, the entire equity interest of Shunde Jinle was transferred from Shun Ke Long to Lecong Supply and Marketing Group.

(c) ***Insertion of new shell companies***

On 25 March 2013, SKL International was incorporated in the BVI by the Company and was dormant since the date of incorporation until it became an investment holding company after its incorporated HK SKL.

On 11 June 2013, HK SKL was incorporated in Hong Kong by SKL International and was dormant since the date of incorporation.

On 24 October 2014, Junle Commercial was incorporated in the PRC by Chang Wan Long and was dormant since the date of incorporation.

On 29 October 2014, Jincheng Commercial Trading was incorporated in the PRC by Junle Commercial and was dormant since the date of incorporation.

(d) ***Shun Ao Holdings Limited (順澳控股有限公司) as shareholder of the Company***

During the Relevant Periods, Shun Ao Holding Limited ("Shun Ao") was incorporated by the Shareholders. Share allotment agreement was entered into among the Company and Shun Ao, with the Company allot 1,429 new shares of the Company to Shun Ao pursuant to the terms and conditions of the agreement. The share allotment was completed on 8 January 2014.

(e) ***Macau SKL***

On 9 September 2013, Macau SKL was incorporated in Macau by SKL International and was dormant since the date of incorporation until it became an investment holding company after its acquired Usmart Chain Supermarket. In October 2013, Macau SKL starts the business of the operation of retail stores in Macau.

(f) ***Insertion of Chang Wan Long as a shell company***

During the Relevant Periods and before the Reorganisation, the 51% shareholding of Chang Wan Long was owned by Lecong Supply and Marketing Group and 49% shareholding of Chang Wan Long was owned by Happy Team Enterprises Limited (樂添企業有限公司), an independent third party of the Group. During the year ended 2012, Chang Wan Long ceased its business. During the year ended 2013, Cheong Man Lung becomes a shell company with the disposal of its assets and liabilities. On 20 August 2013, Happy Team Enterprises Limited transferred its 24% equity interests in Chang Wan Long to Lecong Supply and Marketing Group. As a result of the transfer, Chang Wan Long was owned by Lecong Supply and Marketing Group as to 75% and Happy Team Enterprises Limited as to 25%. On 21 December 2013, Lecong Supply and Marketing Group transferred its 75% equity interests in Chang Wan Long and Happy Team Enterprises Limited transferred its 25% equity interests in Chang Wan Long to Macau SKL respectively. As a result of the transfers, Chang Wan Long was wholly-owned by Macau SKL.

(g) ***Acquisition of entire interest of Usmart Chain Supermarket***

On 1 July 2014 and 4 July 2014, 97% equity interest and 3% equity interest of Usmart Chain Supermarket was transferred from an independent third party to Macau SKL and HK SKL respectively. Usmart Chain Supermarket is engaged in the operation of retail stores in Macau before and after the acquisition.

(h) ***Transfer of Chang Wan Long from Macau SKL to Usmart Chain Supermarket***

On 3 September 2014, the entire equity interest of Chang Wan Long was transferred from Macau SKL to Usmart Chain Supermarket.

(i) ***Transfer of Shun Ke Long from Lecong Supply and Marketing Group to Jincheng Commercial Trading***

Pursuant to the equity interests transfer agreement dated 29 October 2014, the entire equity interest of Shun Ke Long was transferred from Lecong Supply and Marketing Group to Jincheng Commercial Trading.

2.2 **Basis of preparation**

The Financial Information has been prepared on the basis set out in note 1 and in accordance with the accounting policies set out below which comply with IFRSs (which include all International Financial Reporting Standards, International Accounting Standards and Interpretations) issued by the International Accounting Standards Board (the "IASB").

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Main Broad Listing Rules.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information and Comparative Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may immediately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information and Comparative Financial Information are disclosed in note 4.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 **ADOPTION OF NEW OR REVISED IFRSs**

The IASB has issued a number of new or revised IFRSs which were relevant to the Group and became effective during the Relevant Periods. In preparing the Financial Information, the Group has adopted all these new or revised IFRSs consistently throughout the Relevant Periods.

(a) **New / revised IFRSs that have been issued but are not yet effective**

At the date of authorisation of the Financial Information, the following new / revised IFRSs, potentially relevant to the Group's Financial Information, have been issued, but are not yet effective and have not been early adopted by the Group.

IFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[2]
IFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[1]
IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IAS 19 (2011)	Defined Benefit Plans : Employee Contributions[1]
Amendments to IAS 27	Equity Method in Separate Financial Statements[3]
IFRS 9 (2014)	Financial Instruments[5]

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
IFRS 14	Regulatory Deferral Accounts[3]
IFRS 15	Revenue from Contracts with Customers[4]

1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014

3 Effective for annual periods beginning on or after 1 January 2016

4 Effective for annual periods beginning on or after 1 January 2017

5 Effective for annual periods beginning on or after 1 January 2018

Amendments to IAS 27 - Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

IFRS 9 (2014) - Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

IFRS 15 - Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors do not expect that the adoption of these pronouncements will have a material impact on the financial statements of the Group.

(b) **New Companies Ordinance provisions relating to the preparation of financial statements**

The provisions of the new Companies Ordinance, Cap. 622, in relation to the preparation of financial statements will apply to the Company in its first financial year beginning on or after 3 March 2014 (i.e. the financial year ending 31 December 2015).

The directors consider that there will be no impact on the Group's financial position or performance, however the new Companies Ordinance, Cap. 622, would have impacts on the presentation and disclosures in the consolidated financial statements. The Statement of Financial Position of the Company will be presented in the notes rather than a separate statement and the related notes generally need not be included, while generally the statutory disclosures will be simplified.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Business combination and basis of consolidation

Under the acquisition method, the consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. For each business combination, the acquirer measures the non-controlling interest that represents a present ownership interest in the subsidiary in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non- controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

The results of subsidiaries acquired or disposed of during the Relevant Periods are included in the combined statements of income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

3.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.3 **Segment reporting**

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

3.4 **Related parties**

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the parent of the Company.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

3.5 **Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the combined statement of income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold buildings	The terms of land use rights
Leasehold improvements	Over the lease terms
Plants and machinery	19% to 32%
Motor vehicles	9% to 24%
Furniture, fixtures and equipment	9% to 32%

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalized during the periods of construction and installation. Capitalization of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

3.6 **Prepaid land lease payments**

Prepaid land lease payments represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

3.7 **Investment properties**

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is provided so as to write off the cost of investment property over the lease terms.

3.8 **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the combined statement of income in the period in which it arises.

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

3.9 **Leases**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) ***Classification of assets leased to the Group***

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) ***Operating lease charges as the lessee***

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit or loss in the accounting period in which they are incurred.

(iii) ***Assets leased out under operating leases as the lessor***

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease terms on the same basis as the rental income.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease terms, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease income receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3.10 **Financial Instruments**

(i) ***Financial assets***

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) ***Impairment loss on financial assets***

The Group assesses, at the end of each Relevant Periods, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) ***Financial liabilities***

Financial liabilities at amortised cost including trade payables, accruals and other payables, amount due to a carved-out subsidiary, amounts due to related companies and bank borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) ***Equity instruments***

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) ***Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

(vii) ***Derecognition***

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

3.11 **Inventories**

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Inventories comprise merchandise purchased for resale. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3.12 **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and the use by others of the Group's assets yielding interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows :

(i) Sale of goods are recognised upon transfer of the significant risks and rewards of ownership to the customers. This is usually taken as the time when the goods are delivered and the customers have accepted the goods;

(ii) Income from concessions is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(iii) Promotion income is recognised when services have been provided;

(iv) Rental income under operating leases is recognised in accordance with the policy for leases in note 3.9 stated above; and

(v) Interest income is recognised on a time-proportion basis using the effective interest method.

3.13 **Income taxes**

Income taxes for the Relevant Periods comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

3.14 **Foreign currency**

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the ''functional currency'') are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On combination, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

For the purpose of the combined statements of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3.15 **Cash and cash equivalents**

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the combined statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

3.16 **Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non- occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.17 **Employee benefits**

Retirement benefits to employees are provided through a defined contribution plan. The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of the basic salaries for their employees who are registered as permanent residents in Mainland China. The contributions are charged to the combined income statement as they become payable in accordance with the rules of the central pension scheme.

3.18 **Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate and are presented separately from the costs.

3.19 **Coupon liabilities**

Coupon liabilities are recognised based on the fair value of bonus points or coupons granted to customers in accordance with the announced bonus point scheme and the Group's past experience on the level of redemption of coupons and are recorded in other payables. The revenue of the Group is deducted when the coupon liabilities are recognised.

3.20 **Goodwill**

Goodwill represents the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The consideration transferred is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment.

Any excess of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the consideration transferred and the amount recognised for non-controlling interests is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

Inventory valuation

Inventory is valued using the cost method, which values inventory at the lower of the actual cost and net realisable value. Cost is determined using the first-in, first-out method. The estimated net realisable value is generally the merchandise selling price less selling expenses. The Group reviews its inventory levels in order to identify slow-moving merchandise and use markdowns to clear merchandise. Inventory value is reduced when the decision to markdown below cost is made.

Customer loyalty programme

Significant estimates is required in determining the percentage of redemption of credit awards granted to the customers. These estimates are based on historical records and managements' judgment. Management reassesses the estimation at each reporting date.

Impairment of non-financial assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgment in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

Depreciation

The Group depreciates property, plant and equipment over the estimated useful life, and after taking into account of their estimated residual value, using the straight-line method, from 3 years to 50 years, commencing from the date on which the assets are available for use. The estimated useful life reflects the management's estimations of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Provision for impairment of trade receivables

The policy for the provision for impairment of trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the immediate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

Income tax

Significant judgment is required in determining the amount of the provision of income tax and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in periods in which such determination are made.

Classification of properties with dual use

Significant judgment is required in separating the portions of rental areas and the areas for own use for the Group's properties with dual use. This evaluation requires judgments to be made including the ability of separation of rental area and the area for own use in terms of physical separation and legal separation; the significance of proportions of the properties used for rental area and for own use. The Group reviews and reassesses the properties at each reporting date and has made adjustment if considers necessary and appropriate.

5. OPERATING SEGMENT INFORMATION

The executive directors have identified the Group's operating segments as follows. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

For the year ended 31 December 2012:

	Retail Outlet operation and sales	**Wholesale distribution**	**Inter-segment elimination**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue				
From external customers	616,378	57,897	—	674,275
From inter-segment	62,932	69,199	(132,131)	—
Reportable segment revenue	679,310	127,096	(132,131)	674,275
Reportable segment profit	23,840	1,050	—	24,890
Interest income	261	2	—	263
Unallocated income	—	—	—	—
Unallocated expenses	—	—	—	—
Reportable segment assets	413,230	31,404	—	444,634
Additions to non-current segment assets during the year	22,718	—	—	22,718
Reportable segment liabilities	397,046	2,628	—	399,674

	Retail Outlet operation and sales *RMB'000*	Wholesale distribution *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
For the year ended 31 December 2013:				
Revenue				
From external customers	658,782	210,305	—	869,087
From inter-segment	34,042	8,637	(42,679)	—
Reportable segment revenue	692,824	218,942	(42,679)	869,087
Reportable segment profit	34,677	5,764	—	40,441
Interest income	361	1	—	362
Unallocated income	—	—	—	—
Unallocated expenses	—	—	—	—
Reportable segment assets	269,051	31,762	—	300,813
Additions to non-current segment assets during the year	14,380	87	—	14,467
Reportable segment liabilities	212,545	3,831	—	216,376
For the period ended 30 April 2014 (unaudited):				
Revenue				
From external customers	251,510	62,805	—	314,315
From inter-segment	13,843	2,535	(16,378)	—
Reportable segment revenue	265,353	65,340	(16,378)	314,315
Reportable segment profit	9,574	1,713	—	11,287
Interest income	69	1	—	70
Unallocated income	—	—	—	—
Unallocated expenses	—	—	—	—
Reportable segment assets	304,872	35,851	—	340,723
Additions to non-current segment assets during the period	4,706	109	—	4,815
Reportable segment liabilities	246,495	2,147	—	248,642

	Retail Outlet operation and sales *RMB'000*	Wholesale distribution *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
For the year ended 31 December 2014:				
Revenue				
From external customers	799,808	253,551	—	1,053,359
From inter-segment	48,053	8,625	(56,678)	—
Reportable segment revenue	847,861	262,176	(56,678)	1,053,359
Reportable segment profit	35,056	10,846	—	45,902
Interest income	474	1	—	475
Unallocated income	—	—	—	—
Unallocated expenses	—	—	—	—
Reportable segment assets	338,557	47,681	—	386,238
Additions to non-current segment assets during the year	20,059	786	—	20,845
Reportable segment liabilities	270,238	2,760	—	272,998
For the period ended 30 April 2015:				
Revenue				
From external customers	260,092	85,547	—	345,639
From inter-segment	20,158	2,772	(22,930)	—
Reportable segment revenue	280,250	88,319	(22,930)	345,639
Reportable segment profit	18,351	2,509	—	20,860
Interest income	54	—	—	54
Unallocated income	—	—	—	—
Unallocated expenses	—	—	—	—
Reportable segment assets	338,188	58,584	—	396,772
Additions to non-current segment assets during the period	19,953	18	—	19,971
Reportable segment liabilities	300,932	4,333	—	305,265

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the Financial Information as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Reportable segment revenue	674,275	869,087	1,053,359	314,315	345,639
Group revenue	674,275	869,087	1,053,359	314,315	345,639
Reportable segment profit	24,890	40,441	45,902	11,287	20,860
Finance cost	—	(4,026)	(4,210)	(1,086)	(1,660)
Other corporate income	—	—	500	223	6
Other corporate expenses	—	—	(61)	—	(1,143)
Profit before income tax expense	24,890	36,415	42,131	10,424	18,063
Reportable segment assets	444,634	300,813	386,238	340,723	396,772
Other corporate assets	—	60	674	30,400	106
Group's assets	444,634	300,873	386,912	371,123	396,878

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Reportable segment liabilities	399,674	216,376	272,998	248,642	305,265
Outstanding purchase consideration for the acquisition of a subsidiary from shareholder pursuant to the Reorganisation	—	—	43,200	—	7,200
Other corporate liabilities	—	18	100	—	289
Group's liabilities	399,674	216,394	316,298	248,642	312,754

The Group's revenues from external customers and its non-current assets are all divided into the following geographical areas:

	Revenue from external customers					Non-current assets			
	Year ended 31 December			Four months ended 30 April		At 31 December			At 30 April
	2012	**2013**	**2014**	**2014**	**2015**	**2012**	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The PRC (domicile)	674,275	868,692	1,033,756	311,150	331,452	79,517	81,522	91,864	107,046
Macau	—	395	19,603	3,165	14,187	—	874	823	756
	674,275	869,087	1,053,359	314,315	345,639	79,517	82,396	92,687	107,802

The country of domicile is determined by referring to the country which the Group regards as its home country, has the majority of operations and centre of management.

The geographical location of customers is based on the location at which the services were provided. The geographical location of the non-current assets is based on the physical location of the asset.

The Group has a large number of customers, and no significant revenue was derived from specific external customers during the Relevant Periods.

6. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and discounts; rental income and the value of services rendered. Revenue recognised is as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Retail Outlet operation and sales					
General sales *(note i)*	524,750	544,844	615,872	203,523	194,446
Bulk sales	66,785	84,054	146,392	36,526	50,183
Rental income from leasing of shop premises	23,729	29,107	35,237	11,213	13,480
Commission from concessionaire sales *(note ii)*	1,114	777	2,307	248	1,983
Wholesale distribution					
General wholesales	44,741	177,454	236,503	56,517	74,180
Franchisees	13,156	32,851	17,048	6,288	11,367
	674,275	869,087	1,053,359	314,315	345,639

(note i)

General sales include the compensation to reduced selling price of approximately RMB4,404,000, RMB4,133,000, RMB4,245,000, RMB50,000 and RMB4,719,000 from the local government in the PRC which is classified as turnover during the year ended 31 December 2012, 2013, 2014 and the four months ended 30 April 2014 and 2015 respectively. As per the directors of the Company, it is directly related to the sale of daily necessities food and is related to the ordinary and usual course of the business of the Group. Accordingly, it is classified as turnover of the Group.

(note ii)

Concessionaire sales is analysed as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Gross revenue from concessionaire sales	5,913	3,867	24,699	1,231	25,970
Commission from concessionaire sales	1,114	777	2,307	248	1,983

(b) ***Other operating income***

An analysis of the Group's other operating income is as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Government grants	1,071	311	136	79	309
Promotion income from suppliers	12,855	13,531	15,032	2,123	11,531
Interest income	263	362	975	293	61
Others	3,362	8,141	7,671	2,329	2,692
	17,551	22,345	23,814	4,824	14,593

7. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging/(crediting):

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Cost of inventories sold	559,473	721,432	870,062	261,307	280,197
Depreciation of property, plant and equipment	10,008	9,110	9,183	3,156	3,777
Depreciation of investment properties	104	104	102	35	32
Amortisation of prepaid land lease payments	813	887	1,011	337	356
Net exchange gains	—	(1)	(47)	(2)	—
Employee benefits expenses (excluding directors' remuneration (*note 9*)):					
- Wages and salaries	42,414	48,990	54,049	16,497	18,454
- Pension scheme contributions	6,996	7,759	8,335	2,578	2,940
- Other benefits	1,919	2,550	2,599	852	1,069
	51,329	59,299	64,983	19,927	22,463
Auditor's remuneration	48	37	58	—	5
Listing expenses	—	872	1,508	—	1,515
Operating lease charges in respect of land and buildings	15,533	25,612	36,537	10,870	13,497
Obsolete inventories written-off	195	926	1,619	64	587
(Gains)/loss on disposal of property, plant and equipment	—	—	(8)	—	581

8. FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest charged on bank borrowings:					
-Wholly repayable within five years *(note i)*	—	3,872	4,074	950	1,660
Interest charged on current account with a related company *(note 23)*	—	154	136	136	—
	—	4,026	4,210	1,086	1,660

(Note i)

As per the directors of the Group, all the bank borrowings of the Group as at 31 December 2012 are borrowed by the Group on behalf of the related company and all the bank borrowings of the Group as at 31 December 2013, 31 December 2014 and 30 April 2015 are borrowed by the Group itself. The interest charged on bank borrowings and reimbursed by the related company of the Group is detailed in note 24.

9. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the directors' during the Relevant Periods are as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Directors' fees	—	—	—	—	—
Other emolument:					
Salaries, allowances and benefits in kind	277	268	256	84	112
Pension scheme contributions	18	18	18	6	6
	295	286	274	90	118

Executive directors

	Directors' fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2012				
Ms. Wang Yanfen (王艷芬)	—	154	9	163
Mr. Wu Zhaohui (吳兆輝)	—	123	9	132
Mr. Lao Songsheng (勞松盛)	—	—	—	—
	—	277	18	295
Year ended 31 December 2013				
Ms. Wang Yanfen (王艷芬)	—	144	10	154
Mr. Wu Zhaohui (吳兆輝)	—	124	8	132
Mr. Lao Songsheng (勞松盛)	—	—	—	—
	—	268	18	286
Four months ended 30 April 2014 (unaudited)				
Ms. Wong Yenfen (王艷芬)	—	44	3	47
Mr. Wu Zhaohui (吳兆輝)	—	40	3	43
Mr. Lao Songsheng (勞松盛)	—	—	—	—
	—	84	6	90
Year ended 31 December 2014				
Ms. Wang Yanfen (王艷芬)	—	134	10	144
Mr. Wu Zhaohui (吳兆輝)	—	122	8	130
Mr. Lao Songsheng (勞松盛)	—	—	—	—
	—	256	18	274
Four months ended 30 April 2015				
Ms. Wong Yenfen (王艷芬)	—	45	3	48
Mr. Wu Zhaohui (吳兆輝)	—	42	3	45
Mr. Lao Songsheng (勞松盛)	—	25	—	25
	—	112	6	118

No emolument was paid or payable to the non-executive directors, namely Ms. Lao Weiping (勞偉萍) and Mr. Chen Yijian (陳義建), and the independent non-executive directors, namely Mr. Guan Shiping (關仕平), Mr. Sun Hong (孫洪) and Mr. Shin Yick Fabian (冼易) during the Relevant Periods.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the persons, who were directors, waived or agreed to waive any emoluments during the Relevant Periods.

10. FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for each of the years ended 31 December 2012, 2013, 2014 and the four months ended 30 April 2014 and 2015 included 2, 2, 2, 2 and 2 director of the Company respectively and their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3, 3, 3, 3 and 3 individuals for each of the years ended 31 December 2012, 2013, 2014 and the four months ended 30 April 2014 and 2015 respectively are as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, allowances and benefits in kind	640	634	620	201	299
Pension scheme contributions	41	43	44	15	16
	681	677	664	216	315

The number of non-director, highest paid employees whose remuneration fell within the bands is as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
				(unaudited)	
Nil to RMB800,000 (approximately Nil — HK$1,000,000)	3	3	3	3	3
RMB800,001 to RMB1,200,000 (approximately HK$1,000,001 — HK$1,500,000)	—	—	—	—	—
	3	3	3	3	3

During the Relevant Periods, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the persons, who were directors, waived or agreed to waive any emoluments during the Relevant Periods.

The emoluments paid or payable to members of senior management fell within the bands is as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
				(unaudited)	
Nil to RMB800,000 (approximately Nil — HK$1,000,000)	3	3	3	3	3
RMB800,001 to RMB1,200,000 (approximately HK$1,000,001 — HK$1,500,000)	—	—	—	—	—
	3	3	3	3	3

11. INCOME TAX EXPENSE

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the Relevant Periods.

No provision for Hong Kong profits tax has been provided as the Group has no estimated assessable profit arising in Hong Kong during the Relevant Periods.

The Group's subsidiaries in the PRC were subject to Enterprise Income Tax at the rate of 25% based on the estimated assessable profits during the Relevant Periods.

The Group's subsidiaries in Macau were subject to Complementary Tax at the rate of 12% based on estimated assessable profit during the Relevant Periods.

The major components of the income tax expense for the Relevant Periods are as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current — Macau					
Charge for the year/period	—	—	—	—	32
Current — the PRC					
Charge for the year/period	8,773	9,344	11,096	2,520	4,523
Total tax charge for the year/period	8,773	9,344	11,096	2,520	4,555

A reconciliation of the tax expense applicable to profit before income tax at the statutory tax rates to the tax expense at the effective tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December			Four months ended 30 April	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before income tax expense	24,890	36,415	42,131	10,424	18,063
Tax on profit before income tax expense, calculated at the rates applicable to profit in the tax jurisdictions concerned	6,223	9,230	10,457	2,569	4,422
Tax effect of expenses not deductible for tax purposes	2,550	115	223	—	100
Tax effect of revenue not taxable for tax purpose	—	(1)	(111)	(51)	(19)
Utilisation of tax losses previously not recognised	—	—	(36)	(6)	(85)
Tax effect of tax losses not recognised	—	—	563	8	191
Effect of tax exemptions granted to Macau subsidiaries	—	—	—	—	(54)
Income tax expenses	8,773	9,344	11,096	2,520	4,555

As at 31 December 2012, 2013, 2014 and 30 April 2015, no deferred tax liabilities have been recognised in respect of the temporary differences of approximately RMB4,739,000, RMB24,298,000, RMB27,186,000 and RMB31,124,000 associated with undistributed earnings of certain subsidiaries established and operate in the PRC because the Group is in a position to control the dividend policies of its subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2012, 2013, 2014 and 30 April 2015, the Group has estimated unused tax losses of approximately RMB18,000, RMB505,000, RMB2,172,000 and RMB1,680,000 which were available for offset against future profits and are subject to expiry period of five years. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganisation and the preparation of the results for the years ended 31 December 2012, 2013, 2014 and four months ended 30 April 2015 on a combined basis as disclosed in note 1 of Section II.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings	Leasehold improvements	Plants and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2012	17,013	8,568	1,935	4,128	3,437	—	35,081
Additions	2,671	8,657	1,262	655	1,499	—	14,744
At 31 December 2012 and 1 January 2013	19,684	17,225	3,197	4,783	4,936	—	49,825
Additions	623	7,713	1,391	1,028	1,843	—	12,598
Disposals	—	—	(236)	(181)	(262)	—	(679)
At 31 December 2013 and 1 January 2014	20,307	24,938	4,352	5,630	6,517	—	61,744
Exchange adjustment	—	1	—	—	1	—	2
Additions	—	9,999	2,699	2,670	4,643	834	20,845
Acquired through business combination	—	107	—	—	2	—	109
Disposals	—	—	(111)	(1,077)	(565)	—	(1,753)
At 31 December 2014 and 1 January 2015	20,307	35,045	6,940	7,223	10,598	834	80,947
Exchange adjustment	—	(3)	(1)	—	1	—	(3)
Additions	—	15,381	2,984	528	1,039	39	19,971
Transfers	—	834	—	—	—	(834)	—
Disposals	—	(2,424)	(375)	(304)	(323)	—	(3,426)
At 30 April 2015	20,307	48,833	9,548	7,447	11,315	39	97,489

	Leasehold buildings *RMB'000*	Leasehold improvements *RMB'000*	Plants and machinery *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation:							
At 1 January 2012	719	1,022	454	1,413	1,251	—	4,859
Depreciation charge for the year	407	7,392	557	699	953	—	10,008
At 31 December 2012 and 1 January 2013	1,126	8,414	1,011	2,112	2,204	—	14,867
Depreciation charge for the year	433	5,832	906	839	1,100	—	9,110
Disposals	—	—	(162)	(174)	(109)	—	(445)
At 31 December 2013 and 1 January 2014	1,559	14,246	1,755	2,777	3,195	—	23,532
Exchange adjustment	—	2	(1)	—	—	—	1
Depreciation charge for the year	476	5,199	939	1,070	1,499	—	9,183
Disposals	—	—	(61)	(700)	(221)	—	(982)
At 31 December 2014 and 1 January 2015	2,035	19,447	2,632	3,147	4,473	—	31,734
Exchange adjustment	—	(1)	(2)	—	—	—	(3)
Depreciation charge for the period	140	2,014	459	449	715	—	3,777
Disposals	—	(2,261)	(130)	(219)	(137)	—	(2,747)
At 30 April 2015	2,175	19,199	2,959	3,377	5,051	—	32,761
Net book value:							
At 31 December 2012	18,558	8,811	2,186	2,671	2,732	—	34,958
At 31 December 2013	18,748	10,692	2,597	2,853	3,322	—	38,212
At 31 December 2014	18,272	15,598	4,308	4,076	6,125	834	49,213
At 30 April 2015	18,132	29,634	6,589	4,070	6,264	39	64,728

The Group's leasehold lands and buildings are located in the PRC and are held under medium term leases.

As at 31 December 2012, 2013, 2014 and 30 April 2015, certain leasehold buildings with net carrying amount of approximately RMB3,365,000, RMB1,934,000, RMB14,975,000 and RMB14,862,000 were pledged to the bank for banking facilities granted to the Group (Note 24).

As at 31 December 2012, 2013, 2014 and 30 April 2015, certain leasehold buildings with net carrying amount of approximately RMB11,362,000, RMB9,297,000, nil and nil were pledged to guarantee for banking facilities granted to the related company (Note 28).

14. PREPAID LAND LEASE

	31 December			30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As 1 January	29,325	35,963	36,945	35,934
Additions	7,451	1,869	—	—
Amortisation	(813)	(887)	(1,011)	(356)
At 31 December/30 April	35,963	36,945	35,934	35,578
At 31 December/30 April				
Cost	38,046	39,915	39,915	39,915
Accumulated amortisation	(2,083)	(2,970)	(3,981)	(4,337)
Net book amount	35,963	36,945	35,934	35,578

The Group's prepaid land lease is situated in the PRC which is held under medium term leases.

As at 31 December 2012, 2013, 2014 and 30 April 2015, certain prepaid land lease with net carrying amount of approximately RMB2,538,000, RMB1,459,000, RMB28,895,000 and RMB28,668,000 were pledged to the bank for banking facilities granted to the Group (Note 24).

As at 31 December 2012, 2013, 2014 and 30 April 2015, certain prepaid land lease with net carrying amount of approximately RMB24,860,000, RMB15,830,000, nil and nil were pledged to guarantee for banking facilities granted to the related company (Note 28).

15. INVESTMENT PROPERTIES

	31 December			30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As 1 January	4,734	5,153	5,049	4,444
Additions	523	—	—	—
Disposal	—	—	(503)	—
Depreciation	(104)	(104)	(102)	(32)
At 31 December/30 April	5,153	5,049	4,444	4,412
At 31 December/30 April				
Cost	5,607	5,607	5,084	5,084
Accumulated depreciation	(454)	(558)	(640)	(672)
Net book amount	5,153	5,049	4,444	4,412

The Group's investment property, which is land and buildings held under leasehold interest, are situated in the PRC with lease terms expiring from 2072 to 2075.

As at 31 December 2012, 2013, 2014 and 30 April 2015, certain investment properties with net carrying amount of approximately RMB2,728,000, RMB2,672,000, RMB2,615,000 and RMB2,596,000 were pledged to the bank for banking facilities granted to the Group (Note 24).

The fair value of the Group's investment property at 31 December 2012 was approximately RMB6,290,000 which was estimated by the directors of the Group based on the basis of a valuation carried out as at that date by AVISTA Valuation Advisory Limited, an independent qualified professional valuer not connected to the Group. AVISTA Valuation Advisory Limited are members of Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The fair value of the Group's investment property at 31 December 2013, 2014 and 30 April 2015 were approximately RMB6,500,000, RMB6,300,000 and RMB10,000,000 respectively which was estimated by the directors of the Group. Fair value is based on recent market transactions involving comparable properties.

The directors of the Group consider that there is no impairment of investment properties during the years ended 31 December 2013, 2014 and four months ended 30 April 2015 as there is no significant change in the fair value of the investment properties during the Relevant Periods.

Fair value

The following table gives information about how the fair values of investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorized (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Nature : Investment properties in the PRC
- Fair value hierarchy : Level 3
- Valuation technique(s) and key input(s) : Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject property.
- Significant unobservable inputs : Price per square metre (RMB)
- Relationship of unobservable inputs to fair value : The higher the price per square metre, the higher the fair value.
- Sensitivity : If the price per square metre to the valuation model is 5% higher/lower, while all other variables were held constant, the carrying value of property would increase by approximately RMB314,000, RMB314,000 and RMB286,000, RMB286,000 and decrease by approximately RMB314,000, RMB314,000 and RMB286,000, RMB286,000 as at year ended 31 December 2012, 2013, 2014 and period ended 30 April 2015 respectively.

16. GOODWILL

	31 December			30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	—	—	—	2,554
Acquired through business combinations *(note 32)*	—	—	2,577	—
Exchange adjustment	—	—	(23)	(12)
At 31 December/30 April	—	—	2,554	2,542

The recoverable amount of the goodwill is determined based on the cash generating unit of the Group's retail network in Macau (Usmart Chain Supermarket) to which the goodwill belong on the value in use basis. The calculation is based on the most recent five-year financial budgets approved by management which represents the business cycle and strategy plan of the Group's business segment. Cash flow beyond the five-year budgets period are extrapolated using an estimated weighted average growth rate of 0%.

The key assumption used for value-in-use calculations are discount rate of 8% per annum. The key assumption has been determined based on past performance and expectations for the market development after taking into consideration published market forecast and research. The discount rate used is pre-tax rate and reflects specific risks relating to the relevant segment.

Apart from the considerations described in determining the value-in-use of the cash generating unit above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the key estimates are particularly sensitive to the market development.

During the year ended 31 December 2014 and the four months ended 30 April 2015, no impairment loss of the goodwill has been recognised or reversed by the Group.

17. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	31 December			30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
- Rental deposits paid	1,973	2,405	4,413	5,366
- Payment in advance for acquisition of property, plant and equipment	3,443	2,190	542	542
	5,416	4,595	4,955	5,908
Current assets				
- Prepayments	98	2,349	9,682	7,774
- Advances to suppliers	22,966	10,916	17,004	14,931
- Deposits paid	1,836	2,229	2,614	2,601
- Other receivables	2,635	18,347	39,314	45,068
	27,535	33,841	68,614	70,374

As at 31 December 2012, 2013, 2014 and 30 April 2015, the balances of deposits and other receivables were neither past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. INVENTORIES

	31 December			30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Merchandise for resale	95,244	102,629	111,509	120,403
Low value consumables	315	13	—	—
	95,559	102,642	111,509	120,403

19. TRADE RECEIVABLES

All of the Group's sales are on cash basis except for the wholesale of goods, bulk sales of merchandise to corporate customers and rental income receivable from tenants. The average credit terms offered to these customers or tenants are generally for a period of 0-270 days from the invoice date. An aged analysis of the trade receivables at the end of the respective reporting periods, based on the invoice date, is as follows:

	31 December			30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	8,022	13,900	22,215	21,982
31 to 60 days	2,117	7,112	10,308	8,636
61 to 180 days	1,346	10,668	26,296	4,851
181 to 365 days	446	6,788	4,625	543
Over 1 year	169	—	12,627	2,744
	12,100	38,468	76,071	38,756

An aged analysis of the trade receivables that are not considered to be impaired is as follows.

	31 December			30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	10,937	26,343	41,544	32,588
Past due but not impaired				
Less than 1 month past due	398	2,527	10,166	1,955
1 to 3 months past due	150	2,810	7,110	927
Over 3 months past due	615	6,788	17,251	3,286
	12,100	38,468	76,071	38,756

Receivables that were neither past due nor impaired relate to the customers for which there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

20. CASH AND CASH EQUIVALENTS

	31 December			30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents are denominated in:				
HK$	—	—	1,719	532
RMB	20,269	36,800	22,767	50,339
MOP	—	749	1,275	1,894
	20,269	37,549	25,761	52,765

RMB is not freely convertible into other currencies. Under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

The Group normally obtains credit terms of 0-360 days from its suppliers.

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

	31 December			30 April
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current to 30 days	16,369	53,387	53,170	40,897
31 to 60 days	4,884	25,013	36,123	21,234
61 to 180 days	16,503	39,689	42,991	64,993
181 to 365 days	23,443	1,960	4,789	7,501
Over 1 year	5,432	9,501	3,995	4,531
	66,631	129,550	141,068	139,156

22. DEPOSITS RECEVED, RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	Company			Group			
	31 December		30 April	31 December			30 April
	2013	2014	2015	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received	—	—	—	572	6,316	7,114	9,112
Receipts in advance	—	—	—	2,293	12,074	9,314	5,376
Accruals and other payables	—	16	16	8,814	20,522	39,156	30,965
	—	16	16	11,679	38,912	55,584	45,453

23. BALANCES WITH RELATED COMPANIES/SHAREHOLDERS

(a) *Amounts due from related companies/shareholders and loans to a related company*

For the year ended 31 December 2012, the amounts due from related companies are unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due approximate to their fair values.

For the year ended 31 December 2013, the amounts due from related companies and shareholders are unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due approximate to their fair values.

For the year ended 31 December 2014, the amounts due from related companies and shareholders are unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due approximate to their fair values.

For the four months ended 30 April 2015, the amounts due from related companies and shareholder are unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due appropriate to their fair value.

The loans to a related company are unsecured and the carrying amounts of the amounts due approximate to their fair values. During the years ended 31 December 2012, all of the bank loans of the Group have been drawn down by the Group on behalf of the related company. The related company has borne all the relevant interest expenses of these bank loans drawn down by the Group on behalf of the related company and the repayment schedule of the loans to related company is same as the repayment terms of the bank loans of the Group. The loans to related company have all been settled during the year ended 31 December 2013.

The amounts due from related companies at 30 April 2015 were subsequently settled in amount of approximately RMB842,000 up to 30 June 2015.

The amounts due from related parties, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

	At 1 January 2012	Maximum amount outstanding during the year	At 31 December 2012
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related companies:			
佛山市順德區樂從建農蔬果專業合作社	—	1	1
肇慶西江襪廠有限公司	—	2	2
佛山市順德區樂從供銷集團振豪物業管理有限公司	16	23	8
佛山市順德區樂從供銷集團荔園酒家有限公司	14	31	9
佛山市順德區樂從供銷集團健怡樂配餐中心有限公司	277	770	327
佛山市順德區樂從供銷集團小布樂餐飲有限公司	141	273	93
佛山市順德區樂從供銷集團液化石油氣供應有限公司	—	20	7
廣東廣樂包裝材料股份有限公司	—	315	25
順德區海業水產發展有限公司	—	1	1
高要市振豪物業管理有限公司	—	2	2
肇慶市西江酒廠有限公司	818	1,823	1,785
佛山市順德區樂從供銷集團深特貿易有限公司	3	1,397	1,145
佛山市順德區樂從供銷集團樂的百貨有限公司	—	7	1
佛山市順德區中旅國際旅行社有限公司	—	7	1
佛山市順德區雄樂貿易有限公司	—	1	—
佛山市順德區樂從供銷集團樂添房產經營有限公司	6,085	6,085	2,353
佛山市順德區龍江鎮僑社百貨商場	—	4,420	2,401
	7,354		8,161
Loans to a related company:			
Shunde Lecong Supply and Marketing Group Limited *	—	199,520	199,520

	At 1 January 2013	Maximum amount outstanding during the year	At 31 December 2013
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from shareholders			
Jian Nong Holdings Limited	—	8	8
Xing Nong Holdings Limited	—	18	18
Golden Prime Holdings Limited	—	35	35
	—		61
Amounts due from related companies:			
佛山市順德區樂從建農蔬果專業合作社	1	284	284
佛山市順德區樂從供銷集團振豪物業管理有限公司	8	35	35
佛山市順德區樂從供銷集團荔園酒家有限公司	9	76	49
佛山市順德區樂從供銷集團健怡樂配餐中心有限公司	327	633	417
佛山市順德區樂從供銷集團小布樂餐飲有限公司	93	296	96
佛山市順德區樂從供銷集團液化石油氣供應有限公司	7	8	7
順德區海業水產發展有限公司	1	13	7
高要市振豪物業管理有限公司	2	3	3
肇慶市西江酒廠有限公司	1,785	1,785	143
佛山市順德區中旅國際旅行社有限公司	1	26	2
順德市樂從供銷集團順客隆商場斗門商場	—	1,091	1,091
佛山順德活泉飲用水有限公司	—	1	1
廣東廣樂包裝材料股份有限公司	25	220	41
佛山市順德區樂從供銷集團樂的百貨有限公司	1	682	680
佛山市順德區供銷集團樂苑酒店有限公司	—	1	1
佛山市順德區樂從供銷集團小布樂餐飲有限公司二號花園	—	38	11
佛山市順德區樂從供銷集團盈樂商業管理有限公司	—	121	5
佛山市順德區樂從供銷集團樂的上品軒食品有限公司	—	151	69
肇慶西江襪廠有限公司	2	4	4
佛山市順德區樂從供銷集團益群食品有限公司	—	204	32
佛山市順德區樂從供銷集團樂添房產經營有限公司	2,353	2,353	3
高要市樂添房產經營有限公司	—	2	—
佛山市順德區樂從供銷集團深特貿易有限公司	1,145	1,145	—
佛山市順德區龍江鎮僑社百貨商場	2,401	3,244	530
	8,161		3,511
Loans to a related company:			
Shunde Lecong Supply and Marketing Group Limited *	199,520	199,520	—

	At 1 January 2014	Maximum amount outstanding during the year	At 31 December 2014
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from shareholders			
Xing Nong Holdings Limited	18	18	18
Golden Prime Holdings Limited	35	35	35
Jian Nong Holdings Limited	8	8	8
	61		61
Amounts due from related companies:			
佛山市順德區龍江鎮僑社百貨商場	530	530	—
佛山市順德區樂從建農蔬果專業合作社	284	5,000	75
佛山市順德區樂從供銷集團振豪物業管理有限公司	35	67	46
佛山市順德區樂從供銷集團荔園酒家有限公司	49	210	179
佛山市順德區樂從供銷集團健怡樂配餐中心有限公司	417	1,083	164
佛山市順德區樂從供銷集團小布樂餐飲有限公司	96	249	209
佛山市順德區樂從供銷集團液化石油氣供應有限公司	7	7	7
順德區海業水產發展有限公司	7	22	18
高要市振豪物業管理有限公司	3	5	3
肇慶市西江酒廠有限公司	143	447	241
佛山市順德區中旅國際旅行社有限公司	2	6	1
順德市樂從供銷集團順客隆商場斗門商場	1,091	1,092	—
佛山順德活泉飲用水有限公司	1	2	2
廣東廣樂包裝材料股份有限公司	41	234	21
佛山市順德區樂從供銷集團樂的百貨有限公司	680	793	361
佛山市順德區供銷集團樂苑酒店有限公司	1	—	—
佛山市順德區樂從供銷集團小布樂餐飲有限公司二號花園	11	12	3
佛山市順德區樂從供銷集團盈樂商業管理有限公司	5	41	1
佛山市順德區樂從供銷集團有限公司	—	11,660	125
台山宴米米業有限公司	—	2,661	2,659
佛山市順德區樂從供銷集團樂的上品軒食品有限公司	69	455	455
高要市向日葵生物能發展有限公司	—	3,182	3,182
佛山市順德區樂從供銷集團益群食品有限公司	32	34	20
佛山市順德區中歐電子商務有限公司	—	5	1
佛山市順德區萬信珠寶玉器行有限公司	—	6	4
佛山市順德區樂從供銷集團樂添房產經營有限公司	3	59	18
高要市樂添房產經營有限公司	—	22	1
高要市供銷集團有限公司	—	6	—
肇慶西江襪廠有限公司	4	4	—
	3,511		7,796

	At 1 January 2015	Maximum amount outstanding during the year	At 30 April 2015
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from shareholders			
Xing Nong Holdings Limited	18	18	18
Golden Prime Holdings Limited	35	35	35
Jian Nong Holdings Limited	8	8	8
	61		61
Amounts due from related companies:			
佛山市順德區樂從供銷集團振豪物業管理有限公司	46	55	55
佛山市順德區樂從供銷集團荔園酒家有限公司	179	179	160
佛山市順德區樂從供銷集團健怡樂配餐中心有限公司	164	164	122
佛山市順德區樂從供銷集團小布樂餐飲有限公司	209	209	61
佛山市順德區樂從供銷集團液化石油氣供應有限公司	7	8	8
順德區海業水產發展有限公司	18	18	15
高要市振豪物業管理有限公司	3	3	2
肇慶市西江酒廠有限公司	241	241	39
佛山市順德區中旅國際旅行社有限公司	1	6	6
佛山順德活泉飲用水有限公司	2	2	2
廣東廣樂包裝材料股份有限公司	21	21	4
佛山市順德區樂從供銷集團樂的百貨有限公司	361	373	373
佛山市順德區樂從供銷集團小布樂餐飲有限公司二號花園	3	3	—
佛山市順德區樂從供銷集團盈樂商業管理有限公司	1	1	—
佛山市順德區樂從供銷集團有限公司	125	125	—
台山宴米業廠有限公司	2,659	2,659	—
佛山市順德區樂從供銷集團樂的上品軒食品有限公司	455	491	491
高要市向日葵生物能發展有限公司	3,182	3,182	—
佛山市順德區樂從供銷集團益群食品有限公司	20	20	—
佛山市順德區中歐電子商務有限公司	1	1	1
佛山市順德區萬信珠寶玉器行有限公司	4	4	4
佛山市順德區樂從供銷集團樂添房產經營有限公司	18	18	3
高要市樂添房產經營有限公司	1	1	—
佛山市順德區樂從建農蔬果專業合作社	75	75	—
佛山市順德區樂從供銷社	—	4	4
佛山市順德區雄樂貿易有限公司	—	1	1
	7,796		1,351

* The English name of the companies established in the PRC represent management's best effort at translating the Chinese name of such subsidiaries as no English name has been registered.

(b) ***Amount due to a carved-out subsidiary***

Foshan Shunde Jinle Trading Company Limited (佛山市順德區金樂貿易有限公司) ("Shunde Jinle"), a wholly-owned subsidiary of the Group as at 31 December 2012, was carved-out in the preparation of the Financial Information.

During the year ended 31 December 2013, the Group has disposed of its 100% shareholding in Shunde Jinle to the related company, Lecong Supply and Marketing Group, with the consideration of approximately RMB12,084,000 and the investment cost of RMB12,000,000. Shunde Jinle becomes a related company of the Group as at 31 December 2013 accordingly.

The amounts due are unsecured, interest-free and repayable on demand.

(c) ***Amounts due to related companies***

For the year ended 31 December 2012, the amounts due to related companies are unsecured, interest-free and repayable on demand.

For the year ended 31 December 2013, the amounts due to related companies are unsecured, interest-free and repayable on demand, except for the amount due to a related company, Lecong Supply and Marketing Group, amounted to RMB495,000, which was arising from netting amount due from the related company of RMB9,505,000 and advance from the related company of RMB10,000,000.

Advance from the related company is unsecured, interest bearing of 7.2% per annum and repayable on demand. The carrying amount of the amount due approximate to the fair value.

For the year ended 31 December 2014, the amounts due to related companies are unsecured, interest-free and repayable on demand, except for the amount due to a related company, Lecong Supply and Marketing Group, amounted to RMB43,200,000, which represents outstanding purchase consideration for the acquisition of a subsidiary from shareholder pursuant to the Reorganisation, is unsecured, interest-free and repayable on or before 29 October 2015.

For the four months ended 30 April 2015, the amounts due to related companies are unsecured, interest-free and repayable on demand, except for the amount due to a related company, Lecong Supply and Marketing Group, amounted to RMB7,200,000, which represents outstanding purchase consideration for acquisition of a subsidiary from shareholder pursuant to the Reorganisation, is unsecured, interest-free and repayable on or before 29 October 2015.

The balances at 30 April 2015 were subsequently settled in amount of approximately RMB7,083,000 up to 30 June 2015.

(d) ***Amounts due to subsidiaries***

For the four months ended 30 April 2015, the amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

24. BANK BORROWINGS

	31 December			30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured				
— bank borrowings due for repayment within one year	199,520	31,550	57,000	57,000
— bank borrowings due for repayment after one year but within two years	—	—	—	56,000
	199,520	31,550	57,000	113,000

As at 31 December 2012, 2013, 2014 and 30 April 2015, the bank borrowings are denominated in RMB, repayable within one to two years and bear interest at fixed rate and the floating rate ranging from 6.3% to 7.9%, 6.3% to 7.5%, 7.2 % to 7.3% and 6.0% to 7.3% per annum respectively.

As at 31 December 2012, 2013, 2014 and 30 April 2015, the bank borrowings drawn down by the Group was RMB199,520,000, RMB31,550,000, RMB57,000,000 and RMB113,000,000 respectively. As per the directors of the Group, as at 31 December 2012, 2013, 2014 and 30 April 2015, the bank borrowings drawn down on behalf of the related company, Lecong Supply and Marketing Group, was approximately RMB199,520,000, nil, nil and nil respectively (note 23(a)), and the bank borrowings drawn down by the Group itself was nil, RMB31,550,000, RMB 57,000,000 and RMB113,000,000 respectively.

For the years ended 31 December 2012, 2013, 2014 and the four months ended 30 April 2015, the interest charged on bank borrowings of the Group was approximately RMB7,800,000, RMB10,390,000, RMB4,074,000 and RMB1,660,000 respectively, the interest reimbursed by the related company to the Group was approximately RMB7,800,000, RMB6,518,000, nil and nil respectively (note 8).

The Group's interest-bearing bank borrowings are secured by:

(i) the pledge of certain leasehold buildings of the Group with net carrying amount of approximately RMB3,365,000, RMB1,934,000, RMB14,975,000 and RMB14,862,000 as at 31 December 2012, 2013, 2014 and 30 April 2015 respectively (Note 13);

(ii) the pledge of certain prepaid land lease of the Group with net carrying amount of approximately RMB2,538,000, RMB1,459,000, RMB28,895,000 and RMB28,668,000 as at 31 December 2012, 2013, 2014 and 30 April 2015 respectively (Note 14);

(iii) the pledge of certain investment properties of the Group with net carrying amount of approximately RMB2,728,000, RMB 2,672,000, RMB2,615,000 and RMB2,596,000 as at 31 December 2012, 2013, 2014 and 30 April 2015 respectively (Note 15);

(iv) the pledge of certain property, plant and equipment of the related company with net carrying amount of approximately RMB237,285,000, RMB30,737,000, nil and nil as at 31 December 2012, 2013, 2014 and 30 April 2015 respectively; and

(v) a corporate guarantee by the related company to the extent of approximately RMB240,000,000, RMB86,000,000, nil and nil together with its certain property, plant and equipment as at 31 December 2012, 2013, 2014 and 30 April 2015 respectively.

25. SHARE CAPITAL

For the purpose of this report, the share capital as at 31 December 2012 represented the paid-up share capital of subsidiaries in which the equity shareholders of the Company held direct interests, after elimination of its investment in the subsidiaries. The share capital as at 31 December 2013, 2014 and 30 April 2015 represented the issued share capital of the Company upon its incorporation during 2013.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity.

27. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions detailed elsewhere in this report, the Group had the following material transactions with related parties during the Relevant Periods:

		Year ended 31 December			Four months ended 30 April	
Related party relationship	**Nature of transaction**	**2012**	**2013**	**2014**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Related companies	Sale of goods	26,685	15,253	7,835	4,695	3,169
	Purchase of goods	35,908	43,932	62,626	16,101	25,127
	Rental Income received	212	384	549	135	262
	Rental expense paid	1,748	6,150	9,686	2,555	3,607
	Interest expenses reimbursed	7,800	6,518	—	—	—
	Interest expenses incurred	—	154	136	136	—
Carved-out subsidiary	Sale of goods	112	94	4,456	278	—
	Purchase of goods	2,082	1,116	1,458	495	—

(a) The directors confirmed that the above transactions will continue in the future after the listing of the Company's shares.

(b) The terms of the above transactions are mutually agreed by the Group and the related parties. The directors are of the opinion that the terms were made in the ordinary course of business on normal commercial basis.

(ii) Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 9 to the Financial Information, is as follows:

	Year ended 31 December			**Four months ended 30 April**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, allowances and benefits in kind	277	268	256	84	112
Pension scheme contributions	18	18	18	6	6
	295	286	274	90	118

(iii) On 9 August 2013, the Group has disposed its entire equity interest in Shunde Jinle with the consideration of approximately RMB12,084,000 to the related company (note 23(b)).

28. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2012, 2013, 2014 and 30 April 2015, the Group provided financial guarantee to the related company with the pledge of the Group's certain prepaid land lease with net carrying amount of approximately RMB24,860,000, RMB15,830,000, nil and nil and the pledge of the Group's certain leasehold buildings with net carrying amount of approximately RMB11,362,000, RMB9,297,000, nil and nil respectively. Pursuant to the financial guarantee contracts, the Group would be liable to repay the bank loans if the loans are irrecoverable. No provision for the Group's obligation under the financial guarantee contracts has been made as the directors considered that default in repayment of loans was not probable.

29. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office and shop premises and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from 1 to 15 years.

As at 31 December 2012, 2013, 2014 and 30 April 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December			**30 April**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	5,121	9,044	22,862	17,383
Later than one year and not later than five years	4,827	11,632	15,493	16,555
Later than five years	799	155	1,373	1,455
	10,747	20,831	39,728	35,393

As lessor

The Company sub-leases out certain areas inside their retail outlets. The leases are negotiated for terms ranging from 1 to 10 years. None of the leases includes contingents rentals.

As at 31 December 2012, 2013, 2014 and 30 April 2015, the Group had total future minimum lease receipts under non-cancellable operating leases falling due as follows:

	31 December			**30 April**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	9,829	7,114	13,621	15,209
	9,829	7,114	13,621	15,209

30. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of each of the reporting period:

	31 December			30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for, in respect of acquisition of property, plant and equipment	—	1,420	2,657	1,090

31. INVESTMENTS IN SUBSIDIARIES — THE COMPANY

	As at 31 December		30 April
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	—	29,674	29,441
	—	29,674	29,441

The particulars of the subsidiaries are stated in note 1 of section II of this report.

32. BUSINESS COMBINATION

Pursuant to the sales and purchase agreement entered into between two subsidiaries of the Group namely Macau SKL and HK SKL, and the independent third party, the independent third party had agreed to sell and Macau SKL and HK SKL had agreed to purchase 97% and 3% of equity interests respectively in Usmart Chain Supermarket, a company whose principal activity is operating and managing of retail stores in Macau. The acquisition was completed in July 2014. The acquisition made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

The fair value of identifiable assets and liabilities of Usmart Chain Supermarket as at the date of acquisition were:

	RMB'000
Property, plant and equipment	109
Inventories	1,298
Trade and other receivables	203
Cash and cash equivalents	1,355
Trade and other payables	(3,980)
Net liabilities	(1,015)
Less: the fair value of consideration transfer:	
Cash	1,562
Goodwill (Note 16)	2,577
Net cash outflow from acquisition	(207)

Since the acquisition date, Usmart Chain Supermarket has contributed RMB9,365,000 and RMB146,000 to Group's revenue and profit or loss. If the acquisition had occurred on 1 January 2014, Group revenue and profit would have been RMB1,056,874,000 and RMB30,802,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future performance.

The fair value of trade and other receivables amounted to RMB203,000. The gross amount of these receivables is RMB203,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of RMB2,577,000, which is not deductible for tax purposes, comprises the acquired workforce and the expected future growth of retail business in Macau to diversify the revenue stream from different geographical areas.

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	31 December			30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans and receivables:				
Trade receivables	12,100	38,468	76,071	38,756
Deposits paid and other receivables	6,444	22,981	46,341	53,035
Amounts due from related companies	8,161	3,511	7,796	1,351
Amounts due from shareholders	—	61	61	61
Loans to a related company	199,520	—	—	—
Cash and cash equivalents	20,269	37,549	25,761	52,765
	246,494	102,570	156,030	145,968

Financial liabilities

The Group's financial liabilities as at the end of each reporting periods which are categorised as financial liabilities at amortised cost are as follows:

	31 December			30 April
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities measured at amortised cost:				
Trade payables	66,631	129,550	141,068	139,156
Deposits received, accruals and other payables	9,386	26,838	46,270	40,077
Amounts due to related companies	107,416	11,962	61,160	14,284
Amount due to a carved-out subsidiary	7,991	272	—	—
Bank borrowings	199,520	31,550	57,000	113,000
	390,944	200,172	305,498	306,517

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise trade receivables, deposit paid and other receivables, cash and cash equivalents, balances with related companies, a carved-out subsidiary, loans to a related company, trade payables, deposit received, accruals and other payables and bank borrowings. These financial instruments mainly arise from its operations.

The carrying amounts of the Group's financial instruments approximated their fair values as at the end of each reporting periods. Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments.

These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of the directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group has no significant concentrations of credit risk. Most of the sales transactions were settled in cash basis or by credit card payment. Credit risk on cash and bank balances is mitigated as cash is deposited in banks of high credit rating.

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the credit control department. When considered appropriate, customers may be requested to provide proof as to their financial position. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. Monthly reports of customer payment history are produced and reviewed by the finance department. Overdue balances and significant trade receivables are highlighted. The Group will determine the appropriate recovery actions.

This is no requirement for collateral or other credit enhancement by the Group.

The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations and also in respect of its cash flow management.

The Group's policy is to maintain sufficient cash and bank balances and have available funding to meet its working capital requirements. The Group's liquidity is dependent upon the cash received from its customers. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

Analysed below is the Group's remaining contractual maturities for its non-derivative as at 31 December 2012, 2013, 2014 and 30 April 2015. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Group can be required to pay. Where the settlement of the liability is in installments, each installment is allocated to the earliest period in which the Group is committed to pay.

	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**
	RMB'000	*RMB'000*	*RMB'000*
31 December 2012			
Trade payables	66,631	66,631	66,631
Deposits received, accruals and other payables	9,386	9,386	9,386
Amounts due to related parties	115,407	115,407	115,407
Bank borrowings	199,520	199,520	199,520
	390,944	390,944	390,944
Financial guarantees issued			
Maximum amount guaranteed	117,080	117,080	117,080
	117,080	117,080	117,080

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*
31 December 2013			
Trade payables	129,550	129,550	129,550
Deposits received, accruals and other payables	26,838	26,838	26,838
Amounts due to related parties	12,234	12,234	12,234
Bank borrowings	31,550	31,550	31,550
	200,172	200,172	200,172
Financial guarantees issued maximum amount guaranteed	89,100	89,100	89,100
	89,100	89,100	89,100

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	RMB'000	*RMB'000*	*RMB'000*
31 December 2014			
Trade payables	141,068	141,068	141,068
Deposits received, accruals and other payables	46,270	46,270	46,270
Amounts due to related parties	61,160	61,160	61,160
Bank borrowings	57,000	57,000	57,000
	305,498	305,498	305,498

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
30 April 2015				
Trade payables	139,156	139,156	139,156	—
Deposits received, accruals and other payables	40,077	40,077	40,077	—
Amounts due to related parties	14,284	14,284	14,284	—
Bank borrowings	113,000	119,468	60,420	59,048
	306,517	312,985	253,937	59,048

Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates primarily relates to the Group's cash at bank and bank borrowings. The Company manages the risk by regularly evaluating its cash flows and by repaying the bank borrowings when sufficient funds are available.

The following table details interest rates analysis that the directors of the Company evaluate its interest rate risk.

	31 December						30 April	
	2012		2013		2014		2015	
	Effective interest rate (%)	*RMB'000*	*Effective interest rate (%)*	*RMB'000*	*Effective interest rate (%)*	*RMB'000*	*Effective interest rate (%)*	*RMB'000*
Financial liabilities								
Fixed rate borrowings								
- Bank borrowings	6.3-6.9	86,980	6.3	20,000	7.2-7.3	57,000	7.2-7.3	57,000
Floating rate borrowings								
- Bank borrowings	6.6-7.9	112,540	7.5	11,550	—	—	6.0-6.3	56,000
Financial assets								
Floating rate assets								
- Bank balances	0.35	18,555	0.01-0.35	35,496	0.01-0.35	23,082	0.01-0.35	50,385

It is estimated that a general decrease or increase of 100 basis points in 2012 in interest rates for floating rate borrowings and floating rate assets, with all other variables held constant, would increase or decrease the Company's profit/retained earnings for the year by approximately RMB563,000 for the year ended 31 December 2012. There is no impact on other components of equity.

It is estimated that a general increase or decrease of 100 basis points in 2013 in interest rates for floating rate borrowings and floating rate assets, with all other variables held constant, would increase or decrease the Company's profit/retained earnings for the year by approximately RMB58,000 for the year ended 31 December 2013.

It is estimated that a general increase or decrease of 100 basis points in 2015 in interest rates for floating rate borrowings and floating rate assets, with all other variables held constant, would increase or decrease the Group's profit/retained earnings for the year by approximately RMB280,000 for the period ended 30 April 2015.

There is no impact on other components of equity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the years ended 31 December 2012, 31 December 2013, 31 December 2014 and the four months ended 30 April 2015.

Capital management

The capital structure of the Group consists of debts, which includes the bank borrowings disclosed in Note 24 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in notes 25 and 26 respectively. The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	31 December			**30 April**
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Debt	199,520	31,550	57,000	113,000
Equity	49,960	84,479	70,614	84,124
Debt to equity ratio	399%	37%	81%	134%

35. RESERVES-THE COMPANY

The movements of the Company's reserves for the years are set out below:

The Company	Share premium	Translation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance on date of incorporation	—	—	—	—
Exchange differences on translating foreign operations	—	(1)	—	(1)
Balance at 31 December 2013 and 1 January 2014	—	(1)	—	(1)
Issuance of shares	29,519	—	—	29,519
Exchange differences on translating foreign operations	—	147	—	147
Balance at 31 December 2014 and 1 January 2015	29,519	146	—	29,665
Exchange differences on translating foreign operations	—	(227)	—	(227)
Loss for the period	—	—	(953)	(953)
Balance at 30 April 2015	29,519	(81)	(953)	28,485

36. EVENTS AFTER THE REPORTING PERIOD

On 18 August 2015, the Group has declared a dividend of RMB18.8 million which will be distributed before Listing.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2015.

Yours faithfully,

BDO Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate Number
P01220
Hong Kong

The information set forth in this appendix does not form part of the Accountants' Report from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" to this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

The unaudited pro forma financial information prepared in accordance with paragraph 29 of chapter 4 of the Listing Rules is set forth below to provide the prospective investors with further information on how the Global Offering might have affected the combined net tangible assets of the Group attributable to the owners of the Company after the completion of the Global Offering.

(A) UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted combined net tangible assets of our Group, prepared on the basis of the notes set out below, for the purpose of illustrating the effect of the Global Offering on the combined net tangible assets of our Group attributable to the owners of the Company as if the Global Offering had taken place on 30 April 2015. This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the combined financial position of our Group attributable to the owners of the Company had the Global Offering been completed on 30 April 2015 or at any future dates.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 April 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets as at 30 April 2015	Unaudited pro forma adjusted combined net tangible assets per Share attributable to owners of the Company	Unaudited pro forma adjusted combined net tangible assets per Share attributable to owners of the Company
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 5)*
Based on the Offer Price of HK$2.4 per Share	81,153	122,423	203,576	0.71	0.90
Based on the Offer Price of HK$3.2 per Share	81,153	166,401	247,554	0.86	1.09

Notes:

(1) The audited combined net tangible assets of our Group attributable to owners of the Company as at 30 April 2015 is extracted from the Accountants' Report set out in Appendix I to this prospectus of approximately RMB83,695,000 with an adjustment for goodwill of approximately RMB2,542,000.

(2) The estimated net proceeds from the Global Offering are based on 71,620,000 Offer Shares and the indicative Offer Price of HK$2.4 and HK$3.2 per Offer Share, being the lower and higher end of the stated Offer Price range per Offer Share, assuming no exercise of Over-allotment Option or any options which may be granted under the Share Option Scheme, after deduction of the underwriting fees and related expenses (excluding listing related expenses of approximately RMB5,200,000 which have been accounted for prior to 30 April 2015) payable by the Company in connection with the Global Offering.

(3) The unaudited pro forma adjusted combined net tangible assets per Share attributable to owners of the Company is calculated based on 286,477,000 Shares in issue assuming (i) the Global Offering had been completed on 30 April 2015 and (ii) no exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme and no Shares allotted and issued or repurchased by our Company pursuant to the General Mandate to Issue Shares or the General Mandate to Repurchase Shares as described in the section headed "Share Capital" to this prospectus.

(4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2015.

(5) For the purpose of this unaudited pro forma adjusted combined net tangible assets, the amounts stated in Renminbi are converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.7913.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPLIATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants, BDO Limited, Certified Public Accountants.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPLIATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA SHUN KE LONG HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Shun Ke Long Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted combined net tangible assets as at 30 April 2015 and the related notes as set out in Appendix II on pages II-1 to II-2 of the prospectus issued by the Company (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of global offering of the Company (the "Global Offering") on the Group's financial position as at 30 April 2015 as if the Global Offering had taken place at 30 April 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial statements for the period ended 30 April 2015 included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 29(7) of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a prospectus is solely to illustrate the impact of the Global Offering of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether

- The related pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

BDO Limited
Certified Public Accountants

Lee Ka Leung, Daniel
Practising Certificate Number
P01220

Hong Kong

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation of the property interests of the Group as at 30 June 2015.

AVISTA Valuation Advisory
艾 華 廸 評 估 諮 詢

Suite 807, 8th Floor, AXA Centre, 151 Gloucester Road,
Wan Chai, Hong Kong

TEL : (852) 3907 0680 FAX : (852) 3914 6388
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www.avaval.com

28 August 2015

The Board of Directors
China Shun Ke Long Holdings Limited
Room 1007, 10/F.
Sincere House
83 Argyle Street
Kowloon, Hong Kong

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions to us to value property interests held by China Shun Ke Long Holdings Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") (detail of properties are more particularly listed in the Summary of Values of this report), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 30 June 2015 (the "valuation date").

PREMISES OF VALUE

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

BASIS OF VALUATION

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the HKIS Valuation Standards (2012 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

As the Group is in compliance with the requirements of Rules 5.01B and 5.06(1) to (2) of the Listing Rules issued by The Stock Exchange of Hong Kong Limited, the full details of the individual leased properties under operating lease have been excluded from the valuation certificates in our valuation report to this prospectus, of which a summary is included in the Summary of Values and the certificate for leased properties.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

CATEGORISATION OF PROPERTY INTERESTS

In the course of our valuation, the appraised property interests have been categorized according firstly to type of interests held by the Group, which in turn being classified into the following groups:

Group I — Property interests held and occupied by the Group in the People's Republic of China (the "PRC")

Group II — Property interests held for investment by the Group in the PRC

Group III — Property interests rented and occupied by the Group in the PRC

Group IV — Property interests rented and occupied by the Group in Macau

VALUATION METHODOLOGY

In the course of our valuation, unless otherwise stated, we have valued the properties in their designated uses with the understanding that the properties will be used as such (hereafter referred to as ''continued uses'').

In valuing the properties in Group I, which are held and occupied by the Group in the PRC, we have valued such properties by the market approach assuming sale with the benefit of vacant possession in their existing states by making reference to comparable sales transactions as available in the relevant markets.

In valuing the property in Group II, we have valued the property interests by income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

We have attributed no commercial value to the property interests in Group III and Group IV which are rented by the Group, due to inclusion of non-alienation clause or otherwise due to the lack of substantial profit rents and short-term nature.

TITLE INVESTIGATION

We have been provided by the Company with copy of extract of the title documents and tenancy agreements relating to the property interests. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and Macau and any material encumbrances that might be attached to the property interests or any amendments which may not appear on the copies handed to us.

However, we have not searched the original documents to verify ownership or to ascertain any amendment. Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interests in the PRC and the material encumbrances that might be attached. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC Legal Adviser, — Jingtian & Gongcheng, concerning the validity of title and tenancy of the properties in the PRC.

We have also relied considerably on the advices given by the Company's Macau legal advisor — Wich Law Firm, regarding the title and other legal matters relating to the property interests. We have no reason to doubt the truth and accuracy of the information provided to us by the Group and/or the Macau legal advisor which is material to the valuation.

Nevertheless, we have, based on the information provided by the Group, caused searches to be made and obtained copy of the Property Registers, where available, from the Conservatória do Registo Predial, Macau (Macau Property Registry) in relation to the properties in Macau.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the properties being appraised. The inspection was carried out by Mr. Oswald Au (Director, MHKIS(GP), AAPI, RPS(GP)) and Mr. Raymond Chan (Senior Valuer), during the period from March 2014 to Apr 2014; and Mr. Tony Chan (Senior Valuer, HKICPA) and Ms. Sarah Lee (Valuer), during the period from 3 February 2015 to 7 February 2015. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the properties are free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the properties taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we have had regard to you with a view as to whether the buildings are free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the properties.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the properties but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the properties or on adjoining or neighbouring land or that the properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

VALUATION ASSUMPTIONS

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the properties have an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

CURRENCY

Unless otherwise stated, all amounts are denominated in Renminbi (RMB). Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS(GP), AAPI, MSc(RE)
Registered Professional Surveyor (GP)
Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has about 8 years' experience in the valuation of properties in the PRC and 11 years of property valuation experience in Hong Kong, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Market value in existing state as at 30 June 2015 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 30 June 2015 *RMB*
1.	Shop Nos. 26-42 Shunxing Building Lehua Road Lecong Juweihui Lecong Town Shunde District Foshan City Guangdong Province the PRC	4,340,000	100%	4,340,000
2.	Shunkelong Weisi branch (“順客隆 威斯店”) Located at Xinghaige Weisi Plaza No. A248 Xinma Road Lecong Shequjuminweiyuanhui Lecong Town Shunde District Foshan City Guangdong Province the PRC	39,290,000	100%	39,290,000
3.	Shunkelong Jinweimingyuan branch (“順客隆 金威名苑店”) Located at Shop Nos. 01, 109, 110 Jinweimingyuan No. B85 Xinma Road Lecong Shequjuminweiyuanhui Lecong Town Shunde District Foshan City Guangdong Province the PRC	10,620,000	100%	10,620,000

No.	Property	Market value in existing state as at 30 June 2015 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 30 June 2015 *RMB*
4.	Shunkelong Hupanwan branch (“順客隆 湖畔灣店”) Located at Shop Nos. B128-B116 Guihua Road Lecong Juweihui Lecong Town Shunde District Foshan City Guangdong Province the PRC	18,450,000	100%	18,450,000
5.	Shunkelong Letaiju branch (“順客隆 樂泰居店”) Located at Shop No. 26 and Motorcycle Carparking space Letaiju No. A67 Tengxing Road Sijie Lecong Juweihui Lecong Town Shunde District Foshan City Guangdong Province the PRC	5,690,000	100%	5,690,000
6.	Shunkelong Jiangpanwan branch (“順客隆 江畔灣店”) Located at Shop Nos. 7-13 Block 17 Jiangpanwan Garden No. 6 Nananyanjiang Er Road Gaoyao City Guangdong Province the PRC	5,560,000	100%	5,560,000

No.	Property	Market value in existing state as at 30 June 2015 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 30 June 2015 *RMB*
7.	Shunkelong Lijing branch ("順客隆 麗景店") Located at Shop Nos. 36-43 Block 3 & Block 7 Lijing Garden No. 2 Nananhuxi Road Gaoyao City Guangdong Province the PRC	12,330,000	100%	12,330,000
	Sub-total:	**96,280,000**		**96,280,000**

Group II — Property interests held for investment by the Group in the PRC

No.	Property	Market value in existing state as at 30 June 2015 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 30 June 2015 *RMB*
8.	Shop Nos. 27-28 Letaiju No. A67 Tengxing Road Sijie Lecong Juweihui Lecong Town Shunde District Foshan City Guangdong Province the PRC	11,020,000	100%	11,020,000
	Sub-total:	**11,020,000**		**11,020,000**

Group III — Property interests rented and occupied by the Group in the PRC

No.	Property	Market value in existing state as at 30 June 2015 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 30 June 2015 *RMB*
9.	24 leased properties located in the PRC	No commercial Value	100%	No commercial Value
10.	64 leased properties located in the PRC	No commercial Value	100%	No commercial Value
	Sub-total:	**No commercial Value**		**No commercial Value**

Group IV — Property interests rented and occupied by the Group in Macau

No.	Property	Market value in existing state as at 30 June 2015 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 30 June 2015 *RMB*
11.	3 leased properties located in the Macau	No commercial Value	100%	No commercial Value
	Sub-total:	**No commercial Value**		**No commercial Value**
	Grand-total:	**107,300,000**		**107,300,000**

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015 *RMB*
1.	Shop Nos. 26-42 Shunxing Building Lehua Road Lecong Juweihui Lecong Town Shunde District Foshan City Guangdong Province the PRC	The property comprises a total of 17 commercial units on the first floor of a 7-storey composite building known as Shunxing Building. The property was completed in about 2000. In accordance with 17 Real Estate Ownership Certificates, the property has a total gross floor area of approximately 629.05 sq.m. The land use rights of the property have been granted for a term expiring on 15 June 2068 for residential and commercial use.	The property is currently occupied by the Group for storage uses.	4,340,000 (100% interest attributable to the Group: RMB4,340,000)

Notes:

1. Pursuant to 17 numbers of Real Estate Ownership Certificates issued by The People's Government of Shunde, the property is held by Foshan Shun Ke Long Commercial Limited, a wholly owned subsidiary of the Company, for commercial use, with the detail information as follow:

No.	Real Estate Ownership Certificate No.	Unit	Usage	Gross Floor Area *(sq.m.)*
1.1.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040453	No. 26 (1/F)	Commercial	44.40
1.2.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040455	No. 27 (1/F)	Commercial	43.70
1.3.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040452	No. 28 (1/F)	Commercial	41.81
1.4.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040496	No. 29 (1/F)	Commercial	39.66
1.5.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040508	No. 30 (1/F)	Commercial	45.18
1.6.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040497	No. 31 (1/F)	Commercial	45.18
1.7.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040506	No. 32 (1/F)	Commercial	40.02
1.8.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040505	No. 33 (1/F)	Commercial	40.22
1.9.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040507	No. 34 (1/F)	Commercial	33.96
1.10.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040501	No. 35 (1/F)	Commercial	28.25
1.11.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040504	No. 36 (1/F)	Commercial	32.64
1.12.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040503	No. 37 (1/F)	Commercial	40.80
1.13.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040502	No. 38 (1/F)	Commercial	42.05
1.14.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040498	No. 39 (1/F)	Commercial	19.16
1.15.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040500	No. 40 (1/F)	Commercial	34.34
1.16.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040499	No. 41 (1/F)	Commercial	30.94
1.17.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040540	No. 42 (1/F)	Commercial	26.74
				629.05

2. We have been provided with a legal opinion regarding the property interest issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

   a. Foshan Shun Ke Long Commercial Limited has legally obtained the Real Estate Ownership Certificates;

   b. Subject to the laws and legislations regarding to the terms and conditions under the pledge agreement, Foshan Shun Ke Long Commercial Limited is entitled to use, transfer, lease or pledge the property legally;

   c. The property was pledged; and

   d. Subject to the "Real Right Law of the People's Republic of China" and under the terms and conditions of the pledge agreement, Foshan Shun Ke Long Commercial Limited is necessary to obtain the consent from the pledgee before dispose, transfer, lease or pledge of the property.

3. A summary of major certificates/licenses is shown as follows:

   a. Real Estate Ownership Certificates Yes

4. In our valuation, we have made reference to some asking price references of some commercial developments which have characteristics comparable to the property. We have adopted the range of unit rates of between RMB6,500-RMB10,000/sq.m. for commercial. The unit rates assumed by us are consistent with the said asking price reference. Due adjustments to the unit rates of those asking price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015 *RMB*
2.	Shunkelong Weisi branch (“順客隆 威斯店”) Located at Xinghaige Weisi Plaza No. A248 Xinma Road Lecong Shequjuminweiyuanhui Lecong Town Shunde District Foshan City Guangdong Province the PRC	The property comprises portion of the first floor and second floor of a block of 26-storey composite building within a residential and commercial complex known as Weisi Plaza. The property was completed in about 2011. In accordance with 30 Real Estate Ownership Certificates, the property has a total gross floor area of approximately 6,242.59 sq.m. **Gross Floor Area** *(sq.m.)* First Floor (1/F) Commercial 2,164.50 **Sub-total 2,164.50** Second Floor (2/F) Commercial 3,454.96 Utility room 623.13 **Sub-total 4,078.09** **Total 6,242.59** The land use rights of the property have been granted for a term expiring on 9 May 2046 for residential and commercial use.	The property is currently occupied by the Group for a supermarket named as Shunkelong Weisi branch (“順客隆 威斯店”). Portion of the property with the lettable area 538.5 sq.m. has been leased to 16 independent 3rd party at a total monthly rent of RMB94,004 with the latest term expiring on 16 February 2021.	39,290,000 (100% interest attributable to the Group: RMB39,290,000)

Notes:

1. Pursuant to 30 numbers of sales and purchase agreement, the property with a total gross floor area of 6,242.59 sq.m. have been contracted to be sold to Foshan Shunde Lecong Supply and Marketing Group Shun Ke Long Shopping Mall Limited (the former name of Foshan Shun Ke Long Commercial Limited), for commercial and utility room use at a total consideration of approximately RMB 25,364,089.

2. Pursuant to 30 numbers of Real Estate Ownership Certificates issued by The People’s Government of Shunde, the property is held by Foshan Shun Ke Long Commercial Limited, a wholly owned subsidiary of the Company, for commercial and utility room use, with the detail information as follow:

No.	Real Estate Ownership Certificate No.	Unit	Usage	Gross Floor Area *(sq.m.)*	Issued Date
2.1.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035707	No. 107 (1/F)	Commercial	32.95	2015-5-5

No.	Real Estate Ownership Certificate No.	Unit	Usage	Gross Floor Area *(sq.m.)*	Issued Date
2.2.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035648	No. 108 (1/F)	Commercial	61.59	2015-5-4
2.3.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035651	No. 109 (1/F)	Commercial	75.49	2015-5-4
2.4.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035653	No. 110 (1/F)	Commercial	69.56	2015-5-4
2.5.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035721	No. 113 (1/F)	Commercial	436.99	2015-5-5
2.6.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035656	No. 114 (1/F)	Commercial	206.27	2015-5-4
2.7.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035708	No. 115 (1/F)	Commercial	369.22	2015-5-5
2.8.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035709	No. 118 (1/F)	Commercial	22.82	2015-5-5
2.9.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035710	No. 119 (1/F)	Commercial	23.86	2015-5-5
2.10.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035711	No. 120 (1/F)	Commercial	64.61	2015-5-5
2.11.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035674	No. 121 (1/F)	Commercial	285.93	2015-5-4
2.12.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035676	No. 122 (1/F)	Commercial	119.16	2015-5-4
2.13.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035720	No. 123 (1/F)	Commercial	200.54	2015-5-5
2.14.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035712	No. 124 (1/F)	Commercial	195.51	2015-5-5
2.15.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035662	No. 201 (2/F)	Commercial	1,062.04	2015-5-4
2.16.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035587	No. 202 (2/F)	Commercial	180.77	2015-5-4
2.17.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035588	No. 203 (2/F)	Commercial	365.31	2015-5-4
2.18.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035589	No. 204 (2/F)	Commercial	244.46	2015-5-4
2.19.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035590	No. 205 (2/F)	Commercial	158.03	2015-5-4
2.20.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035714	No. 206 (2/F)	Commercial	358.88	2015-5-5
2.21.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035716	No. 207 (2/F)	Commercial	61.24	2015-5-5
2.22.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035664	No. 211 (2/F)	Commercial	79.55	2015-5-4
2.23.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035666	No. 212 (2/F)	Commercial	185.17	2015-5-4
2.24.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035667	No. 213 (2/F)	Commercial	127.82	2015-5-4

No.	Real Estate Ownership Certificate No.	Unit	Usage	Gross Floor Area *(sq.m.)*	Issued Date
2.25.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035717	No. 214 (2/F)	Commercial	98.94	2015-5-5
2.26.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035668	No. 215 (2/F)	Commercial	332.77	2015-5-4
2.27.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035670	No. 216 (2/F)	Commercial	141.75	2015-5-4
2.28.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035659	No. 217 (2/F)	Commercial	58.23	2015-5-4
2.29.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035591	No. 218 (2/F)	Utility room	363.57	2015-5-4
2.30.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035592	No. 219 (2/F)	Utility room	259.56	2015-5-4
				6,242.59	

3. We have been provided with a legal opinion regarding the property interest issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

   a. Foshan Shun Ke Long Commercial Limited has legally obtained the Real Estate Ownership Certificates;

   b. Subject to the laws and legislations regarding to the terms and conditions under the pledge agreement, Foshan Shun Ke Long Commercial Limited is entitled to use, transfer, lease or pledge the property legally;

   c. The property nos. 2.1. to 2.28. mentioned in note 2. was pledged; and

   d. Subject to the "Real Right Law of the People's Republic of China" and under the terms and conditions of the pledge agreement, Foshan Shun Ke Long Commercial Limited is necessary to obtain the consent from the pledgee before dispose, transfer, lease or pledge of the property.

4. A summary of major certificates/licenses is shown as follows:

   a. Real Estate Ownership Certificates Yes

5. In our valuation, we have made reference to some asking price references of some commercial developments which have characteristics comparable to the property. We have adopted the range of unit rates of between RMB8,500-RMB17,500/sq.m. for commercial (1/F to 2/F). The unit rates assumed by us are consistent with the said asking price reference. Due adjustments to the unit rates of those asking price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015 *RMB*
3.	Shunkelong Jinweimingyuan branch (“順客隆 金威名苑店”) Located at Shop Nos. 01, 109, 110 Jinweimingyuan No. B85 Xinma Road Lecong Shequjuminweiyuanhui Lecong Town Shunde District Foshan City Guangdong Province the PRC	The property comprises 3 commercial units on the basement and first floor of a block of 17-storey erected over a 1-storey basement composite building within a residential and commercial complex known as Jinweimingyuan. The property was completed in about 2010. In accordance with a Real Estate Ownership Certificate, the property has a total gross floor area of approximately 869.77 sq.m. **Gross Floor Area** *(sq.m.)* First Floor (1/F) Commercial 193.71 **Sub-total 193.71** Basement (UG/F) Commercial 676.06 **Sub-total 676.06** **Total 869.77** The land use rights of the property have been granted for a term expiring on 29 December 2048 for commercial use.	The property is currently occupied by the Group for a supermarket named as Shunkelong Jinweimingyuan branch (“順客隆金威名苑店”). Portion of the property with the lettable area 67.5 sq.m. has been leased to 6 independent 3rd party at a total monthly rent of RMB16,740 with the latest term expiring on 30 December 2015.	10,620,000 (100% interest attributable to the Group: RMB10,620,000)

Notes:

1. Pursuant to 3 numbers of sale and purchase agreement and 2 numbers of supplemental agreement No. X047401 dated 18 August 2012 and No. X080983 — X080984 dated 22 November 2013, the property with a total gross floor area of 869.77 sq.m. have been contracted to be sold to Foshan Shunde Lecong Supply and Marketing Group Shun Ke Long Shopping Mall Limited (the former name of Foshan Shun Ke Long Commercial Limited) and Foshan Shun Ke Long Commercial Limited, for commercial use at a total consideration of approximately RMB 7,842,169.

2. Pursuant to 3 numbers of Real Estate Ownership Certificate issued by The People's Government of Shunde, the property is held by Foshan Shun Ke Long Commercial Limited, a wholly owned subsidiary of the Company, and for commercial use, with the detail information as follow:

No.	**Real Estate Ownership Certificate No.**	**Unit**	**Usage**	**Gross Floor Area** *(sq.m.)*	**Issued Date**
2.1.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040495	No. 01(UG/F)	Commercial	676.06	2015-05-10
2.2.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315016106	No. 109(1/F)	Commercial	57.37	2015-02-13
2.3.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315016107	No. 110(1/F)	Commercial	136.34	2015-02-13

3. We have been provided with a legal opinion regarding the property interest issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

   a. Foshan Shun Ke Long Commercial Limited has legally obtained the Real Estate Ownership Certificates;

   b. Subject to the laws and legislations regarding to the terms and conditions under the pledge agreement, Foshan Shun Ke Long Commercial Limited is entitled to use, transfer, lease or pledge the property legally;

   c. The property nos. 2.1. mentioned in note 2 was pledged; and

   d. Subject to the "Real Right Law of the People's Republic of China" and under the terms and conditions of the pledge agreement, Foshan Shun Ke Long Commercial Limited is necessary to obtain the consent from the pledgee before dispose, transfer, lease or pledge of the property.

4. A summary of major certificates/licenses is shown as follows:

   a. Real Estate Ownership Certificates Yes

5. In our valuation, we have made reference to some asking price references of some commercial developments which have characteristics comparable to the property. We have adopted the range of unit rates of between RMB9,000 - RMB22,000/sq.m. for commercial (UG/F to 1/F). The unit rates assumed by us are consistent with the said asking price reference. Due adjustments to the unit rates of those asking price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015 *RMB*
4.	Shunkelong Hupanwan branch (“順客隆湖畔灣店”) Located at Shop Nos. B128-B116 Guihua Road Lecong Juweihui Lecong Town Shunde District Foshan City Guangdong Province the PRC	The property comprises a commercial unit on the first floor of a block of 7-storey composite building within a residential and commercial complex known as Hupanwanhaoting. The property was completed in about 2010. In accordance with a Real Estate Ownership Certificate, the property has a total gross floor area of approximately 1,430.04 sq.m. The land use rights of the property have been granted for a term expiring on 23 June 2069 for residential, commercial and office use.	The property is currently occupied by the Group for a supermarket named as Shunkelong Hupanwan branch (“順客隆湖畔灣店”). Portion of the property with the lettable area 64 sq.m. has been leased to 3 independent 3rd party at a total monthly rent of RMB12,100 with the latest term expiring on 15 January 2016.	18,450,000 (100% interest attributable to the Group: RMB18,450,000)

Notes:

1. Pursuant to the Real Estate Ownership Certificate — Yue Fang Di Quan Zheng Fo Zi Di No. 0315035713 dated 5 May 2015 issued by The People’s Government of Shunde, the property is held by Foshan Shun Ke Long Commercial Limited, a wholly owned subsidiary of the Company, for commercial use.

2. We have been provided with a legal opinion regarding the property interest issued by the Company’s PRC legal adviser, which contains, *inter alia*, the followings:

   a. Foshan Shun Ke Long Commercial Limited has legally obtained the Real Estate Ownership Certificates;

   b. Subject to the laws and legislations regarding to the terms and conditions under the pledge agreement, Foshan Shun Ke Long Commercial Limited is entitled to use, transfer, lease or pledge the property legally;

   c. The property was pledged; and

   d. Subject to the “Real Right Law of the People’s Republic of China” and under the terms and conditions of the pledge agreement, Foshan Shun Ke Long Commercial Limited is necessary to obtain the consent from the pledgee before dispose, transfer, lease or pledge of the property.

3. A summary of major certificates/licenses is shown as follows:

   a. Real Estate Ownership Certificates Yes

4. In our valuation, we have made reference to some asking price references of some commercial developments which have characteristics comparable to the property. We have adopted the range of unit rates of between RMB12,000-RMB16,000/sq.m. for commercial. The unit rates assumed by us are consistent with the said asking price reference. Due adjustments to the unit rates of those asking price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015 *RMB*
5.	Shunkelong Letaiju branch (“順客隆 樂泰居店”) Located at Shop No. 26 and Motorcycle Carparking space Letaiju No. A67 Tengxing Road Sijie Lecong Juweihui Lecong Town Shunde District Foshan City Guangdong Province the PRC	The property comprises a total of a shop unit and motorcycle carparking space on the first floor and second floor of a block of 7-storey composite building known as Letaiju. The property was completed in about 2007. In accordance with 3 Real Estate Ownership Certificates, the property has a total gross floor area of approximately 2,670.10 sq.m. **Gross Floor Area** *(sq.m.)* Shop Shop No. 26 (1/F) 864.21 **Sub-total 864.21** Motorcycle Carparking space Carparking space 1 & 3 (2/F) 1,805.89 **Sub-total 1,805.89** **Total 2,670.10** The land use rights of the property have been granted for a term expiring on 12 October 2075 for residential and shop use.	The property is currently occupied by the Group for a supermarket named as Shunkelong Letaiju branch (“順客隆 樂泰居店”).	5,690,000 (100% interest attributable to the Group: RMB5,690,000)

Notes:

1. Pursuant to 3 numbers of Real Estate Ownership Certificates issued by The People’s Government of Shunde, the property is held by Foshan Shun Ke Long Commercial Limited, a wholly owned subsidiary of the Company, for shop and motorcycle carparking space use, with the detail information as follow:

No.	Real Estate Ownership Certificate No.	Unit	Usage	Gross Floor Area *(sq.m.)*	Issued Date
1.1.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035661	No. 26 (1/F)	Shop	864.21	2015-05-04
1.2.	Yue Fang Di Quan Zheng Fo Zi Di No. 0316035672	Carparking space 1 (2/F)	Motorcycle Carparking	811.41	2015-05-04
1.3.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315035593	Carparking space 3 (2/F)	Motorcycle Carparking	994.48	2015-05-04
				2,670.10	

2. We have been provided with a legal opinion regarding the property interest issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

   a. Foshan Shun Ke Long Commercial Limited has legally obtained the Real Estate Ownership Certificates;

   b. Subject to the laws and legislations regarding to the terms and conditions under the pledge agreement, Foshan Shun Ke Long Commercial Limited is entitled to use, transfer, lease or pledge the property legally;

   c. The property no. 1.1. mentioned in note 1. was pledged; and

   d. Subject to the "Real Right Law of the People's Republic of China" and under the terms and conditions of the pledge agreement, Foshan Shun Ke Long Commercial Limited is necessary to obtain the consent from the pledgee before dispose, transfer, lease or pledge of the property.

3. A summary of major certificates/licenses is shown as follows:

   a. Real Estate Ownership Certificates Yes

4. In our valuation, we have made reference to some asking price references of some commercial developments which have characteristics comparable to the property. We have adopted the range of unit rates of between RMB6,000-RMB7,500/sq.m. for commercial (1/F). The unit rates assumed by us are consistent with the said asking price reference. Due adjustments to the unit rates of those asking price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015 *RMB*
6.	Shunkelong Jiangpanwan branch (“順客隆 江畔灣店”) Located at Shop Nos. 7-13 Block 17 Jiangpanwan Garden No. 6 Nananyanjiang Er Road Gaoyao City Guangdong Province the PRC	The property comprises a shop unit on the first floor of a block of 8-storey composite building within a residential and commercial complex known as Jiangpangwan Garden. The property was completed in about 2012. In accordance with a Real Estate Ownership Certificate, the property has a total gross floor area of approximately 646.03 sq.m.	The property is currently occupied by the Group for a supermarket named as Shunkelong Jiangpanwan branch (“順客隆 江畔灣店”). Portion of the property with the lettable area 4 sq.m. has been leased to an independent 3rd party at a total monthly rent of RMB1,200 with the latest term expiring on 31 December 2015.	5,560,000 (100% interest attributable to the Group: RMB5,560,000)

Notes:

1. Pursuant to the sale and purchase agreement No. 201012235130125 dated 24 December 2012, the property with a total gross floor area of 646 sq.m. have been contracted to be sold to Gaoyao Shun Ke Long Commercial Chain Limited, for commercial use at a total consideration of approximately RMB 1,787,359.

2. Pursuant to the Real Estate Ownership Certificate — Yue Fang Di Quan Zheng Gao Zi Di No. 0000041971 dated 22 October 2013 issued by Bureau of Housing and Urban-Rural Development of Gaoyao, the property with the total gross floor area of approximately 646.03 sq.m. is held by Gaoyao Shun Ke Long Commercial Chain Limited for shop use.

3. We have been provided with a legal opinion regarding the property interest issued by the Company’s PRC legal adviser, which contains, *inter alia*, the followings:

    a. Gaoyao Shun Ke Long Commercial Chain Limited has legally obtained the Real Estate Ownership Certificates;

    b. Gaoyao Shun Ke Long Commercial Chain Limited is entitled to use, transfer, lease or pledge the property legally;

c. The property was pledged; and

d. Subject to the "Real Right Law of the People's Republic of China" and under the terms and conditions of the pledge agreement, Gaoyao Shun Ke Long Commercial Chain Limited is necessary to obtain the consent from the pledgee before dispose, transfer, lease or pledge of the property.

4. A summary of major certificates/licenses is shown as follows:

a. Real Estate Ownership Certificates	Yes

5. In our valuation, we have made reference to some asking price references of some commercial developments which have characteristics comparable to the property. We have adopted the range of unit rates of between RMB8,000-RMB12,000/sq.m. for commercial. The unit rates assumed by us are consistent with the said asking price reference. Due adjustments to the unit rates of those asking price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015 *RMB*
7.	Shunkelong Lijing branch (“順客隆 麗景店”) Located at Shop Nos. 36-43 Block 3 & Block 7 Lijing Garden No. 2 Nananhuxi Road Gaoyao City Guangdong Province the PRC	The property comprises 8 shop units on the first floor of 2 blocks of 8-storey composite building within a residential and commercial complex known as Lijing Garden. The property was completed in about 2012. In accordance with 8 Real Estate Ownership Certificate, the property has a total gross floor area of approximately 1,401.32 sq.m.	The property is currently occupied by the Group for a supermarket named as Shunkelong Lijing branch (“順客隆 麗景店”). Portion of the property with the lettable area 18 sq.m. has been leased to 2 independent 3rd parties at a total monthly rent of RMB7,700 with the latest term expiring on 10 August 2016.	12,330,000 (100% interest attributable to the Group: RMB12,330,000)

Notes:

1. Pursuant to 8 numbers of sale and purchase agreement No. 201105234625137, 201105233425138, 201105234925139, 201105232224559, 201105234924560, 201105235824561, 201105232324562, 201105230824563, the property with a total gross floor area of 1,401.32 sq.m. have been contracted to be sold to Gaoyao Shun Ke Long Commercial Chain Limited, for commercial use at a total consideration of approximately RMB 4,357,476.

2. Pursuant to 8 numbers of Real Estate Ownership Certificate issued by Bureau of Housing and Urban-Rural Development of Gaoyao, the property is held by Gaoyao Shun Ke Long Commercial Chain Limited for shop use, with the detail information as follow:

No.	Real Estate Ownership Certificate No.	Unit	Usage	Gross Floor Area *(sq.m.)*	Issued Date
2.1.	Yue Fang Di Quan Zheng Gao Zi Di No. 0000033531	Block 3-No. 36 (1/F)	Shop	111.44	2012-4-5
2.2.	Yue Fang Di Quan Zheng Gao Zi Di No. 0000033530	Block 3-No. 37 (1/F)	Shop	192.18	2012-4-5

No.	Real Estate Ownership Certificate No.	Unit	Usage	Gross Floor Area *(sq.m.)*	Issued Date
2.3.	Yue Fang Di Quan Zheng Gao Zi Di No. 0000033529	Block 3-No. 38 (1/F)	Shop	201.93	2012-4-5
2.4.	Yue Fang Di Quan Zheng Gao Zi Di No. 0000033996	Block 7-No. 39 (1/F)	Shop	118.98	2012-4-5
2.5.	Yue Fang Di Quan Zheng Gao Zi Di No. 0000033997	Block 7-No. 40 (1/F)	Shop	159.91	2012-4-5
2.6.	Yue Fang Di Quan Zheng Gao Zi Di No. 0000033995	Block 7-No. 41 (1/F)	Shop	161.02	2012-4-5
2.7.	Yue Fang Di Quan Zheng Gao Zi Di No. 0000033993	Block 7-No. 42 (1/F)	Shop	298.34	2012-4-5
2.8.	Yue Fang Di Quan Zheng Gao Zi Di No. 0000033994	Block 7-No. 43 (1/F)	Shop	157.52	2012-4-5
				1,401.32	

3. We have been provided with a legal opinion regarding the property interest issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

   a. Gaoyao Shun Ke Long Commercial Chain Limited has legally obtained the Real Estate Ownership Certificates;

   b. Gaoyao Shun Ke Long Commercial Chain Limited is entitled to use, transfer, lease or pledge the property legally;

   c. The property was pledged; and

   d. Subject to the "Real Right Law of the People's Republic of China" and under the terms and conditions of the pledge agreement, Gaoyao Shun Ke Long Commercial Chain Limited is necessary to obtain the consent from the pledgee before dispose, transfer, lease or pledge of the property.

4. A summary of major certificates/licenses is shown as follows:

   a. Real Estate Ownership Certificates Yes

5. In our valuation, we have made reference to some asking price references of some commercial developments which have characteristics comparable to the property. We have adopted the range of unit rates of between RMB8,000-RMB12,000/sq.m. for commercial. The unit rates assumed by us are consistent with the said asking price reference. Due adjustments to the unit rates of those asking price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

VALUATION CERTIFICATE

Group II — Property interests held for investment by the Group in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Market value in existing state as at 30 June 2015** *RMB*
8.	Shop Nos. 27-28 Letaiju No. A67 Tengxing Road Sijie Lecong Juweihui Lecong Town Shunde District Foshan City Guangdong Province the PRC	The property comprises a total of 2 shop units on the first floor and second floor of a block of 7-storey composite building known as Letaiju. The property was completed in about 2007. In accordance with 2 Real Estate Ownership Certificates, the property has a total gross floor area of approximately 2,679.48 sq.m. **Gross Floor Area** *(sq.m.)* **Shop** Shop No. 27 (1/F) 967.07 Shop No. 28 (2/F) 1,712.41 **Total** **2,679.48** The land use rights of the property have been granted for a term expiring on 12 October 2075 for residential and shop use.	The shop No. 27 has been lease out to various tenants in various booths for fresh market including seafood, fruit, vegetable and bakery. The property with the lettable area 2,105.10 sq.m. has been leased to 68 independent 3rd party at a total monthly rent of RMB 269,218 with the latest term expiring on 31 December 2019.	11,020,000 (100% interest attributable to the Group: RMB 11,020,000)

Notes:

1. Pursuant to 2 numbers of Real Estate Ownership Certificates issued by The People's Government of Shunde, the property is held by Foshan Shun Ke Long Commercial Limited, a wholly owned subsidiary of the Company, for shop use, with the detail information as follow:

No.	**Real Estate Ownership Certificate No.**	**Unit**	**Usage**	**Gross Floor Area** *(sq.m.)*	**Issued Date**
1.1.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040454	No. 28 (2/F)	Shop	1,712.41	2015-05-19
1.2.	Yue Fang Di Quan Zheng Fo Zi Di No. 0315040541	No. 27 (1/F)	Shop	967.07	2015-05-19
				2,679.48	

2. Pursuant to the 68 tenancy agreements, portion of the property with a total lettable area of approximately 2,105.10 sq.m. are leased to 69 independent third parties for various term with the latest expiry date 31 December 2019 at a total monthly rent of RMB 269,218 mainly for fresh market, educational and internet cafe use purpose.

3. We have been provided with a legal opinion regarding the property interest issued by the Company's PRC legal adviser, which contains, *inter alia*, the followings:

   a. Foshan Shun Ke Long Commercial Limited has legally obtained the Real Estate Ownership Certificates; and

   b. Subject to the laws and legislations regarding to the terms and conditions under the pledge agreement, Foshan Shun Ke Long Commercial Limited is entitled to use, transfer, lease or pledge the property legally;

   c. The property was pledged; and

   d. Subject to the "Real Right Law of the People s Republic of China" and under the terms and conditions of the pledge agreement, Foshan Shun Ke Long Commercial Limited is necessary to obtain the consent from the pledgee before dispose, transfer, lease or pledge of the property.

4. A summary of major certificates/licenses is shown as follows:

   a. Real Estate Ownership Certificates Yes

5. In our valuation, we have made reference to some rental evidence and asking rent of similar commercial development in the locality which are in the region of RMB 20 to RMB 45 per sq.m./month on 2/F floor and RMB 110 to RMB 1,100 per sq.m./month for the booths. The market yield assumed by us is 19% which is in line with the market yield of this property sector in the region of 18% to 20%.

VALUATION CERTIFICATE

Group III — Property interests rented and occupied by the Group in the PRC

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Market value in existing state as at 30 June 2015** *RMB*
9	24 leased properties located in Guangdong Province, the PRC	The property comprises various buildings and units in various cities in the PRC which were completed in various stages. The property has a total gross floor area of approximately 64,582.58 sq.m. The properties are leased to the Group (the "Tenant") from three connected parties and a related party (the "Lessors") for various terms with the expiry dated between 31 December 2015 and 31 December 2017.	The properties are currently occupied by the Group mainly for shop purpose.	No commercial Value (100% interest attributable to the Group: No commercial Value)

Notes:

1. Pursuant to 25 tenancy agreements, various buildings and units with a total lease area of approximately 64,582.58 sq.m. are leased to the Group from three connected parties and a related party for various terms with the expiry date between 31 December 2015 and 31 December 2017 at a total monthly rent of RMB869,566 mainly for shop use purpose.

2. Pursuant to 60 sub-lease tenancy agreements, various buildings and units with a total lease area of approximately 24,423.00 sq.m. are leased to various independent third parties and a connected party for various terms with the latest expiry date 31 March 2015 and 31 December 2017 at a total monthly rent of RMB802,987 mainly for shop use purpose.

3. We have been provided with a legal opinion on the legality of the tenancy agreements to the properties issued by the Company's PRC legal advisers, *inter alia*, the following:

   a. 17 tenancy agreements are legal, valid and binding;

   b. 8 tenancy agreements maybe invalid due to the legal titleships could not been provided by the lessors as of the valuation date; according to certain compensation arrangements have been made between the lessors and the lessees in case of any losses incurred by the lessees, in which:

      (i). the lessors should bear all losses for the lessees;

      (ii). the lessors should compensate three months rent to the lessees; or

      (iii). the lessors should compensate two months rent to the lessees.

c. The Group has the rights to use the properties according to the tenancy agreements mentioned in note 3(a);

d. For the various buildings and units mentioned in note 3(a), the Lessors have obtained the relevant building ownership certificates;

e. The Lessors have the rights to lease the properties mentioned in note 3(a) to the Group; and

f. The lack of the lease registration could not affect the validity of the tenancy agreements.

4. We have been provided with a legal opinion on the legality of the sub-leased tenancy agreements to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

a. 56 sub-lease tenancy agreements are valid and enforceable under the PRC law.

b. 4 sub-lease tenancy agreements maybe invalid due to the legal titleships could not been provided by the original lessors and lessees (the Group) as of the valuation date; according to certain compensation arrangements have been made between the Group and the sub-lessees in case of any losses incurred by the sub-lessees, the Group should compensate one month rent to the sub-lessees.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2015 *RMB*
10	64 leased properties located in Guangdong Province, the PRC	The property comprises various buildings and units in various cities in the PRC which were completed in various stages. The property has a total gross floor area of approximately 85,005.78 sq.m. The properties are leased to the Group (the "Tenant") from various independent third parties (the "Lessors") for various terms with the expiry dated between 15 August 2015 and 31 December 2029.	The properties are currently occupied by the Group mainly for shop purpose.	No commercial Value (100% interest attributable to the Group: No commercial Value)

Notes:

1. Pursuant to 103 tenancy agreements, various buildings and units with a total lease area of approximately 85,005.78 sq.m. are leased to the Group from various independent third parties for various terms with the expiry date between 15 August 2015 and 31 December 2029 at a total monthly rent of RMB2,534,860 mainly for shop use purpose.

2. Pursuant to 126 sub-lease tenancy agreements, various buildings and units with a total lease area of approximately 18,896.76 sq.m. are leased to various independent third parties and two connected party for various terms with the latest expiry date 31 March 2015 and 31 July 2024 at a total monthly rent of RMB1,592,145 mainly for shop use purpose.

3. We have been provided with a legal opinion on the legality of the tenancy agreements to the properties issued by the Company's PRC legal advisers, *inter alia*, the following:

   a. 61 tenancy agreements are legal, valid and binding;

   b. 33 tenancy agreements maybe invalid due to the legal titleships could not been provided by the lessors as of the valuation date; according to certain compensation arrangements have been made between the original lessors and the lessees in case of any losses incurred by the lessees, in which:

      (i). the lessors should bear all losses for the lessees;

      (ii). the lessors should compensate three months rent to the lessees; or

      (iii). the lessors should compensate two months rent to the lessees.

c. 9 tenancy agreements in relation to the properties erected on various collective lands which were invalid and not protected by PRC Law due to the lessors have no rights to lease such properties; according to certain compensation arrangements have been made between the lessors and the lessees in case of any losses incurred by the lessees, in which:

(i). the lessors should bear all losses for the lessees;

(ii). the lessors should compensate three months rent to the lessees; or

(iii). the lessors should compensate two months rent to the lessees.

d. The Group has the rights to use the properties according to the tenancy agreements mentioned in note 3(a);

e. For the various buildings and units mentioned in note 3(a), the Lessors have obtained the relevant building ownership certificates;

f. The Lessors have the rights to lease the properties mentioned in note 3(a) to the Group; and

g. The lack of the lease registration could not affect the validity of the tenancy agreements.

4. We have been provided with a legal opinion on the legality of the sub-leased tenancy agreements to the property issued by the Company's PRC legal advisers, which contains, inter alia, the following:

a. 85 sub-lease tenancy agreements are valid and enforceable under the PRC law.

b. 39 sub-lease tenancy agreements maybe invalid due to the legal titleships could not been provided by the original lessors and the lessees (the Group) as of the valuation date; according to certain compensation arrangements have been made between the Group and the sub-lessees in case of any losses incurred by the sub-lessees, the Group should compensate one month rent to the sub-lessees.

c. 8 sub-lease tenancy agreements in relation to the properties erected on various collective lands which were invalid and not protected by PRC Law due to the original lessors and lessees (the Group) have no rights to lease such properties; according to certain compensation arrangements have been made between the Group and the sub-lessees in case of any losses incurred by the sub-lessees, the Group should compensate one month rent to the sub-lessees.

VALUATION CERTIFICATE

Group IV — Property interests rented and occupied by the Group in Macau

No.	**Property**	**Description and tenure**	**Particulars of occupancy**	**Market value in existing state as at 30 June 2015** *RMB*
11	3 leased properties located in Macau	The property comprises 9 units in Macau which were completed in various stages. The property has a total gross floor area of approximately 1,559.19 sq.m. The properties are leased to the Group (the "Tenant") from various independent third parties (the "Lessors") for various terms with the latest expiry dated 10 October 2018.	The properties are currently occupied by the Group mainly for shop purpose.	No commercial Value (100% interest attributable to the Group: No commercial Value)

Notes:

1. Pursuant to 3 tenancy agreements, 9 units with a total lease area of approximately 1,559.19 sq.m. are leased to the Group for shop use purpose from three independent third parties for various terms with the latest expiry date 10 October 2018 and 30 November 2018 at a total monthly rent of HKD150,000 and MOP$143,000 respectively.

2. We have been provided with a legal opinion on the legality of the tenancy agreements to the properties issued by the Company's Macau Legal Advisers, *inter alia*, the following:

   a. The tenancy agreements are legal, valid and binding;

   b. The Group has the rights to use the properties according to the tenancy agreement;

   c. For the 9 units mentioned in note 1, the Lessors have obtained the relevant building ownership certificates;

   d. The Lessors have the rights to lease the properties mentioned in note 1 to the Group; and

   e. The lack of the lease registration could not affect the validity of the tenancy agreements.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 March 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of each member of our Company is limited to the amount, if any, for the time being unpaid on such member's Shares and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of from time to time and at all times exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate in doing in any part of the world whether as principal, agent, contractor or otherwise whatever may be considered by it necessary for the attainment of its objects provided that the Company shall only carry on the businesses for which a licence is required under the laws of the Cayman Islands when so licensed under the terms of such laws.

(b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 19 August 2015 to take effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) ***Power to dispose of the assets of our Company or any subsidiary***

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iii) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) ***Loans and provision of security for loans to Directors***

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) ***Disclosure of interests in contracts with our Company or any of its subsidiaries***

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) ***Retirement, appointment and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director is removed. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) ***Borrowing powers***

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

(ix) ***Proceedings of the Board***

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) ***Register of Directors and Officers***

The Companies Law and the Articles provide that our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) **Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(c) **Alteration of capital**

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) **Special resolution-majority required**

Pursuant to the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) **Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) **Requirements for annual general meetings**

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) **Notices of meetings and business to be conducted thereat**

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(j) **Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to our Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) **Power for our Company to purchase its own shares**

Our Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) **Power for any subsidiary of our Company to own shares in our Company and financial assistance to purchase shares of our Company**

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, our Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

(m) **Dividends and other methods of distribution**

Subject to the Companies Law, our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(n) **Proxies**

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) **Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) **Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

(r) **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) **Procedures on liquidation**

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) **Untraceable members**

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(u) **Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) **Operations**

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) **Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by our company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of our company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of our company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, our company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) **Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of our company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of our company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of our company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of our company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of our company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of our company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, our company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of our company, the directors of our company resolve to hold such shares in the name of our company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, our company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, our company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of our company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of our company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of our company's assets (including any distribution of assets to members on a winding up) may be made to our company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) **Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of our company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) **Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of our company to challenge (a) an act which is ultra vires our company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of our company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of our company in issue, appoint an inspector to examine into the affairs of our company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that our company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of our company's affairs in the future, (b) an order requiring our company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of our company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of our company by other shareholders or by our company itself and, in the case of a purchase by our company itself, a reduction of our company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by our company's memorandum and articles of association.

(g) **Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of our company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) **Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by our company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by our company; and (iii) the assets and liabilities of our company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of our company's affairs and to explain its transactions.

(i) **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) **Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 24 February, 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) **Inspection of corporate records**

Members of our Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. Our company shall cause to be kept at the place where our company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) **Winding up**

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of our company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that our company is to be dissolved, or, our company does not commence business for a year from its incorporation (or suspends its business for a year), or, our company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of our company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, our company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of our company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for our company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of our company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge our company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of our company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of our company has been disposed of, and thereupon call a general meeting of our company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by our company's articles of association and published in the Gazette in the Cayman Islands.

(o) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) **Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 March 2013. Our Company has established a principal place of business in Hong Kong at Room 1007, 10th Floor, Sincere House, 83 Argyle Street, Kowloon, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 26 May 2015. Mr. Fan Chi Yuen Charles of Flat A, 19/F, Block 1, Tseung Kwan O Plaza, Tseung Kwan O, New Territories, Hong Kong has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution which comprises the Memorandum of Association and Articles of Association. A summary of certain provisions of our Company's constitution and relevant aspects of the Companies Law is set forth in Appendix IV to this prospectus.

2. Changes in share capital of our Company

As at the date of incorporation, the authorised share capital of our Company was US$50,000 divided into 50,000 shares of US$1.00 each.

One share of US$1.00 was allotted and issued at par to the initial subscriber on 18 March 2013 which was transferred as fully paid share of US$1.00 to Mr. Lao on 13 September 2013.

On 31 October 2013, Mr. Lao transferred the one share of US$1.00 to Golden Prime. On the same day, our Company also allotted and issued 5,680 shares of US$1.00, 1,383 shares of US$1.00, 2,936 shares of US$1.00 to Golden Prime, Jian Nong and Xing Nong, respectively, all at par. On 8 January 2014, our Company allotted and issued 1,429 shares of US$1.00 to Shun Ao at HK$37,500,000.

Pursuant to the written resolutions of all our Shareholders passed on 22 April 2015,

(a) our authorised share capital was increased by HK$20,000,000 by the creation of 2,000,000,000 Shares;

(b) following the increase in our authorised share capital, an aggregate of 11,429 Shares were allotted and issued nil paid to the following persons at a price of US$1.00 per Share (equivalent to HK$7.8 per Share) (the "**Subscription Price**"):

Name	**Number of Shares allotted**
Golden Prime	5,681
Xing Nong	2,936
Jian Nong	1,383
Shun Ao	1,429

(c) following the above allotment and issue of Shares, our Company repurchase the 11,429 shares of US$1.00 in issue at a price of US$1.00 per share (equivalent to HK$7.8 per share), and following such repurchase, the 11,429 shares of US$1.00 were cancelled (the "**Repurchase Price**");

(d) the Subscription Price was set off against the Repurchase Price and the 11,429 nil-paid Shares were credited as fully-paid; and

(e) following the above repurchase, the authorised but unissued share capital of our Company be diminished by the cancellation of the 50,000 unissued shares of US$1.00 each in the capital of our Company.

Immediately following completion of the Global Offering and the Capitalisation Issue but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK$2,864,770 divided into 286,477,000 Shares, all fully paid or credited as fully paid and 1,713,523,000 Shares will remain unissued.

Save for aforesaid and as mentioned in the paragraph headed "Resolutions in writing of all our Shareholders passed on 19 August 2015" in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. **Resolutions in writing of all our Shareholders passed on 19 August 2015**

On 19 August 2015, resolutions in writing were passed by all our Shareholders, pursuant to which, among other things:

(a) our Company approved and adopted its new Articles of Association to take effect from the Listing Date;

(b) subject to and conditional on the conditions as stated in the section headed "Structure of the Global Offering — Conditions of the Global Offering" to this prospectus:

  (i) the Global Offering was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Global Offering;

  (ii) the Over-allotment Option was approved and our Directors were authorised to effect the same and to allot and issue the Shares upon exercise of the Over-allotment Option;

  (iii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme; and

(iv) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, our Directors were authorised to authorising an amount of HK$2,148,455.71 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 214,845,571 Shares, such Shares to be allotted and issued to our Shareholders whose names appearing on the register of members of our Company at the close of business on 19 August 2015 (or as such Shareholders may direct) in proportion (as nearly as possible without fractions) to their then respective shareholdings in our Company.

(c) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares with a total nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and Capitalisation Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of Cayman Islands to be held, or until revoked or varied or renewed by an ordinary resolution of our Shareholders at a general meeting of our Company, whichever occurs first;

(d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the Over-allotment Option and any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of Cayman Islands to be held, or until revoked or varied or renewed by an ordinary resolution of our Shareholders at a general meeting of our Company, whichever occurs first; and

(e) the general unconditional mandate mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above.

4. Corporate reorganisation

Details of the Reorganisation are set forth in the section headed "History, development and Reorganisation" to this prospectus.

5. Changes in share capital of subsidiaries of our Group

Subsidiaries of our Company are referred to in the Accountant's Report, the text of which is set forth in Appendix I to this prospectus.

Save as disclosed in the section headed "History, development and Reorganisation" to this prospectus, there are no changes in the registered capital of our Company's subsidiaries during the two years preceding the date of this prospectus.

6. Repurchase of Shares by our Company

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Main Board of Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on 19 August 2015, the Repurchase Mandate was granted to our Directors authorising the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law of the Cayman Islands or the Articles of Association to be held or when such mandate is revoked or varied or renewed by an ordinary resolution of our Shareholders of our Company in general meeting, whichever is the earliest.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or the proceeds of a fresh issue of shares made for the purpose of the purchase or, subject to the Companies Law and if so authorised by the Articles, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Law and if so authorised by the Articles, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(b) ***Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) ***General***

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates, has any present intention to sell any Shares to our Company or its subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands. Our Company has not repurchased any Shares in the previous six months.

No core connected person (as defined in the Listing Rules) has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Code**"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase. Our Directors are not aware of any consequences which may arise under the Code if the Repurchase Mandate is exercised.

B FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or any of its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) an agreement dated 20 December 2013 and entered into between Lecong Supply and Marketing Group, Happy Team and Macau SKL whereby (i) Lecong Supply and Marketing Group agreed to transfer 75% equity interests in Chang Wan Long to Macau SKL at a consideration of HK$28,125,000; and (ii) Happy Team agreed to transfer 25% equity interests in Chang Wan Long to Macau SKL at a consideration of HK$9,375,000;

(b) a transfer agreement dated 1 July 2014 and entered into between Cheong Iok Ieng and Macau SKL whereby Cheong Iok Ieng transferred one share of par value of MOP1,000 of Usmart Chain Supermarket to Macau SKL at a consideration of MOP65,000;

(c) a transfer agreement dated 4 July 2014 and entered into between Cheong Iok Ieng, Macau SKL and HK SKL whereby (i) Cheong Iok Ieng transferred one share of par value of MOP30,000 of Usmart Chain Supermarket to Macau SKL at a consideration of MOP1,930,000; and (ii) Cheong Iok Ieng transferred one share of par value of MOP1,000 of Usmart Chain Supermarket to HK SKL at a consideration of MOP65,000;

(d) an equity interests transfer agreement dated 20 August 2014 and entered into between Macau SKL and Usmart Chain Supermarket whereby Macau SKL agreed to transfer to Usmart Chain Supermarket the 100% equity interests in Chang Wan Long at a consideration of HK$37,500,000;

(e) an equity interests transfer agreement dated 29 October 2014 and entered into between Lecong Supply and Marketing Group and Jincheng Commercial Trading whereby Lecong Supply and Marketing Group agreed to transfer to Jincheng Commercial Trading 100% equity interests in Shun Ke Long at a consideration of RMB75,000,000;

(f) an asset and business transfer agreement dated 29 October 2014 and entered into between Shun Ke Long and Foshan Shente whereby Shun Ke Long transferred to Foshan Shente the assets and business of tobacco products at a consideration of RMB9,815,601.87;

(g) an asset and business transfer agreement dated 10 December 2014 and entered into between Shun Ke Long and Foshan Shente whereby Shun Ke Long transferred to Foshan Shente the assets and business of wholesale, retail and distribution of rice, edible oil and sugar at a consideration of RMB16,372,521.4;

(h) a supplemental agreement dated 1 April 2015 and entered into between Lecong Supply and Marketing Group and Jincheng Commercial Trading to amend the consideration as set out in the equity interests transfer agreement dated 29 October 2014 (being item (e) above) to RMB56,200,000;

(i) an asset and business transfer agreement dated 9 April 2015 and entered into between Foshan Shente and Shun Ke Long whereby Foshan Shente transferred to Shun Ke Long the assets and business of retail and distribution of rice, and the wholesale, retail and distribution of edible oil and sugar at a consideration of RMB8,530,510;

(j) the cornerstone investment agreement dated 24 August 2015 entered into between our Company, Jiuding Saturn Limited and the Sole Global Coordinator pursuant to which Jiuding Saturn Limited has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be purchased with an aggregate of US$5.0 million;

(k) the cornerstone investment agreement dated 24 August 2015 entered into between our Company, Jiashili Limited and the Sole Global Coordinator pursuant to which Jiashili Limited has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be purchased with an aggregate of US$3.0 million;

(l) the cornerstone investment agreement dated 24 August 2015 entered into between our Company, Wang Guangsha and the Sole Global Coordinator pursuant to which Wang Guangsha has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be purchased with an aggregate of HK$15.0 million;

(m) the Deed of Indemnity; and

(n) the Hong Kong Underwriting Agreement.

2. **Intellectual property rights of our Group**

(a) ***Trademarks***

(i) As at the Latest Practicable Date, our Group had the following registered trademarks which are material in relation to our business:

Trademark	Category	Place of registration	Trademark holder	Trademark number	Registration date	Expiry date
顺客隆	35	Hong Kong	Shun Ke Long	302671722	15 July 2013	14 July 2023
乐的	35	Hong Kong	Shun Ke Long	302671713	15 July 2013	14 July 2023
SKL	35	Hong Kong	Shun Ke Long	302671704	15 July 2013	14 July 2023
顺客隆	42	Hong Kong	Shun Ke Long	303094885	8 August 2014	7 August 2024
顺客隆 Simple kind life	35	Hong Kong	Shun Ke Long	303096937	11 August 2014	10 August 2024
USMART	35	Macau	Usmart Chain Supermarket	N/060057	28 September 2011	17 April 2019
SKL	35	Macau	Shun Ke Long	N / 78798	25 March 2014	25 March 2021
乐的	35	Macau	Shun Ke Long	N / 78799	25 March 2014	25 March 2021
顺客隆	35	Macau	Shun Ke Long	N / 78800	25 March 2014	25 March 2021
顺客隆 Simple kind life	35	Macau	Shun Ke Long	N / 89976	12 March 2015	12 March 2022
顺客隆	42	Macau	Shun Ke Long	N / 89977	12 March 2015	12 March 2022
家乐园	3	PRC	Shun Ke Long	7664176	14 November 2010	13 November 2020

Trademark	Category	Place of registration	Trademark holder	Trademark number	Registration date	Expiry date
Home 家乐园	30	PRC	Shun Ke Long	3759466	21 October 2005	20 October 2015
	29	PRC	Shun Ke Long	3717260	21 December 2005	20 December 2015
	3	PRC	Shun Ke Long	3717261	14 March 2006	13 March 2016
	16	PRC	Shun Ke Long	3717263	14 March 2006	13 March 2016
顺客	16	PRC	Shun Ke Long	5227209	21 June 2009	20 June 2019
顺客	35	PRC	Shun Ke Long	5227210	14 June 2009	13 June 2019
乐的	16	PRC	Shun Ke Long	5227211	21 June 2009	20 June 2019
乐的	35	PRC	Shun Ke Long	5210743	7 June 2009	6 June 2019
顺客隆	16	PRC	Shun Ke Long	3004237	28 February 2013	27 February 2023
顺客隆	5	PRC	Shun Ke Long	7664134	28 November 2010	27 November 2020
顺客隆	35	PRC	Shun Ke Long	1262273	7 April 2009	6 April 2019

Trademark	Category	Place of registration	Trademark holder	Trademark number	Registration date	Expiry date
SHUNYU FOOD 顺誉食品	30	PRC	Shun Ke Long	12714139	7 December 2014	6 December 2024
乐的	35	PRC	Shun Ke Long	12714140	14 November 2014	13 November 2024
港之堂	3	PRC	Shun Ke Long	14431749	26 May 2015	27 May 2025
	3	PRC	Shun Ke Long	14431782	26 May 2015	27 May 2025
	5	PRC	Shun Ke Long	14431828	26 May 2015	27 May 2025
港之堂	5	PRC	Shun Ke Long	14431869	26 May 2015	27 May 2025
港之堂	35	PRC	Shun Ke Long	14431963	7 August 2015	6 August 2025

(ii) As at the Latest Practicable Date, our Group had applied for registration of the following trademarks:

Trademark	Class	Place of application	Application number	Name of applicant	Application date
顺 客 隆	—	PRC	15113830	Shun Ke Long	7 August 2014
顺 客 隆	—	PRC	15113868	Shun Ke Long	7 August 2014
顺客隆 Simple kind life	—	PRC	15133554	Shun Ke Long	11 August 2014
顺客隆家乐园	27	PRC	15513204	Shun Ke Long	15 October 2014

Trademark	Class	Place of application	Application number	Name of applicant	Application date
顺客隆家乐园	25	PRC	15513126	Shun Ke Long	15 October 2014
顺客隆家乐园	24	PRC	15513054	Shun Ke Long	15 October 2014
顺客隆家乐园	22	PRC	15513034	Shun Ke Long	15 October 2014
顺客隆家乐园	21	PRC	15513002	Shun Ke Long	15 October 2014
顺客隆家乐园	18	PRC	15512995	Shun Ke Long	15 October 2014
顺客隆家乐园	16	PRC	15512939	Shun Ke Long	15 October 2014
顺客隆家乐园	5	PRC	15512937	Shun Ke Long	15 October 2014
港之堂	24	PRC	15513124	Shun Ke Long	15 October 2014
顺客隆乐的	33	PRC	15583637	Shun Ke Long	27 October 2014
顺客隆乐的	31	PRC	15583579	Shun Ke Long	27 October 2014
顺客隆乐的	32	PRC	15583552	Shun Ke Long	27 October 2014
顺客隆乐的	30	PRC	15583508	Shun Ke Long	27 October 2014
顺客隆乐的	24	PRC	15583460	Shun Ke Long	27 October 2014
顺客隆乐的	28	PRC	15583429	Shun Ke Long	27 October 2014
顺客隆乐的	18	PRC	15583381	Shun Ke Long	27 October 2014
顺客隆乐的	21	PRC	15583370	Shun Ke Long	27 October 2014
顺客隆乐的	8	PRC	15583369	Shun Ke Long	27 October 2014
顺客隆乐的	11	PRC	15583363	Shun Ke Long	27 October 2014

Trademark	Class	Place of application	Application number	Name of applicant	Application date
顺客隆乐的	3	PRC	15582985	Shun Ke Long	27 October 2014
顺客隆乐的	34	PRC	15582835	Shun Ke Long	27 October 2014
顺客隆	34	PRC	15582783	Shun Ke Long	27 October 2014
顺客隆	33	PRC	15582780	Shun Ke Long	27 October 2014
顺客隆	32	PRC	15582661	Shun Ke Long	27 October 2014
顺客隆	31	PRC	15582659	Shun Ke Long	27 October 2014
顺客隆	30	PRC	15582646	Shun Ke Long	27 October 2014
顺客隆	28	PRC	15582556	Shun Ke Long	27 October 2014
顺客隆	25	PRC	15582529	Shun Ke Long	27 October 2014
顺客隆	24	PRC	15582483	Shun Ke Long	27 October 2014
顺客隆	21	PRC	15582347	Shun Ke Long	27 October 2014
顺客隆	20	PRC	15582296	Shun Ke Long	27 October 2014
顺客隆	18	PRC	15582260	Shun Ke Long	27 October 2014
顺客隆	14	PRC	15582184	Shun Ke Long	27 October 2014
顺客隆	11	PRC	15582140	Shun Ke Long	27 October 2014
顺客隆	9	PRC	15582106	Shun Ke Long	27 October 2014
顺客隆	8	PRC	15582084	Shun Ke Long	27 October 2014
顺客隆	7	PRC	15582066	Shun Ke Long	27 October 2014
顺客隆	6	PRC	15582034	Shun Ke Long	27 October 2014

Trademark	Class	Place of application	Application number	Name of applicant	Application date
顺客隆	3	PRC	15581987	Shun Ke Long	27 October 2014

(b) ***Domain names***

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names:

Domain name	Registered proprietor	Date of Registration	Expiry Date
順客隆.香港	Shun Ke Long	19 July 2014	19 July 2019
skl.tm	Shun Ke Long	3 June 2014	3 June 2024
順客隆.tm	Shun Ke Long	3 June 2014	3 June 2024
shunkelong.hk	Shun Ke Long	19 July 2014	19 July 2019
順客隆	Shun Ke Long	25 December 2006	25 December 2018
shunkelong.com	Shun Ke Long	21 December 2006	21 December 2017
shunkelong.com.cn	Shun Ke Long	4 November 2008	3 April 2016
skl.com.cn	Shun Ke Long	3 April 2002	3 April 2016
順客隆.com	Shun Ke Long	21 December 2006	21 December 2017

C FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS OF OUR COMPANY

1. Directors

(a) *Disclosure of interests — interests and short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the Global Offering and the Capitalisation Issue without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, the interests or short positions of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to our Company and Stock Exchange, once the Shares are listed are as follows:

Interests in our Company

Name of Director	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding in our Company
Mr. Lao	Interest of a controlled corporation	119,698,460 Shares (long position) *(note)*	41.8%

Notes: Out of these 119,698,460 Shares, 12,892,000 Shares are beneficially owned by Shun Ao and 106,806,460 Shares are beneficially owned by Golden Prime. Shun Ao is a company incorporated in the BVI and its entire issued share capital is owned by Ever Prosperous. Ever Prosperous is a company incorporated in the BVI and its entire issued share capital is owned by Mr. Lao. Accordingly, Mr. Lao is deemed to be interested in the Shares held by Golden Prime and Shun Ao.

(b) *Particulars of our Directors' service contracts*

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from 19 August 2015, which may be terminated by not less than three months' notice in writing served by either party on the other and is subject to termination provisions therein and provisions on retirement by rotation of our Directors as set forth in the Articles of Association.

The non-executive Directors have been appointed for a term of three years commencing from the 19 August 2015. The appointments of our non-executive Directors are subject to the provision of retirement and rotation of our Directors as set forth in the Articles of Association.

The independent non-executive Directors have been appointed for a term of three years commencing from 19 August 2015. Each of the independent non-executive Directors is entitled to a fixed director's fee. Their appointments are subject to the termination provisions in the appointment letters and retirement and rotation of our Directors as set forth in the Articles of Association.

For the year ended 31 December 2014, the aggregate remuneration paid and benefits in kind granted to our Directors by our Group was approximately RMB274,000. Further information in respect of our Directors' remuneration is set forth in Appendix I to this prospectus.

Under the current arrangement, the estimated aggregate remuneration, excluding discretionary bonus, of our Directors payable for the year ending 31 December 2015 will be approximately RMB1 million.

2. Substantial Shareholders

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

Name of Shareholder	Capacity/ Nature of Interest	Number of Shares	Approximate percentage of shareholding in our Company
Golden Prime *(note 1)*	Beneficial owner	106,806,460 (long position)	37.3%
Xing Nong *(note 2)*	Beneficial owner	55,208,173 (long position)	19.2%
Jian Nong *(note 3)*	Beneficial owner	25,985,367 (long position)	9.1%

Notes:

1. Golden Prime is a company incorporated in the BVI. As at the Latest Practicable Date, Golden Prime had 45 individual shareholders, of whom Mr. Lao was interested in approximately 34.6% of its issued shares, Ms. Wang Yanfen was interested in approximately 3.310%, Mr. Wu Zhaohui was interested in approximately 0.649%, Mr. Chen Yijian was interested in approximately 5.806% and Ms. Lao Weiping was interested in approximately 4.436% and each of the other shareholders was interested in less than 5.0% of its issued shares. Accordingly, Mr. Lao is deemed to be interested in the Shares held by Gold Prime under the SFO.

2. Xing Nong is a company incorporated in the BVI. As at the Latest Practicable Date, Xing Nong had 397 individual shareholders, of whom Mr. Lao was interested in approximately 7.44% of its issued shares and each of the other shareholders was interested in less than 2.0% of its issued shares.

3. Jian Nong is a company incorporated in the BVI. As at the Latest Practicable Date, Jian Nong had 317 individual shareholders, of whom Mr. Lao was interested in approximately 17.173% of its issued share and each of the other shareholders was interested in less than 2.0% of its issued shares.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

4. **Disclaimers**

Save as disclosed herein:

(a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed;

(b) none of our Directors or experts referred to under the paragraph headed "Other information — Consents of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) taking no account of Shares which may be issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, none of our Directors are aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(f) none of the experts referred to under the paragraph headed "Other information — Consents of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(g) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group; and

(h) none of our Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group.

D OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the resolutions in writing of our Shareholders of our Company passed on 19 August 2015.

(a) ***Purpose***

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) ***Who may join***

Our Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph (e) below to the following (the "**Eligible Participants**"):

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any directors (including executive, non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers, agents and related entities to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) ***Maximum number of Shares***

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 28,647,700 Shares, excluding for this purpose Shares which would have been issuable pursuant to the Over-allotment Option and options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, our Board may:

(i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by our Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by our Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (q) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(d) ***Maximum number of options to any one individual***

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.03(4) and 17.06 of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time; and

(ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of our Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine.

(e) ***Price of Shares***

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(f) ***Granting options to connected persons***

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If our Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(g) ***Restrictions on the times of grant of options***

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of our Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement.

(h) ***Rights are personal to grantee***

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

(i) ***Time of exercise of option and duration of the Share Option Scheme***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

(j) ***Performance target***

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(k) ***Rights on ceasing employment or death***

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

(i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, the option to the extent not already exercised on the date of cessation shall lapse automatically on the date of cessation; or

(ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(l) ***Rights on dismissal***

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by our Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offence involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(m) ***Rights on takeover***

If a general offer is made to all our Shareholders (or all such shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(n) ***Rights on winding-up***

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(o) ***Rights on compromise or arrangement between our Company and its members or creditors***

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(p) ***Ranking of Shares***

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of issue.

(q) ***Effect of alterations to capital***

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(r) ***Expiry of option***

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by our Board;

(ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (o) becomes effective;

(iv) subject to paragraph (n), the date of commencement of the winding-up of our Company;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or has become insolvent, bankrupt or has made arrangements or compositions with his or her creditors generally, or in relation to an employee of our Group (if so determined by our Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date on which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

(s) ***Alteration of the Share Option Scheme***

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of our Board in relation to any alteration to the terms of the Share Option Scheme must be approved by shareholders in general meeting.

(t) ***Cancellation of options***

Subject to paragraph (h) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(u) ***Termination of the Share Option Scheme***

Our Company may by resolution in general meeting or our Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) ***Administration of our Board***

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(w) ***Condition of the Share Option Scheme***

The Share Option Scheme is conditional on:

(i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;

(iii) the approval of the rules of the Share Option Scheme by our Shareholders in general meeting; and

(iv) the commencement of dealings in the Shares on the Stock Exchange.

(x) ***Disclosure in annual and interim reports***

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(y) ***Present status of the Share Option Scheme***

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being Shares in total.

2. **Estate duty, tax and other indemnities**

Each of Golden Prime, Shun Ao, Ever Prosperous and Mr. Lao entered into the Deed of Indemnity on 19 August 2015 with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, Hong Kong estate duty which might be payable by any member of our Group, by reason of any transfer of property (within the meaning of Section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong, as amended by the Revenue (Abolition of Estate Duty) Ordinance) to any member of our Group on or before the Listing Date.

The Deed of Indemnity also contain, amongst other things, indemnities given by the Covenantors in respect of (a) taxation resulting from income, profits or gains earned, accrued or received as well as any property claim to which our Group may be subject on or before the Listing Date; and (b) claims and liabilities arising from the non-compliances of our Group.

3. **Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. **Preliminary expenses**

The preliminary expenses of our Company are approximately HK$21,000 and are paid by our Company.

5. **Promoter**

Our Company has no promoter for the purpose of the Listing Rules.

6. **Qualification of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	**Qualifications**
China Everbright Capital Limited	A corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activity for the purpose of the SFO
BDO Limited	Certified Public Accountants
Jingtian & Gongcheng	PRC legal advisers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
WICH Law Firm	Macau legal advisers
AVISTA Valuation Advisory Limited	Property valuer

7. **Consents of experts**

Each of the experts referred to in paragraph 6 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

8. **Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. **Miscellaneous**

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

i. no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

ii. no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

iii. our Group has no outstanding convertible debt securities or debentures;

iv. no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;

v. no founders, management or deferred shares of our Company or, any of its subsidiaries have been issued or agreed to be issued;

vi. no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries;

(b) none of the persons named in the paragraph headed "Other information — Consents of experts" in this Appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;

(c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2014 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(e) A register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in Cayman Islands;

(f) no member of our Group is presently listed on any stock exchange or traded on any trading system;

(g) there is no arrangement under which future dividends are waived or agreed to be waived; and

(h) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

10. **Bilingual prospectus**

The English and Chinese language version of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. **Sole Sponsor**

The Sole Sponsor has made an application for and on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares that may be issued upon the exercise of the Over-allotment Option or any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. The Sole Sponsor is independent of our Company in accordance with Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees in relation to the Listing are approximately HK$2.3 million.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the paragraph headed "Other information — Consents of experts" in Appendix V to this prospectus; and

(c) a copy of each of the material contracts referred to in the paragraph headed "Further information about the business of our Group — Summary of material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Squire Patton Boggs at 29th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the amended and restated Memorandum and Articles of Association;

(b) the Accountant's Report from BDO Limited, the text of which is set out in Appendix I to this prospectus;

(c) the report from BDO Limited in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(d) the letter, the summary of values and valuation certificates relating to our property interests prepared by AVISTA Valuation Advisory Limited, the texts of which are set out in Appendix III to this prospectus;

(e) the audited combined financial statements of the Group for the three years ended 31 December 2014;

(f) the letter of advice from Conyers Dill & Pearman, our Cayman Islands legal advisers, summarising the constitution of our Company and certain aspects of Cayman Islands company law referred to in "Summary of the constitution of our Company and the Cayman Islands Companies Law" in Appendix IV to this prospectus;

(g) the Companies Law;

(h) the legal opinions dated the prospectus date issued by Jingtian & Gongcheng, our PRC legal advisers in respect of our Group's business operations and property interests in the PRC;

(i) the material contracts referred to in the paragraph headed "Further information about the business of our Group — Summary of material contracts" in Appendix V to this prospectus;

(j) the service contracts and appointment letters entered into between our Company and each of the Directors referred to in the paragraph headed "Further information about our Directors and Substantial Shareholders of our Company — Directors — Particulars of our Directors' service contracts" in Appendix V to this prospectus;

(k) the written consents referred to in the paragraph headed "Other information — Consents of experts" in Appendix V to this prospectus; and

(l) the rules of the Share Option Scheme.

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