顺客隆
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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

ANNUAL Report 2015

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. LAO Songsheng *(Chairman)*
Ms. WANG Yanfen *(Chief Executive Officer)*
Mr. WU Zhaohui

Non-Executive Directors

Mr. CHEN Yijian
Ms. LAO Weiping

Independent Non-Executive Directors

Mr. SUN Hong
Mr. SHIN Yick Fabian
Mr. GUAN Shiping

AUDIT COMMITTEE

Mr. SHIN Yick Fabian *(Chairman)*
Mr. GUAN Shiping
Ms. LAO Weiping

REMUNERATION COMMITTEE

Mr. SUN Hong *(Chairman)*
Mr. GUAN Shiping
Mr. CHEN Yijian

NOMINATION COMMITTEE

Mr. LAO Songsheng *(Chairman)*
Mr. GUAN Shiping
Mr. SUN Hong

AUTHORISED REPRESENTATIVES

Ms. WANG Yanfen
Mr. FAN Chi Yuen Charles

COMPANY SECRETARY

Mr. FAN Chi Yuen Charles *(CPA, CFA)*

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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Wanchai
Hong Kong

AUDITOR

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Floor 25, Wing On Centre
111 Connaught Road 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

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Shunde Lecong sub-branch
Guangdong Shunde Rural Commercial Bank Company Limited Lecong sub-branch
China CITIC Bank Corporation Limited
Foshan branch Lecong sub-branch

COMPANY'S WEBSITE

www.skl.com.cn

FINANCIAL SUMMARY

Results		For the year ended 31 December		
	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	674,275	869,087	1,053,359	**1,039,614**
Gross profit	114,802	147,655	183,297	**200,598**
Profit from operation	24,890	40,441	46,341	**48,373**
Finance costs	—	(4,026)	(4,210)	**(7,268)**
Income tax expenses	(8,773)	(9,344)	(11,096)	**(12,281)**
Profit for the year attributable to the owners of the Company	16,117	27,070	30,951	**28,631**
Total comprehensive income attributable to the owners of the Company	16,117	27,072	30,651	**31,094**
Dividend paid	—	—	18,800	**18,800**

Assets and liabilities		As at 31 December		
	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Non-current assets	81,490	84,801	97,100	123,884
Current assets	363,144	216,072	289,812	458,326
Current liabilities	399,674	216,394	316,298	251,416
Net current (liabilities)/assets	(36,530)	(322)	(26,486)	206,910
Total assets less current liabilities	44,960	84,479	70,614	330,794
Non-current liabilities	—	—	—	80,000
Net assets	44,960	84,479	70,614	250,794
Equity attributable to owners of the Company	44,960	84,178	70,229	250,216

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永安中心25樓

TO THE SHAREHOLDERS OF CHINA SHUN KE LONG HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Shun Ke Long Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 6 to 62, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Lee Ka Leung, Daniel
Practising Certificate no. P01220

Hong Kong, 29 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 RMB'000	2014 RMB'000
Revenue	7a	**1,039,614**	1,053,359
Cost of inventories sold		**(839,016)**	(870,062)
Gross profit		**200,598**	183,297
Other operating income	7b	**45,541**	23,814
Selling and distribution costs		**(152,904)**	(133,298)
Administrative expenses		**(44,862)**	(27,472)
Finance costs	9	**(7,268)**	(4,210)
Profit before income tax expense	8	**41,105**	42,131
Income tax expense	11	**(12,281)**	(11,096)
Profit for the year		**28,824**	31,035
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**2,463**	(300)
Total comprehensive income for the year		**31,287**	30,735
Profit for the year attributable to:			
– Owners of the Company		**28,631**	30,951
– Non-controlling interests		**193**	84
		28,824	31,035
Total comprehensive income for the year attributable to:			
– Owners of the Company		**31,094**	30,651
– Non-controlling interests		**193**	84
		31,287	30,735
Earnings per share – basic and diluted (RMB)	12	**0.12**	0.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	2015 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	75,496	49,213
Prepaid land lease	15	34,922	35,934
Investment properties	16	4,348	4,444
Deposits paid and prepayments	18	6,424	4,955
Goodwill	17	2,694	2,554
Total non-current assets		123,884	97,100
Current assets			
Inventories	19	140,321	111,509
Trade receivables	20	36,463	76,071
Deposits paid, prepayments and other receivables	18	78,256	68,614
Amounts due from related companies	24	2,687	7,796
Amounts due from shareholders	24	—	61
Cash and cash equivalents	21	200,599	25,761
Total current assets		458,326	289,812
Total assets		582,210	386,912
Current liabilities			
Trade payables	22	143,448	141,068
Deposits received, receipts in advance, accruals and other payables	23	42,014	55,584
Amounts due to related companies	24	12,965	61,160
Bank borrowings	25	52,000	57,000
Income tax payable		989	1,486
Total current liabilities		251,416	316,298
Net current assets/(liabilities)		206,910	(26,486)
Total assets less current liabilities		330,794	70,614

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current liabilities			
Bank borrowings	25	80,000	—
Total non-current liabilities		80,000	—
Total liabilities		331,416	316,298
NET ASSETS		250,794	70,614
EQUITY			
Share capital	26	2,387	70
Reserves	27	247,829	70,159
Equity attributable to owners of the Company		250,216	70,229
Non-controlling interests		578	385
Total equity		250,794	70,614

On behalf of the Directors

LAO Songsheng Director	WANG Yanfen Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Equity attributable to owners of the Company											
	Share capital (Note 26) RMB'000	Share premium (Note 27) RMB'000	Special reserve (Note 27) RMB'000	Merger reserve (Note 27) RMB'000	Capital reserve (Note 27) RMB'000	Statutory reserve (Note 27) RMB'000	Capital contribution reserve (Note 27) RMB'000	Translation reserve (Note 27) RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 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)	–	–	–
Balance at 31 December 2014 and 1 January 2015	70	29,519	84	(6,200)	200	6,964	873	(298)	39,017	70,229	385	70,614
Comprehensive income												
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	2,463	–	2,463	–	2,463
Profit for the year	–	–	–	–	–	–	–	–	28,631	28,631	193	28,824
Total comprehensive income for the year	–	–	–	–	–	–	–	2,463	28,631	31,094	193	31,287
Repurchase of issued of US$1.00 each (note 26(b))	(70)	–	–	–	–	–	–	–	–	(70)	–	(70)
Issuance of ordinary shares in connection with the Global Offering (note 26(d))	588	168,920	–	–	–	–	–	–	–	169,508	–	169,508
Share capitalisation (note 26(e))	1,766	(1,766)	–	–	–	–	–	–	–	–	–	–
Exercise of over-allotment option (note 26(f))	33	9,387	–	–	–	–	–	–	–	9,420	–	9,420
Share issues expenses	–	(11,165)	–	–	–	–	–	–	–	(11,165)	–	(11,165)
Interim dividend paid	–	–	–	–	–	–	–	–	(18,800)	(18,800)	–	(18,800)
Transfer to statutory reserve	–	–	–	–	–	2,604	–	–	(2,604)	–	–	–
Balance at 31 December 2015	2,387	194,895	84	(6,200)	200	9,568	873	2,165	46,244	250,216	578	250,794

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

		Year ended 31 December	
		2015	2014
	Notes	RMB'000	RMB'000
Cash flows from operating activities			
Profit before income tax expense		**41,105**	42,131
Adjustments for:			
Interest income	7(b)	**(515)**	(975)
Interest expenses	9	**7,268**	4,210
Depreciation of property, plant and equipment	8	**13,380**	9,183
Depreciation of investment properties	8	**96**	102
Amortisation of prepaid land lease	8	**1,012**	1,011
Loss/(gain) on disposal of property, plant and equipment	8	**1,919**	(8)
Obsolete inventories written-off	8	**1,463**	1,619
Operating profit before working capital changes		**65,728**	57,273
Increase in inventories		**(30,162)**	(9,199)
Decrease/(increase) in trade receivables		**39,614**	(37,581)
Increase in deposits paid, prepayments and other receivables		**(11,975)**	(34,452)
Increase in trade payables		**2,260**	10,895
(Decrease)/increase in deposits received, receipts in advance, accruals and other payables		**(13,744)**	13,359
Decrease in balance with related companies		**114**	4,702
Decrease in balance with a shareholder		**61**	—
Increase in balance with a carved-out subsidiary		**—**	(272)
Cash generated from operations		**51,896**	4,725
Income tax paid		**(12,778)**	(13,758)
Net cash generated from/(used in) operating activities		**39,118**	(9,033)
Cash flows from investing activities			
Interest received		**515**	975
Purchases of property, plant and equipment		**(42,801)**	(20,845)
Proceeds from sale of property, plant and equipment		**1,252**	779
Proceeds from sale of investment properties		**—**	503
Net cash outflow from acquisition of a subsidiary	32	**—**	(207)
Net cash used in investing activities		**(41,034)**	(18,795)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Year ended 31 December 2015 RMB'000	2014 RMB'000
Cash flows from financing activities			
Proceeds from bank borrowings		**132,000**	57,000
Repayments of bank borrowings		**(57,000)**	(31,550)
Increase in balance with a related company		—	(3,278)
Interest paid		**(7,268)**	(4,210)
Repurchase of issued shares		**(70)**	—
Dividends paid to previous shareholder of a subsidiary		**(18,800)**	(18,800)
Proceeds from issuance of ordinary shares		**178,928**	29,527
Share offer expenses paid		**(10,250)**	(502)
Distribution arising from the Reorganisation		**(43,200)**	(13,000)
Capital contribution upon acquisition of net assets of a subsidiary		—	867
Net cash generated from financing activities		**174,340**	16,054
Net increase/(decrease) in cash and cash equivalents		**172,424**	(11,774)
Cash and cash equivalents at beginning of year		**25,761**	37,549
Effect of exchange rate changes on cash and cash equivalents		**2,414**	(14)
Cash and cash equivalents at end of year		**200,599**	25,761

1. CORPORATE INFORMATION AND THE REORGANISATION EXERCISE AND BASIS OF PRESENTATION

(a) Corporate information

China Shun Ke Long Holdings Limited (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 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. The ordinary shares of the Company (the "Shares") have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 10 September 2015.

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 31 to the consolidated financial statements.

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 29 March 2016.

(b) The Reorganisation exercise and Basis of Presentation

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Shares on the Main Board of the Stock Exchange ("Reorganisation"), the Company became the holding company of the companies now comprising the Group on 29 October 2014.

Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" in the prospectus of the Company dated 28 August 2015 (the "Prospectus").

The Reorganisation upon completion is accounted for as reorganisation under common control using the principle of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements as set out in this report for the year ended 31 December 2014 have been prepared by adopting the merger basis of accounting. The consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2014 include the results and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the period of 2014, or since their respective dates of acquisition or incorporation/establishment, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2015 and 31 December 2014 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.

2. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Adoption of new/revised IFRSs – effective 1 January 2015

IFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
IFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to IAS 19 (2011)	Defined Benefit Plans: Employee Contributions

The adoption of these amendments has no material impact on the Group's financial statements.

(b) New/revised IFRSs that have been issued but are not yet effective

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle [1]
Amendments to IAS 27	Equity Method in Separate Financial Statements [1]
Amendments to IAS 7	Disclosure Initiative [2]
IFRS 9 (2014)	Financial Instruments [3]
IFRS 15	Revenue from Contracts with Customers [3]
IFRS 16	Lease [4]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019

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 subsidiaries, joint ventures and associates in its separate financial statements.

2. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *continued*

(b) New/revised IFRSs that have been issued but are not yet effective – *continued*

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.

2. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *continued*

(b) New/revised IFRSs that have been issued but are not yet effective – *continued*

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.

IFRS 16 - Leases

From the perspective as a lessee, under the existing standard, leases are classified as either finance lease or operating lease, resulting in different accounting treatment. Finance leases are required to be accounted for "On Balance Sheet" (i.e. lease asset and corresponding liabilities are recognised in the statement of financial position); while operating lease is accounted for "Off Balance Sheet" where no asset or liabilities are recognised and the lease expenses are recognised on a straight-line basis along the lease period. Under the new standard, "On Balance Sheet" accounting treatment is required for all leases, except for certain short-term leases and leases of low-value assets. The statement of financial position will be "inflated" by their rights and obligations relating to their existing operating leases. In addition, the recognition of operating lease expenses will change from the existing straight-line model to a "front-loaded" model as finance lease, i.e. during the initial period of the lease term, the lease expenses (asset depreciation plus interest) under the new standard are higher compared to the operating lease expenses recognised under the existing standard.

The Group is not yet in a position to state whether these new pronoumcements will result in substantial changes to the Group's accounting policies and financial statements.

2. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – *continued*

(c) Impact of the Hong Kong Companies Ordinance, Cap. 622

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new Hong Kong Companies Ordinance, Cap. 622. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable IFRSs, International Accounting Standards ("IASs") and Interpretations (hereinafter collectively referred to as "IFRSs") issued by the International Accounting Standards Board (the "IASB") and disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated 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. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the 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.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

a) Business combination and basis of consolidation – *continued*

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) 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.

(c) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquire over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(n)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold buildings	The terms of land use rights
Leasehold improvements	Over the lease terms
Plants and machinery	11% to 32%
Motor vehicles	10% to 25%
Furniture, fixtures and equipment	8% 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.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(e) Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative puposes. On initial recognition, investment property is measured at cost, including any directly attributable expenditures. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, depreciation is charged so as to write off the cost of investment property over the lease terms.

(f) 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.

(g) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. 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 on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(h) 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 at fair value through profit or loss are initially measured at fair value and all other 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.

<u>Loans and receivables</u>

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 reporting period, 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.

<u>For Loans and receivables</u>

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.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(h) Financial Instruments – *continued*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade payables, deposits received, accruals and other payables, 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 period. 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) 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.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(i) 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.

(j) 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 4(g) state

(v) Interest income is recognised on a time-proportion basis using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(k) Income taxes

Income taxes for the year 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 taxable 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 appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under IAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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 or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(l) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which it/they operates (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 wh en 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 consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) 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.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

(m) 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 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 recognised as an expense in profit or loss as they become payable in accordance with the rules of the central pension scheme.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(n) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment/investment property under cost model;

– prepaid land lease; and

– investments in subsidiaries

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 4(c)), 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 or cash generating unit.

(o) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(p) 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 it is probable will result in an outflow of economic benefits that can be reliably 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.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(q) Related parties

(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 Company's parent.

(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).

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(r) 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.

(s) Cash and cash equivalents

Cash comprises cash at bank and on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including assets similar in nature to cash, which are not restricted as to use.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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.

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 judgement 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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – *continued*

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 judgement. A considerable amount of judgement 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 judgement 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.

Deferred tax liabilities

Deferred tax liability is recognised for withholding tax levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. Significant management judgment is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely dividends declared. Where management is in the opinion that it is unlikely the group will declare any dividends from its PRC subsidiaries, no deferred liabilities would be booked.

Classification of properties with dual use

Significant judgement 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 judgements 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. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – *continued*

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

6. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has two reportable segments. The segments are managed separately as each business offers different services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Retail Outlet operation; and
- Wholesale distribution

	Retail Outlet operation 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

6. OPERATING SEGMENT INFORMATION – *continued*

	Retail Outlet operation RMB'000	Wholesale distribution RMB'000	Inter-segment elimination RMB'000	Total RMB'000
For the year ended 31 December 2015:				
Revenue				
From external customers	785,510	254,104	—	1,039,614
From inter-segment	60,313	16,502	(76,815)	—
Reportable segment revenue	845,823	270,606	(76,815)	1,039,614
Reportable segment profit	42,484	10,693	—	53,177
Interest income	315	10	—	325
Unallocated income	—	—	—	—
Unallocated expenses	—	—	—	—
Reportable segment assets	366,292	120,055	—	486,347
Additions to non-current segment assets during the year	42,128	673	—	42,801
Reportable segment liabilities	325,950	4,145	—	330,095

6. OPERATING SEGMENT INFORMATION – *continued*

Reconciliation of reportable segment revenues, profit or loss, assets and liabilities:

	2015 RMB'000	2014 RMB'000
Reportable segment revenue	**1,039,614**	1,053,359
Group revenue	**1,039,614**	1,053,359
Reportable segment profit	**53,177**	45,902
Finance cost	**(7,268)**	(4,210)
Other corporate income	**207**	500
Other corporate expenses	**(5,011)**	(61)
Profit before income tax expense	**41,105**	42,131
Reportable segment assets	**486,347**	386,238
Other corporate assets	**95,863**	674
Group's assets	**582,210**	386,912
Reportable segment liabilities	**330,095**	272,998
Outstanding purchase consideration for the acquisition of a subsidiary from shareholder pursuant to the Reorganisation	**—**	43,200
Other corporate liabilities	**1,321**	100
Group's liabilities	**331,416**	316,298

6. OPERATING SEGMENT INFORMATION – *continued*

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	
	2015	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (domicile)	**1,004,128**	1,033,756	**118,143**	91,864
Macau	**35,486**	19,603	**370**	823
	1,039,614	1,053,359	**118,513**	92,687

The PRC is the country of domicile of the Group. 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.

There was no single customer that contributed to 10% or more of the Groups revenue for the years ended 31 December 2015 and 2014.

7. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

Revenue, which is also the Group's turnover, represents net invoiced value of goods sold, after allowances for returns and discounts; rental income and the value of services rendered. Revenue recognised during the year is as follows:

	2015 RMB'000	2014 RMB'000
Retail Outlet operation and sales		
General retail sales (Note)	630,358	615,872
Bulk sales	112,862	146,392
Rental income from leasing shop premises	39,878	35,237
Commission from concessionaire sales	2,412	2,307
Wholesale distribution		
General wholesales	234,452	236,503
Franchisees	19,652	17,048
	1,039,614	1,053,359

Note:

General sales include the compensation to reduced selling price of approximately RMB10,162,000 and RMB4,245,000 from the local government in the PRC which is classified as turnover during the years ended 31 December 2015 and 2014 respectively. In the opinion of the directors, 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.

(b) Other operating income

An analysis of the Group's other operating income is as follows:

	2015 RMB'000	2014 RMB'000
Government grants (Note)	2,194	136
Promotion income from suppliers	34,856	15,032
Interest income	515	975
Others	7,976	7,671
	45,541	23,814

Note:

Various local government grants have been granted to subsidiaries of the Group during the years ended 31 December 2015 and 2014. There were no unfulfilled conditions or contingencies attached to these government grants.

8. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is arrived at after charging/(crediting):

	2015 RMB'000	2014 RMB'000
Cost of inventories sold	839,016	870,062
Depreciation of property, plant and equipment	13,380	9,183
Depreciation of investment properties	96	102
Amortisation of prepaid land lease payments	1,012	1,011
Net exchange gains	(725)	(47)
Employee costs (excluding directors' remuneration (note 10)):		
– Wages and salaries	53,957	54,049
– Pension scheme contributions	9,255	8,335
– Other benefits	3,152	2,599
	66,364	64,983
Auditor's remuneration	927	58
Listing expenses	10,041	1,508
Operating lease charges in respect of land and buildings	40,448	36,537
Obsolete inventories written-off	1,463	1,619
Loss/(gain) on disposal of property, plant and equipment	1,919	(8)

9. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest charged on bank borrowings	7,268	4,074
Interest charged on current account with a related company	—	136
	7,268	4,210

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Director's remuneration

Directors emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) (the Ordinance) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) (the Regulation) is as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2014				
Executive Directors				
Mr. Lao Songsheng (勞松盛)	—	—	—	—
Ms. Wang Yenfen (王艷芬)	—	134	10	144
Mr. Wu Zhaohui (吳兆輝)	—	122	8	130
	—	256	18	274
Year ended 31 December 2015				
Executive Directors				
Mr. Lao Songsheng (勞松盛)	—	128	—	128
Ms. Wang Yenfen (王艷芬)	—	150	21	171
Mr. Wu Zhaohui (吳兆輝)	—	130	20	150
	—	408	41	449
Non-executive Directors				
Mr. Chen Yijian (陳義建)	—	—	—	—
Ms. Lao Weiping (勞偉萍)	—	—	—	—
	—	—	—	—
Independent non-executive Directors				
Mr. Guan Shiping (關仕平)	41	—	—	41
Mr. Shin Yick Fabian (冼易)	41	—	—	41
Mr. Sun Hong (孫洪)	41	—	—	41
	123	—	—	123

10. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES EMOLUMENTS – *continued*

(b) Five highest paid employees

The five highest paid individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 included 2 directors (2014: 2) and their emoluments are reflected in note 10(a). The emoluments of the remaining 3 highest paid individuals (2014: 3) for the year ended 31 December 2015 are as follows:

	2015	2014
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,036**	620
Pension scheme contributions	**105**	44
	1,141	664

The number of non-director, highest paid employees whose remuneration fell within the bands is as follows:

	2015	2014
	No. of individuals	No. of individuals
Nil to RMB800,000 (approximately Nil – HK$1,000,000)	**3**	3

During the year ended 31 December 2015, 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 year. (2014:Nil)

The remuneration paid or payable to members of senior management was within the following bands:

	2015	2014
	No. of individuals	No. of individuals
Nil to RMB800,000 (approximately Nil – HK$1,000,000)	**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 for the year ended 31 December 2015 (2014: Nil).

No provision for Hong Kong profits tax has been provided as the Group has no estimated assessable profit arising in Hong Kong for the year ended 31 December 2015 (2014: Nil).

The Group's subsidiaries in the PRC were subject to Enterprise Income Tax at the rate of 25% based on the estimated assessable profits for the year ended 31 December 2015 (2014: 25%).

The Group's subsidiaries in Macau were subject to Complementary Tax at rate of 12% based on estimated assessable profit for the year ended 31 December 2015 (2014: 12%).

The amount of taxation in the consolidated statement of comprehensive income represents:

	2015 RMB'000	2014 RMB'000
Current — Macau		
Charge for the year	79	—
Current — the PRC		
Charge for the year	12,202	11,096
Total tax charge for the year	12,281	11,096

The income tax expense for the year can be reconciled to the profit before income tax expense in the consolidated statement of comprehensive income as follows:

	2015 RMB'000	2014 RMB'000
Profit before income tax expense	41,105	42,131
Tax on profit before income tax expense, calculated at the rates applicable to profit in the tax jurisdictions concerned	10,283	10,457
Tax effect of expenses not deductible for tax purposes	1,323	223
Tax effect of revenue not taxable for tax purpose	(91)	(111)
Utilisation of tax losses previously not recognised	(77)	(36)
Tax effect of tax losses not recognised	953	563
Effect of tax exemptions granted to Macau subsidiaries	(110)	—
Income tax expenses	12,281	11,096

11. INCOME TAX EXPENSE – *continued*

As at 31 December 2014 and 2015, no deferred tax liabilities have been recognised in respect of the temporary differences of approximately RMB27,186,000 and RMB36,962,000 associated with undistributed earnings of certain subsidiaries established and operating 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 2014 and 2015, the Group has estimated unused tax losses of approximately RMB2,172,000 and RMB3,831,000 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

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2015 RMB'000	2014 RMB'000
Earnings		
Profit attributable to equity holders of the Company	28,631	30,951

	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	238,022,041	214,857,000

The number of ordinary shares for the purpose of calculating basis earnings per share has been retrospectively adjusted for the capitalisation issue as disclosed in note 26 as if the shares had been in issue throughout both years.

The diluted earnings per share are the same as basic earnings per share as there are no dilutive potential shares for the years ended 31 December 2015 and 31 December 2014.

13. DIVIDEND

On 18 August 2015, the Group declared and paid an interim dividend in the aggregate amount of RMB18,800,000 to previous shareholder of a subsidiary. On 14 February 2014, the Group declared and paid an interim dividend in the aggregate amount of RMB18,800,000.

14. PROPERTY, PLANT AND EQUIPMENT

	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
Cost:							
At 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	—	21	6	5	6	—	38
Additions	—	29,787	6,536	1,506	4,972	—	42,801
Transfers	—	834	—	—	—	(834)	—
Disposals	—	(4,601)	(700)	(791)	(1,404)	—	(7,496)
At 31 December 2015	20,307	61,086	12,782	7,943	14,172	—	116,290
Accumulated depreciation:							
At 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	—	3	1	—	1	—	5
Depreciation charge for the year	476	7,526	1,813	1,328	2,237	—	13,380
Disposals	—	(2,783)	(245)	(511)	(786)	—	(4,325)
At 31 December 2015	2,511	24,193	4,201	3,964	5,925	—	40,794
Net book value:							
At 31 December 2014	18,272	15,598	4,308	4,076	6,125	834	49,213
At 31 December 2015	17,796	36,893	8,581	3,979	8,247	—	75,496

As at 31 December 2015 and 2014, certain leasehold buildings with net carrying amount of approximately RMB16,024,000 and RMB14,975,000 were pledged to the bank for banking facilities granted to the Group (Note 25).

15. PREPAID LAND LEASE

	2015 RMB'000	2014 RMB'000
Balance as at 1 January	**35,934**	36,945
Amortisation	**(1,012)**	(1,011)
Balance as at 31 December	**34,922**	35,934
Balance as at 31 December		
Cost	**39,915**	39,915
Accumulated amortisation	**(4,993)**	(3,981)
Net book amount	**34,922**	35,934

As at 31 December 2015 and 2014, certain prepaid land lease with net carrying amount of approximately RMB31,918,000 and RMB28,895,000 were pledged to the bank for banking facilities granted to the Group (Note 25).

16. INVESTMENT PROPERTIES

	2015 RMB'000	2014 RMB'000
Balance as at 1 January	**4,444**	5,049
Disposal	—	(503)
Depreciation	**(96)**	(102)
Balance as at 31 December	**4,348**	4,444
Balance as at 31 December		
Cost	**5,084**	5,084
Accumulated depreciation	**(736)**	(640)
Net book amount	**4,348**	4,444

The Group's investment property, which is land and buildings held under leasehold interest, are situated in the PRC with lease terms expiring in 2075.

As at 31 December 2015 and 2014, certain investment properties with net carrying amount of approximately RMB2,558,000 and RMB2,615,000 were pledged to the bank for banking facilities granted to the Group (Note 25).

16. INVESTMENT PROPERTIES – *continued*

The fair value of the Group's investment property at 31 December 2015 and 2014 were approximately RMB 10,000,000 and RMB6,300,000 respectively which was estimated by the directors of the Company.

The directors of the Group consider that there is no impairment of investment properties during the years ended 31 December 2015 and 2014 as there is no significant change in the fair value of the investment properties during the years.

Fair value

The following table gives information about how the fair values of investment properties as at 31 December 2015 and 2014 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 adjusted 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.

17. GOODWILL

	2015 RMB'000	2014 RMB'000
Balance as at 1 January	**2,554**	—
Acquired through business combination (note 32)	—	2,577
Exchange adjustment	**140**	(23)
Balance as at 31 December	**2,694**	2,554

IMPAIRMENT TESTING ON GOODWILL

The recoverable amount of the goodwill is determined based on the cash generating unit ("CGU") of the Group's Retail Outlet network in Macau (Usmart Chain Supermarket Company Limited) to which the goodwill belongs by the value in use basis. The calculation is based on the most recent five-year financial budgets approved by management which represent the business cycle and strategy plan of Group's business segment. The following key assumptions have been made for the purpose of analysis:

1. Gross margin ratio of 26% (2014: 25%)

2. Pre tax discount rate of 11% (2014: 8%) per year

3. Average growth rate of 0% (2014: 5%)

Management determined the gross margin based mainly on past performance of the CGU and management's expectations for the market development. The discount rate used and pre-tax and reflect the specific risk associated with the CGU. The recoverable amounts of the CGU have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate of 0%, which does not exceed the long-term growth rate for Retail Outlet operation industry in Macau.

The recoverable amount of the goodwill determined in the above manner suggested that there was no impairment in the value of goodwill as at 31 December 2015 and 2014.

The directors believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

18. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Non-current assets		
– Rental deposits paid	5,371	4,413
– Payment in advance for acquisition of property, plant and equipment	1,053	542
	6,424	4,955
Current assets		
– Prepayments	3,496	9,682
– Advances to suppliers	13,826	17,004
– Deposits paid	2,520	2,614
– Other receivables	58,414	39,314
	78,256	68,614

As at 31 December 2015 and 2014, 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.

19. INVENTORIES

	2015 RMB'000	2014 RMB'000
Merchandise for resale	140,321	111,509

20. 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:

	2015 RMB'000	2014 RMB'000
Within 30 days	15,037	22,215
31 to 60 days	4,647	10,308
61 to 180 days	11,762	26,296
181 to 365 days	3,049	4,625
Over 1 year	1,968	12,627
	36,463	76,071

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	23,674	41,544
Past due but not impaired		
Less than 1 month past due	2,425	10,166
1 to 3 months past due	5,347	7,110
Over 3 months past due	5,017	17,251
	36,463	76,071

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.

21. CASH AND CASH EQUIVALENTS

	2015 RMB'000	2014 RMB'000
Cash and cash equivalents are denominated in:		
Hong Kong Dollars ("HK$")	**155,232**	1,719
RMB	**42,321**	22,767
Macau Patacas ("MOP")	**3,046**	1,275
	200,599	25,761

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 authorised 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.

22. 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:

	2015 RMB'000	2014 RMB'000
Current to 30 days	**47,289**	53,170
31 to 60 days	**28,234**	36,123
61 to 180 days	**54,313**	42,991
181 to 365 days	**11,790**	4,789
Over 1 year	**1,822**	3,995
	143,448	141,068

23. DEPOSITS RECEVED, RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Deposits received	**12,254**	7,114
Receipts in advance	**4,131**	9,314
Accruals and other payables	**25,629**	39,156
	42,014	55,584

24. BALANCES WITH RELATED COMPANIES/SHAREHOLDERS

(a) Amounts due from related companies/shareholders

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 year ended 31 December 2015, the amounts due from related companies are unsecured, interest-free and repayable on demand. The carrying amounts of the amounts due appropriate to their fair value.

The amounts due from related parties are as follows:

	At 1 January 2014 RMB'000	Maximum amount outstanding during the year RMB'000	At 31 December 2014 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	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
佛山市順德區龍江鎮僑社百貨商場	530	530	—
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鬥門商場	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
佛山市順德區樂從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
台山宴米業廠有限公司	—	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	—
佛山市順德區樂從建農蔬果專業合作社	284	5,000	75
肇慶西江襪廠有限公司	4	4	—
	3,511		7,796

24. BALANCES WITH RELATED COMPANIES/SHAREHOLDERS – *continued*

(a) Amounts due from related companies/shareholders – *continued*

	At 1 January 2015 RMB'000	Maximum amount outstanding during the year RMB'000	At 31 December 2015 RMB'000
Amounts due from shareholders			
Xing Nong Holdings Limited	18	18	—
Golden Prime Holdings Limited	35	35	—
Jian Nong Holdings Limited	8	8	—
	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	46	—
佛山市順德區樂從供銷集團荔園酒家有限公司	179	215	215
佛山市順德區樂從供銷集團健怡樂配餐中心有限公司	164	478	478
佛山市順德區樂從供銷集團小布樂餐飲有限公司	209	209	77
佛山市順德區樂從供銷集團液化石油氣供應有限公司	7	11	11
順德區海業水產發展有限公司	18	18	1
高要市振豪物業管理有限公司	3	4	4
肇慶市西江酒廠有限公司	241	241	—
佛山市順德區中旅國際旅行社有限公司	1	1	1
佛山順德活泉飲用水有限公司	2	2	—
廣東廣樂包裝材料股份有限公司	21	21	20
佛山市順德區樂從供銷集團樂的百貨有限公司	361	388	388
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	1
佛山市順德區樂從供銷集團有限公司	125	311	311
台山宴米業廠有限公司	2,659	2,659	206
佛山市順德區樂從供銷集團樂的上品軒食品有限公司	455	455	105
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	5
佛山市順德區中歐電子商務有限公司	1	209	209
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	—
高要市樂添房產經營有限公司	1	200	200
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	—	53	53
高要市供銷集團有限公司	—	48	48
佛山市順德區金樂貿易有限公司	—	350	350
	7,796		2,687

24. BALANCES WITH RELATED COMPANIES/SHAREHOLDERS – *continued*

(b) Amounts due to related companies

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 Limited, amounted to RMB43,200,000, 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.

For the year ended 31 December 2015, the amounts due to related companies are unsecured, interest-free and repayable on demand.

25. BANK BORROWINGS

	2015 RMB'000	2014 RMB'000
Secured		
– bank borrowings due for repayment within one year	52,000	57,000
– bank borrowings due for repayment after one year but within two years	80,000	—
	132,000	57,000

As at 31 December 2015 and 2014, the bank borrowings are denominated in RMB, repayable within two years and bear interest at fixed rate and the floating rate ranging from 5.0% to 6.3% and 7.2% to 7.3% per annum respectively.

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 RMB16,024,000 and RMB14,975,000 as at 31 December 2015 and 2014 respectively (Note 14);

(ii) the pledge of certain prepaid land lease of the Group with net carrying amount of approximately RMB31,918,000 and RMB28,895,000 as at 31 December 2015 and 2014 respectively (Note 15); and

(iii) the pledge of certain investment properties of the Group with net carrying amount of approximately RMB2,558,000and RMB2,615,000 as at 31 December 2015 and 2014 respectively (Note 16);

26. SHARE CAPITAL

The movements in the issued ordinary share capital during the year are as follows:

	2015		2014	
	Number of share(s)	RMB'000	Number of share(s)	RMB'000
Authorised:				
Ordinary shares of US$1.00 each				
At 1 January	50,000	305	50,000	305
Increase in authorised share capital of HK$0.01 each (note a)	2,000,000,000	15,826	—	—
Cancellation of unissued shares of US$1.00 each (note c)	(50,000)	(305)	—	—
Ordinary shares of HK$0.01 each				
At 31 December	2,000,000,000	15,826	50,000	305
Issued and fully paid:				
Ordinary shares of US$1.00 each				
At 1 January	11,429	70	11,429	70
Repurchase of issued shares of US$1.00 each (note b)	(11,429)	(70)	—	—
Issue of share capital of HK$0.01 each	11,429	—	—	—
Issuance of ordinary shares in connection with the Global Offering (note d)	71,620,000	588	—	—
Share capitalisation (note e)	214,845,571	1,766	—	—
Exercise of over-allotment option (note f)	3,980,000	33	—	—
Ordinary shares of HK$0.01 each				
At 31 December	290,457,000	2,387	11,429	70

(a) The Company was incorporated in the Cayman Island on 18 March 2013 with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1.00 each. On the same date, one share of US$1.00 was allotted and issued at par to the initial subscriber. Pursuant to the written resolution passed on 22 April 2015, the authorised share capital was increased by HK$20,000,000 by the creation of 2,000,000,000 shares.

(b) Following the above creation of authorised share capital, the Company repurchases the 11,429 shares of US$1.00 in issue at a price of US$1.00 per share and following such repurchase, the 11,429 shares of US$1.00 were cancelled.

26. SHARE CAPITAL – *continued*

(c) Following the above repurchase, the authorised but unissued capital of the Company is diminished by the cancellation of the 50,000 unissued shares of US$1.00 each in the capital of the Company.

(d) In connection with the Company's global offering completed on 10 September 2015 ("Global Offering"), the Company issued 71,620,000 shares of HK$0.01 each at a price of HK$2.88 per Share for a total subscription price (before related fees and expenses) of HK$206,266,000. Dealings in the Shares on the Main Board of the Stock Exchange commenced on 10 September 2015.

(e) Pursuant to a resolution in writing of all shareholders of the Company (the "Shareholders") passed on 19 August 2015, 214,845,571 shares were allotted and issued and credited as fully paid at par to the Shareholders whose names appeared on the register of members of the Company on such date in proportion to their then existing respective shareholdings by way of capitalising a sum of approximately HK$2,149,000 standing to the credit of the share premium account of the Company, immediately following the completion of the Global Offering. All the Shares allotted and issued pursuant to this resolution ranked pari passu in all respects with the then existing issued shares.

(f) In connection with the exercise of the over-allotment option completed on 2 October 2015, the Company issued a total of 3,980,000 ordinary shares at a price of HK$2.88 per share.

27. RESERVES

Group

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Share premium

The share premium account of the Group represents the premium arising from the issuance of Shares at premium.

Special reserve

Sepecial reserve represents the investment cost of a subsidiary which has been carved out of the Group as part of the Reorganisation and the proceeds from disposal of that subsidiary.

Merger reserve

The merger reserve of the Group arose as a result of the Reorganisation. As at 31 December 2015 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.

Capital reserve

Capital reserve represents the capital contribution from the previous shareholders to a subsidiary of the Group.

27. RESERVES – *continued*

Statutory reserve

In accordance with the Company Law of the PRC, the Company's subsidiary registered in the PRC is required to appropriate 10% of the annual statutory net profit after taxation (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the 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.

Capital contribution reserve

Capital contribution reserve of the Group represented the consideration paid by the Group to acquire the net assets of a subsidiary in excess of their carrying amounts.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statement of changes in equity.

The Company

	Share premium RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 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
Insurance of ordinary shares in connection with the Global Offering (note 26 (d))	168,920	—	—	168,920
Share capitalisation (note 26 (e))	(1,766)	—	—	(1,766)
Exercise of over-allotment option (note 26 (f))	9,387	—	—	9,387
Share issue expenses	(11,165)	—	—	(11,165)
Exchange differences on translating foreign operations	—	4,835	—	4,835
Loss for the year	—	—	(3,472)	(3,472)
Balance at 31 December 2015	194,895	4,981	(3,472)	196,404

28. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions detailed elsewhere in this financial statements, the Group had the following material transactions with related parties during the year:

Related party relationship	Nature of transaction	2015 RMB'000	2014 RMB'000
Related companies (note a)	Sale of goods (note b)	9,212	7,835
	Purchase of goods (note c)	54,415	62,626
	Rental Income received	748	549
	Rental expense paid (note d)	9,579	9,686
	Interest expenses incurred	—	136
Carved-out subsidiary	Sale of goods	—	4,456
	Purchase of goods	—	1,458

(a) A director of the Company, Mr. Lao Songsheng, is a beneficial shareholder of Lecong Supply and Marketing Group Limited (佛山市順德區樂從供銷集團有限公司). Certain subsidiaries of the Group operating in the PRC entered into contracts with Lecong Supply and Marketing Group Limited and its subsidiaries for sales of goods, purchase of goods, leasing of properties to and from Lecong Supply and Marketing Group Limited.

(b) The consideration of sale transactions are based on 1) historical transaction prices and amount; 2) prevailing market prices; and 3) discount rate offered to bulk purchase customers. The credit period for sales to related parties is within 30 days.

(c) The consideration of purchase transactions are based on 1) historical transaction prices and amount; 2) prevailing comparable wholesale prices; and 3) discounts offered on bulk purchase. The credit period for purchases from related parties is within 30 days.

(d) The Group entered into lease agreements with respect of leasing of the properties for use as headquarter, retail outlets and warehouses. The terms of lease agreements are mutually agreed by the Group and related companies with reference of market rent. The credit period for leasing of properties from related companies is within 30 days.

(ii) Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 10 to the consolidated financial staetments, is as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	408	256
Pension scheme contributions	41	18
	449	274

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 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	18,853	22,862
Later than one year and not later than five years	19,555	15,493
Later than five years	1,568	1,373
	39,976	39,728

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 2015, the Group had total future minimum lease receipts under non-cancellable operating leases falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	14,207	13,621

30. CAPITAL COMMITMENTS

As at 31 December 2015, the Group had the following capital commitments:

	2015 RMB'000	2014 RMB'000
Contracted, but not provided for, in respect of acquisition of property, plant and equipment	2,054	2,657

31. INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries are as follow:

Company name	Place of incorporation/ establishment	Particulars of issued and fully paid share capital/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Subsidiaries					
Shun Ke Long International Limited	BVI	2 ordinary shares of US$1.00 each	100	—	Investment holding
Hong Kong Shun Ke Long International Limited ("HKSKL")	Hong Kong	1 ordinary share of Hong Kong dollars ("HK$") 1.00 each	—	100	Investment holding
Macau Son Hak Long International Sociedade Unipessoal Limitada ("Macau SKL")	Macau	MOP38,625,000	—	100	Operations and management of retail stores in Macau
Usmart Chain Supermarket Company Limited ("Usmart Chain Supermarket")	Macau	MOP38,657,000	—	100	Operations and management of retail stores in Macau
佛山市順德區昌萬隆複合材料有限公司*	PRC	Paid up capital of HK$85,500,000	—	100	Wholesale of goods in the PRC
佛山市順德區駿樂商業管理有限公司#	PRC	Paid up capital of RMB1,000,000	—	100	Investment holding
佛山市順德區金程商貿有限公司#	PRC	Paid up capital of RMB6,000,000	—	100	Investment holding
佛山市順客隆商業有限公司#	PRC	Paid up capital of RMB50,000,000	—	100	Operations and management of retail stores and wholesale in the PRC
珠海市順客隆商業有限公司#	PRC	Paid up capital of RMB1,000,000	—	100	Operations and management of retail stores in the PRC
肇慶順客隆商業連鎖有限公司# (previously know as 高要市順客隆商業連鎖有限公司)	PRC	Paid up capital of RMB10,000,000	—	100	Operations and management of retail stores in the PRC
廣州市順客隆超市有限公司#	PRC	Paid up capital of RMB1,000,000	—	70	Operations and management of retail stores in the PRC
佛山市順德區譽邦行貿易有限公司#	PRC	Paid up capital of RMB500,000	—	100	Wholesale of goods in the PRC
肇慶市高要區樂通貿易有限公司# (previously know as 高要市樂通貿易有限公司)	PRC	Paid up capital of RMB1,000,000	—	100	Wholesale of goods in the PRC
佛山市順德區名建貿易有限公司#	PRC	Issued capital of RMB 6,000,000	—	100	Operations and management of retail stores in the PRC
佛山市順德區澳中貿易有限公司*	PRC	Paid-up capital of HK$1,000,000	—	100	Operations and management of retail stores in the PRC
肇慶順客隆電子商務有限公司#	PRC	Paid up capital of RMB990,000	—	100	Retail of goods in the PRC

* *registered as wholly-foreign owned enterprises under the PRC law*

\# *registered as a limited liability company under the PRC law*

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 17)	2,577
Net cash outflow from acquisition	(207)

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. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2015 RMB'000	2014 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		31,403	29,674
Current assets			
Amounts due from subsidiaries		84,060	—
Amounts due from shareholders		—	61
Cash and cash equivalents		84,708	16
Total current assets		168,768	77
Current liabilities			
Other payables		1,243	16
Amounts due to subsidiaries		137	—
Total current liabilities		1,380	16
Net current assets		167,388	61
Net assets		198,791	29,735
EQUITY			
Share capital		2,387	70
Reserves	27	196,404	29,665
Total equity		198,791	29,735

34. 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

	2015 RMB'000	2014 RMB'000
Loans and receivables:		
Trade receivables	36,463	76,071
Deposits paid and other receivables	66,305	46,341
Amounts due from related companies	2,687	7,796
Amounts due from shareholders	—	61
Cash and cash equivalents	200,599	25,761
	306,054	156,030

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:

	2015 RMB'000	2014 RMB'000
Financial liabilities measured at amortised cost:		
Trade payables	143,448	141,068
Deposits received, accruals and other payables	37,883	46,270
Amounts due to related companies	12,965	61,160
Bank borrowings	132,000	57,000
	326,296	305,498

35. 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, 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.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

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.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand 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	57,676	57,676
	305,498	306,174	306,174

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000
31 December 2015				
Trade payables	143,448	143,448	143,448	—
Deposits received, accruals and other payables	37,883	37,883	37,883	—
Amounts due to related parties	12,965	12,965	12,965	—
Bank borrowings	132,000	139,779	58,837	80,942
	326,296	334,075	253,133	80,942

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

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.

	2015		2014	
	Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000
Financial liabilities				
Fixed rate borrowings				
– Bank borrowings	5.0 – 6.1	52,000	7.2 – 7.3	57,000
Floating rate borrowings				
– Bank borrowings	5.5 – 6.3	80,000	—	—
Financial assets				
Floating rate assets				
– Bank balances	0.01 – 0.35	200,381	0.01 – 0.35	23,082

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 RMB903,000 for the year ended 31 Deccember 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 2015 and 2014.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – *continued*

Capital management

The capital structure of the Group consists of debts, which includes the bank borrowings disclosed in Note 25 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in notes 26 and 27 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.

	2015 RMB'000	2014 RMB'000
Debt	**132,000**	57,000
Equity	**250,794**	70,614
Debt to equity ratio	53%	81%

36. EVENTS AFTER THE REPORTING DATE

On 29 March 2016, the directors of the Company have recommended a final dividend of HK$10 cents per share of the Company for the year ended 31 December 2015.

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The financial statement were approved and authorised for issue by the Board of Directors on 29 March 2016.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present to all shareholders the annual results of China Shun Ke Long Holdings Limited (the "Company" and together with its subsidiaries, the "Group") for the year ended 31 December 2015.

In 2015, the revenue of the Group was RMB1,039.6 million, representing a decrease of 1.3% as compared with that of last year. In particular, it was affected by tobacco business which has changed from direct sales to operation by tenants. Tobacco sales of the Group was RMB65.8 million in 2014. In 2015, profit attributable to owners of the Company was RMB28.6 million, representing a decrease of 7.5% compared with that of last year, which was partly due to the fact that listing expenses of RMB 10.0 million was accounted. Overall gross profit margin of the Group was improved and the Group contributed considerable amount of tax income for the country.

In 2015, China's economy showed signs of significant slowdown. Online retail business has posed great challenge to offline retail business, while the competition among offline retailers was also intensifying. Under this environment, I consider that the performance of the Company in 2015 was still satisfactory, and I would also like to thank our employees for their efforts and our suppliers and customers for their supports.

In 2015, the Group has optimized the outlet portfolio by opening 12 new outlets and eliminating 12 outlets which were less competitive. In addition, the Group has also commenced operation of online retail business to enrich the sales channels, and has installed "All-in-one machine" customized specially for the O2O sales model in 49 stores. Customers can use the "All-in-one machine" to complete purchase and settlement of goods online and specify the outlet for delivery. Sales of goods are not restricted by the size of and the stocking available in the outlets.

In 2016, the chain supermarket industry in China is expected to remain challenging, therefore the Group will continue to exercise prudence in outlet expansion. Targeting consumers' pursuit for shopping convenience, the Group will focus on identifying suitable locations in residential communities to open relatively small supermarkets with fresh food as the selling focus. As for the regions, we will target regions where our existing networks of outlets are located to take advantage of the Group's brand recognition and distribution network in regions concerned.

Fresh foods, imported products and snack foods will be the types of goods that the Group will focus on for development, hoping to create competitive edges of the outlets by enriching the varieties of fresh foods, imported products and snack foods and improve the quality of fresh food, imported products and snack foods. Regarding fresh foods, the Group will endeavor to commence cooperation with more agriculture production bases to ensure our price advantage. Regarding imported products, apart from purchases from global joint procurement platform consisting of a number of large retail companies, the Group will strengthen development of its own channels for procurement of imported goods so as to introduce more suitable products. Regarding snack foods, targeting the preferences of teenagers and children, the Group will continue to introduce more popular products with sophisticatedly designed display to attract the attention of consumers.

Regarding online sales, the Group will continue to optimize the product portfolio for the online shops operated under our own website, the "WeChat (微信)" e-commerce platform and the "JD.COM (京東)"e-commerce platform. In January 2016, the Group introduced its employees as sales persons in the online stores on the "WeChat" e-commerce platform, encouraging them to use the marketing functions of the "WeChat" e-commerce platform and their social networks on the "WeChat" social platform to market selected goods, and provided them with commission to mobilize their enthusiasm. In March 2016, the Group began to cooperate with the "HelloGou.com (好立購)" e-commerce platform to carry out sales of cross-border products and general merchandises on the platform. We also sell imported products on the platform of "HelloGou.com" and provided the platform with advisory services including the introduction of vendors, allocation of vendors and products, marketing and introduction of offline franchisees.

The "HelloGou.com" e-commerce platform was established by Foshan Shunde Hengli E-commerce Company Limited (佛山市順德區恒立電子商務有限公司) ("Hengli Limited"). Hengli Limited was approved by the Guangzhou Custom Bureau of China (中國廣州海關) to operate online sales of cross-border products, and was approved by the Guangdong Telecommunication Management Bureau (廣東省通信管理局) to operate value-added telecommunication services. Online sales of cross-border products enables the "HelloGou.com" e-commerce platform to have more features than the average e-commerce platforms in that customers can make the purchase online while commodities are posted directly to customers by offshore or custom controlled warehouses to cope with the preference of customers who prefer direct purchase of overseas goods. In such transactions, customers shall bear the import duties for baggage and the postal articles (行李和郵遞物品進口稅), and such tax are relatively lower than the combined costs of custom duty, value-added tax and consumption tax applicable to general imports, resulting in certain degree of competitive advantages. Currently Hengli Limited has opened an outlet in Foshan with an area of about 1,100 square meters, and has set up counters in 10 outlets of the Group to display goods and promote the "HelloGou.com" e-commerce platform, so that customers can examine the physical goods before executing the transaction by scanning the "Quick Response Code" on the labels of the products with their mobile phones to log in the "HelloGou.com" e-commerce platform. The outlets of Hengli Limited will also sell imported products provided by the Group.

The Group's O2O flagship outlet named "O' city" in Foshan is accelerating construction of its information system which is expected to commence operation in mid-2016 so that customers can execute transactions by scanning the "Quick Response Code" on the labels of the products with their mobile phones to log in the "HelloGou.com" e-commerce platform.

As the Group has used the "HelloGou.com" e-commerce platform, to avoid duplicated construction and waste of resources, the online stores on the Group's own website will gradually shift to focus mainly on sales of fresh food and in this way strengthen the Group's image of focusing on sales of fresh foods.

Regarding wholesale business, the Group mainly engaged in regional distribution of branded goods in the past. To align with the development of imported products, the Group will take advantage of its wholesale networks to market imported products to enhance the sales volume thereof targeting to achieve the economies of scale for procurement of imported products.

Finally, on behalf of the Board, I would like to take this opportunity to express our thanks to shareholders for their support to the Company. Meanwhile, the Board will recommend the payment of a final dividend of 10.0 HK cents per share of the Company as investment return to shareholders of the Company.

Lao Songsheng
Chairman

29 March 2016

EXECUTIVE DIRECTORS

Mr. Lao Songsheng (勞松盛), aged 67, is the chairman and executive director of the Company ("Director"). He is responsible for formulation of the overall planning and strategic plan and business development direction of the Group, formulation and execution of operational plan and overseeing the corporate management structure of the Group. He joined the Group as the chairman of Foshan Shun Ke Long Commercial Limited ("Shun Ke Long") in July 2003, responsible for the strategic planning and development of the Group. He is the father of Ms. Lao Weiping and father-in-law of Mr. Chen Yijian, both being non-executive Directors. Mr. Lao is also the director of Shun Ke Long International Limited and Hong Kong Shun Ke Long International Limited, both the wholly-owned subsidiaries of the Company, and the administrator of Macao Son Hak Long International Company Limited and Usmart Chain Supermarket Company Limited, both the wholly-owned subsidiaries of the Company.

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 Foshan Shunde Lecong Supply and Marketing Group Limited (佛山市順德區樂從供銷集團有限公司) ("Lecong Limited"). Since June 2013, he has been the chairman of Golden Prime Investment Holdings Limited (佛山市金源投資控股有限公司). 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) between 2007 and 2015. 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 more than 45 years of experience in management of companies in various industries.

Ms. Wang Yanfen (王艷芬), aged 40, is the chief executive officer, authorized representative and executive Director of the Company. She is responsible for drawing up of the overall business operation plan of the Group, issuance of annual management plan, management and arrangement of corporate resources and development of new projects of the Group. She joined the Group in July 2003 as a deputy manager. Ms. Wang was promoted as the deputy general manager of the Group in July 2006. Since April 2007, she has been the general manager of the Group. Ms. Wang is also the directors of Shun Ke Long International Limited and Hong Kong Shun Ke Long International Limited, both the wholly-owned subsidiaries of the Company, and the legal representative of Foshan Chang Wan Long Composite Materials Limited, Shun Ke Long, Foshan Shunde Mingjian Trading Limited, Zhuhai Shun Ke Long Commercial Limited, Foshan Yubang Hang Trading Company Limited, all wholly-owned subsidiaries of the Company.

Ms. Wang graduated from Jinan University (暨南大學) in the PRC majoring in business administration in 2004. She joined Lecong Limited in August 1996 as a management staff, being responsible for mall operational management and wholesale management. Ms. Wang has 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 40, is an 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 the Group in July 2003 as a manager. He was promoted as the deputy general manager of the Group in July 2011. Mr. Wu is also the legal representative of Foshan Shunde Ao Zhong Trading Limited and Zhaoqing Shun Ke Long E-commerce Limited, both wholly-owned subsidiaries of the Company, and Guangzhou Shun Ke Long Supermarket Limited, a 70%-owned subsidiary of the Company.

Mr. Wu graduated from Wuyi University (五邑大學) with a bachelor degree in economics in 1998. He joined Lecong Limited 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 Limited in January 1999. Mr. Wu has 17 years of experience in management.

NON-EXECUTIVE DIRECTORS

Mr. Chen Yijian (陳 義 建), aged 47, is a non-executive Director. He is the husband of Ms. Lao Weiping, a non-executive Director and son-in-law of Mr. Lao Songsheng, an 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 Limited. 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 Limited in April 2007. Since August 2013, he has been the executive director of Lecong Limited. Mr. Chen more 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 (經濟和技術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 (順德區地方税收拓展研究室) 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. He became the president of Lecong Chamber of Commerce (樂從商會) in 2015.

Ms. Lao Weiping (勞偉萍), aged 41, is a non-executive Director. She is the daughter of Mr. Lao Songsheng, an executive Director, and the wife of Mr. Chen Yijian, a 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 Limited, 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 67, was appointed as an 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) 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 of Economy 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. Guan Shiping (關仕平), aged 61, was appointed as an 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 (佛山市禪城區人大委員會) 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.

Mr. Shin Yick Fabian (冼易), aged 47, was appointed as an 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 a non-executive director of Hang Fat Ginseng Holdings Company Limited, a company listed on the Stock Exchange (stock code: 00911) between January and February 2016. 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 24 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.

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 of the Company.

The non-executive Directors have been appointed for a term of three years commencing from the 19 August 2015. The appointments of the non-executive Directors are subject to the provision of retirement and rotation of the Directors as set forth in the Articles of Association of the Company.

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 of the Company.

SENIOR MANAGEMENT

Ms. He Aiqiong (何愛瓊), aged 42, is a deputy general manager of the Group. She is responsible for procuring goods and establishing logistics and procurement strategies of the Group. She joined Lecong Limited 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 (練從峰), aged 38, is a deputy general manager of the Group. 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 42, is a deputy general manager of the Group. He is responsible for building wholesale and distribution customer relationships and proposing marketing strategies of our Group. He joined Lecong Limited 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. Huo is also a legal representative of Gaoyao Shun Ke Long Commercial Chain Limited, a wholly-owned subsidiary of the Company.

Mr. Wu Weihua (吳偉華), aged 38, is the head of internal audit and risk management department of the Group. He is responsible for the internal audit function of the Group and assisting the management to monitor risk in the Group's daily operations. He joined the Group in August 2012. He had been the deputy general manager in charge of finance in Shun Ke Long between August 2012 and December 2015. He was assigned with the existing post in the Group in January 2016. 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.

Mr. Fan Chi Yuen Charles (樊志遠), aged 41, is the company secretary and authorized representative of the Company and financial controller of the Group. Mr. Fan is responsible for the financial reporting functions as well as the company secretarial affairs of the Group. Mr. Fan obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in 1996. Mr. Fan joined the Group in February 2015 as the company secretary and financial controller. Mr. Fan has over 19 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 Financial Markets 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.

The board (the "Board") of directors (the "Directors") of China Shun Ke Long Holdings Limited (the "Company" and together with its subsidiaries, the "Group") is pleased to present the report of the Directors along with the audited consolidated financial statements of the Company for the year ended 31 December 2015 (the "Financial Statements").

DIRECTORS

The Directors during the year ended 31 December 2015 and up to the date of this annual report were as follows:

Executive Directors

Mr. Lao Songsheng *(Chairman)*
Ms. Wang Yanfen *(Chief Executive Officer)*
Mr. Wu Zhaohui

Non-executive Directors

Mr. Chen Yijian
Ms. Lao Weiping
Mr. Liao Yangen *(resigned on 22 April 2015)*
Mr. Tang Qirong *(resigned on 4 May 2015)*

Independent Non-executive Directors

Mr. Sun Hong *(appointed on 19 August 2015)*
Mr. Guan Shiping *(appointed on 19 August 2015)*
Mr. Shin Yick Fabian *(appointed on 19 August 2015)*

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is a supermarket chain store operator with geographical focus in Guangdong province of the People's Republic of China (the "PRC") and maintains both retail and wholesale distribution channels.

BUSINESS REVIEW

The slowdown in the economy growth of the PRC and the keen competition in the industry were the principal risks and uncertainties facing the Group. The Group closed 12 retail outlets and opened 12 retail outlets during the year ended 31 December 2015. By closing less productive retail outlets, the competitiveness of the Group's retail outlet portfolio was improved. The Group will continue to monitor the performance of retail outlets and take steps to further improve the Group's competitiveness. The Group does not have any current plan that will cause substantial changes to the Group's business.

There were no significant changes in the revenue of the Group for the year ended 31 December 2015 as compared to that for the year ended 31 December 2014. The net profit attributable to the owners of the Company for the year ended 31 December 2015 decreased by RMB2.3 million (or 7.5%) as compared to that for the year ended 31 December 2014, mainly as a result of incurring listing expenses of RMB10.0 million.

The Group shows concerns about the environment and takes measures to save nature resources such as adopting online approval processes for daily operations, encouraging water and energy savings in retail outlets and offices, reasonable uses of vehicles. To avoid food wastage caused by the expiry of the goods, the Group closely monitors the inventory level. When necessary, the Group also asks for the financial support from the suppliers and carries out promotion to secure the goods being sold before their expiry date.

During the year ended 31 December 2015, the Directors were not aware of any beach of relevant laws and regulations that had a significant impact on the Group.

In general, the Group maintained good relationships with its employees, customers and suppliers and had no significant reliance on any particular employee, customer or supplier.

For the Company's view on the future development in the Company's business, please refer to the section headed "OUTLOOK AND PROSPECT" of this annual report.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income on page 6 of this annual report.

DIVIDEND

The Directors have recommended a final dividend of 10.0 HK cents per share of the Company (the "Share") for the year ended 31 December 2015 payable to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company at the close of business on Friday, 24 June 2016. Subject to the passing of the relevant resolution at the forthcoming annual general meeting ("AGM") expected to be held on Friday, 17 June 2016, the final dividend will be paid on or around Friday, 8 July 2016.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2015 are set out in note 14 to the Financial Statements.

SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 31 December 2015 are set out in note 26 to the Financial Statements.

RESERVES

Movements in the reserves of the Group for the year ended 31 December 2015 are set out in the consolidated statement of changes in equity on page 9.

LISTING

The Shares were successfully listed (the "Listing") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 September 2015 (the "Listing Date") through an offering of Shares (the "Global Offering"). For the details of the Global Offering, please refer to the prospectus issued by the Company (the "Prospectus") on 28 August 2015. In the Global Offering, 75,600,000 Shares were issued at HK$2.88 each and the total gross proceeds received amounted to HK$217.7 million (equivalent to approximately RMB178.9 million).

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and related expenses, amounted to approximately HK$188.6 million (equivalent to approximately RMB155.0 million) which is intended to be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. The table below sets forth a summary of the utilisation of the net proceeds:

Intended Use	Percentage allocated (%)	Amount allocated (RMB million)	Amount used as at 31 December 2015 (RMB million)
Opening of new retail outlets	75.4	116.9	1.0
Information systems upgrades	7.2	11.2	2.5
Upgrading and expanding the existing two distribution centres	8.6	13.3	0.5
General working capital	8.8	13.6	13.6
Total	100.0	155.0	17.6

The unused net proceeds are placed in licensed financial institutions as short-term deposits.

COMPETING BUSINESS

During the period between the Listing Date and 31 December 2015, neither any of the controlling Shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) (the "Controlling Shareholders") nor any of the Directors was interested in the business which competed or was likely to compete, either directly or indirectly, with the Group's business.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme (the "Share Option Scheme") conditionally adopted by the resolutions in writing of the Shareholders passed on 19 August 2015. All conditions, to which the Share Option Scheme was subject to, had been fulfilled on or before the Listing Date. As at the date of this annual report, no option has been granted under the Share Option Scheme and the Company does not have any other share option scheme.

1 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 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the 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 the Group.

2 Eligible Participants

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 8 below to the following (the "Eligible Participants"):

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers, agents and related entities to the Company or any of its subsidiaries.

3 **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 the Company must not in aggregate exceed 10% of the total number of Shares immediately following the completion of Global Offering (excluding the Shares issued upon the partial exercise of the over-allotment option relating to the Global Offering), being 28,647,700 Shares (or 9.9% of the issued Shares as at the date of this annual report). Subject to the issue of a circular by the Company, the approval of the Shareholders in a general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board.

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 the 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 the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. As at the date of this annual report, the Company does not have any other share option scheme.

4 **Maximum entitlement**

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 the 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 the issue of a circular by the Company, the approval of the Shareholders in a 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.

Any grant of options to a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of the 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 the 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 the 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; 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 the Company and the approval of the Shareholders in a general meeting on a poll at which all core connected persons (as defined in the Listing Rules) of the 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.

5 Exercisable Period

The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

6 Vesting Period

There is no minimum period for which an option must be held before it can be exercised.

7 Consideration

Upon acceptance of the option, the grantee shall pay HK$1.0 to the Company as the consideration for the grant. 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.

8 Exercise Price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the 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.

9 Life Span

No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

CONTINUING CONNECTED TRANSACTIONS

Non-exempted continuing connected transaction

During the year ended 31 December 2015, the Group carried out a number of continuing connected transactions not being exempt from annual reporting requirement in Chapter 14A of the Listing Rules with Foshan Shunde Lecong Supply and Marketing Group Limited (佛山市順德區樂從供銷集團有限公司) (the "Lecong Limited" and together with its subsidiaries, the "Lecong Group").

Mr. Lao Songsheng, the chairman, executive Director and Controlling Shareholder of the Company holds approximately 34.0% interests in Golden Prime Investment Holdings Limited (佛山市金源投資控股有限公司) and Golden Prime Investment Holdings Limited holds approximately 56.8% interests in Lecong Limited.

Purchase of goods

As part of the operations of the Group, the Group purchases goods including fresh meat and agricultural products from the Lecong Group for resale. In this regard, the Company (for itself and on behalf of its subsidiaries) and Lecong Limited (for itself and on behalf of its subsidiaries) entered into a master purchase agreement (the "Goods Purchase Agreement") on 5 August 2015, whereby the Group continues to purchase goods from the Lecong Group for a term commencing on Listing Date and expiring on 31 December 2017.

Pursuant to the Goods Purchase Agreement, the Lecong Group has agreed to exclusively supply to the Group the fresh meat and other agricultural products the Lecong Group sourced from the farmers or other suppliers. The consideration of the transactions under the Goods Purchase Agreement 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 involved in each transaction.

The total consideration paid or payable by the Group in respect of the transactions under the Goods Purchase Agreement for the year ended 31 December 2015 was RMB54.4 million, which was within the annual cap set for the year ended 31 December 2015 of RMB66.0 million.

Sales of goods

As part of the operations of the Group, the Group sells daily consuming products, food products and stationery, etc. to the Lecong Group as one of the Group's bulk purchase corporate customers. In this regard, the Company (for itself and on behalf of its subsidiaries) and Lecong Limited (for itself and on behalf of its subsidiaries) entered into a master sales agreement (the "Goods Sales Agreement") on 5 August 2015, whereby the Group continues to sell goods to the Lecong Group for a term commencing on the Listing Date and expiring on 31 December 2017.

The consideration of the transactions under the Goods Sales Agreement will be based on: (a) historical transaction prices and amount; (b) prevailing market prices; and (c) discounts offered on bulk-purchase by the Group to the 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 involved in each transaction.

The total consideration received or receivable by the Group in respect of the transactions under the Goods Sales Agreement for the year ended 31 December 2015 was RMB8.8 million, which was within the annual cap set for the year ended 31 December 2015 of RMB8.8 million.

Leasing of properties

As part of the operations of the Group, the Group leases properties from the Lecong Group for use as headquarters, retail outlets and logistics centres. In this regard, the Company (for itself and on behalf of its subsidiaries) and Lecong Limited (for itself and on behalf of its subsidiaries) entered into a master leasing agreement on 5 August 2015, whereby the Group continues to lease 22 properties from the Lecong Group for a term commencing on the Listing Date and expiring on 31 December 2017.

The estimated rents (also the annual caps) under the master leasing agreement were determined at arm's length and reflected the market rates. The parties involved will separately enter into a tenancy agreement in respect of each property.

The total rent paid or payable by the Group in respect of the transactions under the master leasing agreement for the year ended 31 December 2015 was RMB9.4 million, which was within the annual cap set for the year ended 31 December 2015 of RMB12.9 million. Lower rent paid or payable by the Group as compared to the estimated rents was mainly due to the partial rental wavier obtained from the Lecong Group of approximately RMB2.5 million and rental saving of approximately RMB1.0 million resulting from rental area reduction of a particular retail outlet.

Confirmation from the Auditor and Independent Non-executive Directors

The Company's auditor, BDO Limited, was engaged to report on the Group's continuing connected transactions for the year ended 31 December 2015 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of continuing connected transactions set out above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

In accordance with Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the abovementioned continuing connected transactions and confirmed that these continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Company;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in the normal course of business are set out in note 28 to the Financial Statements. Those related party transactions, which constituted continuing connected transactions not being exempt from annual reporting requirement under the Listing Rules, are set out in the section headed "Continuing Connected Transactions" above, and the Company has complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period between the Listing Date and 31 December 2015.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers all of the independent non-executive Directors are independent in accordance with rule 3.13 of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Lao Songsheng	Interest of controlled Corporations	119,698,460 (long position) (note)	41.2%

Note: Out of these 119,698,460 Shares, 12,892,000 Shares were beneficially owned by Shun Ao Holdings Limited ("Shun Ao") and 106,806,460 Shares were beneficially owned by Golden Prime Holdings Limited ("Golden Prime"). Shun Ao is a company incorporated in the British Virgin Islands (the "BVI") and its entire issued share capital is owned by Ever Prosperous Holdings Limited ("Ever Prosperous"). Ever Prosperous is a company incorporated in the BVI and its entire issued share capital is owned by Mr. Lao Songsheng. Mr. Lao Songsheng is interested in approximately 34.6% of the issued share capital of Golden Prime. Accordingly, Mr. Lao Songsheng is deemed to be interested in the Shares held by Shun Ao and Golden Prime.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, the interests or short position of persons, other than the Directors or the chief executive of the Company, in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of shareholding
Golden Prime (note 1)	Beneficial owner	106,806,460 (long position)	36.8%
Xing Nong Holdings Limited (note 2)	Beneficial owner	55,208,173 (long position)	19.0%
Jian Nong Holdings Limited (note 3)	Beneficial owner	25,985,367 (long position)	8.9%

Notes:

1. As at 31 December 2015, Golden Prime had 45 individual shareholders, of whom Mr. Lao Songsheng was interested in approximately 34.6% of its issued share capital, Ms. Wang Yanfen was interested in approximately 3.3% of its issued share capital, Mr. Wu Zhaohui was interested in approximately 0.6% of its issued share capital, Mr. Chen Yijian was interested in approximately 5.8% of its issued share capital and Ms. Lao Weiping was interested in approximately 4.4% of its issued share capital. Each of the other shareholders was interested in less than 5.0% of its issued share capital.

2. Xing Nong Holdings Limited ("Xing Nong") is a company incorporated in the BVI. As at 31 December 2015, Xing Nong had 397 individual shareholders, of whom Mr. Lao Songsheng was interested in approximately 7.4% of its issued share capital. Each of the other shareholders was interested in less than 2.0% of its issued share capital.

3. Jian Nong Holdings Limited ("Jian Nong") is a company incorporated in the BVI. As at 31 December 2015, Jian Nong had 317 individual shareholders, of whom Mr. Lao Songsheng was interested in approximately 17.2% of its issued share capital. Each of the other shareholders was interested in less than 2.0% of its issued share capital.

DIRECTORS' SERVICE CONTRACTS

No Director has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 28 to the Financial Statements of this annual report headed "Related Party Transactions" and the section headed "Continuing Connected Transactions" above, the Group did not have any transaction, arrangement, or contract of significance subsisting as at 31 December 2015 or during the period between the Listing Date and 31 December 2015 in which a Director or an entity connected with a Director was, either directly or indirectly, materially interested.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance was entered into between the Company, or any of its subsidiaries, and any of the Controlling Shareholders or any of their subsidiaries during the period between the Listing Date and 31 December 2015.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the most recent four years is set out in the section headed "Financial Summary" on page 3 of this annual report.

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with a Director or any person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2015.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Director's and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) is currently in force and was in force during the year ended 31 December 2015 for the benefit of the Directors.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or applicable laws of the Cayman Islands where the Company is incorporated.

TAX RELIEF

The Company is not aware of any tax relief available for the Shareholders by reason of their holding of the Shares.

EMOLUMENT POLICY

Employees of the Group are selected, remunerated and promoted on the basis of their merit, qualifications, competence and contribution to the Group. The Company also has adopted the Share Option Scheme as a long-term incentive scheme of the Group.

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments are set out in note 10 to the Financial Statements of this annual report. The Directors' remunerations, bonuses and other compensation are determined by the remuneration committee of the Board with reference to the Directors' duties, responsibilities and the Group's performance and results.

PROPERTY HELD

As at 31 December 2015, there was no property held for development and/or sale or for investment purpose for which the percentage ratios, as defined under Rule 14.04(9) of the Listing Rules, exceeded 5%.

PROPERTY INTERESTS AND PROPERTY VALUATION

The Company has valued the property interests of the Group and included such valuation in the Prospectus and those property interests are not stated at valuation (or at subsequent valuation) in the Financial Statement. The valuation of the property interests of the Group as at 30 June 2015 was RMB107.3 million as included in the Prospectus. Had the property interests been stated at such valuation, the addition depreciation that would be charged against the statement of comprehensive income for the year ended 31 December 2015 would be approximately RMB0.9 million.

DISTRIBUTABLE RESERVES

Pursuant to applicable statutory provisions of the Cayman Islands, the Company's reserves available for distribution to the Shareholders as at 31 December 2015 amounted to RMB196.4 million.

AUDITOR

BDO Limited was appointed as the auditor of the Company for the year ended 31 December 2015. The Company has not changed its auditor since the Listing Date and up to the date of this annual report. BDO Limited will retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company. A resolution for the reappointment of BDO Limited as the auditor of the Company is expected to be proposed at the forthcoming annual general meeting of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, the percentages of purchases from the Group's largest supplier and the five largest suppliers were 13.5% and 28.6%, respectively. During the year ended 31 December 2015, the percentages of revenue attributable to the Group's largest customer and the five largest customers were 1.9% and 5.3%, respectively.

During the year ended 31 December 2015, Lecong Group was the Group's the second largest supplier and the Group's the fourth largest customer. The percentage of purchases from Lecong Group and the percentage of revenue attributable to Lecong Group were 6.3% and 0.9% respectively. Lecong Limited is owned as to approximately 56.8%, 29.4% and 13.8% by Golden Prime Investment Holdings Limited (佛山市金源投資控股有限公司), Foshan Shunde Lecong Xing Nong Seafood Co-operative (佛山市順德區樂從興農水產專業合作社) and Foshan Shunde Lecong Jian Nong Vegetables and Fruit Co-operative (佛山市順德區樂從建農蔬菜專業合作社) respectively. Mr. Lao Songsheng, Ms. Wang Yanfen, Mr. Wu Zhaohui, Mr. Chen Yijian and Ms. Lao Weiping hold approximately

34.0%, 3.3%, 0.6%, 5.8% and 4.4% interest in Golden Prime Investment Holdings Limited respectively. Mr. Lao Songsheng also holds approximately 4.9% and 11.2% interest in Foshan Shunde Lecong Xing Nong Seafood Co-operative and Foshan Shunde Lecong Jian Nong Vegetables and Fruit Co-operative respectively.

During the year ended 31 December 2015, except Directors' interest in Lecong Group, none of the Directors or any of their close associates, or any Shareholders of the Company (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in any of the Group's five largest suppliers or customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules from the Listing Date up to the date of this annual report.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the Financial Statements and has met with the auditor of the Company, BDO Limited.

The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company, risk management and internal control systems with senior management members of the Company.

EVENTS AFTER THE REPORTING PERIOD

There was no subsequent events between the balance sheet date (i.e. 31 December 2015) and the date of this annual report that would cause material impact on the Group.

On behalf of the Board
Lao Songsheng
Chairman and Executive Director
Hong Kong, 29 March 2016

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, to enhance corporate value and accountability, and to formulate its business strategies and policies for the development of the Company.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. The Board is of the view that throughout the period between the Listing Date and 31 December 2015, the Company has complied with all the code provisions as set out in the CG Code.

The Company will continue to review and enhance its corporate governance practices to ensure that it will continue to meet the requirements of the CG Code and the rising expectations of the Shareholders and investors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period between the Listing Date and 31 December 2015.

BOARD OF DIRECTORS

The Directors during the period between the Listing Date and 31 December 2015 were as follows:

Executive Directors

Mr. Lao Songsheng *(Chairman)*
Ms. Wang Yanfen *(Chief Executive Officer)*
Mr. Wu Zhaohui

Non-executive Directors

Mr. Chen Yijian
Ms. Lao Weiping

Independent Non-executive Directors

Mr. Sun Hong
Mr. Guan Shiping
Mr. Shin Yick Fabian

ATTENDANCE RECORD OF DIRECTORS

The attendance record of each Director at the Board and Board committee meetings and the general meeting of the Company held during the period between the Listing Date and 31 December 2015 is set out in the table below:

	Attendance/Number of Meetings				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Mr. Lao Songsheng	1/1	N/A	0/0	N/A	0/0
Ms. Wang Yanfen	1/1	N/A	N/A	N/A	0/0
Mr. Wu Zhaohui	1/1	N/A	N/A	N/A	0/0
Mr. Chen Yijian	1/1	N/A	N/A	0/0	0/0
Ms. Lao Weiping	1/1	1/1	N/A	N/A	0/0
Mr. Sun Hong	1/1	N/A	0/0	0/0	0/0
Mr. Guan Shiping	1/1	1/1	0/0	0/0	0/0
Mr. Shin Yick Fabian	1/1	1/1	N/A	N/A	0/0

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board takes decisions objectively in the interests of the Company.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

RELATIONSHIPS AMONG DIRECTORS

Mr. Chen Yijian and Ms. Lao Weiping are husband and wife. Mr. Lao Songsheng is the father of Ms. Lao Weiping and father-in-law of Mr. Chen Yijian. Save as the relationship disclosed herein, there is no other relative relationship among Directors.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Group.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

In accordance with A.6.5 of the CG Code with regards to continuous professional development, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2015, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

	Attending courses/ seminars/ conferences	Reading books/ journals/ articles
Mr. Lao Songsheng	√	√
Ms. Wang Yanfen	√	√
Mr. Wu Zhaohui	√	√
Mr. Chen Yijian	√	√
Ms. Lao Weiping	√	√
Mr. Sun Hong	√	√
Mr. Guan Shiping	√	√
Mr. Shin Yick Fabian	√	√

The Company has arranged a training course for Directors on their duties under the Listing Rules and the SFO before Listing.

CHAIRMAN AND CHIEF EXECUTIVE

The positions of Chairman and Chief Executive Officer are held by Mr. Lao Songsheng and Ms. Wang Yanfen, respectively. Mr. Lao Songsheng is responsible for formulation of the overall planning and strategic plan and business development direction of the Group, formulation and execution of operational plan and overseeing the corporate management structure of the Group. Ms. Wang Yanfen is responsible for drawing up of the overall business operation plan of the Group, issuance of annual management plan, management and arrangement of corporate resources and development of new projects of the Group.

NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to reelection, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the non-executive Directors and independent non-executive Directors is engaged by a letter of appointment with the Company for a term of three years commencing from 19 August 2015.

Mr. Lao Songsheng, Ms. Wang Yanfen and Mr. Chen Yijian will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. All Directors of the Company are subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by Shareholders at the first general meeting or next AGM after appointment pursuant to the Articles of Association of the Company.

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee") for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to the Shareholders upon request.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management systems of our Group, to oversee the audit process and the relationship with external auditor, to review arrangements enabling employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company and to perform other duties and responsibilities as assigned by our Board.

Mr. Shin Yick Fabian, an independent non-executive Director, is the chairman of the Audit Committee and Mr. Guan Shiping, an independent non-executive Director, and Ms. Lao Weiping, a non-executive Director, are members of the Audit Committee.

During the period between the Listing Date and 31 December 2015, the Audit Committee has held a meeting and reviewed the interim results and report for the six months ended 30 June 2015, significant issues on the financial reporting process, internal control procedures, risk management systems, scope of work and appointment of external auditor and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditor once during the period between the Listing Date and 31 December 2015 without the presence of the executive Directors.

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with paragraph B.1 of the CG Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration, to make recommendations to the Board on the remuneration packages of all Directors and senior management and to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

Mr. Sun Hong, an independent non-executive Director, is the chairman of the Remuneration Committee and Mr. Guan Shiping, an independent non-executive Director, and Mr. Chen Yijian, a non-executive Director, are members of the Remuneration Committee.

During the period between the Listing Date and 31 December 2015, the Remuneration Committee has not held any meeting.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with paragraphs A.5 of the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy, to identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships and to assess the independence of independent non-executive directors.

Mr. Lao Songsheng, the Chairman and executive Director, is the chairman of the Nomination Committee. Mr. Sun Hong and Mr. Guan Shiping, both independent non-executive Directors, are members of the Nomination Committee.

During the period between the Listing Date and 31 December 2015, the Nomination Committee has not held any meeting.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the Financial Statements is set out in the Independent Auditor's Report on pages 4 and 5 in this annual report.

AUDITORS' REMUNERATION

The Company appointed BDO Limited as the external auditors for the year ended 31 December 2015. During the year ended 31 December 2015, the total fees paid/payable, excluding disbursements, in respect of audit and non-audit services provided by BDO Limited (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) are set out below:

Items	RMB'000
Reporting accountant service in respect of the Listing of the Company	1,369.4
Annual audit fee	842.5
Internal control review in respect of the Listing of the Company	200.0
Review of interim financial information	200.6
Review on continuing connected transactions	16.0

INTERNAL CONTROLS

The Board is entrusted with an overall responsibility of devising the Company's system of internal controls and conducting an annual review of its effectiveness. This ensures that the Board oversees and monitors the Group's overall financial position so that the interests of the Shareholders are well protected and covered.

During the period from the Listing Date to 31 December 2015, the Audit Committee has reviewed the potential areas of improvement on internal control of the Group. The Board has also reviewed updates on regulations regarding risk management and the effectiveness of the internal control systems of the Group.

Deed of Non-competition

The Company entered into a deed of non-competition (the "Deed of Non-Competition") with the controlling Shareholders of the Company (collectively referred to as the "Covenantors") on 19 August 2015 so as to better safeguard the Group from any potential competition and to formalise the principles for the management of potential conflicts between them and to enhance our corporate governance in connection with the Listing.

The independent non-executive Directors have reviewed compliance by the Covenantors and confirm that based on confirmations and information provided by each of the Covenantors, they were in compliance with the Deed of Non-Competition during the period between the Listing Date and 31 December 2015.

COMPANY SECRETARY

The Board appointed Mr. Fan Chi Yuen Charles as its Company Secretary in accordance with the Articles of Association of the Company and in compliance with the requirements of the Listing Rules. During the year ended 31 December 2015, Mr. Fan undertook no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

Pursuant to Article 58 of the Articles of Association of the Company, any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition; such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The written requisition shall be deposited at the place of business of the Company in Hong Kong (Room 1007, 10/F, Sincere House, 83 Argyle Street, Kowloon, Hong Kong) or, in the event the Company ceases to have such place of business, the registered office of the Company (4/F, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY1-1112, Cayman Island). The requisition must state clearly the name of the requisitionist(s), his/their shareholding in the Company, the reason(s) to convene the EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM and signed by the requisitionist(s).

PUTTING FORWARD ENQUIRIES TO THE BOARD

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings (the "AGMs") and other general meetings. At the AGM, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the period between the Listing Date and 31 December 2015, the Company has not made any changes to the Articles of Association. An up-to-date version of the Articles of Association is available on the Company's website and the Stock Exchange's website.

BUSINESS REVIEW

China Shun Ke Long Holdings Limited (the "Company" and together with its subsidiaries, the "Group") is an investment holding company and the Group is a supermarket chain store operator with geographical focus in Guangdong province of the People's Republic of China (the "PRC"). During the year ended 31 December 2015 ("FY2015"), the Group maintained both retail and wholesale distribution channels. The Group's focus on the suburban and rural areas made it different from other major players in the market.

Retail Outlets

During the FY2015, the Group opened 12 retail outlets and closed 12 retail outlets. As at 31 December 2015, the Group had 85 retail outlets located in Guangdong province of the PRC and the Macau Special Administrative Region of the PRC.

The following table sets forth the changes in the number of retail outlets of the Group during FY2015:

	For the year ended 31 December	
	2015	2014
At the beginning of the year	85	71
Additions	12	17
Reductions	12	3
At the end of the year	85	85

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 31 December 2015:

Location	Number of retail outlets
Foshan	59
Zhaoqing	14
Zhuhai	8
Guangzhou	1
Yunfu	1
The PRC	83
Macau	2
Total	85

Resumption of the Sales of the Other Transferred Products

The Group ceased its sales of edible oils, rice and sugar (the "Other Transferred Products") and its sales of tobacco products in late 2014 pursuant to the restrictions imposed on foreign-invested enterprise. At the same time, the relevant inventory was sold to Foshan Shunde Shente Trading Limited ("Foshan Shente"), an independent third party, and Foshan Shente took over the sales of the Other Transferred Products and tobacco products within the Group's retail outlets as its concessionaire and its lessee, respectively. During the FY2015, the restriction on the Other Transferred Products was released. The Group purchased the inventory of the Other Transferred Products kept by Foshan Shente and resumed the sales of the Other Transferred Products from 10 April 2015. As at 31 December 2015, Foshan Shente remained as the Group's lessee and operated the sales of the tobacco products.

Among those new retail outlets opened during the FY2015, the Group applied a new brand "Shiweixian (食為鮮)" to two particular new retail outlets opened in late 2015, which focused on fresh food in order to differentiate it from ordinary supermarkets.

General Wholesale

During the FY2015, the Group managed to keep all sole and exclusive distribution rights it gained before. The Group maintained sole and exclusive distribution rights for 14 brands covering Foshan, Jiangmen and Zhaoqing. The exact coverage of the Group's sole and exclusive distribution rights varied among those 14 brands. Instead of developing the size of general wholesale customer base, the Group put more emphases on gaining more sub-distributors rather than retailers as the Group's customers.

Franchise operation

The Group has a franchise scheme opened for application from interested parties to franchise retail outlets under the "Ledi (樂 的)" brand. The proceeds from selling goods to franchisees of the Group form part of its wholesale distribution revenue.

The following table sets forth the changes in number of franchise outlets of the Group during the FY2015:

	For the year ended 31 December	
	2015	2014
At the beginning of the year	26	30
Additions	9	4
Reductions	2	8
At the end of the year	33	26

Online Supermarket

Pursuant to the relaxation of the restriction imposed on foreign-invested enterprise, the Group started its online supermarket operation on 11 April 2015. During the FY2015, the Group sold goods through its own online supermarket and online shops on the e-commerce platforms of "Weixin (微信)" and "JD.com (京東)".

During the FY2015, the Group installed 49 "All-in-one machine" in its retail outlets. The customers can purchase goods through the "All-in-one machine" and choose the retail outlet from which they would like to pick up the goods. Such O2O business model allows customers to buy items without limitations in respect of the inventory kept by the retail outlet they visit.

The newly added distribution channel contributed less than 1% to the overall revenue from retail outlet operation for the FY2015.

RECENT DEVELOPMENT

In January 2016, the Group started to introduce its employees as promoters for its online shop on the e-commerce platform of "Weixin". The employees can refer selected goods to their friends through the social networking platform of "Weixin". The Group provides commissions to those employees who successfully refer customers under such arrangement as an incentive.

In March 2016, the Group entered into a co-operation agreement with Foshan Shunde Hengli E-commerce Company Limited (佛山市順德區恒立電子商務有限公司) ("Hengli Limited"), by which the Group will sell goods through "Hellogou" e-commerce platform and its retail outlet in Foshan and provide various advisory services to Hengli Limited for a term of five years. Hengli Limited will charge the Group with a commission of 2% on those sales through "Hellogou" e-commerce platform and the Group will entitle to share 70% of the revenue of Hengli Limited for the advisory services provided by the Group to Hengli Limited.

Hengli Limited, a wholly-owned subsidiary of Foshan Shente, obtained approval from Guangzhou Custom Bureau (廣州海關) to operate cross-border online sale of goods and approval from Guangdong Telecommunication Management Bureau (廣東省通信管理局) to run value-added services online. Hengli Limited established "Hellogou", an e-commerce platform in 2015 on which both the PRC vendors and vendors outside the PRC could sell goods to the PRC customers. For products provided by vendors outside the PRC, the customers have to bear the import duties for baggage and the postal articles (行李和郵遞物品進口稅) which, in general, has a lower rate as compared to total taxes and custom duties chargeable on imported goods. This makes cross-border online sale of goods more competitive in pricing.

Hengli Limited has also set up a retail outlet in Foshan selling imported goods and displaying samples of overseas products. Once the customers scan the "Quick Response Code" on the price tags of the samples of oversea products using their mobile phones, they will get access to the "Hellogou" e-commerce platform to complete the transaction online and the goods will be sent to the customers directly either from overseas or custom controlled warehouse. Hengli Limited also had set up counters in 10 retail outlets of the Group to promote its "Hellogou" e-commerce platform and displaying samples of overseas products.

The Group agreed to provide advisory services to Hengli Limited including to look for new vendors for “Hellogou” e-commerce platform and franchisees for its retail outlets, promote the “Hellogou” e-commerce platform and monitor the vendor mix and product mix of its “Hellogou” e-commerce platform.

The Group joined a joint global procurement platform formed by numbers of sizable retailers in the PRC in late 2015 and the Group had started to purchase imported goods through such platform in January 2016. The Group is satisfied with the quality and variety of goods available on joint global procurement platform and will continue to utilize such procurement channel.

OUTLOOK AND PROSPECT

For the year ending 31 December 2016, the management of the Group expects there will not be substantial changes in the market which the Group focuses on and the economy of the PRC will continue to grow slowly. The Group will target to open more retail outlets mainly within different property estates under the new brand “Shiweixian”. The strategy to open retail outlets within property estates focusing on fresh food is set after making reference to the customers’ growing preference on convenience and the daily need for fresh food. Since the Group is well-recognized by local communities in Foshan, the Group will set Foshan as the Group’s primary location for opening new retail outlets in order to secure better chance of success.

The Group is also building an O2O system similar to that being used in the retail outlet of Hengli Limited and will apply such system in O’ city, the flagship shop in Foshan. The Group expects the system will be ready by mid-2016 and the customers will get access to “Hellogou” e-commerce platform by scanning the “Quick Response Code” on the price tags of the goods they select.

The Group will aim at developing its strengths in selling fresh foods, imported goods and snack foods in order to differentiate itself from ordinary supermarkets. To achieve such goal, the Group will put more emphases on sourcing so as to improve both variety and quality of the items the Group offers.

The Group will shift the emphases of the Group’s online supermarket towards fresh foods so as to facilitate the image building and reduce the overlapping of the goods offered by the Group through “Hellogou” e-commerce platform and the Group’s online supermarket.

FINANCIAL REVIEW

Revenue

For the FY2015, the revenue of the Group was approximately RMB1,039.6 million, representing a decrease of approximately RMB13.7 million or 1.3% when compared with the year ended 31 December 2014 (“FY2014”). The revenue growth trend was distorted by the cessation of the sales of the tobacco products which amounted to RMB65.8 million in the FY2014.

For the FY2015, the Group's revenue from retail outlet operation was approximately RMB785.5 million, representing a decrease of approximately RMB14.3 million or 1.8% when compared with FY2014. The drop was mainly caused by the cessation of the sales of the tobacco products in late 2014. Given that there was rental income from Foshan Shente, the cessation of the sales of the tobacco products did not have any significant impact on the Group's profit for the FY2015 overall.

There were 61 retail outlets operated throughout the whole period between 1 January 2014 and 31 December 2015 ("Same Stores"). The total sales (excluding rental income and commission from concessionaire sales) of the Same Stores were RMB504.2 million and RMB582.8 million for the FY 2015 and FY2014 respectively. The drop was mainly caused by the cessation of the sales of the tobacco products. If the sales of tobacco products of the Same Stores were excluded, the total sales (excluding rental income and commission from concessionaire sales) of the Same Stores for the FY2014 would be RMB535.6 million ("Adjusted Sales"). There would be 5.9% decrease in the total sales (excluding rental income and commission from concessionaire sales) of the Same Stores for the FY2015 when compared to the Adjusted Sales. The drop in Same Store total sales were mainly caused by:

(i) the drop in total sales (excluding rental income and commission from concessionaire sales) of RMB17.7 million for a particular retail outlet of which the operation area was reduced (from 5,174.5m^2 to 1,157.0m^2) in early 2015;

(ii) the suspension of the sales of the Other Transferred Products from November 2014 to April 2015; and

(iii) the unfavourable market environment.

For the FY2015, the Group's revenue from wholesale distribution operation was approximately RMB254.1 million, representing an increase of approximately RMB0.6 million or 0.2% when compared with FY2014. There was no significant change in exclusive distributorship rights and the revenue from wholesale distribution operation remained relatively stable.

Gross Profit Margin

For the FY2015 and FY2014, the Group's gross profit margins were 19.3% and 17.4%, respectively. The increase was mainly due to the combined effect of the cessation of the sales of the the tobacco products and the inclusion of Foshan Shente as the Group's lessee since no cost was reflected as cost of inventories sold for rental income receivable from Foshan Shente. During the FY2015, the Group's revenue included compensation received from the local government in the PRC of RMB10.2 million (FY2014: RMB4.2 million) under the Agricultural Fair Value Shop Scheme. The larger amount of compensation recorded during the FY2015 also affected the gross profit margin positively.

The following table sets forth the breakdowns of the revenue, cost of inventories sold and gross profit in respect of the two business segments of the Group for the FY2015:

	For the year ended 31 December	
	2015 RMB million	2014 RMB million
Revenue		
Retail outlet operation	785.5	799.8
Wholesale distribution	254.1	253.6
Total	1,039.6	1,053.4
Cost		
Retail outlet operation	600.0	631.6
Wholesale distribution	239.0	238.5
Total	839.0	870.1
Gross Profit		
Retail outlet operation	185.5	168.2
Wholesale distribution	15.1	15.1
Total	200.6	183.3
Gross Profit margins		
Retail outlet operation	23.6%	21.0%
Wholesale distribution	5.9%	6.0%
Overall	19.3%	17.4%

Other Operating Income

For the FY2015, the Group's other operating income was approximately RMB45.5 million, representing an increase of approximately RMB21.7 million or 91.2% when compared with FY2014. The increase was mainly due to increased promotion income from suppliers as a result of increased promotional requests from the Group's suppliers and expanded retail outlet networks.

Selling and Distribution Costs

For the FY2015, the Group's selling and distribution costs were approximately RMB152.9 million, representing an increase of approximately RMB19.6 million or 14.7% when compared with FY2014. The increase was mainly due to increased staff cost and property expenses as a result of business expansion and regular salary adjustment.

The following table sets forth the general breakdown of the selling and distribution costs for the FY2015:

	For the year ended 31 December	
	2015	2014
	RMB million	RMB million
Staff costs	**66.5**	56.3
Property expenses	**68.7**	59.5
Promotion expenses	**3.6**	1.7
Office expenses	**2.0**	2.5
Tax and surcharges	**0.8**	0.9
Inventory write-off	**1.5**	1.6
Transportation and packaging expenses	**5.7**	4.4
Others	**4.1**	6.4
Total	**152.9**	133.3

Administrative Expenses

For the FY2015, the Group's administrative expenses were approximately RMB44.9 million, representing an increase of approximately RMB17.4 million or 63.3% when compared with FY2014. The increase was mainly due to the inclusion of listing expenses of RMB10.0 million for the FY2015 and increased staff cost as a result of business expansion and regular salary adjustment.

The following table sets forth the general breakdown of the administrative expenses for the FY2015:

	For the year ended 31 December	
	2015	2014
	RMB million	RMB million
Staff costs	**11.2**	9.3
Tax and surcharges	**7.5**	8.2
Property expenses	**1.8**	1.8
Promotion expenses	**1.4**	0.8
Office expenses	**7.3**	3.0
Listing expenses	**10.0**	1.5
Others	**5.7**	2.9
Total	**44.9**	27.5

Finance Costs

For the FY2015, the Group's finance costs were approximately RMB7.3 million, representing an increase of approximately RMB3.1 million or 72.6% when compared with FY2014. The increase was mainly due to the increase in bank borrowing to finance the Group's business expansion and to improve liquidity.

Income Tax Expenses

For the FY2015, the Group's income tax expenses were approximately RMB12.3 million, representing an effective tax rate of 29.9%. The high effective tax rate was mainly caused by the large sum of listing expenses being not tax deductible.

Net Profit

For the FY2015, the Group's net profit attributable to the Shareholders was approximately RMB28.6 million, representing a decrease of approximately RMB2.3 million or 7.5% when compared with FY2014. The decrease was mainly due to the inclusion of listing expenses of RMB10.0 million for the FY2015.

Total Comprehensive Income

For the FY2015, the Group's total comprehensive income attributable to the Shareholders was approximately RMB31.1 million, representing an increase of approximately RMB0.4 million or 1.4% when compared with FY2014. The weakening of RMB against HK$ led to an exchange gain on translating foreign operations of RMB2.5 million for the FY2015, which was reflected as other comprehensive income.

Capital Expenditure

The Group's capital expenditure requirements mainly relate to additions of its property, plant and equipment for the newly opened retail outlets. For the FY2015, the Group spent RMB42.8 million on property, plant and equipment.

Liquidity and Financial Resources

As at 31 December 2015, the Group had cash and cash equivalents of RMB200.6 million (as at 31 December 2014: RMB25.8 million), out of which RMB42.3 million was denominated in RMB and RMB158.3 million was denominated in HK$ or MOP.

As at 31 December 2015, the Group had net current assets of RMB206.9 million (as at 31 December 2014: net current liabilities of RMB26.5 million) and net assets of RMB250.8 million (as at 31 December 2014: RMB70.6 million). As at 31 December 2015, the Group had unutilized banking facilities of RMB12.0 million. (as at 31 December 2014: RMB80.0 million). Details of bank borrowings can be referred to note 25 to the consolidated financial statements.

Significant Investments and Plans for Material Investments or Capital Assets

The Group did not hold any significant investments during the FY2015. Save for the business plan disclosed in the Prospectus, there was no other plan for material investments or capital assets as at 31 December 2015.

Material Acquisitions and Disposals

The Group did not carry out any material acquisition nor disposal of any subsidiary or associated company during the FY2015.

Indebtedness and Pledge of Assets

As at 31 December 2015, the Group had bank borrowings denominated in RMB of RMB132.0 million (as at 31 December 2014: RMB57.0 million) secured by:

(i) the pledge of certain leasehold buildings of the Group with net carrying amount of RMB16.0 million (as at 31 December 2014: RMB15.0 million);

(ii) the pledge of certain prepaid land lease of the Group with net carrying amount of RMB31.9 million (as at 31 December 2014: RMB28.9 million);

(iii) the pledge of certain investment properties of the Group with net carrying amount of RMB2.6 million (as at 31 December 2014: RMB2.6 million).

Out of the bank borrowings of RMB132.0 million, RMB52.0 million was repayable within one year and RMB80.0 million was repayable after one year but within two years. The interests of those loans were reflected as floating rate basis in the loan contracts and were fixed ranging from 5.0% to 6.3% by making reference to the applicable rates when the loans were drawn down.

Key Financial Ratio

The following table sets forth the key financial ratios of the Group for the FY2015:

	As at/for the year ended 31 December	
	2015	2014
Debtor turnover days	**19.8**	19.8
Inventory turnover days	**54.8**	44.9
Creditor turnover days	**61.9**	56.8
Return on equity	**11.4%**	44.1%
Return on total assets	**4.9%**	8.0%
Interest coverage ratio	**6.7x**	11.0x
Gearing ratio	**52.6%**	80.7%
Net debt to equity ratio	**Net cash**	44.2%
Current ratio	**1.8x**	0.9x
Quick ratio	**1.3x**	0.6x

Debtor turnover days, inventory turnover days and creditor turnover days were calculated with reference to the average of the opening and closing balance of the trade receivables, inventories and trade payables respectively. The Group maintained relatively stable credit terms throughout FY2015 and FY2014. Also, there was no significant changes in the credit terms obtained from the Group's suppliers during the FY2015. The challenging environment in the FY2015 hindered the revenue growth and as a result the inventory level and inventory turnover day both went up.

With the net proceeds from the Global Offering of RMB155.0 million, the amounts of equity and total assets increased significantly leading to reductions in return on equity (calculated based on net profit and equity attributable to the owners of the Company) and return on total assets.

With the net proceeds from the Global Offering of RMB155.0 million, the gearing ratio (calculated based on interest bearing debts and total equity), current ratio and quick ratio were largely improved. Also, the Group had a net cash position as at 31 December 2015 as a result of the Global Offering.

Foreign Currency Exposure

Majorities of the Group's assets, liabilities and cash flows were denominated in RMB and HK$. During the FY2015, the weakening of RMB against HK$ had positive effect from translation as the reporting currency of the Group was RMB. Apart from that, the management of the Company viewed that the change in exchange rate for RMB against foreign currencies did not have significant impact on the Group's financial position nor performance given that the depreciation of RMB was moderate. During the FY2015, the Group did not engage in any hedging activities and the Group has no intention to carry out any hedging activities in near future. The management of the Group will continue to closely monitor the foreign currency market and consider carrying out hedging activities when necessary.

Contingent Liabilities

As at 31 December 2015, the Group did not provide any guarantee for any third party and did not have any significant contingent liabilities.

Employees

The Group had a total of 1,184 employees as at 31 December 2015, of which 1,154 employees worked in the PRC and 30 worked in Hong Kong and Macau. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training to staff and provides bonuses based upon staff performance and profits of the Group.

During the FY2015, the Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.