顺客隆
Simple kind life

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

(Incorporated in the Cayman Islands with limited liability)

Stock code : 974

2016 ANNUAL REPORT

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
Ms. Zhang Bei *(appointed on 29 April 2016)*

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. Chong Yuk Fai *(appointed on 29 July 2016)*
Mr. Fan Chi Yuen Charles *(resigned on 29 July 2016)*

COMPANY SECRETARY
Mr. Chong Yuk Fai *(appointed on 29 July 2016)*
Mr. Fan Chi Yuen Charles *(resigned on 29 July 2016)*

REGISTERED OFFICE IN THE CAYMAN ISLANDS
Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman
KY1-1112
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN THE PRC
Floor 3, Huale Building
No. 60 Hebin North Road
Lecong Town Shunde District, Foshan
Guangdong Province 528315
The PRC

PLACE OF BUSINESS IN HONG KONG
Room 1007, 10th Floor, Sincere House
83 Argyle Street
Kowloon, Hong Kong

COMPLIANCE ADVISER
Innovax Capital Limited
Room 2002, 20/F,
Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

AUDITOR
BDO Limited
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

Results	2012	2013	2014	2015	2016
	For the year ended 31 December				
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	674,275	869,087	1,053,359	1,039,614	**1,089,159**
Gross profit	114,802	147,655	183,297	200,598	**154,379**
Profit from operation	24,890	40,441	46,341	48,373	**40,033**
Finance costs	—	4,026	4,210	7,268	**5,559**
Income tax expenses	8,773	9,344	11,096	12,281	**9,839**
Profit for the year attributable to the owners of the Company	16,117	27,070	30,951	28,631	**24,397**
Total comprehensive income attributable to the owners of the Company	16,117	27,072	30,651	31,094	**29,235**
Dividend paid	—	—	18,800	18,800	**24,991**

Assets and liabilities	2012	2013	2014	2015	2016
	As at 31 December				
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Non-current assets	81,490	84,801	97,100	123,884	**110,694**
Current assets	363,144	216,072	289,812	458,326	**428,762**
Current liabilities	399,674	216,394	316,298	251,416	**283,690**
Net current (liabilities)/assets	(36,530)	(322)	(26,486)	206,910	**145,072**
Total assets less current liabilities	44,960	84,479	70,614	330,794	**255,766**
Non-current liabilities	—	—	—	80,000	**—**
Net assets	44,960	84,479	70,614	250,794	**255,766**
Equity attributable to owners of the Company	44,960	84,178	70,229	250,216	**254,460**

Dear Shareholders,

The economy of the PRC was operating at a reasonable level with persisting new growth momentum in 2016. In particular, the retail market in Guangdong was running relatively steady. But there were some hindrance and unfavorable factors which made traditional retail operators difficult. Rapidly developing e-commerce in the PRC has dramatically changed the shopping models and spending preferences of consumers without territorial constraints and so the retail entities have been hit hard. At the same time, retail entities facing sales decline, with surging operating costs such as wages, rental costs and capital lending, experienced drop in net profit. Besides, the living standards in rural area have been elevated. There was change in spending preferences from commodity oriented to service oriented.

The Group maintained the stable performance in 2016 despite the difficult environment by making continuous renovation in our retail outlets to give customers a fresh look and opening new retail outlets to tap new customers. In the meantime, we have broadened our corporate customers' base in the wholesale distribution to generate more revenue. By these, we hope to increase our competitive strength to overcome the new challenges from new operating environment and competitors and to get potential gains from the growing retail market.

In 2016, the retail market was facing the complicated and ever-changing situation with retail operators suffering from different levels of adverse impact. In view of the domestic condition of the PRC, both the consumer price index and real estate price index subsisted in a high level. The great pressure to manage inflation and the lack of consumer confidence will affect the stable growth of economy. Nevertheless, the PRC government has implemented the corresponding monetary policy and control regulations in real estate market. As a result, the domestic economic conditions have been growing at a stable pace.

According to the statistics released by the National Bureau of Statistics of China, GDP of the Mainland amounted to RMB74,400 billion in the 2016, representing an increase of 6.7% over the same period of last year, the lowest growth in the past 26 years. Although the PRC government has launched measures to ensure the economy remains stable and continues to have steady growth, the market conditions are still weak. The structural reforms have been implemented for years. However, the problems with industrial oversupply, local government debts and over-reliance on exports still persist and hinder sound economic growth. Recently, the PRC government measures, including the tightening of liquidity keeping the Renminbi stable, has encouraged expectations of further currency depreciation and intensified currency outflows. As a result of these factors, the Group believes the outlook of the retail market in the forthcoming year will still remain as challenging as 2016.

The Group is ready to meet such potential difficulties and obstacles ahead. Riding on our edges and resources accumulated from the retail industry, we will cautiously move ahead and explore any valuable opportunities for diversification so as to maximise return to our Shareholders.

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere appreciation to the Shareholders, suppliers, customers and business partners for their long-term support, and thank all staff for their dedication and contribution to the Group.

Lao Songsheng
Chairman

31 March 2017

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 2016 ("FY2016"), 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 FY2016, the Group opened 12 retail outlets and closed 22 retail outlets. As at 31 December 2016, the Group had 73 retail outlets located in Guangdong province of the PRC and 2 retail outlets located in the Macau Special Administrative Region of the PRC ("Macau"), respectively.

The following table sets forth the changes in the number of retail outlets of the Group during FY2016:

	For the year ended 31 December	
	2016	2015
At the beginning of the year	**85**	85
Additions	**12**	12
Reductions	**(22)**	(12)
At the end of the year	**75**	85

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 31 December 2016:

Location	**Number of retail outlets**
Foshan	**59**
Zhaoqing	**7**
Zhuhai	**5**
Guangzhou	**1**
Yunfu	**1**
The PRC	**73**
Macau	**2**
Total	**75**

General Wholesale

During the FY2016, 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 by interested parties to franchise retail outlets under the "Ledi (樂的)" brand and a new brand "Shiweixian (食為鮮)". 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 FY2016:

	For the year ended 31 December	
	2016	2015
At the beginning of the year	**33**	26
Additions	**388**	9
Reductions	**(3)**	(2)
At the end of the year	**418**	33

The sharp increase in the number of franchise outlets is mainly due to improvement of our corporate image as a result of successful listing of the Company such that corporate customers are willing to join the franchise scheme.

Online Supermarket

The Group operates its own online supermarket and has installed 55 “All-in-one machine (一體機)” in its retail outlets to allow customers to shop online without the limitation of stock availabilities at the retail outlets.

The Group also sells goods through several e-commerce platforms operated by independent third parties including “Hellogou”, an e-commerce platform 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”) and on which both the PRC vendors and the overseas vendors can sell goods to the PRC customers.

The Group also provides various advisory services to Hengli Limited since March 2016 including but not limited to looking for new vendors for “Hellogou” e-commerce platform and franchisees for its retail outlets.

The online supermarket contributes parts of the overall revenue of retail outlet operation.

RECENT DEVELOPMENT

To cope with the evolution of local consumption, the Group has renovated the retail outlets and magnified product mix so as to enhance the pleasant shopping experience for customers. Implementation of the aforesaid measures has improved the operating level of the sale by the main retail outlets, stabilized customer flow of retail outlets, and increased the frequency of purchase by customers.

For those new retail outlets opened during FY2016, the Group applied the new brand “Shiweixian”, which targets at selling the fresh fruits and meats at competitive prices and differentiates itself from traditional market with one-stop purchase experience. Shiweixian operates the outlets with highly clean and hygienic area of 100 sq.m to 200 sq.m in small towns. As most of the fresh fruits and meats are sourced in bulk from local reputable suppliers, Shiweixian is able to deliver safe and quality food to customers at very competitive prices.

Some of the retail outlets opened in recent years recorded an operating loss, dragging down net profit for the FY2016. The Group has taken immediate measures such as making adjustments to the structure of those retail outlets and compressing operating costs in order to reduce loss.

The Board constantly evaluates the prospect of the retail market and the PRC’s economic condition to determine the most efficient and effective method to deploy the Group’s resources. In view of the recent slowdown in economic growth in the PRC, the Company has been slowing down the pace of opening of new retail outlets and thus freeing up proceeds originally intended to be used in this development. As references are made to the announcement by the Company dated 24 October 2016, the Company has decided to re-allocate parts of the unutilized proceeds to upgrade the existing outlets to enhance the Group’s competitiveness as one of the major market players in Guangdong province and repay the bank borrowings to reduce the Group’s finance costs.

OUTLOOK AND PROSPECT

The Group expects that the year 2017 will still be challenging with the slowdown in economic growth of the PRC. Coupled with the challenges arising from e-commerce, retail industry remains under tremendous pressure. Therefore, the Group has started to make strategic adjustments in regard to expansion, marketing, purchasing, products mix and distribution. It will take time for these efforts to work out. The Group will continue to push for the development of its e-commerce business and will fully explore the synergies between retail outlets and its e-commerce platform “Hellogou” to further develop O2O programs and improve revenue growth.

To enhance the competitiveness of our retail outlets, the Group will increase its investment in the renovation of the existing retail outlets. The Group will also continue to improve its staff training program and monitoring procedures so as to improve the efficiency of our operation and the shopping environment of our retail outlets.

FINANCIAL REVIEW

Revenue

For the FY2016, the revenue of the Group was approximately RMB1,089.2 million, representing a moderate increase of approximately RMB49.6 million or 4.8% when compared with the year ended 31 December 2015 (“FY2015”). The revenue growth trend was mainly due to the fact that the drop in retail outlet operation was mitigated by the sharp increase in wholesale distribution.

For the FY2016, the Group’s revenue from retail outlet operation was approximately RMB690.2 million, representing a decrease of approximately RMB95.3 million or 12.1% when compared with FY2015. The drop was mainly caused by the continuous easing of the economy and intensified competition from online retailers.

For the FY2016, the Group’s revenue from wholesale distribution operation was approximately RMB399.0 million, representing an increase of approximately RMB144.9 million or 57.0% when compared with FY2015. The increase was mainly due to a significant increase in the number of corporate customers and franchisees in the second half of FY2016.

Gross Profit Margin

For FY2016 and FY2015, the Group's gross profit margins were 14.2% and 19.3%, respectively. The decrease was mainly due to the fact that the contribution by the wholesale distribution to the total gross profit was proportionally increased and it dragged down the gross profit margin.

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 FY2016:

	For the year ended 31 December	
	2016 RMB million	2015 RMB million
Revenue		
Retail outlet operation	690.2	785.5
Wholesale distribution	399.0	254.1
Total	1,089.2	1,039.6
Cost		
Retail outlet operation	551.2	600.0
Wholesale distribution	383.6	239.0
Total	934.8	839.0
Gross profit		
Retail outlet operation	139.0	185.5
Wholesale distribution	15.4	15.1
Total	154.4	200.6
Gross profit margin		
Retail outlet operation	20.1%	23.6%
Wholesale distribution	3.9%	5.9%
Overall	14.2%	19.3%

Other Operating Income

For the FY2016, the Group's other operating income was approximately RMB49.9 million, representing an increase of approximately RMB4.3 million or 9.5% when compared with FY2015. The increase was mainly due to the increase in government grants and interest income.

Selling and Distribution Costs

For the FY2016, the Group's selling and distribution costs were approximately RMB130.4 million, representing a decrease of approximately RMB22.5 million or 14.7% when compared with FY2015. The decrease was mainly due to successful implementation of cost control management since early 2016 and a reduction in the number of retail outlets during the year.

The following table sets forth the general breakdown of the selling and distribution costs for the FY2016:

	For the year ended 31 December	
	2016	2015
	RMB million	RMB million
Staff costs	**52.5**	66.5
Property expenses	**58.1**	68.7
Promotion expenses	**2.6**	3.6
Office expenses	**2.4**	2.0
Tax and surcharges	**1.4**	0.8
Inventory write-off	**1.1**	1.5
Transportation and packaging expenses	**6.8**	5.7
Others	**5.5**	4.1
Total	**130.4**	152.9

Administrative Expenses

For the FY2016, the Group's administrative expenses were approximately RMB33.8 million, representing a decrease of approximately RMB11.1 million or 24.7% when compared with FY2015. The decrease was mainly due to exclusion of one-off listing expenses of RMB10.0 million incurred in FY2015.

The following table sets forth the general breakdown of the administrative expenses for the FY2016:

	For the year ended 31 December	
	2016	2015
	RMB million	RMB million
Staff costs	**10.4**	11.2
Tax and surcharges	**8.5**	7.5
Property expenses	**1.6**	1.8
Promotion expenses	**1.0**	1.4
Office expenses	**7.6**	7.3
Listing expenses	**–**	10.0
Others	**4.7**	5.7
Total	**33.8**	44.9

Finance Costs

For the FY2016, the Group's finance costs were approximately RMB5.6 million, representing a decrease of approximately RMB1.7 million or 23.5% when compared with FY2015. The decrease was mainly due to the earlier repayment of bank borrowing of the Group.

Income Tax Expenses

For the FY2016, the Group's income tax expenses were approximately RMB9.8 million, representing an effective tax rate of 28.5%. The high effective tax rate was mainly caused by some of the expenses in relation to closure of retail outlets being not tax deductible.

Net Profit

For the FY2016, the Group's net profit attributable to the Shareholders was approximately RMB24.4 million, representing a decrease of approximately RMB4.2 million or 14.8% when compared with FY2015. The decrease was mainly due to the continuous easing of the economy and intensified competition from online retailers.

Total Comprehensive Income

For the FY2016, the Group's total comprehensive income attributable to the Shareholders was approximately RMB29.2 million, representing a decrease of approximately RMB1.9 million or 6.0% when compared with FY2015. The weakening of RMB against HK$ led to an exchange gain on translating foreign operations of RMB4.8 million for the FY2016, which was reflected as other comprehensive income.

Capital Expenditure

The Group's capital expenditure requirements was mainly related to additions of its property, plant and equipment for the newly opened and existing retail outlets. For the FY2016, the Group spent RMB20.2 million on additions of its property, plant and equipment.

Liquidity and Financial Resources

As at 31 December 2016, the Group had cash and cash equivalents of RMB151.9 million (as at 31 December 2015: RMB200.6 million), out of which RMB105.7 million was denominated in RMB and the remaining RMB46.2 million was denominated in HK$ or MOP.

As at 31 December 2016, the Group had net current assets of RMB145.1 million (as at 31 December 2015: RMB206.9 million) and net assets of RMB255.8 million (as at 31 December 2015: RMB250.8 million). As at 31 December 2016, the Group had unutilized banking facilities of RMB91.0 million. (as at 31 December 2015: RMB12.0 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 FY2016. Save for the business plan disclosed in the Prospectus and the announcement dated 24 October 2016, there was no other plan for material investments or capital assets as at 31 December 2016.

Material Acquisitions and Disposals

The Group did not carry out any material acquisition nor disposal of any subsidiary or associated company during the FY2016.

Indebtedness and Pledge of Assets

As at 31 December 2016, the Group had bank borrowings denominated in RMB104.0 million (as at 31 December 2015: RMB132.0 million) secured by:

(i) the pledge of certain leasehold buildings of the Group with net carrying amount of RMB14.1 million (as at 31 December 2015: RMB16.0 million);

(ii) the pledge of certain prepaid land lease of the Group with net carrying amount of RMB29.3 million (as at 31 December 2015: RMB31.9 million); and

(iii) the pledge of certain investment properties of the Group with net carrying amount of RMB2.5 million (as at 31 December 2015: RMB2.6 million).

All the bank borrowings were repayable within one year. The interests of those loans were reflected as floating rate basis in the loan contracts and were fixed ranging from 4.4% 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 FY2016:

	As at/for the year ended 31 December	
	2016	2015
Debtor turnover days	**15.1**	19.8
Inventory turnover days	**52.1**	54.8
Creditor turnover days	**54.2**	61.9
Return on equity	**9.6%**	11.5%
Return on total assets	**4.6%**	5.0%
Interest coverage ratio	**7.2x**	6.7x
Gearing ratio	**40.7%**	52.6%
Net debt to equity ratio	**Net cash**	Net cash
Current ratio	**1.5x**	1.8x
Quick ratio	**1.1x**	1.3x

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 FY2016 and FY2015. Also, there was no significant changes in the credit terms obtained from the Group's suppliers during the FY2016.

Return on equity and return on total assets were calculated based on net profit of the Company. Interest coverage ratio was calculated by dividing the earnings before interest and taxes by the interest expenses for the same period. The improvement on this ratio was mainly due to earlier repayment of bank borrowings.

Gearing ratio was calculated based on the interest-bearing liabilities divided by the total equity as at the respective year end. Net debt to equity ratio was calculated based on net interest bearing liabilities divided by the total equity. The tangible improvement on these ratios was also due to earlier repayment of bank borrowings. The Group had a net cash position as at 31 December 2016. In addition, current ratio and quick ratio remained at healthy level.

Foreign Currency Exposure

Majorities of the Group's assets, liabilities and cash flows were denominated in RMB and part of the Group Assets were denominated in HK$. During the FY2016, the weakening of RMB against HK$ 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 functional currencies of the Group was RMB. During the FY2016, 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 2016, 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 1,157 employees as at 31 December 2016, of which 1,128 employees worked in the PRC and 29 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 bonuses based upon staff performance and profits of the Group.

During the FY2016, the Group had not experienced any significant problem with its employees or disruption to its operations due to labour disputes nor had it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and sustainable business operations. The Group is committed to complying with the relevant environmental laws, standards and policies applicable in the PRC or other jurisdictions in which the Group principally operates.

Several measures have been implemented in order to reduce carbon emissions and increase energy efficiency, such as the installation of light-emitting diode ("LED") lighting in the Group's retail outlets and office; reducing electricity consumption and keeping indoor temperature at reasonable level; frequent and regular maintenance of ventilation system; reminding employees to do photocopying wisely and to use both sides of paper.

Moreover, the Group 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 support from the suppliers and carries out promotion to secure the goods being sold before their expiry date.

Further, the Group has actively promoted material-saving and environmental-friendly working environment so as to protect the environment and improve air quality within the community.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group considers that employees, customers and suppliers are key elements to the long-term success of the Group's retail business. The Group provides competitive remuneration package to motivate and retain quality staff and is committed to provide a safe and healthy working environment for its staff. In particular, the Group regularly organises in-house training, team building and networking activities for retail sales staff to promote team spirit and to enhance their skills.

As one of the major operators of the supermarket chain store in Guangdong province, the Group is not only selling products to customers, but also is committed to providing quality services and great shopping experience to them in both the Group's retail outlets and via online platforms. The Group regularly interacts with customers and gain valuable market insights and feedback from consumers.

On procurement side, the Group maintains a well-diversified sourcing base and has established long standing cooperation relationship with many suppliers. In addition, the Group has taken great care to ensure that they can share our commitment to product quality and customer satisfaction. Furthermore, the Group has established certain anti-bribery policies, which shall be observed by all parties. The Group also requires our business partners to strictly comply with anti-corruption practices. All business partners need to sign acknowledgement letter of the Group's anti-corruption policies. Our statement of anti-corruption policies is placed in all open meeting areas to remind ourselves and our business partners of such practices. We carefully select our suppliers and require them to satisfy certain assessment criteria including track record, experience, customer preference, reputation, and ability to provide high-quality products.

COMMUNITY

The Group has always been paying effort on corporate social responsibility. With our volunteer team supported by all levels of staff, we have been committed to serving the local community through visiting the elderly homes and the schools for disabled children.

EXECUTIVE DIRECTORS

Mr. Lao Songsheng (勞松盛), aged 68, is the Chairman and Executive Director of the Company. 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. 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. He is the father of Ms. Lao Weiping and father-in-law of Mr. Chen Yijian, both being Non-Executive Directors.

Mr. Lao was conferred by Foshan Science and Technology Department (佛山市科學技術幹部局) as an economist in 1989. Between June 1987 and February 2010, he was the supervisor of Foshan Shunde Lecong Supply and Marketing Society (佛山市順德區樂從供銷社). Between September 1997 and August 2013, he was the executive director of 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 Supply and Marketing Group"). 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 46 years of experience in management of companies in various industries.

Ms. Wang Yanfen (王艷芬), aged 41, is the Chief Executive Officer, Executive Director and authorized representative 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) with a bachelor degree in business administration and obtained a master degree in business administration from Victoria University, Switzerland. She joined Lecong Supply and Marketing Group in August 1996 as a management staff, being responsible for mall operational management and wholesale management. Ms. Wang has 20 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 41, is an Executive Director of the Company. 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 Supply and Marketing Group in June 1998 as a technician of the information and technology division, being responsible for the operation and promotion of information network. He was promoted as the head of the information and technology division of Lecong Supply and Marketing Group in January 1999. Mr. Wu has 18 years of experience in supermarket management.

NON-EXECUTIVE DIRECTORS

Mr. Chen Yijian (陳義建), aged 48, is a Non-Executive Director of the Company. Mr. Chen graduated from South China Normal University (華南師範大學) with a bachelor degree in science in 1991. He was conferred by Shunde Science and Technology Department (順德市科技局) as an assistant statistician in 1995. Between June 1997 and June 2003, Mr. Chen acted as the deputy manager, manager, deputy general manager and general manager of Lecong Supply and Marketing Group. From July 2003 to April 2007, he was the general manager of Shun Ke Long. He was appointed as the chief executive officer of Lecong Supply and Marketing Group in April 2007. Since August 2013, he has been the executive director of Lecong Supply and Marketing Group. Mr. Chen has 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 (順德區地方稅收拓展研究室) in May 2014, the visiting professor of Guangdong Province Finance School of Vocational Education and Training (廣東省財經職業技術學校) in December 2014, the director of Guangdong Council for the Development Promotion of Small and Medium Enterprises (廣東省中小企業發展促進會理事) in 2015 and the 14th and 15th deputy to the People's Congress of Lecong. He became the president of Lecong Chamber of Commerce (樂從商會) in 2015. He is the husband of Ms. Lao Weiping, the Non-Executive Director and the son-in-law of Mr. Lao Songsheng, the Chairman and Executive Director.

Ms. Lao Weiping (勞偉萍), aged 42, is a Non-Executive Director of the Company. 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 21 years of experience in business and financial management. As the general manager of the Commercial Assets and Hotel Business Division in Lecong Supply and Marketing Group, she has gained rich exposure to the areas in business, hotel, restaurant and catering services and in financial internal control and corporate governance. She was the vice-president of Foshan Shunde Lecong Association of Women Entrepreneurs (佛山市順德區樂從鎮女企業家協會) between June 2012 and May 2015. She is the daughter of Mr. Lao Songsheng, the Chairman and Executive Director and the wife of Mr. Chen Yijian, a Non-Executive Director.

Ms. Zhang Bei (張蓓), aged 37, has been appointed as a Non-Executive Director of the Company with effect from 29 April 2016. Ms. Zhang obtained a bachelor degree in economics from Tianjin Commerce College (天津商學院) in 2002. Ms. Zhang has been working for Lecong Supply and Marketing Group since 2002 and has been the head of the Administrative Office (辦公室主任) of Lecong Supply and Marketing Group since 2004. Ms. Zhang has approximately 15 years of experience in office administration, human resources and corporate management. Ms. Zhang has been a director of Lecong Human Resources Promotion Council (樂從人力資源促進會理事) since February 2016. Ms. Zhang had been a supervisor of the Company since October 2013 and ceased to be the supervisor of the Company with effect from 29 April 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Hong (孫洪) (formerly Sun Xiong (孫雄)), aged 68, was appointed as an Independent Non-Executive Director of the Company 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. He has been an independent non-executive director of Yi Hua Development Store Holdings Limited (stock code: 2213), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 November 2013. 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 62, was appointed as an Independent Non-Executive Director of the Company 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 48, was appointed as an Independent Non-Executive Director of the Company on 19 August 2015. Mr. Shin has been an independent non-executive director of each of Lisi Group (Holdings) Limited (stock code: 526), Newton Resources Ltd (stock code: 1231) and Goldenmars Technology Holdings Limited (stock code: 3638) since 1 January 2013 and 14 August 2015 and 30 September 2016, respectively. Mr. Shin has been appointed as a non-executive director of Pak Tak International Limited (stock code: 2668) with effect from 9 February 2017. Those shares are listed on the Main Board of The Stock Exchange. Mr. Shin was a non-executive director of Hang Fat Ginseng Holdings Company Limited, a company listed on the Stock Exchange (stock code: 911) between January and February 2016. Mr. Shin was an independent non-executive director of Little Sheep Group Limited (stock code: 968), a company listed on the Stock Exchange 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: 539), 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 25 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 43, 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 Supply and Marketing Group in February 1997 as a supervisor, being responsible for management of shopping malls and implementation of marketing strategies. Since September 2005, she has been the deputy general manager in charge of management of the procurement department of the Group.

Mr. Lian Congfeng (練從峰), aged 39, is a deputy general manager of the Group. He is responsible for supermarket operational management of the Group. He joined the Group in June 2013 as the deputy general manager of the Group. 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 43, is a deputy general manager of the Group. He is responsible for building wholesale and distribution customer relationships and proposing marketing strategies of the Group. He joined Lecong Supply and Marketing Group in June 1997 as a salesperson, being responsible for the wholesale business. Between July 2003 and April 2009, Mr. Huo acted as the salesperson, purchasing officer and wholesale line manager of the Group. Since April 2009, he has been the deputy general manager in charge of management of wholesale business of the Group. 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 39, 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 of the Group 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. Chong Yuk Fai (莊旭輝), aged 36, has been appointed as the financial controller, company secretary and authorised representative of the Company with effect from 1 August 2016. Mr. Chong is responsible for the financial reporting functions as well as the company secretarial affairs of the Group. Mr. Chong has over 13 years of experience in auditing, accounting and corporate finance. Prior to joining the Company, Mr. Chong had worked for an international accounting firm providing assurance services and a number of listed companies in Hong Kong responsible for financial management. Mr. Chong holds a bachelor degree in Accounting and Finance from The University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

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 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 for the year ended 31 December 2016, 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 had complied with the Model Code for the year ended 31 December 2016.

BOARD OF DIRECTORS

The Directors for the year ended 31 December 2016 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
Ms. Zhang Bei *(appointed on 29 April 2016)*

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 for the year ended 31 December 2016 is set out in the table below:

	Attendance/Number of Meetings				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Mr. Lao Songsheng	5/5	N/A	1/1	N/A	1/1
Ms. Wang Yanfen	5/5	N/A	N/A	N/A	1/1
Mr. Wu Zhaohui	5/5	N/A	N/A	N/A	1/1
Mr. Chen Yijian	5/5	N/A	N/A	1/1	1/1
Ms. Lao Weiping	5/5	2/2	N/A	N/A	1/1
Ms. Zhang Bei	4/4	N/A	N/A	N/A	1/1
Mr. Sun Hong	5/5	N/A	1/1	1/1	1/1
Mr. Guan Shiping	5/5	2/2	1/1	1/1	1/1
Mr. Shin Yick Fabian	5/5	2/2	N/A	N/A	1/1

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 Directors 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/her 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 2016, 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	√	√
Ms. Zhang Bei	√	√
Mr. Sun Hong	√	√
Mr. Guan Shiping	√	√
Mr. Shin Yick Fabian	√	√

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 re-election, 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.

Save for Ms. Zhang Bei who was appointed as a Non-Executive Director for a term of three years commencing from 29 April 2016, 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.

Ms. Sun Hong, Mr. Guan Shiping and Mr. Shin Yick Fabian 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 year, the Audit Committee had held two meetings and the attendance records of members are set out on page 23 of this annual report. The Audit Committee had reviewed 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 twice for the year ended 31 December 2016 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 year ended 31 December 2016, the Remuneration Committee held one meeting and had recommended to the Board on the appointment of Ms. Zhang Bei as a Non-Executive Director and the approval of her remuneration package. The attendance records of members are set out on page 23 of this annual report.

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 year ended 31 December 2016, the Nomination Committee held one meeting and recommended to the Board on the appointment of Ms. Zhang Bei as a Non-Executive Director. The attendance records of members are set out on page 23 of this annual report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2016.

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 from page 43 to page 46 in this annual report.

AUDITORS' REMUNERATION

The Company appointed BDO Limited as the external auditors for the year ended 31 December 2016. During the year ended 31 December 2016, 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
Annual audit fee	984.0
Review of interim financial information	213.9
Review on continuing connected transactions	21.3
Report of profit estimates for the nine months ended 30 September 2016	256.7

INTERNAL CONTROLS

The Board is entrusted with an overall responsibilities 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 year ended 31 December 2016, 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 for the year ended 31 December 2016.

COMPANY SECRETARY

The Board appointed Mr. Chong Yuk Fai as its Company Secretary in accordance with the Articles of Association of the Company and in compliance with the requirements of the Listing Rules on 29 July 2016. During the year ended 31 December 2016, Mr. Chong had taken 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/her/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 investors' 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 year ended 31 December 2016, 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.

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 2016 (the "Financial Statements").

DIRECTORS

The Directors during the year ended 31 December 2016 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
Ms. Zhang Bei *(appointed on 29 April 2016)*

Independent Non-Executive Directors

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

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 retail industry were the principal risks and uncertainties facing the Group. The Group closed 22 retail outlets and opened 12 retail outlets during the year ended 31 December 2016. 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 2016 as compared to that for the year ended 31 December 2015. The net profit attributable to the owners of the Company for the year ended 31 December 2016 was approximately RMB24.4 million, representing a decrease of approximately RMB4.2 million or 14.8% as compared to that for the year ended 31 December 2015.

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 support from the suppliers and carries out promotion to secure the goods being sold before their expiry date.

During the year ended 31 December 2016, 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 employees, customers or suppliers.

For the Company's view on the future development in the Company's business, please refer to the "Outlook and Prospect" section under the "Management Discussion and Analysis" on the page 8 of this annual report.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of comprehensive income on page 47 of this annual report.

DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 December 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19 June 2017 to Thursday, 22 June 2017, both days inclusive, during which period no transfer of shares will be effected.

In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 22 June 2017, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 16 June 2017.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2016 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 2016 are set out in note 26 to the Financial Statements.

RESERVES

Movements in the reserves of the Group for the year ended 31 December 2016 are set out in the consolidated statement of changes in equity on page 50 of this annual report.

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), was intended to be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

Nonetheless, the Board constantly evaluates the prospect of the retail market and the PRC's economic conditions to determine the most efficient and effective method to deploy the Group's resources. As references are made to the announcement issued by the Company dated 24 October 2016, the Board considers that if the net proceeds were still allocated as the original manner stipulated in the Prospectus, it would not be cost effective and at the best interests of the Company and its Shareholders. In view of the recent slowdown in economic growth in the PRC, the Company has been slowing down the pace of opening new outlets and thus freeing up proceeds originally intended to be used for such purpose. With a view to better use the net proceeds from the Global Offering, the Company has decided to re-allocate parts of the unutilized proceeds to upgrade the existing outlets to enhance the Group's competitiveness as one of the major market players in Guangdong province and repay the bank borrowings to reduce the Group's finance costs in the manner as stated below.

	Original allocation of net proceeds		Revised allocation of the net proceeds		Utilization as at 31 December 2016		Remaining balance of net proceeds as at 31 December 2016	
	RMB million	% of net proceeds	RMB million	% of net proceeds	RMB million	% of net proceeds	RMB million	% of net proceeds
Opening of new outlets	116.9	75.4%	74.4	48.0%	13.3	8.6%	61.1	39.4%
Upgrading existing outlets	–	0.0%	14.6	9.4%	10.1	6.5%	4.5	2.9%
Repayment of bank borrowings	–	0.0%	27.9	18.0%	27.9	18.0%	–	0.0%
Information systems upgrades	11.2	7.2%	11.2	7.2%	5.4	3.5%	5.8	3.7%
Upgrading and expanding the existing two distribution centres	13.3	8.6%	13.3	8.6%	2.2	1.4%	11.1	7.2%
General working capital	13.6	8.8%	13.6	8.8%	13.6	8.8%	–	0.0%
Total	155.0	100.0%	155.0	100.0%	72.5	46.8%	82.5	53.2%

COMPETING BUSINESS

During the year ended 31 December 2016, 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 2016, 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 Supply and Marketing Group" 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 Supply and Marketing Group.

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 Supply and Marketing Group (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 2016 was RMB43.8 million, which was within the annual cap set for the year ended 31 December 2016 of RMB72.0 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 Supply and Marketing Group (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 2016 was RMB4.8 million, which was within the annual cap set for the year ended 31 December 2016 of RMB10.0 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 Supply and Marketing Group (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 2016 was RMB8.4 million, which was within the annual cap set for the year ended 31 December 2016 of RMB15.0 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 RMB2.3 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 2016 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 2016.

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 POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, 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 1)*	41.2%
Lao Weiping	Beneficial owner	1,000 (long position)	0.0003%
Chen Yijian	Interest of spouse	1,000 (long position) *(note 2)*	0.0003%

Note:

1. 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.

2. Those 1,000 Shares were beneficially owned by Ms. Lao Weiping, the spouse of Mr. Chen Yijian.

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

As at 31 December 2016, 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)	36.77%
Xing Nong Holdings Limited *(note 2)*	Beneficial owner	55,299,773 (long position)	19.04%
Jian Nong Holdings Limited *(note 3)*	Beneficial owner	25,974,367 (long position)	8.94%
Lu Yinhuan	Beneficial owner	20,477,000 (long position) *(note 4)*	7.05%

Notes:

1. As at 31 December 2016, 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, Ms. Lao Weiping was interested in approximately 4.4% of its issued share capital and Ms. Zhang Bei was interested in approximately 0.9% 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 2016, 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 2016, 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.

4. Among 20,477,000 Shares, 4,200,000 Shares were beneficially owned by Mr. Huang Jinlian, the spouse of Ms. Lu Yinhuan.

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 2016 or during the period between the year ended 31 December 2016 in which a Director or an entity connected with a Director was, either directly or indirectly, materially interested.

CHANGES IN DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes in Directors' information disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Shin Yick Fabian, an Independent Non-Executive Director, has been appointed as an independent non-executive director of Goldenmars Technology Holdings Limited (stock code: 3638) since 30 September 2016 and a non-executive director of Pak Tak International Limited (stock code: 2668) since 9 February 2017, respectively.

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 2016.

FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the most recent five 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 2016.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' 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 2016 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 with reference to the Directors' duties, responsibilities and the Group's performance and results.

PROPERTY HELD

As at 31 December 2016, 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 Statements. 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 2016 would be approximately RMB1.6 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 2016 amounted to RMB169.9 million.

AUDITOR

BDO Limited was appointed as the auditor of the Company for the year ended 31 December 2016. 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 2016, the percentages of purchases from the Group's largest supplier and the five largest suppliers were 5.6% and 18.7%, respectively. During the year ended 31 December 2016, the percentages of revenue attributable to the Group's largest customer and the five largest customers were 12.6% and 16.1%, respectively.

During the year ended 31 December 2016, Lecong Group was the Group's the first largest supplier and the Group's the fifth largest customer. The percentage of purchases from Lecong Group and the percentage of revenue attributable to Lecong Group were 5.6% and 0.5% respectively. Lecong Supply and Marketing Group 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, Ms. Lao Weiping and Ms. Zhang Bei hold approximately 34.0%, 3.3%, 0.6%, 5.8%, 4.4% and 0.9% 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 2016, 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 has reviewed the Financial Statements and met with the auditors of the Company, without the presence of the Executive Directors. In addition, 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

The Board noted that on 23 January 2017 (after trading hours), CCOOP International Holdings Limited (the "Offeror"), Golden Prime Holdings Limited, Xing Nong Holdings Limited, Jian Nong Holdings Limited (collectively, the "Vendors"), Mr. Lao Songsheng (our Chairman and Executive Director) and Shun Ao Holdings Limited entered into a conditional sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Offeror has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell 162,092,600 Shares. For further details of the aforesaid transaction, please refer to the announcement jointly issued by the Offeror and the Company dated 23 January 2017.

Except for the matters disclosed under the "Recent Development" section under the "Management Discussion and Analysis" on the page 7 of this annual report, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2016 and up to the date of this annual report.

On behalf of the Board
Lao Songsheng
Chairman and Executive Director
Hong Kong, 31 March 2017

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF CHINA SHUN KE LONG HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

OPINION

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 47 to 104, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IMPAIRMENT OF GOODWILL *(REFER TO NOTES 4(c), 5 AND 17 TO THE CONSOLIDATED FINANCIAL STATEMENTS)*

The Group had goodwill with a carrying amount of RMB 3,043,000 as at the end of the reporting period, which related to the acquisition of Usmart Chain Supermarket Company Limited whose principal activity is operating and managing of retail stores in Macau.

Management has performed impairment test on the goodwill in accordance with the Group's accounting policies and concluded that there is no impairment in respect of the goodwill. This conclusion was based on the value-in-use calculations.

We have identified impairment assessment of goodwill as a key audit matter because the value-in-use calculations involve significant management judgements and is based on assumptions which are affected by expected future market or economic conditions, particularly the economic environment in Macau.

Our response

Our procedures in relation to the impairment assessment performed by management included:

– Considering the historical accuracy of management's budgeting processes;

– Conducting in-depth discussions with management about the cash flow projections used in the value-in-use calculations and assessing the appropriateness of the significant assumptions and critical judgement areas which affect the value-in-use calculations; and

– Benchmarking the growth rates and discount rates used in the value-in-use calculations against independent industry data and comparable companies.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objective are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

– identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, mispresentations or the override of internal control.

– obtain an understanding of internal control relevant to the audit 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 Group's internal control.

– evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we concluded that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Hong Kong, 31 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	7a	1,089,159	1,039,614
Cost of inventories sold		(934,780)	(839,016)
Gross profit		154,379	200,598
Other operating income	7b	49,877	45,541
Selling and distribution costs		(130,437)	(152,904)
Administrative expenses		(33,786)	(44,862)
Finance costs	9	(5,559)	(7,268)
Profit before income tax expense	8	34,474	41,105
Income tax expense	11	(9,839)	(12,281)
Profit for the year		24,635	28,824
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		4,838	2,463
Total comprehensive income for the year		29,473	31,287
Profit for the year attributable to:			
– Owners of the Company		24,397	28,631
– Non-controlling interests		238	193
		24,635	28,824
Total comprehensive income for the year attributable to:			
– Owners of the Company		29,235	31,094
– Non-controlling interests		238	193
		29,473	31,287
Earnings per share – basic and diluted (RMB)	12	0.08	0.12

AS AT 31 DECEMBER 2016

	Notes	2016 RMB'000	2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	63,777	75,496
Prepaid land lease	15	33,910	34,922
Investment properties	16	4,251	4,348
Deposits paid and prepayments	18	5,713	6,424
Goodwill	17	3,043	2,694
Total non-current assets		110,694	123,884
Current assets			
Inventories	19	126,664	140,321
Trade receivables	20	53,947	36,463
Deposits paid, prepayments and other receivables	18	94,140	78,256
Amounts due from related companies	24	2,084	2,687
Cash and cash equivalents	21	151,927	200,599
Total current assets		428,762	458,326
Total assets		539,456	582,210
Current liabilities			
Trade payables	22	134,072	143,448
Deposits received, receipts in advance, accruals and other payables	23	43,084	42,014
Amounts due to related companies	24	2,154	12,965
Bank borrowings	25	104,000	52,000
Income tax payable		380	989
Total current liabilities		283,690	251,416
Net current assets		145,072	206,910
Total assets less current liabilities		255,766	330,794

	Notes	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Bank borrowings	25	–	80,000
Total non-current liabilities		–	80,000
Total liabilities		283,690	331,416
NET ASSETS		255,766	250,794
EQUITY			
Share capital	26	2,387	2,387
Reserves	27	252,073	247,829
Equity attributable to owners of the Company		254,460	250,216
Non-controlling interests		1,306	578
TOTAL EQUITY		255,766	250,794

On behalf of the Directors

LAO Songsheng	WANG Yanfen
Director	Director

	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 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 to presentation currency	–	–	–	–	–	–	–	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 share 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 and 1 January 2016	2,387	194,895	84	(6,200)	200	9,568	873	2,165	46,244	250,216	578	250,794
Comprehensive income												
Exchange differences arising on translation to presentation currency	–	–	–	–	–	–	–	4,838	–	4,838	–	4,838
Profit for the year	–	–	–	–	–	–	–	–	24,397	24,397	238	24,635
Total comprehensive income for the year	–	–	–	–	–	–	–	4,838	24,397	29,235	238	29,473
Final dividend paid	–	(24,991)	–	–	–	–	–	–	–	(24,991)	–	(24,991)
Transfer to statutory reserve	–	–	–	–	–	1,649	–	–	(1,649)	–	–	–
Capital contribution by non-controlling equity holders of a subsidiary	–	–	–	–	–	–	–	–	–	–	490	490
Balance at 31 December 2016	2,387	169,904	84	(6,200)	200	11,217	873	7,003	68,992	254,460	1,306	255,766

	Notes	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Profit before income tax expense		34,474	41,105
Adjustments for:			
Interest income	7(b)	(1,849)	(515)
Interest expenses	9	5,559	7,268
Depreciation of property, plant and equipment	8	13,016	13,380
Depreciation of investment properties	8	97	96
Amortisation of prepaid land lease	8	1,012	1,012
Loss on disposal of property, plant and equipment	8	118	1,919
Obsolete inventories written-off	8	1,135	1,463
Operating profit before working capital changes		53,562	65,728
Decrease/(increase) in inventories		12,684	(30,162)
(Increase)/decrease in trade receivables		(17,368)	39,614
Decrease/(increase) in deposits paid, prepayments and other receivables		3,710	(11,975)
(Decrease)/increase in trade payables		(9,702)	2,260
Increase/(decrease) in deposits received, receipts in advance, accruals and other payables		908	(13,744)
(Increase)/decrease in balance with related companies		(10,208)	114
Decrease in balance with a shareholder		–	61
Cash generated from operations		33,586	51,896
Income tax paid		(10,448)	(12,778)
Net cash generated from operating activities		23,138	39,118
Cash flows from investing activities			
Interest received		1,849	515
Purchases of property, plant and equipment		(20,231)	(42,801)
Proceeds from sale of property, plant and equipment		54	1,252
Net cash used in investing activities		(18,328)	(41,034)

		Year ended 31 December	
		2016	2015
	Notes	RMB'000	RMB'000
Cash flows from financing activities			
Proceeds from bank borrowings		24,000	132,000
Repayments of bank borrowings		(52,000)	(57,000)
Interest paid		(5,559)	(7,268)
Repurchase of issued shares		–	(70)
Dividends paid to previous shareholder of a subsidiary		–	(18,800)
Proceeds from issuance of ordinary shares		–	178,928
Share offer expenses paid		–	(10,250)
Distribution arising from the reorganisation		–	(43,200)
Final dividend paid		(24,991)	–
Injection by non-controlling equity holders of a subsidiary		490	–
Net cash (used in)/generated from financing activities		(58,060)	174,340
Net (decrease)/increase in cash and cash equivalents		(53,250)	172,424
Cash and cash equivalents at beginning of year		200,599	25,761
Effect of exchange rate changes on cash and cash equivalents		4,578	2,414
Cash and cash equivalents at end of year		151,927	200,599

1. 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 and its principal place of business in the People's Republic of China (the "PRC") is located at Floor 3, Huale Building, No.60 Hebin North Road, Lecong Town Shunde District, Foshan, Guangdong Province 528315, the PRC.

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") were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 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 32 to the consolidated financial statements.

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 31 March 2017.

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

(a) Adoption of new/revised IFRSs – effective 1 January 2016

In current year, the Company and its subsidiaries (hereinafter collectively referred to as the "Group") have applied for the first time the following new/revised IFRSs, which are relevant to and effective for the Group's financial statements for annual year beginning on 1 January 2016:

IFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 27	Equity Method in Separate Financial Statements

Amendments to IAS 1 - Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of IAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these financial statements.

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

(a) Adoption of new/revised IFRSs – effective 1 January 2016 – *continued*

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

Amendments to IAS 27 - Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with IAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate 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. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions[2]
IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 15	Revenue from Contracts with Customers (Clarification to IFRS 15)[2]
IFRS 16	Leases[3]

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

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

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

Amendments to IAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to IAS 12 – Income Taxes

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions, on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

IFRS 9 – 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 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.

Amendments IFRS 15 – Revenue from Contracts with customers

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

IFRS 16 – Leases

IFRS 16, which upon the effective date will supersede IAS 17 " Leases " and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

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

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

IFRS 16 – Leases – continued

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

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 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 functional currency of the Company is Hong Kong Dollar ("HK$"). The consolidation financial statements are presented in Renminbi ("RMB"), which is the functional currency of the primary economic environment in which the principal subsidiaries of the Group operate in the PRC. All values are rounded to the nearest thousand ("RMB'000") unless otherwise stated.

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

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 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.

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 purposes. 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

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

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.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each 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.

For Loans and receivables

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.

(vi) 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; and

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

(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.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(k) Income taxes – *continued*

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.

(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 when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(l) Foreign currency – *continued*

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 charged to the combined income statement as they become payable in accordance with the rules of the central pension scheme.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(n) Impairment of non-financial assets – *continued*

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.

(t) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

The Group also operates a phantom share option scheme which is determined to be a cash-settled share-based payment transaction with employees. An option pricing model is used to measure the Group's liability at grant date and subsequently at the end of each reporting period, taking into account the terms and conditions on which the bonus is awarded and the extent to which employees have rendered service. Movements in the liability (other than cash payments) are recognised in profit or loss.

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.

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 1 year 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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – *continued*

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 judgement 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.

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 (sales of fresh food, non-staple food and household product); and
- Wholesale distribution (sales of fast consumable products and non-staple food)

Management assesses the performance of the operating segments based on the measure of segment results which represents the net of revenue, cost of inventories sold, other operating income, selling and distribution costs, administrative expenses and finance costs directly attributable to each operating segment. Central administrative cost are not allocated to the operating segments as they are not included in the measure of the segment results that are used by the chief operating decision-maker for assessment of segment performance.

Segment revenue and results

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Inter-segment elimination RMB'000	Total RMB'000
For the year ended 31 December 2016:				
Revenue				
From external customers	690,213	398,946	–	1,089,159
From inter-segment	50,078	87,277	(137,355)	–
Reportable segment revenue	740,291	486,223	(137,355)	1,089,159
Reportable segment profit	24,950	8,642		33,592
Other corporate income				2,913
Other corporate expenses				(2,031)
Profit before income tax				34,474

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	35,216	10,693		45,909
Other corporate income				207
Other corporate expenses				(5,011)
Profit before income tax				41,105

Segment assets and liabilities

	2016 RMB'000	2015 RMB'000
Retail outlet operation	**426,621**	366,292
Wholesale distribution	**70,570**	120,055
Total segment assets	**497,191**	486,347
Other corporate assets *(Note)*	**42,265**	95,863
Group's assets	**539,456**	582,210
Retail outlet operation	**272,632**	325,950
Wholesale distribution	**9,594**	4,145
Total segment liabilities	**282,226**	330,095
Other corporate liabilities	**1,464**	1,321
Group's liabilities	**283,690**	331,416

For the purpose of monitoring segment performances and allocating resources between segments:

– All assets are allocated to reportable and operating segments, other than cash and cash equivalents and prepayments.

– All liabilities are allocated to reportable and operating segments, other than other payables relating to central administration cost.

6. OPERATING SEGMENT INFORMATION – *continued*

Other segment information

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Total RMB'000
For the year ended 31 December 2016:			
Additions to property, plant and equipment	**19,824**	**407**	**20,231**
Depreciation of property, plant and equipment	**12,707**	**309**	**13,016**
Depreciation of investment properties	**97**	**–**	**97**
Amortisation of prepaid land lease payments	**1,012**	**–**	**1,012**
Interest income	**222**	**4**	**226**
For the year ended 31 December 2015:			
Additions to property, plant and equipment	42,128	673	42,801
Depreciation of property, plant and equipment	12,996	384	13,380
Depreciation of investment properties	96	–	96
Amortisation of prepaid land lease payments	1,012	–	1,012
Interest income	315	10	325

6. OPERATING SEGMENT INFORMATION – *continued*

The Group's revenue from external customers and its non-current assets are all divided into the following geographical ares:

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (place of domicile)	**1,051,630**	1,004,128	**105,338**	118,143
Macau	**37,529**	35,486	**369**	370
	1,089,159	1,039,614	**105,707**	118,513

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.

Information about a major customer

For the year ended 31 December 2016, revenue from one customer of the Group's wholesale distribution segment amounted to RMB136,899,000, which represented 10% or more of the Group's revenue.

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

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:

	2016 RMB'000	2015 RMB'000
Retail outlet operation and sales		
General retail sales *(Note)*	559,690	630,358
Bulk sales	99,874	112,862
Rental income from leasing shop premises	28,687	37,577
Rental income from investment properties	1,287	2,301
Commission from concessionaire sales	675	2,412
Wholesale distribution		
General wholesales	357,584	234,452
Franchisees	41,362	19,652
	1,089,159	1,039,614

Note: General retail sales included the compensation for reduced selling prices of approximately RMB3,510,000 and RMB10,162,000 from the local government in the PRC which was classified as turnover during the years ended 31 December 2016 and 2015 respectively. In the opinion of the directors, it was directly related to the sale of daily necessities food and was related to the ordinary and usual course of the business of the Group. Accordingly, it was classified as turnover of the Group.

(b) Other operating income

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

	2016 RMB'000	2015 RMB'000
Government grants *(Note)*	5,824	2,194
Promotion income from suppliers	33,084	34,856
Interest income	1,849	515
Others	9,120	7,976
	49,877	45,541

Note: Various local government grants had granted to subsidiaries of the Group during the years ended 31 December 2016 and 2015. 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):

	2016 RMB'000	2015 RMB'000
Cost of inventories sold	934,780	839,016
Depreciation of property, plant and equipment	13,016	13,380
Depreciation of investment properties	97	96
Amortisation of prepaid land lease payments	1,012	1,012
Net exchange gains	(215)	(725)
Employee costs (excluding directors' remuneration *(Note 10)*):		
– Wages and salaries	45,632	53,957
– Pension scheme contributions	8,456	9,255
– Other benefits	2,289	3,152
	56,377	66,364
Auditor's remuneration	1,603	927
Listing expenses	–	10,041
Operating lease charges in respect of land and buildings	34,950	40,448
Obsolete inventories written-off	1,135	1,463
Loss on disposal of property, plant and equipment	118	1,919

9. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest charged on bank borrowings	5,559	7,268

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 2016				
Executive Directors				
Mr. Lao Songsheng (勞松盛)	–	60	–	60
Ms. Wang Yanfen (王艷芬)	–	177	29	206
Mr. Wu Zhaohui (吳兆輝)	–	140	27	167
	–	377	56	433
Non-Executive Directors				
Mr. Chen Yijian (陳義建)	–	–	–	–
Ms. Lao Weiping (勞偉萍)	–	–	–	–
Ms. Zhang Bei (張蓓) *(Note)*	–	–	–	–
	–	–	–	–
Independent Non-Executive Directors				
Mr. Guan Shiping (關仕平)	120	–	–	120
Mr. Shin Yick Fabian (冼易)	120	–	–	120
Mr. Sun Hong (孫洪)	120	–	–	120
	360	–	–	360
Year ended 31 December 2015				
Executive Directors				
Mr. Lao Songsheng (勞松盛)	–	128	–	128
Ms. Wang Yanfen (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

Note: Ms. Zhang Bei was appointed on 29 April 2016.

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 2016 included 2 directors (2015: 2) and their emoluments are reflected in note 10(a). The emoluments of the remaining 3 highest paid individuals (2015: 3) for the year ended 31 December 2016 are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	811	755
Pension scheme contributions	45	63
	856	818

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

	2016 No. of individuals	2015 No. of individuals
Nil to RMB900,000 (approximately Nil – HK$1,000,000)	3	3

During the year ended 31 December 2016, 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. (2015:Nil)

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

	2016 No. of individuals	2015 No. of individuals
Nil to RMB900,000 (approximately Nil – HK$1,000,000)	5	5

11. INCOME TAX EXPENSE

The Group was not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands for the year ended 31 December 2016 (2015: Nil).

No provision for Hong Kong profits tax had been provided as the Group had no estimated assessable profit arising in Hong Kong for the year ended 31 December 2016 (2015: 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 2016 (2015: 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 2016 (2015: 12%).

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

	2016 RMB'000	2015 RMB'000
Current — Macau		
Charge for the year	132	79
Current — the PRC		
Charge for the year	9,707	12,202
Total tax charge for the year	9,839	12,281

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:

	2016 RMB'000	2015 RMB'000
Profit before income tax expense	34,474	41,105
Tax on profit before income tax expense, calculated at the rates applicable to profit in the tax jurisdictions concerned	8,110	10,283
Tax effect of expenses not deductible for tax purposes	1,498	1,323
Tax effect of revenue not taxable for tax purpose	(693)	(91)
Utilisation of tax losses previously not recognised	(71)	(77)
Tax effect of tax losses not recognised	1,053	953
Effect of tax exemptions granted to Macau subsidiaries	(58)	(110)
Income tax expenses	9,839	12,281

11. INCOME TAX EXPENSE – *continued*

As at 31 December 2016 and 2015, no deferred tax liabilities had been recognised in respect of the temporary differences of approximately RMB58,743,000 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 2016 and 2015, the Group had estimated unused tax losses of approximately RMB6,499,000 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 had 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:

	2016 RMB'000	2015 RMB'000
Earnings		
Profit attributable to equity holders of the Company	24,397	28,631

	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	290,457,000	238,022,041

The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue as disclosed in note 26 as if the shares had been in issue since 1 January 2015.

The diluted earnings per share are the same as basic earnings per share as there are no potential ordinary shares outstanding during the year or at the end of reporting periods.

13. DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2016. On 17 June 2016, the Group declared a 2015 final dividend of HK10.0 cents per share payable to the shareholders. On 8 July 2016, the Group paid a 2015 final dividend in aggregate amount of RMB24,991,000 (equivalent to HK$29,046,000).

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

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 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 and 1 January 2016	20,307	61,086	12,782	7,943	14,172	–	116,290
Exchange adjustment	–	16	1	5	5	–	27
Additions	–	14,836	1,738	646	3,011	–	20,231
Disposals	–	(20,109)	(2,783)	(230)	(1,505)	–	(24,627)
At 31 December 2016	20,307	55,829	11,738	8,364	15,683	–	111,921
Accumulated depreciation:							
At 1 January 2015	2,035	19,447	2,632	3,147	4,473	–	31,734
Exchange adjustment	–	3	1	–	1	–	5
Depreciation	476	7,526	1,813	1,328	2,237	–	13,380
Disposals	–	(2,783)	(245)	(511)	(786)	–	(4,325)
At 31 December 2015 and 1 January 2016	2,511	24,193	4,201	3,964	5,925	–	40,794
Exchange adjustment	–	2	–	1	1	–	4
Depreciation	476	6,619	1,688	1,243	2,990	–	13,016
Disposals	–	(3,693)	(953)	(98)	(926)	–	(5,670)
At 31 December 2016	2,987	27,121	4,936	5,110	7,990	–	48,144
Net book value:							
At 31 December 2016	17,320	28,708	6,802	3,254	7,693	–	63,777
At 31 December 2015	17,796	36,893	8,581	3,979	8,247	–	75,496

As at 31 December 2016 and 2015, certain leasehold buildings with net carrying amount of approximately RMB14,096,000 and RMB16,024,000 were pledged to the bank for banking facilities granted to the Group *(Note 25)*.

15. PREPAID LAND LEASE

	2016 RMB'000	2015 RMB'000
Balance as at 1 January	**34,922**	35,934
Amortisation	**(1,012)**	(1,012)
Balance as at 31 December	**33,910**	34,922
Balance as at 31 December		
Cost	**39,915**	39,915
Accumulated amortisation	**(6,005)**	(4,993)
Net book value	**33,910**	34,922

As at 31 December 2016 and 2015, certain prepaid land lease with net carrying amount of approximately RMB29,313,000 and RMB31,918,000 were pledged to the bank for banking facilities granted to the Group *(Note 25)*.

16. INVESTMENT PROPERTIES

	2016 RMB'000	2015 RMB'000
Balance as at 1 January	**4,348**	4,444
Depreciation	**(97)**	(96)
Balance as at 31 December	**4,251**	4,348
Balance as at 31 December		
Cost	**5,084**	5,084
Accumulated depreciation	**(833)**	(736)
Net book value	**4,251**	4,348

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

As at 31 December 2016 and 2015, certain investment properties with net carrying amount of approximately RMB2,501,000 and RMB2,558,000 approximately were pledged to the bank for banking facilities granted to the Group *(Note 25)*.

The fair value of the Group's investment property at 31 December 2016 and 2015 were approximately RMB13,000,000 and RMB10,000,000 respectively which were estimated by the directors of the Company.

16. INVESTMENT PROPERTIES – *continued*

The directors of the Group considered that there was no impairment of investment properties during the years ended 31 December 2016 and 2015 as there was 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 value of investment properties as at 31 December 2016 and 2015 was determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements were categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements was 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

	2016 RMB'000	2015 RMB'000
Balance as at 1 January	2,694	2,554
Exchange adjustment	349	140
Balance as at 31 December	3,043	2,694

Impairment testing on goodwill

The recoverable amount of the goodwill was 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 belonged by the value in use basis. The calculation was 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 had been made for the purpose of analysis:

1. Gross margin ratio of 19 % (2015: 26%)
2. Pre tax discount rate of 11 % (2015: 11%) per year
3. Average growth rate of 0 % (2015: 0%)

17. GOODWILL – *continued*

Impairment testing on goodwill – *continued*

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 was pre-tax and reflected the specific risk associated with the CGU. The recoverable amounts of the CGU had 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 were extrapolated using an estimated weighted average growth rate of 0%, which would 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 2016 and 2015.

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

18. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Non-current assets		
– Rental deposits paid	4,987	5,371
– Payment in advance for acquisition of property, plant and equipment	726	1,053
	5,713	6,424
Current assets		
– Prepayments	1,493	3,496
– Advances to suppliers	21,932	13,826
– Deposits paid	2,328	2,520
– Input value added tax receivables *(note)*	40,661	34,540
– Other receivables	27,726	23,874
	94,140	78,256

Note: Input value added tax arose when the Group purchased products from suppliers and the input value added tax can be deducted from output value added tax on sales.

As at 31 December 2016 and 2015, the balances of deposits and other receivables were neither past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

19. INVENTORIES

	2016 RMB'000	2015 RMB'000
Merchandise for resale	126,664	140,321

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 0–180 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:

	2016 RMB'000	2015 RMB'000
Within 30 days	20,614	15,037
31 to 60 days	8,743	4,647
61 to 180 days	22,512	11,762
181 to 365 days	1,118	3,049
Over 1 year	960	1,968
	53,947	36,463

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

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	34,578	23,674
Past due but not impaired		
Less than 1 month past due	7,157	2,425
1 to 3 months past due	10,134	5,347
Over 3 months past due	2,078	5,017
	53,947	36,463

20. TRADE RECEIVABLES – *continued*

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 of the Company 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

	2016 RMB'000	2015 RMB'000
Cash and cash equivalents are denominated in:		
HK$	**41,345**	155,232
RMB	**105,696**	42,321
Macau Patacas ("MOP")	**4,886**	3,046
	151,927	200,599

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:

	2016 RMB'000	2015 RMB'000
Current to 30 days	54,192	47,289
31 to 60 days	24,481	28,234
61 to 180 days	45,047	54,313
181 to 365 days	8,486	11,790
Over 1 year	1,866	1,822
	134,072	143,448

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

	2016 RMB'000	2015 RMB'000
Deposits received	8,697	12,254
Receipts in advance	7,943	4,131
Accruals and other payables	26,444	25,629
	43,084	42,014

24. BALANCES WITH RELATED COMPANIES

(a) Amounts due from related companies

As at 31 December 2016 and 2015, the amounts due from related companies are unsecured, interest-free and repayable within 3 months based on invoice date. The carrying amounts of the amounts due approximate to their fair values.

The amounts due from related parties are as follows:

Name of related party	Relationship	2016 RMB'000	2015 RMB'000
佛山市順德區樂從供銷集團振豪物業管理有限公司	Company controlled by the director (note 28(i)(a))	162	–
佛山市順德區樂從供銷集團荔園酒家有限公司	Company controlled by the director (note 28(i)(a))	273	215
佛山市順德區樂從供銷集團健怡樂配餐中心有限公司	Company controlled by the director (note 28(i)(a))	–	478
佛山市順德區樂從供銷集團小布樂餐飲有限公司	Company controlled by the director (note 28(i)(a))	93	77
佛山市順德區樂從供銷集團液化石油氣供應有限公司	Company controlled by the director (note 28(i)(a))	–	11
佛山市順德區樂從供銷集團樂添房產經營有限公司	Company controlled by the director (note 28(i)(a))	240	–
佛山市順德區嘉安物流有限公司	Company controlled by the director (note 28(i)(a))	16	–
順德區海業水產發展有限公司	Company controlled by the director (note 28(i)(a))	22	1
高要市振豪物業管理有限公司	Company controlled by the director (note 28(i)(a))	–	4
佛山市順德區中旅國際旅行社有限公司	Company controlled by the director (note 28(i)(a))	–	1
廣東廣樂包裝材料股份有限公司	Company controlled by the director (note 28(i)(a))	–	20
佛山市順德區樂從供銷集團樂的百貨有限公司	Company controlled by the director (note 28(i)(a))	427	388
佛山市順德區樂從供銷集團盈樂商業管理有限公司	Company controlled by the director (note 28(i)(a))	1	1
佛山市順德區樂從供銷集團有限公司	Company controlled by the director (note 28(i)(a))	814	311
台山宴米米業有限公司	Company controlled by the director (note 28(i)(a))	1	206
佛山市順德區樂從供銷集團樂的上品軒食品有限公司	Company controlled by the director (note 28(i)(a))	12	105
佛山市順德區樂從供銷集團益群食品有限公司	Company controlled by the director (note 28(i)(a))	–	5
佛山市順德區中歐電子商務有限公司	Company controlled by the director (note 28(i)(a))	–	209
佛山市順德區萬信珠寶玉器行有限公司	Company controlled by the director (note 28(i)(a))	–	4
高要市樂添房產經營有限公司	Company controlled by the director (note 28(i)(a))	23	200
佛山市順德區樂從供銷社	Company controlled by the director (note 28(i)(a))	–	53
高要市供銷集團有限公司	Company controlled by the director (note 28(i)(a))	–	48
佛山市順德區金樂貿易有限公司	Company controlled by the director (note 28(i)(a))	–	350
		2,084	2,687

24. BALANCES WITH RELATED COMPANIES – *continued*

(b) Amounts due to related companies

For the year ended 31 December 2016 and 2015, the amounts due to related companies are unsecured, interest-free and repayable within 3 months based on invoice date.

The amounts due to related parties are as follows:

Name of related party	Relationship	2016 RMB'000	2015 RMB'000
佛山市順德區宴米米業有限公司	Company controlled by the director (note 28(i)(a))	1,871	–
台山宴米廠有限公司	Company controlled by the director (note 28(i)(a))	–	8,920
佛山市順德區樂從供銷集團荔園酒家有限公司	Company controlled by the director (note 28(i)(a))	–	2
廣東廣樂包裝材料股份有限公司	Company controlled by the director (note 28(i)(a))	11	11
順德中國旅行社有限公司	Company controlled by the director (note 28(i)(a))	–	2
佛山市順德區樂從供銷集團樂的上品軒食品有限公司	Company controlled by the director (note 28(i)(a))	–	42
佛山市順德區萬信珠寶玉器行有限公司	Company controlled by the director (note 28(i)(a))	–	3
佛山市順德區樂從供銷集團益群食品有限公司	Company controlled by the director (note 28(i)(a))	23	226
高要市向日葵生物能發展有限公司	Company controlled by the director (note 28(i)(a))	–	3,455
肇慶西江襪廠有限公司	Company controlled by the director (note 28(i)(a))	14	52
佛山市順德區金樂貿易有限公司	Company controlled by the director (note 28(i)(a))	230	240
佛山市順德區樂從供銷集團樂的百貨有限公司	Company controlled by the director (note 28(i)(a))	–	12
肇慶西江酒廠有限公司	Company controlled by the director (note 28(i)(a))	5	–
		2,154	12,965

25. BANK BORROWINGS

	2016 RMB'000	2015 RMB'000
Secured		
– bank borrowings due for repayment within one year	104,000	52,000
– bank borrowings due for repayment after one year but within two years	–	80,000
	104,000	132,000

As at 31 December 2016 and 2015, the bank borrowings were denominated in RMB, repayable within one year and one to two years and bore interest at fixed rate and the floating rate ranging from 4.4% to 6.3% and 5.0 % to 6.3 % per annum respectively.

25. BANK BORROWINGS – *continued*

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 RMB14,096,000 and RMB16,024,000 as at 31 December 2016 and 2015 respectively *(Note 14)*;

(ii) the pledge of certain prepaid land lease of the Group with net carrying amount of approximately RMB29,313,000 and RMB31,918,000 as at 31 December 2016 and 2015 respectively *(Note 15)*; and

(iii) the pledge of certain investment properties of the Group with net carrying amount of approximately RMB2,501,000 and RMB2,558,000 as at 31 December 2016 and 2015 respectively *(Note 16)*;

26. SHARE CAPITAL

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

	2016		2015	
	Number of share(s)	RMB'000	Number of share(s)	RMB'000
Authorised:				
Ordinary shares of US$1.00 each				
At 1 January	2,000,000,000	15,826	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	2,000,000,000	15,826
Issued and fully paid:				
Ordinary shares of US$1.00 each				
At 1 January	290,457,000	2,387	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	290,457,000	2,387

26. SHARE CAPITAL – *continued*

(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 repurchased 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.

(c) Following the above repurchase, the authorised but unissued capital of the Company was 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

Special 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 2016 and 2015, the balance of the merger reserve included the deemed 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.

Statutory reserve

In accordance with the Company Law of the PRC, the Company's subsidiaries registered are 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.

27. RESERVES – *continued*

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 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 arising on translation to presentation currency	–	4,835	–	4,835
Loss for the year	–	–	(3,472)	(3,472)
Balance at 31 December 2015 and 1 January 2016	194,895	4,981	(3,472)	196,404
Exchange differences arising on translation to presentation currency	–	10,818	–	10,818
Final dividend paid	(24,991)	–	–	(24,991)
Profit for the year	–	–	1,436	1,436
Balance at 31 December 2016	169,904	15,799	(2,036)	183,667

28. RELATED PARTY TRANSACTIONS

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

Related party relationship	Nature of transaction		2016 RMB'000	2015 RMB'000
Related companies (note a)	Sale of goods	(note b)	4,798	9,212
	Purchase of goods	(note c)	43,768	54,415
	Rental income received		439	748
	Rental expense paid	(note d)	8,437	9,579

(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) and the Company. In the opinion of the directors of the Company, the Company and Lecong Supply and Marketing Group Limited are both controlled by Mr. Lao Songsheng during the reporting periods. Certain subsidiaries of the Group operating in the PRC entered into contracts with Lecong Supply and Marketing Group Limited and its subsidiaries for sale 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 90 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 90 days.

(d) The Group entered into lease agreements with Lecong Supply and Marketing Group Limited and its subsidiaries 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 the related companies with reference of market rent. The credit period for leasing of properties from related companies is within 90 days.

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

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	377	408
Pension scheme contributions	56	41
	433	449

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 19 years.

As at 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	10,885	18,853
Later than one year and not later than five years	13,118	19,555
Later than five years	6,257	1,568
	30,260	39,976

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 contingent rentals.

As at 31 December 2016, the Group had total future minimum lease receipts under non-cancellable operating leases falling due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	10,857	14,207

30. CAPITAL COMMITMENTS

As at 31 December 2016, the Group had the following capital commitments:

	2016 RMB'000	2015 RMB'000
Contracted, but not provided for, in respect of acquisition of property, plant and equipment	716	2,054

31. SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") adopted by the Company was approved by the shareholders on 19 August 2015.

A summary of the Share Option Scheme is set out below:

The Share Option Scheme became effective for a period of 10 years commencing on 19 August 2015. Under the Share Option Scheme, the directors of the Company shall, in its absolute discretion select and make an offer to any eligible participants to subscribe for share of the Company at a subscription price being not less than the highest of (i) the official closing price of shares as stated in the Stock Exchange's daily quotation sheets on the date grant; (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 the share.

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.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme 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.

No share options were granted under the Share Option Scheme during the current and prior years. At 31 December 2016 and 2015, there were no outstanding options granted under the Share Option Scheme.

32. 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	Hong Kong	1 ordinary share of HK$1.00 each	–	100	Investment holding
Macau Son Hak Long International Sociedade Unipessoal Limitada	Macau	MOP38,625,000	–	100	Operations and management of retail stores in Macau
Usmart Chain Supermarket Company Limited	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#	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#	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	Paid up capital of RMB6,000,000	–	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
肇庆顺客隆电子商务有限公司#	PRC	Paid up capital of RMB1,000,000	–	100	Retail of goods in the PRC
Ozone Supply Chain International Limited	BVI	Paid-up capital of US$1	100	–	Investment holding
Ozone Supply Chain Management Limited	Hong Kong	Paid-up capital of HK$100	–	75	Dormant
佛山市泛邦進出口有限公司#	PRC	Paid-up capital of RMB5,000,000	–	100	Trading of equipment and wooden products
肇慶市蜜蜂網絡科技有限公司#	PRC	Paid-up capital of RMB1,000,000	–	51	Dormant

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

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

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2016 RMB'000	2015 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries		33,571	31,403
Current assets			
Amounts due from subsidiaries		121,601	84,060
Cash and cash equivalents		32,351	84,708
Total current assets		153,952	168,768
Current liabilities			
Other payables		1,323	1,243
Amounts due to subsidiaries		146	137
Total current liabilities		1,469	1,380
Net current assets		152,483	167,388
Net assets		186,054	198,791
EQUITY			
Share capital		2,387	2,387
Reserves	27	183,667	196,404
Total equity		186,054	198,791

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

	2016 RMB'000	2015 RMB'000
Loans and receivables:		
Trade receivables	53,947	36,463
Deposits paid and other receivables	75,702	66,305
Amounts due from related companies	2,084	2,687
Cash and cash equivalents	151,927	200,599
	283,660	306,054

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:

	2016 RMB'000	2015 RMB'000
Financial liabilities measured at amortised cost:		
Trade payables	134,072	143,448
Deposits received, accruals and other payables	35,141	37,883
Amounts due to related companies	2,154	12,965
Bank borrowings	104,000	132,000
	275,367	326,296

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 approximate their fair values as at the end of each reporting period. 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.

There 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 has 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	More than 1 year but less than 2 years RMB'000
31 December 2016				
Trade payables	134,072	134,072	134,072	–
Deposits received, accruals and other payables	35,141	35,141	35,141	–
Amounts due to related parties	2,154	2,154	2,154	–
Bank borrowings	104,000	105,092	105,092	–
	275,367	276,459	276,459	–

	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.

	2016		2015	
	Effective interest rate (%)	RMB'000	Effective interest rate (%)	RMB'000
Financial liabilities				
Fixed rate borrowings				
– Bank borrowings	4.4	24,000	5.0 - 6.1	52,000
Floating rate borrowings				
– Bank borrowings	5.4-6.3	80,000	5.5 – 6.3	80,000
Financial assets				
Floating rate assets				
– Bank balances	0.01-0.35	149,927	0.01 – 0.35	200,381

It is estimated that a general increase or decrease of 100 basis points in 2016 in interest rates for floating rate borrowings, with all other variables held constant, would decrease or increase the Group's profit/retained earnings for the year by approximately RMB600,000 (2015: RMB600,000)for the year ended 31 December 2016.

It is estimated that a general increase or decrease of 5 basis point in 2016 in interest rates for floating rate assets, with all other variables held constant, would increase or decrease the Group's profit/retained earnings for the year by approximately RMB56,000 (2015: RMB75,000) for the year ended 31 December 2016.

There is no impact on other components of equity.

The sensitivity analysis above has been determined assuming that the change in interest rate 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 2016 and 2015.

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

Capital management

The capital structure of the Group consists of debts, which include 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.

	2016	2015
	RMB'000	RMB'000
Debt	**104,000**	132,000
Equity	**255,766**	250,794
Debt to equity ratio	**41%**	53%

36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The financial statement were approved and authorised for issue by the board of directors of the Company on 31 March 2017.