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

Annual Report 2018

CONTENTS

CORPORATE INFORMATION

(AS AT 28 MARCH 2019)

DIRECTORS

Executive Directors

Mr. Sun Kin Ho Steven *(Chairman)*
Mr. Mung Hon Ting Jackie *(Chief Executive Officer)*
Mr. Han Wei *(Chief Financial Officer)*

Non-Executive Director

Mr. Wang Fu Lin

Independent Non-Executive Directors

Mr. Chong Kin Ho
Mr. Tung Chia Hung Michael
Mr. Chen Cheng Lien

AUDIT COMMITTEE

Mr. Chong Kin Ho *(Chairman)*
Mr. Tung Chia Hung Michael
Mr. Chen Cheng Lien

REMUNERATION COMMITTEE

Mr. Tung Chia Hung Michael *(Chairman)*
Mr. Mung Hon Ting Jackie
Mr. Chen Cheng Lien

NOMINATION COMMITTEE

Mr. Sun Kin Ho Steven *(Chairman)*
Mr. Tung Chia Hung Michael
Mr. Chen Cheng Lien

AUTHORISED REPRESENTATIVES

Mr. Mung Hon Ting Jackie
Mr. Tam Sze Kin

COMPANY SECRETARY

Mr. Tam Sze Kin

COMPANY'S WEBSITE

www.skl.com.cn

STOCK CODE

974

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

20th Floor, One Island South
No. 2 Heung Yip Road
Wong Chuk Hang, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Vistra (Cayman) Limited
P.O. Box 31119
Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman
KY1-1205
Cayman Islands

PRINCIPAL BANKERS

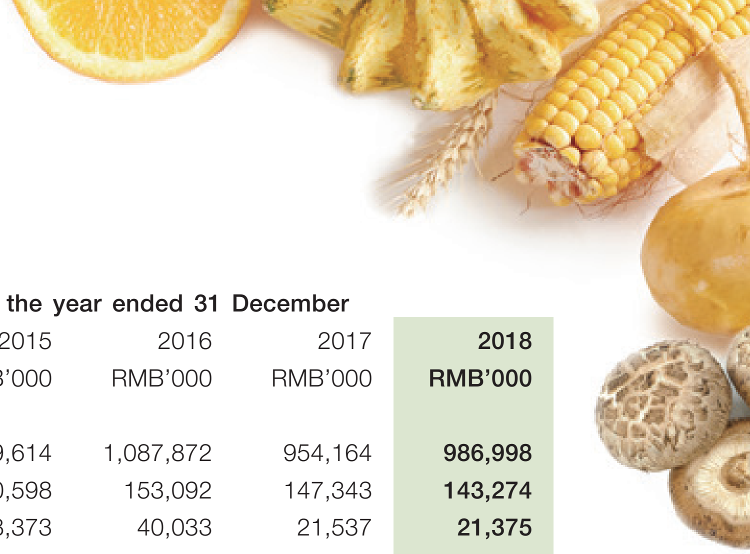
Agricultural Bank of China Limited Shunde Lecong sub-branch
Guangdong Shunde Rural Commercial Bank Company Limited Lecong sub-branch
China Construction Bank Corporation, Shunde Huabin Sub-branch
China Everbright Bank Hong Kong Branch

AUDITOR

SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong



FINANCIAL SUMMARY

Results	2014	2015	2016	2017	2018
	For the year ended 31 December				
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	1,053,359	1,039,614	1,087,872	954,164	**986,998**
Gross profit	183,297	200,598	153,092	147,343	**143,274**
Profit from operation	46,341	48,373	40,033	21,537	**21,375**
Finance costs	4,210	7,268	5,559	4,625	**4,835**
Income tax expense	11,096	12,281	9,839	4,976	**5,138**
Profit for the year attributable to the owners of the Company	30,951	28,631	24,397	11,681	**11,247**
Total comprehensive income attributable to the owners of the Company	30,651	31,094	29,235	8,095	**13,617**
Dividend paid	18,800	18,800	24,991	Nil	Nil

Assets and liabilities	2014	2015	2016	2017	2018
	As at 31 December				
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Non-current assets	97,100	123,884	110,694	97,602	**97,930**
Current assets	289,812	458,326	428,762	427,936	**444,690**
Current liabilities	316,298	251,416	283,690	261,422	**264,732**
Net current (liabilities)/assets	(26,486)	206,910	145,072	166,514	**179,958**
Total assets less current liabilities	70,614	330,794	255,766	264,116	**277,888**
Non-current liabilities	—	80,000	—	—	**—**
Net assets	70,614	250,794	255,766	264,116	**277,888**
Equity attributable to owners of the Company	70,229	250,216	254,460	262,555	**276,172**

CHAIRMAN'S STATEMENT

Dear Shareholders,

Looking back at 2018, a year full of tremendous changes, despite the fierce competition in the market, stricter policies and regulations, and increasing costs, China Shun Ke Long Holdings Limited (the "Company", together with its subsidiaries, the "Group") overcame these difficulties by implementing strategies including big data planning, intelligent operation and customer experience improvement. In 2018, the sales of the Group increased to approximately RMB987.0 million. The improvement of our sales performance is attributable to the following reasons:

1. EXPANDING IN AN ADVERSE MARKET BY INCREASING STORES

In 2018, the Group scientifically expanded business in Guangzhou and Foshan markets by collating big-data information to capture the market share. The Company added 8 retail outlets in Foshan area in 2018, thereby steadily expanding its scale and enlarging its market share. As of now, the Group has 70 retail outlets in Guangdong province and Macau. It is expected that the number of retail outlets and franchise stores of the Group will continue to grow in 2019.

2. INNOVATING MARKETING APPROACH AND ACHIEVING MARKED RESULTS WITH SALES PROMOTIONS

In 2018, the increase in the sales of the Group was attributable to: (1) the successful pilot run of the F2C project (i.e., direct sales from factory to customer). The first Shun Ke Long Home Appliances Festival generated over RMB2 million of home appliances sales in 2 days, which was an outstanding achievement. In the future, the Group will continue to carry out F2C activities in each year and establish the "F2C Festival" as a benchmark project in the industry. We will intensify our efforts to cooperate with factories and suppliers to carry out special F2C sales activities for various products such as alcohol and fresh fruit; (2) remarkable results from 21% discount sales promotion. The two 21% discount events in the year resulted in a total increase of approximately RMB26 million in sales; (3) the introduction of new best-selling goods. The Group intrepidly explored the market and optimized product mix based on market demands, importing new types of products from various countries, such as best-selling skin care products, milk powder and durian, which have won the recognition of customers. In 2018, the sales of imported durians exceeded approximately RMB37 million, achieving an outstanding result.

3. ACTIVELY EXPLORING NEW RETAIL BUSINESS TO TAP NEW BUSINESS OPPORTUNITIES

In early 2018, the Group initiated Ali's Taoxianda (淘鮮達) project, which contributed to the growth of our results. At the same time, the project provided a large amount of online data for the Group and helped us to develop online sales skills. In addition, the project not only brought in a young customers base who had seldom consumed products of the Group, but also added another sales channel for the Group's suppliers in addition to the physical stores, benefiting both the upstream and the downstream. In 2019, we will continue to deepen cooperation with Taoxianda to cover the Shun Ke Long-Taoxianda business in Foshan area, providing more and better services and experience for our customers.

CHAIRMAN'S STATEMENT

Reviewing the past and planning for the future, we believe that the most important thing is to return to the essence of retailing, that is to provide excellent products and services. We should transform and upgrade ourselves according to the changing consumer demands. Customer satisfaction will become the key indicator of the Group's "soft power" in the future. In 2018, in addition to renovating the shopping environment and the facilities, the Group continued to upgrade the image of its stores and increase customer recognition. The Group also endeavored to improve internal management to comprehensively improve our store management capability and train staff to provide nice and warm services to our customers.

Looking ahead to 2019, a brand-new beginning is in store for employees, the Company and the industry alike. It will be full of opportunities and excitement. I would like to thank the Shareholders and suppliers for their support, and thank our employees for their dedication and contribution. I hope the Group will further improve its performance in the coming year, and will write a new chapter, achieve greater glories, and create better returns for Shareholders!

Sun Kin Ho Steven
Chairman

28 March 2019

BUSINESS REVIEW

The Company is an investment holding company and the Group is a supermarket chain store operator with geographical focus in Guangdong province of the PRC. During the year ended 31 December 2018 ("FY2018"), the Group maintained both retail and wholesale distribution channels. The Group's focus on the suburban and rural areas of the PRC made it different from other major players in the market.

Shun Ke Long Strategic Development Map

* *indicative purpose only*

Retail Outlets

During the FY2018, the Group opened 8 retail outlets and closed 2 retail outlets. As at 31 December 2018, the Group had 67 retail outlets located in Guangdong province of the PRC and 3 retail outlets located in the Macau Special Administrative Region ("Macau") of the PRC, respectively.

The following table sets forth the changes in the number of retail outlets of the Group during FY2018:

	For the year ended 31 December	
	2018	2017
At the beginning of the year	**64**	75
Additions	**8**	3
Reductions	**(2)**	(14)
At the end of the year	**70**	64

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 31 December 2018:

Location	Number of retail outlets
Foshan	53
Zhaoqing	8
Zhuhai	5
Guangzhou	1
The PRC	67
Macau	3
Total	70

General Wholesale

During the FY2018, the Group managed to keep all sole and exclusive distribution rights it gained before. The Group maintained sole and exclusive distribution rights for 17 brands covering Foshan, Jiangmen and Zhaoqing. The exact coverage of the Group's sole and exclusive distribution rights varied among those 17 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. 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 FY2018:

	For the year ended 31 December	
	2018	2017
At the beginning of the year	**437**	418
Additions	**71**	25
Reductions	**(26)**	(6)
At the end of the year	**482**	437

RECENT DEVELOPMENT AND OUTLOOK

In the short term, adverse factors such as the negative impact of the Sino-US trade war on the PRC's economy, the rise of operating costs and fierce horizontal competition will continue to pose challenges to the Group. However, if we take a long-term view of the development, the Group's prospects are bright. The Group's business has been based in the 9+2 city agglomerations in Guangdong-Hong Kong-Macao Greater Bay Area with a deep market base. With the development of the Greater Bay Area, the Group will be able to make breakthroughs in development through the leap forward of the market and its own continuous reforms.

In response to the challenges of the economic downturn, the Group continued to adopt a series of measures to enhance its profitability. In terms of sales, the Group will focus on the development of "Fresh + Kitchen + Home", and continue to open community fresh food stores (including fresh meat, melon, fruit and seafood) in third-tier cities. Moreover, the Group has always focused on the "new retail" business, i.e. the online sales business. The Group will strengthen cooperation with e-commerce platforms such as "Taoxianda", "Eleme" and "JD Daojia" to promote the development of online O2O and B2B platforms, improve the distribution capabilities, set up frontline warehouses and improve operations of logistics centers to achieve integration of online and offline businesses.

In terms of procurement, the Group will increase the variety of products, especially those with local characteristics, imported products, and best-selling products, and speed up the introduction, improve the process of delivery and after-sales. In addition, the Group will also strengthen the development of its own brand, focusing on daily necessities, cotton fabrics and paper products. Furthermore, the Group plans to increase the proportion of direct purchase from the origin to reduce intermediate layers, reduce costs and increase gross profit.

Through the above measures, the Group believes that the development in 2019 will be stable with opportunities. At the same time, the Group will continue to pay attention to different investment opportunities, identify appropriate businesses and projects for shareholders and increase shareholder returns.

FINANCIAL REVIEW

Revenue

For the FY2018, despite weak consumer sentiment due to economic uncertainties, the revenue of the Group was approximately RMB987.0 million, representing a mild increase of approximately RMB32.8 million or 3.4% when compared with revenue for the year ended 31 December 2017 ("FY2017"). The increase in the revenue was mainly driven by the improved sales in retail outlet operation.

For the FY2018, the Group's revenue from retail outlet operation was approximately RMB725.9 million, representing an increase of approximately RMB48.9 million or 7.2% when compared with FY2017. The increase was mainly driven by the sales from the newly opened retail outlets in Foshan, promotional activities and the increased sales of imported fresh fruit from Thailand.

For the FY2018, the Group's revenue from wholesale distribution operation was approximately RMB261.1 million, representing a drop of approximately RMB16.1 million or 5.8% when compared with FY2017. The drop was mainly due to the fact that there was a substantial decrease in the average purchase amounts by corporate customers.

Gross Profit Margin

For FY2018 and FY2017, the Group's gross profit margins were 14.5% and 15.4%, respectively. The decline was mainly due to the increase in low margin sales from promotional activities and imported fresh fruit products.

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 FY2018:

	For the year ended 31 December	
	2018	2017
	RMB million	RMB million
Revenue		
Retail outlet operation	**725.9**	677.0
Wholesale distribution	**261.1**	277.2
Total	**987.0**	954.2
Cost		
Retail outlet operation	**590.0**	536.6
Wholesale distribution	**253.7**	270.2
Total	**843.7**	806.8
Gross profit		
Retail outlet operation	**135.9**	140.4
Wholesale distribution	**7.4**	7.0
Total	**143.3**	147.4
Gross profit margin		
Retail outlet operation	**18.7%**	20.7%
Wholesale distribution	**2.8%**	2.5%
Overall	**14.5%**	15.4%

Other Operating Income

For the FY2018, the Group's other operating income was approximately RMB55.0 million, representing a decrease of approximately RMB0.6 million when compared with FY2017. The decrease was mainly due to the drop in promotion income from suppliers.

Selling and Distribution Costs

For the FY2018, the Group's selling and distribution costs were approximately RMB142.2 million, representing an increase of approximately RMB1.2 million or 0.9% when compared with FY2017. The increase was mainly due to an increase in the direct marketing and online advertising costs for sales promotions and renovation expenses for newly opened retail outlets.

Administrative Expenses

For the FY2018, the Group's administrative expenses were approximately RMB34.8 million, representing a decrease of approximately RMB5.6 million or 13.9% when compared with FY2017, reflecting the reduction of professional expenses after the completion of the mandatory unconditional cash offer for the shares of the Company.

Finance Costs

For the FY2018, the Group's finance costs were approximately RMB4.8 million, representing an increase of approximately RMB0.2 million or 4.3% when compared with FY2017. The increase was mainly due to an increase in bank borrowings for bulk purchase of products from distributors.

Income Tax Expenses

For the FY2018, the Group's income tax expenses were approximately RMB5.1 million, representing an effective tax rate of 31.1%. 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 FY2018, the Group's net profit attributable to the shareholders was approximately RMB11.4 million, representing a slight drop of approximately RMB0.5 million or 4.2% when compared with FY2017, mainly due to an increase in selling and distribution costs during the year.

Total Comprehensive Income

For the FY2018, the Group's total comprehensive income attributable to the shareholders was approximately RMB13.8 million, representing an increase of approximately RMB5.4 million or 64.3% when compared with FY2017. The depreciation of RMB against HK$ led to an exchange gain on translating foreign operations of approximately RMB2.4 million for the FY2018, which was reflected as other comprehensive income.

Capital Expenditure

The Group's capital expenditure requirements were mainly related to additions of its property, plant and equipment for the newly opened and existing retail outlets. For the FY2018, the Group spent approximately RMB14.3 million on addition of its property, plant and equipment.

Liquidity and Financial Resources

As at 31 December 2018, the Group had cash and cash equivalents of approximately RMB121.7 million (as at 31 December 2017: approximately RMB164.5 million), out of which approximately RMB86.3 million was denominated in RMB and approximately RMB35.4 million was denominated in HK$ or MOP.

As at 31 December 2018, the Group had net current assets of approximately RMB180.0 million (as at 31 December 2017: approximately RMB166.5 million) and net assets of approximately RMB277.9 million (as at 31 December 2017: approximately RMB264.1 million). As at 31 December 2018, the Group did not have unutilized banking facilities (as at 31 December 2017: approximately RMB51.0 million).

Significant Investments and Plans for Material Investments or Capital Assets

The Group did not hold any significant investments during the FY2018.

Material Acquisitions and Disposals

The Group did not carry out any material acquisition nor disposal of any subsidiary or associated company during the FY2018.

Indebtedness and Pledge of Assets

As at 31 December 2018, the Group had bank borrowings denominated in approximately RMB108.0 million (as at 31 December 2017: approximately RMB92.0 million) secured by:

(i) the pledge of certain leasehold buildings of the Group with net carrying amount of approximately RMB9.7 million (as at 31 December 2017: approximately RMB14.4 million);

(ii) the pledge of certain prepaid land lease of the Group with net carrying amount of approximately RMB25.8 million (as at 31 December 2017: approximately RMB28.5 million); and

(iii) the pledge of certain investment properties of the Group with net carrying amount of approximately RMB2.4 million (as at 31 December 2017: approximately RMB2.9 million).

All the bank borrowings were repayable within one year. The interests of those loans were fixed at 5.23% per annum (2017: at fixed rate of 4.75% per annum).

Key Financial Ratio

The following table sets forth the key financial ratios of the Group for the FY2018:

	As at/for the year ended 31 December	
	2018	2017
Debtor turnover days	**11.8**	17.8
Inventory turnover days	**49.5**	52.8
Creditor turnover days	**48.1**	55.3
Return on equity	**4.1%**	4.5%
Return on total assets	**2.1%**	2.3%
Interest coverage ratio	**4.4x**	4.7x
Gearing ratio	**38.9%**	34.8%
Net debt to equity ratio	**Net cash**	Net cash
Current ratio	**1.7x**	1.6x
Quick ratio	**1.2x**	1.2x

Foreign Currency Exposure

Majorities of the Group's assets, liabilities and cash flows were denominated in RMB and part of the Group's assets were denominated in HK$. During the FY2018, the drop of RMB against HK$ 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 FY2018, 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 2018, 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 1,471 employees as at 31 December 2018, of which 1,429 employees worked in the PRC and 42 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 FY2018, 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.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Difficulties in Expanding Retail Outlets Network

Our future growth and profitability depend in part on our ability to expand our business presence and network in the Greater Bay Area. Our ability to implement our expansion plan would be subject to the risks and uncertainties such as our ability to identify suitable sites for new retail outlets, availability of resources and fund for expansion plan, our ability to attract management talents, government approvals, etc.

Change in Consumer Preferences

Consumer preferences in the PRC are changing at a rapid pace and are affected by many factors such as economic conditions, disposable income, government policies, family structure, lifestyle, technology, and many other factors. The success of our business depends on our ability to provide products that satisfy customer demands. If we fail to accurately forecast and adjust our product mix in time to meet the consumer demands and preferences, our results of operations may be adversely affected.

Thin Profit Margin

As the Group is principally engaged in the supermarket business, we have had thin net profit margins. The Group is facing keen competition from other players of the supermarket industry and online retailers, and the increase in the operating costs. As a result, the profit margin has been squeezed. If there is any occurrence of unfavourable event such as the outbreak of infectious disease, concern over safety of product, etc., our volume of products sold, selling prices or costs of sales, may be adversely affected.

INTRODUCTION

The Group is committed to incorporating sustainable development programs into our day-to-day operations and management. This report has complied with the "Comply or Explain" provisions as set out in the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Based on the principle of materiality, this report focuses on the environmental and social impacts of our retail and wholesale business. This report identified the following material ESG issues during the year ended 31 December 2018:

A. ENVIRONMENTAL

A1 Emission

The Group complied with all the applicable laws and regulations in respects of greenhouse emission and waste generation in PRC. The Group's indirect source of carbon dioxide emissions is from its electricity consumption in our retail outlets. In 2018, approximately 6,968 tonnes of carbon dioxide were emitted.

Waste discharged from our retail outlets rarely if ever contains hazardous substances.

We understand the importance of reducing wastes at the source, and we make the effort to reduce the amount of goods that need to be disposed of during the process of operation. By continuously optimizing the information system, we strive to reduce the difference between procurement orders and market demands. To reduce the wastage of food, clearance prices are offered to customers on slow-moving and expiring items.

In addition, wastes such as waste paper, toner cartridges and paper cartons are produced during our day-to-day operations. For different types of wastes, we will study and adopt various methods of wastes treatment, with full consideration of the needs of the community and viable solutions.

Note: the calculation of the volume of greenhouse gas emission includes the indirect emission generated by the electricity purchased by the Group and its retail outlets, and is made reference to the emission factor for enterprises in Guangdong province as stipulated in the Guide on the Report of the Emission of Carbon Dioxide for the Enterprises in Guangdong Province (Revised in 2018) (廣東省企業（單位）二氧化碳排放信息報告指南（2018年修訂）).

A2 Use of Resources

Total water consumption of the Group in 2018 was approximately 44,472 cubic metres. Water supply for the Group is adequate and there is no problem in water sourcing. The Group has been actively carrying out water conservation measures and encouraging reutilization of water so as to reduce water consumption.

Total power consumption of the Group was approximately 8.82 million kWh in 2018. 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.

Packaging material is another source of resources consumed in our operations. During the year ended 31 December 2018, the Group distributed plastic shopping bags and packing materials of 10,888 kg to our customers. The Group encourage our customers to bring their own shopping bags to reduce shopping bags consumption.

A3 The Environment and Natural Resources

The Group sells different merchandise in our retail outlets every day and is striving for sustainable procurement so as not to deplete but to preserve limited natural resources in fisheries and agriculture for future generations.

The Group promotes the procurement of sustainable fisheries, aquaculture products and agricultural products.

B. SOCIAL

B1 Employment

The Group is strictly in compliance with the relevant laws and regulations including the "Labour Law of the PRC" and the "Labour Contract Law of the PRC" to create a fair and legitimate working environment as well as a healthy and safe labour environment. Reasonable working hours and resting time are arranged for our employees.

A robust and stable team of employees is the key to maintain a regular and stable operation. As at 31 December 2018, the Group had 1,471 employees and the proportion of male to female employees was 25.6% to 74.4%. The principle of equal working environment has been strictly adhered.

B2 Health and Safety

The Group is committed to safeguarding the health and safety of the employees. We develop corresponding guidelines with respect to work safety, occupational health and emergency response. We ensure that employees comply with such guidelines, and regularly provide occupational safety education and training sessions to the employees to enhance their awareness of safety.

We also continuously review and improve the environment, facilities and staff equipment of the workplace to mitigate any potential safety risks.

During the year ended 31 December 2018, there was no material non-compliance with the laws and regulations in relation to health and safety, nor any work-related fatal accidents.

B3 Development and Training

The Group provides various specified trainings for frontline staff, headquarters staff, middle-ranking management and senior management according to the development plan of the Company, providing a clear ladder of promotion to employees. Any employees with ability can realize their value and achieve better development. The promotion mechanism of the Group is linked with performance assessment.

B4 Labour Standards

During the year ended 31 December 2018, there was no child and forced labour in our Group as it strictly complies with the requirements of the relevant laws and regulations such as the "Labour Law of the PRC" and "the Labour Contract Law of the PRC".

B5 Supply Chain Management

In the course of selecting suppliers, the Group would consider a range of factors including the product quality, the supply capacity, reasonableness of price, service quality and business reputation while strictly reviewing information such as operational qualifications, license and testing reports on product quality in order to ensure that all products introduced by us are safe and reliable. We have entered into an agreement for sale and purchase with each supplier that we introduce, specifying the rights, obligations and related responsibilities of the supplier explicitly and requesting the supplier to provide regular testing reports of the products that they offer.

B6 Product Responsibility

The Group emphasizes that the food safety is of high importance and regular trainings are hosted for procurement staff and retail staff on the relevant laws and regulations including the "Food Safety Law of the PRC". To better enforce the food safety management work and to eliminate the hidden risks of food safety, the Group strictly monitors the quality of the products pursuant to the "Food Safety Law of the PRC", the "Product Quality Law of the PRC" and the requirements of other relevant laws and regulations. New channels and new products are reviewed and approved strictly according to our quality standards.

On-site inspections on newly introduced channels and high-risk channel are carried out to ensure that disqualified channels will not be introduced. The distribution center implements strengthened measures on the management of the date of manufacture and shelf life when receiving products and will refuse to accept any goods which is unable to comply with the inspection requirements. The Group pays close attention to the shelf life of goods keep in the warehouses and will adjust the packaging and transportation standard of live and fresh merchandise according to different seasons and requirements of storage and transportation in order to maintain a standardized operation and management on the food safety at our stores.

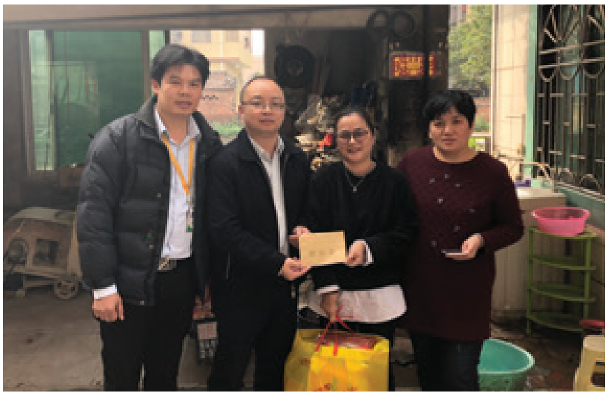
B7 Anti-corruption

The Group requires all employees to be self-disciplined and upright and corruption and kickback are not tolerated. No one is allowed to take advantage of their position to misappropriate funds and property or abuse power for personal gains.

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 anticorruption policies. Our statement of anti-corruption policies is placed in all open meeting areas to remind ourselves and our business partners of such practices. Therefore, the Group complied with all the laws and regulations in respects of bribery, extortion, fraud and money laundering for the year ended 31 December 2018.

B8 Community Investment

The Group pays effort on corporate social responsibility. With our volunteer team supported by all levels of staff, we are committed to serving the local community through donating and helping people in need and retired families.



DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Sun Kin Ho Steven (孫乾皓), aged 39, was appointed the Chairman of the Board and Executive Director on 30 August 2018. He is responsible for setting the Company's business strategy and business development direction. He was appointed as the executive director and chairman of the board of Hong Kong International Construction Investment Management Group Co., Limited ("HKICIM"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 687) from 3 August 2018 to 26 October 2018 and was re-designated from the chairman of the board to a co-chairman of HKICIM with effect from 26 October 2018. He is currently the deputy chief executive officer of HNA Group (International) Company Limited. Mr. Sun joined HNA Group Co., Ltd. (海航集團有限公司) in August 2007. He served as the president of Hong Kong International Financial Services Limited, the chief investment officer of the investment development department of HNA Holding International Investment Group Co., Limited, the operational director of the investment banking management unit of HNA Modern Logistics Group Co., Limited (海航現代物流集團有限公司) and a director of the board of HNA Finance I Co., Ltd. Mr. Sun has more than 10 years of working and management experience in finance and capital operations, corporate strategy development and operational management.

Mr. Mung Hon Ting Jackie (蒙翰廷), aged 25, was appointed as the Chief Executive Officer, Executive Director and Authorized Representative of the Company on 2 March 2018. He served as an audit associate of Deloitte Touche Tohmatsu Limited (Hong Kong) in 2015, after which he served as an analyst in VMS Securities Limited (Hong Kong) from November 2015 to February 2016. He served as a fund manager of Global Mastermind Capital Limited, a company listed on the Stock Exchange (stock code: 905), from March 2016 to November 2017. Mr. Mung served as the chief executive officer of VeloX Express Limited from March 2016 to November 2017. Since April 2016, he has been appointed as a director of VeloX Express Limited and China Logistics Holdings Group Co., Limited respectively. Mr. Mung was appointed as an executive director and the deputy chief investment officer of Hong Kong International Construction Investment Management Group Co., Limited, a company listed on the Stock Exchange (stock code: 687), from October 2017 and January 2018 respectively to 3 August 2018. He is currently a member of Hong Kong Youth Elites Association, Hong Kong United Youth Association and Guangdong Youth Federation. Mr. Mung received his bachelor of science degree in corporate finance and accounting from Bentley University in the United States in 2014.

Mr. Han Wei (韓瑋), aged 37, was appointed as a Non-Executive Director on 10 June 2017 and re-designated as an Executive Director and the Chief Financial Officer on 13 September 2017. Mr. Han previously served as the fund planning and procurement manager in the finance planning department of HNA Group Co., Ltd. (海航集團有限公司), the assistant to the general manager in the finance department of Hainan Airlines Co., Ltd. (海南航空股份有限公司), the deputy general manager in the finance planning department of HNA Infrastructure Industry Group Limited (海航基礎產業集團有限公司), the vice president of the project construction department of HNA Industrial Holdings (Group) Co., Ltd. (海航實業控股（集團）有限公司), the executive deputy manager in the finance planning department of HNA Industrial Group Co., Ltd. (海航實業集團有限公司), the chief financial officer of HNA Retailing Co., Ltd. (海航商業控股有限公司), the financial controller of HNA Retailing Co., Ltd. (海航商業控股有限公司), the deputy financial controller and the general manager in the financial planning department of Hainan Gongxiao Daji Holding Ltd. (海南供銷大集控股有限公司), and the financial controller of CCOOP Group Co., Ltd. (供銷大集集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000564). Mr. Han currently serves as a director of HNA Retailing Co., Ltd. (海航商業控股有限公司), the financial controller of Hainan Gongxiao Daji Holding Ltd. (海南供銷大集控股有限公司), an executive director of Green Industrial (HK) Holding Co., Limited (綠色實業（香港）有限公司), an executive director of Feihang Yuanchuang Investment Co., Ltd. (飛航遠創投資有限公司), a director of CCOOP Group Co., Ltd., a director and chief executive officer of Hainan Gongxiao Daji Financial Information Technology Co., Ltd (海南供銷大集金服信息科技有限公司), and a director and president of CCOOP Group Co., Ltd.. He holds dual bachelor degrees in Economics and Law from Xi'an Jiaotong University in China and a postgraduate diploma in Finance from Xiamen University in China. He is an intermediate economist.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Wang Fu Lin (王福林), aged 42, was appointed as a Non-Executive Director on 10 June 2017. Mr. Wang previously served as the deputy general manager of project development and management department of HNA Group Co., Ltd. (海航集團有限公司), the assistant to president of HNA Real Estate Holdings (Group) Co., Ltd. (海航置業控股（集團）有限公司), and the chairman and general manager of Chongqing Dingrui Real Estate Development Co., Ltd. (重慶鼎瑞地產開發有限公司), and the general manager in the planning investment department of Hainan Gongxiao Daji Holding Ltd. (海南供銷大集控股有限公司). Mr. Wang currently serves as the general manager of the investment innovation department of CCOOP Group Co., Ltd. (供銷大集集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000564). He holds a bachelor's degree in Economics from Xi'an College of Statistics in China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chong Kin Ho (莊健豪), aged 43, was appointed as an Independent Non-executive Director on 31 October 2018. He obtained a Bachelor of Arts degree in Accountancy from The Hong Kong Polytechnic University in November 1998 and a Master of Science degree in Professional Accountancy from the University of London in August 2018. Mr. Chong has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants ("HKICPA") since February 2002 and became a fellow member of the HKICPA in May 2015. He has also been a fellow member of The Association of Chartered Certified Accountants and a fellow member of The Taxation Institute of Hong Kong since October 2006 and September 2010, respectively. Mr. Chong has also been admitted as an ordinary member of The Society of Chinese Accountants & Auditors since May 2010, and is currently a certified tax adviser registered with The Taxation Institute of Hong Kong. Mr. Chong has over 20 years of experience in accounting, auditing, taxation, finance and business advisory. He has been an independent non-executive director of Hong Kong International Construction Investment Management Group Co. Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 687). Since December 2004, Mr. Chong has been the sole proprietor of Flexkin & Co., a certified public accountant practicing firm in Hong Kong. He has also been a director of Startup Business Services Limited since October 2014 and Hong Kong General Chamber of Young Entrepreneurs Limited since August 2017. From July 2005 to July 2006, Mr. Chong worked as a senior accountant in eSun Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 571). He worked in Lippo China Resources Limited (a company listed on the Main Board of the Stock Exchange, stock code: 156), from September 2004, and his last held position when he left in July 2005 was senior accountant. Between March 2003 and September 2004, he was a finance and administration manager of VITOVA LIMITED, and from September 1998 to March 2003, Mr. Chong worked in Deloitte Touche Tohmatsu, with his last held position as senior consultant.

Mr. Tung Chia Hung Michael (董家宏), aged 39, was appointed as an Independent Non-executive Director on 31 October 2018. He has over 17 years' experiences in the banking and finance field. Mr. Tung has been a partner of Oski Capital Group Limited since May 2017. From July 2010 to May 2017, Mr. Tung worked as client advisor in the wealth management division at UBS AG, focusing on servicing private equity and venture capital funds. Mr. Tung was a global wealth management client advisor of HSBC Private Bank (Suisse) S.A. from September 2005 to March 2007. From April 2007 to June 2010, Mr. Tung worked as an investment advisor at private wealth management department of Morgan Stanley Asia, Ltd. Mr. Tung worked as an associate vice president of Bank of America Securities LLC (BAS) from July 2003 to July 2005 and he worked as an Associate of Wells Fargo Bank, N.A. from September 2001 to June 2003. Mr. Tung obtained a bachelor degree of arts in Psychology with a minor in Chinese from the University of California, Davis, the United States in September 2002. Mr. Tung is now studying a master of science degree from New York University Stern School of Business, New York, the United States.

Mr. Chen Cheng Lien (陳政璉), aged 40, was appointed as an Independent Non-executive Director on 31 October 2018. He has over 10 years' experience in finance and investment field as well as technology industry. Mr. Chen is currently the chief executive officer of Cornucopia Innovation Corporation, a wholly-owned subsidiary of Solomon Technology Corporation ("Solomon", together with its subsidiaries "Solomon Group"), a company listed on Taiwan Stock Exchange (stock code: 2359TW). Mr. Chen joined Solomon Group in September 2005 and he was a member of the board of directors of Solomon from July 2008 to January 2013. Mr. Chen was also a member of the board of directors of Solomon Goldentek Display Corporation from June 2014 to March 2018. Since December 2009, Mr. Chen has been a member of the board of directors of Data International Co. Ltd., a company listed on GreTai Securities Market of the Taiwan Stock Exchange (stock code: 5432TW). Mr. Chen was also a member of board of directors of United Test and Assembly Center Ltd. from June 2007 to October 2007. Mr. Chen was an analyst of JP Morgan Securities (Asia Pacific) Limited from July 2004 to September 2005 and a research analyst of Prudence International Advisory Limited from July 2003 to May 2004. Mr. Chen obtained a bachelor of science degree from the University of Illinois at Urbana Champaign, the United States in 2001, a master degree in financial engineering from the University of California, Berkeley in 2003 and master of business administration degree in 2008 from Cornell University, the United States. Mr. Chen is now studying an EMBA degree at China Europe International School in Shanghai, the PRC.

SENIOR MANAGEMENT

Mr. Tam Sze Kin (譚子健), aged 49, was appointed as the financial controller and company secretary of the Company on 26 October 2018. Mr. Tam holds a bachelor's degree of business administration in finance awarded by Simon Fraser University in Canada. Mr. Tam is a fellow member of The Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tam has over 20 years of experience in accounting and company secretarial field. Mr. Tam was the assistant financial controller of Hua Xia Healthcare Holdings Limited (stock code: 8143, a company listed on the GEM of the Stock Exchange, formerly known as "Grandy Corporation") from April 2005 to July 2011. Mr. Tam was also the financial controller and company secretary for a number of private limited companies in construction and garment trading fields.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board", and the members of the Board, (the "Directors")) of the Company is committed to achieving high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework to safeguard the interests of shareholders of the Company (the "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 2018, 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (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 2018.

BOARD OF DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this annual report were as follows:

Executive Directors

Mr. Sun Kin Ho Steven *(Chairman, appointed on 30 August 2018)*
Mr. Mung Mon Ting Jackie *(Chief Executive Officer, appointed on 2 March 2018)*
Mr. Han Wei *(Chief Financial Officer)*
Mr. Wang Zheng *(appointed as Chairman on 2 March 2018 and resigned on 30 August 2018)*
Mr. He Jia Fu *(resigned on 2 March 2018)*
Mr. Li Zhongxu *(resigned on 2 March 2018)*

Non-Executive Directors

Mr. Wang Fu Lin
Mr. Wu Limin *(resigned on 31 January 2019)*
Mr. Lao Songsheng *(resigned on 2 March 2018)*

Independent Non-Executive Directors

Mr. Chong Kin Ho *(appointed on 31 October 2018)*
Mr. Tung Chia Hung Michael *(appointed on 31 October 2018)*
Mr. Chen Cheng Lien *(appointed on 31 October 2018)*
Mr. Sun Hong *(resigned on 31 October 2018)*
Mr. Guan Shiping *(resigned on 31 October 2018)*
Mr. Shin Yick Fabian *(resigned on 31 October 2018)*

BOARD MEETINGS

The Board meets regularly, and at least four times a year. For regular Board meetings, Directors receive written notice of the meeting generally about 14 days in advance. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. All Directors have full and timely access to all the information of the Group as well as the services and advice from the company secretary and senior management of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company and they are at liberty to propose appropriate matters for inclusion in Board agendas. Pursuant to the Articles of Association of the Company, Directors may participate in Board meetings in person, by phone or by other communication means.

Should a potential conflict of interest involving a substantial shareholder or a Director arise, the matter will be dealt with by a physical meeting rather than by written resolution. Pursuant to the Articles of Association, a Director who is considered to be materially interested in the matter shall abstain from voting on the resolution approving such matter.

The Board held 10 meetings during the year and the attendance record of each Director at the Board meetings and the general meeting of the Company held for the year ended 31 December 2018 is set out in the table below:

Directors	Board Meetings Attended/Eligible to Attend	General Meetings Attended/Number of General Meetings Held During the Term of Office
Executive Directors		
Mr. Sun Kin Ho Steven *(Chairman)*	4/4	0/0
Mr. Mung Hon Ting Jackie *(Chief Executive Officer)*	9/9	1/1
Mr. Han Wei *(Chief Financial Officer)*	10/10	1/1
Mr. Wang Zheng	1/5	1/1
Mr. He Jia Fu	1/1	0/0
Mr. Li Zhongxu	0/1	0/0
Non-executive Directors		
Mr. Wang Fu Lin	9/10	1/1
Mr. Wu Limin	1/10	1/1
Mr. Lao Songsheng	0/1	0/0
Independent Non-executive Directors		
Mr. Chong Kin Ho	1/1	0/0
Mr. Tung Chia Hung Michael	0/1	0/0
Mr. Chen Cheng Lien	1/1	0/0
Mr. Sun Hong	0/9	1/1
Mr. Guan Shiping	3/9	1/1
Mr. Shin Yick Fabian	9/9	1/1

Draft and final versions of minutes of each Board meeting are sent to all Directors for their comments and records respectively within a reasonable time. The Company also keeps detailed minutes of each Board meeting, which are available for inspection by all Directors.

The Company has arranged appropriate directors and officers liability insurance in respect of possible legal action against Directors.

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.

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.

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 and comprehensive 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 and senior management are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2018, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

Directors	Attending conferences/courses/ seminars/	Reading articles/ books/journals
Executive Directors		
Mr. Sun Kin Ho Steven *(Chairman)*	√	√
Mr. Mung Hon Ting Jackie *(Chief Executive Officer)*	√	√
Mr. Han Wei *(Chief Financial Officer)*	√	√
Mr. Wang Zheng	√	√
Mr. He Jia Fu	√	√
Mr. Li Zhongxu	√	√
Non-executive Directors		
Mr. Wang Fu Lin	√	√
Mr. Wu Limin	√	√
Mr. Lao Songsheng	√	√
Independent Non-executive Directors		
Mr. Chong Kin Ho	√	√
Mr. Tung Chia Hung Michael	√	√
Mr. Chen Cheng Lien	√	√
Mr. Sun Hong	√	√
Mr. Guan Shiping	√	√
Mr. Shin Yick Fabian	√	√

CHAIRMAN AND CHIEF EXECUTIVE

The role of the Chairman is separate from that of the Chief Executive Officer. They exercised separate responsibilities in the Company during the year. Mr. Mung Hon Ting Jackie has been appointed as the Chief Executive Officer since 2 March 2018, and the position of Chairman was held by Mr. Wang Zheng from 2 March 2018 to 30 August 2018 and has been taken up by Mr. Sun Kin Ho Steven since 30 August 2018. During the year, the Chairman was 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 while the Chief Executive Officer was 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.

In addition, the Chairman also provides leadership to the Board. He monitors the Board effectiveness and fosters constructive relations among Directors. During the year, the Chairman held meetings with the Independent Non-executive Directors without the presence of other Directors.

NON-EXECUTIVE DIRECTORS

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 of the CG code 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.

As at the date of this annual report, each of Directors of the Company entered into a service agreement or letter of appointment for a term of three years commencing from the date of appointment of each of Directors. 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 annual general meetings after appointment pursuant to the Articles of Association of the Company. Accordingly, Mr. Sun Kin Ho Steven, Mr. Chong Kin Ho, Mr. Tung Chia Hung Michael and Mr. Chen Cheng Lien shall offer themselves for re-election at the forthcoming annual general meeting.

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. Each of the committees is provided with sufficient resources to perform its duties.

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.

As at the date of this annual report, the Audit Committee comprises three members, namely Mr. Chong Kin Ho (Chairman), Mr. Tung Chia Hung Michael and Mr. Chen Cheng Lien. All of them are Independent Non-executive Directors.

During the year, the Audit Committee had held 2 meetings and the attendance records of members are set out below:

Members	Attended/ Eligible to Attend
Mr. Chong Kin Ho *(Chairman, appointed 31 October 2018)*	0/0
Mr. Tung Chia Hung Michael *(appointed on 31 October 2018)*	0/0
Mr. Chen Cheng Lien *(appointed on 31 January 2019)*	0/0
Mr. Shin Yick Fabian *(Former Chairman, resigned on 31 October 2018)*	2/2
Mr. Guan Shiping *(resigned on 31 October 2018)*	2/2
Mr. Wu Limin *(resigned on 31 January 2019)*	0/2

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 auditors twice for the year ended 31 December 2018 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.

As at the date of this annual report, the Remuneration Committee comprises three members, namely Mr. Tung Chia Hung Michael (Chairman), Mr. Mung Hon Ting Jackie and Mr. Chen Cheng Lien. Mr. Mung Hon Ting Jackie is an Executive Director while the remaining two members are Independent Non-executive Directors.

During the year ended 31 December 2018, the Remuneration Committee held 2 meetings and approved the remuneration packages of newly appointed Directors and remuneration policies of the Company. The attendance records of members are set out below:

Members	Attended/ Eligible to Attend
Mr. Tung Chia Hung Michael *(Chairman, appointed on 31 October 2018)*	1/1
Mr. Mung Hon Ting Jackie *(appointed on 2 March 2018)*	2/2
Mr. Chen Cheng Lien *(appointed on 31 October 2018)*	1/1
Mr. Sun Hong *(Former Chairman, resigned on 31 October 2018)*	1/1
Mr. Guan Shiping *(resigned on 31 October 2018)*	1/1

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.

As at the date of this annual report, the Nomination Committee has three members, namely Mr. Sun Kin Ho Steven (Chairman), Mr. Tung Chia Hung Michael and Mr. Chen Cheng Lien. Mr. Sun Kin Ho Steven is the Chairman of the Board and an Executive Director while the remaining members are Independent Non-Executive Directors.

During the year ended 31 December 2018, the Nomination Committee held 3 meetings and recommended to the Board on the appointment of Mr. Sun Kin Ho Steven as the Chairman of the Board and Executive Director, Mr. Chong Kin Ho, Mr. Tung Chia Hung Michael and Mr. Chen Cheng Lien as Independent Non-Executive Directors. The attendance records of members are set out as follows:

Members	**Attended/ Eligible to Attend**
Mr. Sun Kin Ho Steven *(Chairman, appointed 30 August 2018)*	1/1
Mr. Tung Chia Hung Michael *(appointed on 31 October 2018)*	0/0
Mr. Chen Cheng Lien *(appointed on 31 October 2018)*	0/0
Mr. Wang Zheng *(Former Chairman, resigned on 30 August 2018)*	1/2
Mr. Guan Shiping *(resigned on 31 October 2018)*	3/3
Mr. Sun Hong *(resigned on 31 October 2018)*	2/3

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 2018.

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 47 to page 51 in this annual report.

AUDITORS' REMUNERATION

The Company appointed SHINEWING (HK) CPA Limited as the external auditors for the year ended 31 December 2018. During the year ended 31 December 2018, the total fees paid/payable, excluding disbursements, in respect of audit services provided by SHINEWING (HK) CPA 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:

	RMB'000
Annual audit fee charged by SHINEWING (HK) CPA Limited	1,100

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 2018, 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.

The Company performs internal audit function through its internal audit management centre (the "IAMC"). The main function of the IAMC is to ensure that all material controls, including financial, operational and compliance controls as well as risk management are in place and functioning effectively. The Board considers that adequate resources, staff and training are provided to the IAMC.

COMPANY SECRETARY

The Board appointed Mr. Tam Sze Kin 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 26 October 2018. During the year ended 31 December 2018, the Company Secretary 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 (20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong) or, in the event the Company ceases to have such place of business, the registered office of the Company (Vistra (Cayman) Limited, P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands). 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.

Under E.1.2 of the CG Code, the Chairman of the Board should attend the general meetings of the Company and invite the chairman of the committees to attend. Also, under A.6.7. of the CG Code, independent non-executive directors and other non-executive directors should attend general meeting of the Company and develop balanced understanding of the views of shareholders.

CONSTITUTIONAL DOCUMENT

During the year ended 31 December 2018, 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.

DIRECTORS' REPORT

The Board of the Company 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 2018 (the "Financial Statements").

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this annual report were as follows:

Executive Directors

Mr. Sun Kin Ho Steven *(Chairman, appointed on 30 August 2018)*
Mr. Mung Hon Ting Jackie *(Chief Executive Officer, appointed on 2 March 2018)*
Mr. Han Wei *(Chief Financial Officer)*
Mr. Wang Zheng *(appointed as Chairman on 2 March 2018 and resigned on 30 August 2018)*
Mr. He Jia Fu *(resigned on 2 March 2018)*
Mr. Li Zhongxu *(resigned on 2 March 2018)*

Non-Executive Directors

Mr. Wang Fu Lin
Mr. Wu Limin *(resigned on 31 January 2019)*
Mr. Lao Songsheng *(resigned on 2 March 2018)*

Independent Non-Executive Directors

Mr. Chong Kin Ho *(appointed on 31 October 2018)*
Mr. Tung Chia Hung Michael *(appointed on 31 October 2018)*
Mr. Chen Cheng Lien *(appointed on 31 October 2018)*
Mr. Sun Hong *(resigned on 31 October 2018)*
Mr. Guan Shiping *(resigned on 31 October 2018)*
Mr. Shin Yick Fabian *(resigned on 31 October 2018)*

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

A fair business review of the Group as required under Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion and analysis of the Group's performance during the year, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2018 (if any) as well as an indication of likely future development in the business of the Group are provided in the sections "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 12 of this annual report. Discussions on the Group's environmental policies and performance, and an account of the Group's key relationships with its stakeholders are provided in the "Environmental, Social and Governance Report" on pages 13 to 16 of this annual report. Details regarding the Group's compliance with the relevant laws and regulations which have a significant impact on the Group are also provided in the "Environmental, Social and Governance Report" on pages 13 to 16 and the "Corporate Governance Report" on pages 21 to 29 of this annual report. All such discussions form part of this report.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51 of this annual report.

DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 21 June 2019 to Thursday, 27 June 2019, 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, 27 June 2019, 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 Thursday, 20 June 2019.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in property, plant and equipment and investment properties of the Group during the year ended 31 December 2018 are set out in notes 13 and 15 to the Financial Statements.

SHARE CAPITAL

Details of the Company's authorised and issued share capital as at 31 December 2018 are set out in note 27 to the Financial Statements.

RESERVES

Movements in the reserves of the Group for the year ended 31 December 2018 are set out in the consolidated statement of changes in equity on page 54 of this annual report.

LISTING

The shares of the Company (the "Shares") were successfully listed (the "Listing") on 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 approximately 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 reference is made to the announcement issued by the Company dated 24 October 2016, the Board considered that if the net proceeds were still allocated as the original manner as 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 retail 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 retail 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 2018		Remaining balance of net proceeds as at 31 December 2018	
	RMB million	% of net proceeds	RMB million	% of net proceeds	RMB million	% of net proceeds	RMB million	% of net proceeds
Opening of new retail outlets	116.9	75.4%	74.4	48.0%	35.8	23.1%	38.6	24.9%
Upgrading existing retail outlets	—	0.0%	14.6	9.4%	14.6	9.4%	—	0.0%
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%	11.2	7.2%	—	0.0%
Upgrading and expanding the existing two distribution centres	13.3	8.6%	13.3	8.6%	3.7	2.4%	9.6	6.2%
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%	106.8	68.9	48.2	31.1%

COMPETING BUSINESS

CCOOP Group Co. Limited, the controlling shareholder of the Company (as defined in the Listing Rules) (the "Controlling Shareholder"), is principally engaged in the retail chain and department store businesses in the PRC and hence was interested in the businesses which competed or were likely to compete, either directly or indirectly, with the Group's businesses during the year ended 31 December 2018. Pursuant to rule 8.10(2) of the Listing Rules, Mr. Han Wei, being an executive Director and a director of the Controlling Shareholder, was considered to have interest in the business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

The Directors are fully aware of, and have been discharging, their fiduciary duty to the Company with the belief that the Group's interests are adequately protected by good corporate governance practices and the involvement of the independent non-executive Directors.

Save as disclosed above, as at the date of this report, none of the Directors and their respective close associates were considered to have interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Deed of Non-competition

The Company entered into a deed of non-competition (the "Deed of Non-Competition") with Mr. Lao Songsheng, Ever Prosperous Holdings Limited (順隆控股有限公司), Golden Prime Holdings Limited (金元控股有限公司), Jian Nong Holdings Limited (建農控股有限公司), Shun Ao Holdings Limited (順澳控股有限公司) and Xing Nong Holdings Limited (興農控股有限公司) (collectively referred to as the "Covenantors") with effect from 12 May 2017 so as to better safeguard the Group from any potential competition from the former controlling shareholder and to formalise the principles for the management of potential conflicts between them. Details of the Deed of Non-Competition should be referred to the announcement of the Company dated 23 January 2017.

After making necessary enquiry to the Covenantors, the Company considers that the Covenantors were in compliance with the Deed of Non-Competition for the year ended 31 December 2018.

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 approximately 9.86% 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

A. Non-exempt continuing connected transaction

On 21 November 2017, the Company (for itself and on behalf of its subsidiaries) renewed the master purchase goods agreement, the master sales goods agreement and the master leasing agreement dated 5 August 2015 (the "2015 Agreements"), each of which had have a term due to expire on 31 December 2017, 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") in order to continue to carry out the transactions contemplated under the 2015 Agreements in the ordinary and usual course of business of the Group after 31 December 2017. The renewed master purchase goods agreement (the "2018 Goods Purchase Renewal Agreement"), the renewed master sales goods agreement (the "2018 Goods Sales Renewal Agreement") and the renewed master leasing agreement (the "2018 Master Leasing Agreement") (collectively the "2018 Renewal Agreements") had have substantially the same terms and conditions with the 2015 Agreements for a further term of three years commenced on 1 January 2018. Details of the 2018 Renewal Agreements were disclosed in the announcement of the Company dated 6 November 2017 (the "Announcement") and details of the 2018 Goods Purchase Renewal Agreement were disclosed in the circular of the Company dated 30 November 2017. The 2018 Goods Purchase Renewal Agreement, the transactions contemplated thereunder and the proposed annual caps had been duly passed by way of poll at the extraordinary general meeting of the Company held on 20 December 2017.

As at the date of the Announcement, approximately 56.81% interests of Lecong Supply and Marketing Group were held by Golden Prime Investment Holdings Limited (佛山市金源投資控股有限公司), and Mr. Lao Songsheng, a then non-executive Director, held approximately 33.98% interests of Golden Prime Investment Holdings Limited. Therefore, Lecong Supply and Marketing Group is a connected person of the Company, and the transactions contemplated under the 2018 Renewal Agreements constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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 the 2018 Goods Purchase Renewal Agreement whereby the Group continues to purchase goods from the Lecong Group for a term commenced on 1 January 2018.

Pursuant to the 2018 Goods Purchase Renewal 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 2018 Goods Purchase Renewal 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 2018 Goods Purchase Renewal Agreement for the year ended 31 December 2018 was approximately RMB40.7 million, which was within the annual cap set for the year ended 31 December 2018 of RMB48.0 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 the 2018 Goods Sales Renewal Agreement, whereby the Group continues to sell goods to the Lecong Group for a term commenced on 1January 2018.

The consideration of the transactions under the 2018 Goods Sales Renewal 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 2018 Goods Sales Renewal Agreement for the year ended 31 December 2018 was approximately RMB6.4 million, which was within the annual cap set for the year ended 31 December 2018 of RMB9.0 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 the 2018 Master Leasing Renewal Agreement, whereby the Group continues to lease 22 properties from the Lecong Group for a term commenced on 1 January 2018.

The estimated rents (also the annual caps) under the 2018 Master Leasing Renewal 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 Group will ensure that the rent of each tenancy agreement under the 2018 Master Leasing Renewal Agreement shall be no less favourable to the Group than those offered by independent third parties for similar leasing propert(ies).

The total rent paid or payable by the Group in respect of the transactions under the 2018 Master Leasing Renewal Agreement for the year ended 31 December 2018 was approximately RMB9.2 million, which was within the annual cap set for the year ended 31 December 2018 of RMB14.0 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 and rental saving resulting from rental area reduction of a particular retail outlet.

The Directors (including the independent non-executive Directors) are of the view that the terms of the 2018 Renewal Agreements are fair and reasonable, on normal commercial terms and in the ordinary and usual course of the business of the Group, and in the interests of the Company and the shareholders of the Company (the "Shareholders") as a whole.

B. Continuing connected transaction exempt from the approval of independent Shareholders

On 8 June 2018, the Company (for itself and on behalf of its subsidiaries) entered into the master goods sales agreement (the "Goods Sales Agreement") with CCOOP Group Co., Ltd. ("CCOOP") (供銷大集集團股份有限公司) (for itself and on behalf of its subsidiaries) in relation to the sale of daily consuming products, food products and stationery (the "Relevant Goods") to CCOOP and its subsidiaries for a period commenced on 8 June 2018 and expiring on 31 December 2020 with an option to renew for a further term of three years.

As at 8 June 2018, CCOOP is a controlling shareholder of the Company which indirectly holds approximately 70.42% interests of the Company. Therefore, CCOOP is a connected person of the Company, and the transactions contemplated under the Goods Sales Agreement will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Given that more than one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the transactions contemplated under the Goods Sales Agreement are above 0.1% but less than 5%, the Goods Sales Agreement and the transactions contemplated thereunder will be subject to report, annual review and announcement requirements but is exempt from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

The consideration of the transactions contemplated under the Goods Sales Agreement will be based on prevailing market prices and discount rate we offer to other bulk purchase customers. Specific terms of the transactions will be determined on a case-by-case basis and separate agreements will be entered into by the parties.

The annual caps for the three years ending 31 December 2020 under the Goods Sales Agreement are RMB20.0 million, RMB26.0 million and RMB26.0 million respectively. They were determined by reference to various factors, including but not limited to, (i) commencement date of the connected transaction; (ii) expected demand for the Relevant Goods; and (iii) expected increase in the market prices of the Relevant Goods.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Goods Sales Agreement are fair and reasonable, on normal commercial terms and in the ordinary and usual course of the business of the Group, and in the interests of the Company and the Shareholders as a whole.

Confirmation from the Auditor and Independent Non-Executive Directors

The Company's auditor, SHINEWING (HK) CPA Limited, was engaged to report on the Group's continuing connected transactions for the year ended 31 December 2018 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/the Group;

(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 30 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 year ended 31 December 2018.

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 2018, none of the Directors, the chief executive of the Company nor their respective associates had any interests or short positions 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.

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

As at 31 December 2018, 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 Substantial Shareholders	Capacity	Number of Shares (long position)	Approximate percentage of shareholding
Cihang Sino-Western Cultural and Educational Exchange Foundation Limited (Note)	Interest of a controlled corporation	204,558,317	70.42%
Pan-American Aviation Holding Company (Note)	Interest of a controlled corporation	204,558,317	70.42%
Tang Dynasty Development Co., Ltd. (Note)	Interest of a controlled corporation	204,558,317	70.42%
Hainan Province Cihang Foundation (Note)	Interest of a controlled corporation	204,558,317	70.42%
Tang Dynasty Development (Yangpu) Company Limited (Note)	Interest of a controlled corporation	204,558,317	70.42%
Hainan Traffic Administration Holding Co., Ltd. (Note)	Interest of a controlled corporation	204,558,317	70.42%
HNA Group Co., Ltd. (Note)	Interest of a controlled corporation	204,558,317	70.42%
CCOOP Group Co., Ltd. (Note)	Interest of a controlled corporation	204,558,317	70.42%
Hainan Gongxiao Daji Holding Ltd. (Note)	Interest of a controlled corporation	204,558,317	70.42%
Hainan Gongxiao Daji Supply Chain Network Technology Ltd. (Note)	Interest of a controlled corporation	204,558,317	70.42%
Green Industrial (HK) Holding Co., Limited (Note)	Interest of a controlled corporation	204,558,317	70.42%
CCOOP International Holdings Limited	Beneficial owner	204,558,317	70.42%
Infini Capital Management	Beneficial owner	27,600,000	9.50%
Golden Prime Holdings Limited	Beneficial owner	25,988,000	8.95%

Note: These parties were deemed to have interests in 204,558,317 Shares by virtue of their equity interests in CCOOP International Holdings Limited.

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 30 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 2018 or during the period between the year ended 31 December 2018 in which a Director or an entity connected with a Director was, either directly or indirectly, materially interested.

DIRECTORS' RIGHTS IN ACQUIRING SHARES AND DEBENTURES

During the year ended 31 December 2018, the Company or any of its subsidiaries had no arrangements to enable the Directors or executives of the Company (including their spouse and children under 18 years of age) to have the rights to acquire securities of the Company or its associated companies (as defined in the SFO), or to acquire benefits by means of acquisition of securities of the Company or any other body corporate.

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:

(1) Mr. Han Wei, an Executive Director and Chief Financial Officer, was appointed as a president of CCOOP Group with effect from 18 January 2019 and resigned as the financial controller of CCOOP Group with effect from 18 February 2019.

(2) Mr. Mung Hon Ting Jackie, an Executive Director, resigned as an executive director and the deputy chief investment officer of HKICIM with effect from 3 August 2018.

(3) Mr. Sun Kin Ho Steven, the Chairman and an Executive Director, was redesignated from the chairman of the board to a co-chairman of HKICIM and appointed as an authorised representative of HKICIM with effect from 26 October 2018.

(4) Mr. Chong Kin Ho, an Independent Non-executive Director, was appointed as an independent non-executive director and a member of the audit committee of HKICIM with effect from 21 January 2019.

    In addition, he obtained a Master of Science in Professional Accountancy from the University of London in August 2018.

(5) According to a joint announcement published by HKICIM dated 27 March 2019, with effect from the date of the composite document relating to a mandatory unconditional cash offer to be made by an offeror (the "Offer"):

    (a) Mr. Sun Kin Ho Steven will resign from the co-chairman, the chairman of the nomination committee, a member of the remuneration committee and an authorised representative of HKICIM; and

    (b) Mr. Chong Kin Ho will resign as a member of the audit committee of HKICIM and will resign as an independent non-executive director of HKICIM with effect from the day immediately after the first closing date of the Offer.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section "Continuing Connected Transactions", 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 year ended 31 December 2018.

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 2018.

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 2018 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 9 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 2018, 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%.

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 2018 amounted to RMB169.9 million.

AUDITOR

BDO Limited has resigned as the auditors of the Company with effect from 29 December 2017. The Board has appointed SHINEWING (HK) CPA Limited as new auditors of the Company to fill the casual vacancy following the resignation of BDO Limited. The change of auditors enabled the Company aligning its audit arrangements with its controlling shareholder, CCOOP Group. BDO had confirmed that there were no matters connected to its resignation which should be brought to the attention of the Shareholders.

The financial statements for the year ended 31 December 2018 have been audited by SHINEWING (HK) CPA Limited. SHINEWING (HK) CPA 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 SHINEWING (HK) CPA Limited as the auditors of the Company is expected to be proposed at the forthcoming annual general meeting of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

As at 31 December 2018, the percentages of purchases from the Group's largest supplier and the five largest suppliers were 11.60% and 35.74% respectively. As at 31 December 2018, the percentage of revenue attributable to the Group's five largest customers was less than 30%.

As at 31 December 2018, 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 for the year ended 31 December 2018 and 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 is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2018 and up to the date of this annual report.

By order of the Board
Sun Kin Ho Steven
Chairman and Executive Director
Hong Kong, 28 March 2019

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF CHINA SHUN KE LONG HOLDINGS LIMITED

(incorporated in the 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 (hereinafter collectively referred to as the "Group") set out on pages 51 to 126, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") 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 (the "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 judgment, 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 note 16 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the Group has goodwill of approximately RMB2,897,000, which has been allocated to an individual cash generating unit of retail outlet network in Macau. The Group's assessment on impairment of goodwill is a judgemental process which requires estimates concerning the forecast future cash flows associated with the goodwill, the discount rates and the growth rate of revenue and costs to be applied in determining the value-in-use. The selection of valuation model, adoption of key assumptions and input data may be subject to management basis and changes in these assumptions and input to valuation model may result in significant financial impact. The extent of judgment of the goodwill resulted in this matter being identified as a key audit matter.	In order to address this matter in our audit, we have obtained management's assessment and challenged the reasonableness of the selection of valuation methodology, adoption of key assumptions and input data. In particular, we have tested the future cash flow forecast on whether it is agreed to the budget approved by the board of directors and compare the budget with actual results available up to the report date. We have also challenged the appropriateness of the assumptions, including the sales growth rates and gross margin, against the latest market expectations. We have also challenged the discount rate employed in the calculation of value-in-use by reviewing its basis of calculation and comparing its input data to market sources. As any changes in these assumptions and input to valuation model may result in significant financial impact, we have tested management's sensitivity analysis in relation to the key inputs to the impairment assessment, which included changes in the sales growth rate.

VALUATION OF TRADE RECEIVABLES

Refer to note 19 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the Group had trade receivables of approximately RMB24,456,000. Allowance for impairment of trade receivables is based on lifetime expected credit losses, which is estimated by taking into account the credit loss experience, ageing of trade receivables, customers' repayment history and customers' financial position and an assessment of both current and forecast general economic conditions, all of which involve significant degree of management judgement. We have identified valuation of trade receivables as a key audit matter because the impairment assessment of trade receivables involved a significant degree of management judgement and may be subject to management bias.	Our audit procedures were designed to evaluate the assumptions and judgements of the Group's expected credit loss model on impairment assessment of trade receivables. We have assessed the reasonableness of management's estimates for impairment allowance by examining the information used by management to form such judgements, including testing accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information. We have also inspected cash received from debtors after year end relating to trade receivable balance as at 31 December 2018 on a sample basis.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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.

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives 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, solely to you, as a body, in accordance with our agreed terms of 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 judgment 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, misrepresentations, 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 of the Company.

- Conclude on the appropriateness of the Company's 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 conclude 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 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 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 audit committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is Pang Wai Hang.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000
Revenue	6	**986,998**	954,164
Cost of inventories sold		**(843,724)**	(806,821)
Gross profit		**143,274**	147,343
Other operating income	6	**55,046**	55,551
Selling and distribution costs		**(142,174)**	(140,978)
Administrative expenses		**(34,771)**	(40,379)
Finance costs	7	**(4,835)**	(4,625)
Profit before tax	8	**16,540**	16,912
Income tax expense	10	**(5,138)**	(4,976)
Profit for the year		**11,402**	11,936
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operation		**2,370**	(3,586)
Profit and total comprehensive income for the year		**13,772**	8,350
Profit for the year attributable to:			
Owners of the Company		**11,247**	11,681
Non-controlling interests		**155**	255
		11,402	11,936
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**13,617**	8,095
Non-controlling interests		**155**	255
		13,772	8,350
Earnings per share	11		
Basic (RMB)		**0.04**	0.04
Diluted (RMB)		**0.04**	0.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	13	**50,452**	52,451
Prepaid land lease	14	**31,166**	32,224
Investment properties	15	**4,122**	4,245
Deposits paid	17	**9,293**	5,921
Goodwill	16	**2,897**	2,761
		97,930	97,602
Current assets			
Inventories	18	**121,656**	106,952
Trade receivables	19	**24,456**	39,146
Deposits paid, prepayments and other receivables	17	**115,942**	112,374
Amounts due from related companies	25	**913**	4,952
Financial assets at fair value through profit or loss	20	**20,000**	–
Deposit with a bank	21	**40,000**	–
Cash and cash equivalents	21	**121,723**	164,512
		444,690	427,936
Current liabilities			
Trade payables	22	**112,327**	110,198
Deposits received, receipts in advance, accruals and other payables	23	**32,903**	55,515
Contract liabilities	24	**10,278**	–
Amounts due to related companies	25	**–**	820
Bank borrowings	26	**108,000**	92,000
Tax payable		**1,224**	2,889
		264,732	261,422
Net current assets		**179,958**	166,514
Net assets		**277,888**	264,116

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 RMB'000	2017 RMB'000
Capital and reserves			
Share capital	27	**2,387**	2,387
Reserves		**273,785**	260,168
Equity attributable to owners of the Company		**276,172**	262,555
Non-controlling interests		**1,716**	1,561
Total equity		**277,888**	264,116

The consolidated financial statements on pages 51 to 126 were approved and authorised for issue by the board of directors on 28 March 2019 and are signed on its behalf by:

Sun Kin Ho Steven
Director

Mung Hon Ting Jackie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Equity attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Merger reserve RMB'000 (Note b)	Capital reserve RMB'000 (Note c)	Statutory reserve RMB'000 (Note d)	Capital contribution reserve RMB'000 (Note e)	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017	2,387	169,904	84	(6,200)	200	11,217	873	7,003	68,992	254,460	1,306	255,766
Profit for the year	–	–	–	–	–	–	–	–	11,681	11,681	255	11,936
Other comprehensive expense for the year												
Exchange differences arising on translation of financial statements of foreign operation	–	–	–	–	–	–	–	(3,586)	–	(3,586)	–	(3,586)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(3,586)	11,681	8,095	255	8,350
Transfer to statutory reserve	–	–	–	–	–	2,274	–	–	(2,274)	–	–	–
Balance at 31 December 2017 and 1 January 2018	**2,387**	**169,904**	**84**	**(6,200)**	**200**	**13,491**	**873**	**3,417**	**78,399**	**262,555**	**1,561**	**264,116**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11,247**	**11,247**	**155**	**11,402**
Other comprehensive income for the year												
Exchange differences arising on translation of financial statements of foreign operation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,370**	**–**	**2,370**	**–**	**2,370**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,370**	**11,247**	**13,617**	**155**	**13,772**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**1,665**	**–**	**–**	**(1,665)**	**–**	**–**	**–**
Balance at 31 December 2018	**2,387**	**169,904**	**84**	**(6,200)**	**200**	**15,156**	**873**	**5,787**	**87,981**	**276,172**	**1,716**	**277,888**

Notes:

(a) 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.

(b) Merger reserve

The merger reserve of the Group arouse as a result of the reorganisation. As at 31 December 2018 and 2017, the balance of merger reserve included the deemed distribution upon the acquisition of a subsidiary from the controlling shareholders as part of the reorganisation.

(c) Capital reserve

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

(d) Statutory reserve

In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

(e) Capital contribution reserve

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**16,540**	16,912
Adjustments for:		
Interest income	**(2,264)**	(1,386)
Interest expenses	**4,835**	4,625
Depreciation of property, plant and equipment	**11,511**	13,008
Depreciation of investment properties	**123**	409
Amortisation of prepaid land lease	**1,058**	1,686
Net loss on disposals of property, plant and equipment	**47**	672
Obsolete inventories written-off	**1,217**	1,639
Operating cash flows before movements in working capital	**33,067**	37,565
(Increase) decrease in inventories	**(15,810)**	17,978
Decrease in trade receivables	**14,703**	14,782
Increase in deposits paid, prepayments and other receivables	**(5,543)**	(19,261)
Decrease (increase) in amounts due from related companies	**4,039**	(2,868)
Increase (decrease) in trade payables	**1,957**	(23,686)
(Decrease) increase in deposits received, receipts in advance, accruals and other payables	**(5,027)**	12,637
Decrease in contract liabilities	**(7,427)**	–
Decrease in amounts due to related companies	**(820)**	(1,334)
Cash generated from operations	**19,139**	35,813
Income tax paid	**(6,803)**	(2,467)
Interest received	**932**	1,386
NET CASH FROM OPERATING ACTIVITIES	**13,268**	34,732

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(14,291)**	(17,237)
Purchase of financial assets at fair value through profit or loss	**(20,000)**	
Placement of a deposit with a bank	**(40,000)**	
Proceeds received on disposals of property, plant and equipment	**4,753**	15,180
NET CASH USED IN INVESTING ACTIVITIES	**(69,538)**	(2,057)
FINANCING ACTIVITIES		
New bank borrowings raised	**108,000**	92,000
Bank borrowings repaid	**(92,000)**	(104,000)
Interest paid	**(4,835)**	(4,625)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**11,165**	(16,625)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(45,105)**	16,050
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**164,512**	151,927
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**2,316**	(3,465)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**121,723**	164,512

1. GENERAL

China Shun Ke Long Holdings Limited (the “Company”, together with its subsidiaries, collectively referred to as the “Group”) was incorporated as an exempted company with limited liability in the 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, the Cayman Islands and its principal place of business in 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 and the principal activities of its subsidiaries are set out in note 34.

CCOOP International Holdings Limited, which is a company incorporated in Cayman Islands and an indirectly wholly-owned subsidiary of CCOOP Group Co., Ltd. (“CCOOP Group”), a company incorporated in the PRC, holds 204,558,317 ordinary shares in aggregate, representing 70.42% of the entire issued share capital of the Company. In the opinion of the directors of the Company, the holding company of the Company is CCOOP Group, the shares of which are listed on the Shenzhen Stock Exchange.

The functional currency of the Company is Hong Kong dollars (“HK$”). The consolidated 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.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS(s)”)

In the current year, the Group has applied, for its first time, the following new and amendments to IFRSs, which include IFRSs, International Accounting Standards (“IAS(s)”), amendments and interpretations (“Int(s)”) issued by the International Accounting Standards Board (the “IASB”) and the IFRS Interpretations Committee (“IFRIC”) of the IASB.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") – *continued*

The impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* have been summarised below. The application of other new and amendments to IFRSs in the current year has had no material effect on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 superseded IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue*. Details are described below.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below.

The transition to IFRS15 had no significant impact on the retained earnings at 1 January 2018.

The amount of adjustment for each financial statement line item of the consolidated statement of financial position at 1 January 2018 affected by the application of IFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported as at 31 December 2017 RMB'000	Impact on adoption of IFRS 15 – Reclassification RMB'000	Carrying amounts as restated as at 1 January 2018 RMB'000
Current liabilities				
Deposits received, receipts in advance, accruals and other payables	(a)	55,515	(17,705)	37,810
Contract liabilities	(a)	–	17,705	17,705

(a) At the date of initial application, amounts of RMB17,111,000 and RMB594,000 related to advance consideration received from wholesalers and unredeemed balance of the Group's award credits under customer loyalty incentive programme organised by an independent third party respectively were included in deposits received, receipts in advance, accruals and other payables. The balance was reclassified to contract liabilities upon application of IFRS 15 as it represented the Group's performance obligation to transfer goods in the future.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") – *continued*

IFRS 15 Revenue from Contracts with Customers – *continued*

(a) – *continued*

Prior to adoption of IFRS 15, the customer loyalty incentive programme in the allocation of a portion of the transaction price to the customer loyalty incentive programme using the fair value of points issued and recognition of the deferred revenue in relation to points issued but not yet redeemed or expired. The Group concluded that under IFRS 15 the customer loyalty incentive programme gives rise to a separate performance obligation because it generally provides a material right to the customer. Under IFRS 15, the Group allocated a portion of the transaction price to the customer loyalty incentive programme based on relative standalone selling price. The Group determined that, considering the relative stand-alone selling prices, the amount allocated to the customer loyalty incentive programme should not be significantly different to the previous accounting policy. However, the unredeemed balance of the award credits under the customer loyalty incentive programme was reclassified to contract liabilities as described above.

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018

The following table summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position at 31 December 2018, by comparing the amounts reported under IAS 18 that were in effect before the change. Line items that were not affected by the adjustments have not been included. The adoption of IFRS 15 did not have material impact on the Group's consolidated statement of profit or loss and other comprehensive income, operating, investing and financing cash flows.

	As reported	Impact of adopting IFRS 15	Amounts excluding impact of adopting IFRS 15
	RMB'000	RMB'000	RMB'000
Current liabilities			
Deposits received, receipts in advance, accruals and other payables	32,903	10,278	43,181
Contract liabilities	10,278	(10,278)	–

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") – *continued*

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied IFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under IFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings as at 1 January 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in note 3 below.

Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of IFRS 9 are continued to measure at amortised cost as were previously measured under IAS 39.

Loss allowance for expected credit losses ("ECL")

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss model with a forward-looking ECL approach. As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of IFRS 9.

It is concluded that, as at 1 January 2018, no additional credit loss allowance has been recognised against retained earnings as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under IAS 39.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") – *continued*

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 3	Definition of a Business[5]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 Effective for annual periods beginning on or after a date to be determined

5 Effective for business combinations and asset acquisitions for which the acquisition date is only after the beginning of the first annual period beginning on or after 1 January 2020.

The directors of the Company anticipate that, except as described below, the application of other new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") – *continued*

New and revised IFRSs issued but not yet effective – *continued*

IFRS 16 Leases – *continued*

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

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

IFRS 16 will supersede the current lease standards including IAS 17 *Leases* and the related interpretations when it becomes effective.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB100,603,000 as disclosed in note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use assets and a corresponding liabilities in respect of all these leases unless they are exempt from the reporting obligations under IFRS 16. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of IFRS 16 will not have other material impact on amounts reported in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Property, plant and equipment

Property, plant and equipment including leasehold buildings held for use in the production or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leasehold land and buildings – *continued*

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash, as defined above.

Deposit with a maturity over three months that are not readily convertible into known amounts of cash are defined as deposit with bank in the consolidated financial statements.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Under IFRS 9 (applicable on or after 1 January 2018)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and for value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Under IFRS 9 (applicable on or after 1 January 2018) – *continued*

Financial assets – continued

Amortised cost and effective interest method – *continued*

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "Other operating income" (note 6).

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the 'other operating income' line item. Fair value is determined in the manner described in note 37.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Under IFRS 9 (applicable on or after 1 January 2018) – *continued*

Financial assets – continued

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and lease receivable. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Under IFRS 9 (applicable on or after 1 January 2018) – *continued*

Financial assets – continued

Significant increase in credit risk – *continued*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Under IFRS 9 (applicable on or after 1 January 2018) – *continued*

Financial assets – continued

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 *Leases*.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Under IFRS 9 (applicable on or after 1 January 2018) – *continued*

Financial assets – continued

Measurement and recognition of expected credit losses – *continued*

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Under IFRS 9 (applicable on or after 1 January 2018) – *continued*

Financial liabilities and equity instruments – continued

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, are measured in accordance with the specific accounting policy set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as FVTPL are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Under IAS 39 (applicable before 1 January 2018)

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Under IAS 39 (applicable before 1 January 2018) – *continued*

Financial assets – continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits paid and other receivables, amounts due from related companies and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of loans and receivables could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade and other receivables, assets are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Under IAS 39 (applicable before 1 January 2018) – *continued*

Financial assets – continued

Impairment loss on financial assets – *continued*

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debts and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified into other financial liabilities.

Other financial liabilities

Other financial liabilities including trade payables, accruals and other payables, amounts due to related companies and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form as integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Under IAS 39 (applicable before 1 January 2018) – *continued*

Financial liabilities and equity instruments – continued

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment losses on tangible assets – *continued*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Revenue recognition

Policy applicable to the year ended 31 December 2018 (with application of IFRS 15)

Revenue is recognised 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 or services. Specifically, the Group uses a 5-step 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 the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is district or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

Policy applicable to the year ended 31 December 2018 (with application of IFRS 15) – *continued*

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

For a single contract with the customer, either a net contract asset or a net contract liability is presented.

The Group recognised revenue from the following major sources:

- merchandise sales from retail outlet operation and wholesale distribution
- commission from concessionaire sales
- promotion income from suppliers

Merchandise sales from retail outlet operation and wholesale distribution

Revenue from sales of goods to retail customers is recognised when the product is transferred to the customers upon sale. Payment of the transaction price is due immediately when the customers purchase the good. The payment is usually settled in cash, using credit cards or by means of electronic payment.

The Group's retail outlet operation operates a customer loyalty incentive program organised by an independent third party which allows customers to accumulate points when they purchase products. The points can be redeemed for cash rewards or free products, subject to a minimum number of points obtained, provided by the Group or another entities who join the program. The customer loyalty incentive programme gives rise to a separate performance obligation because it generally provides a material right to the customer. The Group allocates a portion of the transaction price to the customer loyalty incentive programme based on relative standalone selling price. Such consideration is not recognised as revenue at the time of initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

Policy applicable to the year ended 31 December 2018 (with application of IFRS 15) – *continued*

Merchandise sales from retail outlet operation and wholesale distribution – continued

Revenue from sales of goods to wholesalers or franchisees is recognised when control of the products has transferred, being when the products are delivered to the wholesalers or the franchisees and there is no unfulfilled obligation that could affect them to accept the products. The wholesalers or franchisees make payments upon products delivery or according to the agreed credit terms normally for a period of 0–180 days from the invoice date. Collected payments before product delivery is recognised as contract liabilities.

Commission income from concessionaire sales

The Group grants counter suppliers the right to operate business within retail outlets under a concession. The Group recognises commission income from concessionaire sales upon sales of goods or provision of services by counter suppliers. The Group receives the gross proceeds of concessionaire sales from retail customers on behalf of the counter suppliers and subsequently transfers the proceeds to the counter suppliers after deducting the commission income, out of pocket expenses, expenses in relation to the promotional activities and other administrative expenses according to the terms of the relevant concessionaire agreements.

Promotion income from suppliers

The Group arrange promotion of their products with respective suppliers and promotion income from suppliers are attributable to these promotional events and activities. Promotion income from suppliers is recognised when promotion services are rendered according to the terms of promotion service agreements.

Policy applicable to the year ended 31 December 2017

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services rendered in the normal course of business.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

Policy applicable to the year ended 31 December 2017 – *continued*

Sales of goods that result in award credits for customers under the Group's customer loyalty incentive program are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods sold and the award credits granted. The consideration allocated to the award credits is measured by reference to the fair value of the awards for which they could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Income from concessions is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Promotion income is recognised when services are provided.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expenses on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, leasing transactions, net realisable value of inventories and value in use of property, plant and equipment for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Fair value measurement – *continued*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNITNG JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. 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 on-going 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

4. CRITICAL ACCOUNITNG JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units ("CGU") to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2018, the carrying value of goodwill is approximately RMB2,897,000 (2017: RMB2,761,000). No impairment losses were recognised for both years.

Impairment of trade receivables

The impairment provisions for trade receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. No impairment losses were recognised for the current year.

4. CRITICAL ACCOUNITNG JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Key sources of estimation uncertainty – *continued*

Allowance for inventories

The Group makes the allowance for inventories based on assessments of the net realisable value of inventories. An allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the costs of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance write-back in the period in which such estimate has been changed. As at 31 December 2018, the carrying value of inventories was approximately RMB121,656,000 (2017: RMB106,952,000). No impairment losses were recognised for both years.

Impairment of property, plant and equipment, prepaid lease payments and investment properties

The management of the Group determines whether the property, plant and equipment, prepaid land lease and investment properties are impaired, when there is indication that these assets may suffer an impairment loss. The impairment loss for property, plant and equipment, prepaid land lease and investment properties are recognised for the amounts by which the carrying values exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment, prepaid land lease and investment properties have been determined based on value-in-use calculations if there is any indication of impairment. These calculations require the use of estimates such as the future revenue and discount rates. As at 31 December 2018, the carrying values of property, plant and equipment, prepaid land lease and investment properties are approximately RMB50,452,000 (net of accumulated depreciation of approximately RMB54,182,000) (2017: carrying value of approximately RMB52,451,000 (net of accumulated depreciation of approximately RMB52,401,000)), RMB31,166,000 (net of accumulated amortisation of approximately RMB8,749,000) (2017: carrying value of approximately RMB32,224,000 (net of accumulated amortisation of approximately RMB7,691,000)) and RMB4,122,000 (net of accumulated depreciation of approximately RMB1,089,000) (2017: carrying value of approximately RMB4,245,000 (net of accumulated amortisation of approximately RMB966,000)) respectively.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the period and the estimate will be changed in the future period.

4. CRITICAL ACCOUNITNG JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Key sources of estimation uncertainty – *continued*

Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

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 the PRC. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely dividends declared. Where the management is in the opinion that it is unlikely the Group will declare any dividends from its PRC subsidiaries, no deferred tax liabilities would be recognised.

5. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker ("CODM"), being the chief executive of the Company, 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 products); and
- Wholesale distribution (sales of fast consumable products and non-staple food)

The 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 without allocation of certain other operating income and central administrative costs. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

5. OPERATING SEGMENT INFORMATION – *continued*

Segment revenue and results

For the year ended 31 December 2018

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Inter-segment elimination RMB'000	Total RMB'000
REVENUE				
From external customers	725,901	261,097	–	986,998
From inter-segment	60,501	3,876	(64,377)	–
Reportable segment revenue	786,402	264,973	(64,377)	986,998
Reportable segment profit	22,075	74		22,149
Other corporate income				529
Other corporate expenses				(6,138)
Profit before tax				16,540

For the year ended 31 December 2017

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Inter-segment elimination RMB'000	Total RMB'000
REVENUE				
From external customers	676,938	277,226	–	954,164
From inter-segment	70,287	71,622	(141,909)	–
Reportable segment revenue	747,225	348,848	(141,909)	954,164
Reportable segment profit	23,114	394		23,508
Other corporate income				318
Other corporate expenses				(6,914)
Profit before tax				16,912

5. OPERATING SEGMENT INFORMATION – *continued*

Segment assets and liabilities

	2018 RMB'000	2017 RMB'000
Retail outlet operation	**403,560**	398,681
Wholesale distribution	**103,076**	87,374
Total segment assets	**506,636**	486,055
Other corporate assets *(Note)*	**35,984**	39,483
Group's assets	**542,620**	525,538
Retail outlet operation	**251,568**	250,371
Wholesale distribution	**11,980**	9,586
Total segment liabilities	**263,548**	259,957
Other corporate liabilities *(Note)*	**1,184**	1,465
Group's liabilities	**264,732**	261,422

Note:

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

– All assets are allocated to reportable and operating segments, other than certain cash and cash equivalents and certain property, plant and equipment.

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

5. 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 2018			
Additions to property, plant and equipment	**14,024**	**267**	**14,291**
Depreciation of property, plant and equipment	**11,261**	**250**	**11,511**
Depreciation of investment properties	**123**	**–**	**123**
Amortisation of prepaid land lease	**1,058**	**–**	**1,058**
Obsolete inventories written-off	**1,137**	**80**	**1,217**
Loss on disposals of property, plant and equipment	**47**	**–**	**47**
Interest income	**1,703**	**32**	**1,735**
For the year ended 31 December 2017			
Additions to property, plant and equipment	17,628	335	17,963
Depreciation of property, plant and equipment	12,725	283	13,008
Depreciation of investment properties	409	–	409
Amortisation of prepaid land lease	1,686	–	1,686
Obsolete inventories written-off	1,639	–	1,639
Loss (gain) on disposals of property, plant and equipment	674	(2)	672
Interest income	1,052	16	1,068

Geographic information

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

	Revenue from external customers		Non-current assets	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
The PRC (place of domicile)	**959,279**	918,888	**87,988**	91,185
Macau	**27,719**	35,276	**625**	462
Hong Kong	**–**	–	**24**	34
	986,998	954,164	**88,637**	91,681

Deposits paid are excluded from non-current assets under geographical information.

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.

5. OPERATING SEGMENT INFORMATION – *continued*

Geographic information – *continued*

The geographical location of customers is based on the location at which the goods were sold and the services were rendered. The geographical location of the non-current assets is based on the physical location of the asset.

Information about a major customer

Details of the customer accounting for 10% or more of aggregate revenue of the Group are as follows:

	2018 RMB'000	2017 RMB'000
Customer A*	128,467	N/A**

* Revenue from wholesale distribution

** The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

Revenue represents revenue arising on sale of goods, rental income and the value of services rendered. An analysis of the Group's revenue for the year is as follows:

	2018 RMB'000	2017* RMB'000
Revenue from contracts with customers within the scope of IFRS 15 for the year ended 31 December 2018		
– Sales of goods		
General retail sales under retail outlet operation *(Note)*	590,203	531,540
Bulk sales under retail outlet operation	105,591	114,427
General wholesales under wholesale distribution	260,263	238,711
Franchisees under wholesale distribution	834	38,515
– Services rendered		
Commission from concessionaire sales under retail outlet operation	523	747
	957,414	923,940
Revenue from other sources		
Net rental income from leasing shop premises under retail outlet operation	29,584	30,224
	986,998	954,164

* The amounts for the year ended 31 December 2017 were recognised under IAS 18.

6. REVENUE AND OTHER OPERATING INCOME – *continued*

(a) Revenue – *continued*

Note: General retail sales included the compensation for reduced selling prices of approximately RMB270,000 and RMB2,929,000 from the local government in the PRC which was classified as revenue during the years ended 31 December 2018 and 2017 respectively. In the opinion of the directors of the Company, it was directly related to the sales of daily necessities food and was related to the ordinary and usual course of the business of the Group. Accordingly, it was classified as revenue of the Group.

Disaggregation of revenue by timing of recognition

	Year ended 31/12/2018 RMB'000
Timing of revenue recognition	
At a point of time	**957,414**

Transaction price allocated to the remaining performance obligation for contracts with customers

All of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(b) Other operating income

	2018 RMB'000	2017 RMB'000
Government grants *(Note i)*	**1,433**	1,472
Interest income	**2,264**	1,386
Promotion income from suppliers	**42,671**	44,264
Net rental income from investment properties *(Note ii)*	**1,452**	1,363
Others	**7,226**	7,066
	55,046	55,551

Notes:

(i) Various local government grants were granted to subsidiaries of the Group in respect of certain research projects during the years ended 31 December 2018 and 2017. There were no unfulfilled conditions or contingencies attached to these government grants.

6. REVENUE AND OTHER OPERATING INCOME – *continued*

(b) Other operating income – *continued*

Notes: – *continued*

(ii) An analysis of the Group's net rental income is as follows:

	2018 RMB'000	2017 RMB'000
Gross rental income	**1,545**	1,516
Less: Outgoing incurred for investment properties that generated rental income during the year	**(93)**	(153)
Net rental income	**1,452**	1,363

7. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest charged on bank borrowings	**4,835**	4,625

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2018 RMB'000	2017 RMB'000
Depreciation of property, plant and equipment	**11,511**	13,008
Depreciation of investment properties	**123**	409
Amortisation of prepaid land lease	**1,058**	1,686
Net exchange losses	**19**	13
Employee benefits expenses (excluding directors' remuneration *(Note 9)*):		
– Wages and salaries	**57,162**	53,932
– Pension scheme contributions	**9,027**	8,618
– Other benefits	**2,060**	1,429
	68,249	63,979
Auditor's remuneration	**1,110**	2,049
Operating lease charges in respect of land and buildings	**42,567**	38,777
Obsolete inventories written-off	**1,217**	1,639
Net loss on disposals of property, plant and equipment	**47**	672

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

(a) The emoluments paid or payable to each of the 15 (2017: 14) directors were as follows:

For year ended 31 December 2018

	Mr. Han Wei	Mr. He Jia Fu *(Note i)*	Mr. Li Zhongxu *(Note xii)*	Mr. Sun Kin Ho Steven *(Note ii)*	Mr. Mung Hon Ting Jackie *(Note iii)*	Mr. Wang Zheng *(Note iv)*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
A) EXECUTIVE DIRECTORS:							
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiaries							
Fees	–	–	–	–	–	–	–
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries							
Other emoluments:							
Salaries and allowances	–	–	–	–	380	–	380
Pension scheme contributions	–	–	–	–	–	–	–
Sub-total emoluments	–	–	–	–	380	–	380

	Mr. Lao Songsheng ("Mr. Lao") *(Note v)*	Mr. Wang Fu Lin	Mr. Wu Limin *(Note vi)*	Total
	RMB'000	RMB'000	RMB'000	RMB'000
B) NON-EXECUTIVE DIRECTORS:				
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiaries				
Fees	–	–	–	–
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries				
Other emoluments:				
Salaries and allowances	–	–	–	–
Pension scheme contributions	–	–	–	–
Sub-total emoluments	–	–	–	–

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS – *continued*

(a) – *continued*

For year ended 31 December 2018 – *continued*

	Mr. Guan Shiping *(Note vii)* RMB'000	Mr. Shin Yick Fabian *(Note vii)* RMB'000	Mr. Sun Hong *(Note vii)* RMB'000	Mr. Chen Cheng Lien *(Note viii)* RMB'000	Mr. Chong Kin Ho *(Note viii)* RMB'000	Mr. Tung Chia Hung Michael *(Note viii)* RMB'000	Total RMB'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS:							
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiaries							
Fees	115	115	115	9	18	9	381
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries							
Other emoluments:							
Salaries and allowances	–	–	–	–	–	–	–
Pension scheme contributions	–	–	–	–	–	–	–
Sub-total emoluments	115	115	115	9	18	9	381
Total emoluments							761

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS – *continued*

(a) – *continued*

For year ended 31 December 2017

	Mr. Han Wei *(Note ix)* RMB'000	Mr. He Jia Fu *(Note i)* RMB'000	Mr. Li Zhongxu *(Note xii)* RMB'000	Mr. Wu Limin *(Note vi)* RMB'000	Mr. Lao *(Note v)* RMB'000	Ms. Wang Yanfen *(Note x)* RMB'000	Mr. Wu Zhaohui *(Note x)* RMB'000	Total RMB'000
A) EXECUTIVE DIRECTORS:								
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiaries								
Fees	–	–	–	–	–	–	–	–
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries								
Other emoluments:								
Salaries and allowances	–	–	–	–	–	92	78	170
Pension scheme contributions	–	–	–	–	–	14	13	27
Sub-total emoluments	–	–	–	–	–	106	91	197

	Mr. Han Wei *(Note ix)* RMB'000	Mr. Lao *(Note v)* RMB'000	Mr. Wang Fu Lin *(Note xi)* RMB'000	Mr. Wu Limin *(Note vi)* RMB'000	Mr. Chen Yijian *(Note x)* RMB'000	Ms. Lao Weiping *(Note x)* RMB'000	Ms. Zhang Bei *(Note x)* RMB'000	Total RMB'000
B) NON-EXECUTIVE DIRECTORS:								
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiaries								
Fees	–	–	–	–	–	–	–	–
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries								
Other emoluments:								
Salaries and allowances	–	–	–	–	–	–	–	–
Pension scheme contributions	–	–	–	–	–	–	–	–
Sub-total emoluments	–	–	–	–	–	–	–	–

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS – *continued*

(a) – *continued*

For year ended 31 December 2017 – *continued*

	Mr. Guan Shiping RMB'000	Mr. Shin Yick Fabian RMB'000	Mr. Sun Hong RMB'000	Total RMB'000
C) INDEPENDENT NON-EXECUTIVE DIRECTORS:				
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiaries				
Fees	120	120	120	360
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries				
Other emoluments:				
Salaries and allowances	–	–	–	–
Pension scheme contributions	–	–	–	–
Sub-total emoluments	120	120	120	360
Total emoluments				557

Notes:

(i) Appointed on 10 June 2017 and resigned on 2 March 2018

(ii) Appointed on 30 August 2018

(iii) Appointed on 2 March 2018

(iv) Appointed on 2 March 2018 and resigned on 30 August 2018

(v) Re-designated as a non-executive director on 10 June 2017 and resigned on 2 March 2018

(vi) Appointed on 10 June 2017 as an executive director and re-designated as a non-executive director on 13 September 2017 and resigned on 31 January 2019

(vii) Resigned on 31 October 2018

(viii) Appointed on 31 October 2018

(ix) Appointed on 10 June 2017 as a non-executive director and re-designated as an executive director on 13 September 2017

(x) Resigned on 10 June 2017

(xi) Appointed on 10 June 2017

(xii) Appointed on 13 September 2017 and resigned on 2 March 2018

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS – *continued*

(a) – *continued*

Mr. Mung Hon Ting Jackie is also the chief executive of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.

(b) Five highest paid employees

None of the five highest paid individuals were directors. The emoluments of the 5 highest paid individuals are as follows:

	2018	2017
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,572**	1,437
Pension scheme contributions	**134**	117
	1,706	1,554

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

	2018	2017
	No. of individuals	No. of individuals
Nil to RMB856,000 (2017: Nil to RMB865,000) (approximately Nil – HK$1,000,000)	**5**	5

During the year ended 31 December 2018, 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 both years.

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS – *continued*

(b) Five highest paid employees – *continued*

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

	2018 No. of individuals	2017 No. of individuals
Nil to RMB856,000 (2017: Nil to RMB865,000) (approximately Nil – HK$1,000,000)	**5**	5

10. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2018 RMB'000	2017 RMB'000
Current – Macau		
Charge for the year	**36**	90
Current – the PRC		
Under (over) provision in prior years	**975**	(604)
Charge for the year	**4,127**	5,490
	5,138	4,976

The Group is not subject to any income tax under the jurisdiction of the Cayman Islands and the British Virgin Islands (the "BVI") for the years ended 31 December 2018 and 2017.

No provision for Hong Kong Profits Tax has been provided as the Group has no estimated assessable profits arising in Hong Kong for the years ended 31 December 2018 and 2017.

The Group's subsidiaries in the PRC are subject to Enterprise Income Tax at the rate of 25% based on the estimated assessable profits for the years ended 31 December 2018 and 2017.

The Law of the PRC on Enterprise Income Tax allows enterprises to apply for the certificates of "High and New Technology Enterprise" ("HNTE") which entitles the qualified companies to a preferential income tax rate of 15%. 佛山市順客隆商業有限公司, a PRC subsidiary of the Group, has been qualified as a HNTE in 2017 and its income tax rate is 15% for the year ended 31 December 2018.

10. INCOME TAX EXPENSE – *continued*

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

	2018	2017
	RMB'000	RMB'000
Profit before tax	**16,540**	16,912
Tax on profit before tax, calculated at the rates applicable to profit in the tax jurisdictions concerned	**4,899**	5,618
Tax effect of expenses not deductible for tax purposes	**1,118**	2,180
Utilisation of tax losses previously not recognised	**(652)**	(362)
Tax effect of tax losses not recognised	**499**	794
Under (over) provision in prior years	**975**	(604)
Income tax on concessionary rate	**(1,701)**	(2,650)
Income tax expense	**5,138**	4,976

As at 31 December 2018, no deferred tax liabilities have been recognised in respect of the temporary differences of approximately RMB116,881,000 (2017: RMB93,875,000) associated with undistributed earnings of certain subsidiaries established and operating in the PRC because the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 December 2018, the Group has unused estimated tax losses of approximately RMB4,339,000 (2017: RMB6,927,000) and RMB4,691,000 (2017: RMB2,069,000) and RMB519,000 (2017: Nil) for certain subsidiaries in the PRC, Hong Kong and Macau respectively. The tax losses incurred by the subsidiaries incorporated in the PRC and Macau will expire in five years and three years respectively from the year in which the loss originated, while the ones incurred by the subsidiaries in Hong Kong will not expire under current tax legislation in Hong Kong. No deferred tax asset had been recognised as at 31 December 2018 and 2017 in respect of the estimated tax losses due to the unpredictability of future profit streams.

11. EARNINGS PER SHARE

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

	2018	2017
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**11,247**	11,681

	2018	2017
Number of shares		
Weighted average number of ordinary shares in issue	**290,457,000**	290,457,000

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

12. DIVIDEND

The board of directors does not recommend the payment of final dividend for the years ended 31 December 2018 and 2017.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost						
At 1 January 2017	20,307	55,829	11,738	8,364	15,683	111,921
Exchange realignment	–	(5)	(16)	(5)	(17)	(43)
Reclassification	–	(6,203)	–	–	6,203	–
Additions	–	9,138	3,191	403	5,231	17,963
Transferred from investment properties *(Note 15)*	1,575	–	–	–	–	1,575
Transferred to investment properties *(Note 15)*	(1,702)	–	–	–	–	(1,702)
Disposals	–	(18,532)	(4,247)	(307)	(1,776)	(24,862)
At 31 December 2017 and 1 January 2018	20,180	40,227	10,666	8,455	25,324	104,852
Exchange realignment	–	3	11	4	19	37
Additions	–	7,627	553	832	5,279	14,291
Disposals	–	(8,702)	(3,640)	(841)	(1,363)	(14,546)
At 31 December 2018	20,180	39,155	7,590	8,450	29,259	104,634

13. PROPERTY, PLANT AND EQUIPMENT – *continued*

	Leasehold buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Accumulated depreciation						
At 1 January 2017	2,987	27,121	4,936	5,110	7,990	48,144
Exchange realignment	–	(3)	(7)	(2)	(5)	(17)
Reclassification	–	(2,986)	–	–	2,986	–
Depreciation	439	4,352	2,368	812	5,037	13,008
Transferred from investment properties *(Note 15)*	382	–	–	–	–	382
Transferred to investment properties *(Note 15)*	(106)	–	–	–	–	(106)
Disposals	–	(6,702)	(1,230)	(30)	(1,048)	(9,010)
At 31 December 2017 and 1 January 2018	3,702	21,782	6,067	5,890	14,960	52,401
Exchange realignment	–	2	6	2	6	16
Depreciation	530	4,898	1,058	979	4,046	11,511
Disposals	–	(5,402)	(2,182)	(753)	(1,409)	(9,746)
At 31 December 2018	4,232	21,280	4,949	6,118	17,603	54,182
Carrying values						
At 31 December 2018	15,948	17,875	2,641	2,332	11,656	50,452
At 31 December 2017	16,478	18,445	4,599	2,565	10,364	52,451

The Group's leasehold buildings are erected on land located in the PRC.

13. PROPERTY, PLANT AND EQUIPMENT – *continued*

The above items of property, plant and equipment are depreciated using the straight-line basis, after taking into account of their estimated residual values, at the following rates per annum:

Leasehold buildings	5% or over the lease terms of the relevant land, if shorter
Leasehold improvements	5% or over the lease terms of the relevant properties, if shorter
Plant and machinery	11%–32%
Motor vehicles	10%–25%
Furniture, fixtures and equipment	8%–32%

As at 31 December 2018 and 2017, certain leasehold buildings with carrying values of approximately RMB9,708,000 (2017: RMB14,356,000) respectively were pledged to the bank for banking facilities granted to the Group (see Note 26).

14. PREPAID LAND LEASE

	2018 **RMB'000**	2017 RMB'000
Balance as at 1 January	**32,224**	33,910
Amortisation	**(1,058)**	(1,686)
Balance as at 31 December	**31,166**	32,224
Balance as at 31 December		
Cost	**39,915**	39,915
Accumulated amortisation	**(8,749)**	(7,691)
Carrying values	**31,166**	32,224

As at 31 December 2018 and 2017, certain prepaid land lease with carrying values of approximately RMB25,812,000 (2017: RMB28,530,000) respectively were pledged to the bank for banking facilities granted to the Group (see Note 26).

15. INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
Balance as at 1 January	**4,245**	4,251
Transferred from property, plant and equipment *(Note 13) (Note i)*	**–**	1,596
Transferred to property, plant and equipment *(Note 13) (Note ii)*	**–**	(1,193)
Depreciation	**(123)**	(409)
Balance as at 31 December	**4,122**	4,245
Balance as at 31 December		
Cost	**5,211**	5,211
Accumulated depreciation	**(1,089)**	(966)
Carrying values	**4,122**	4,245

Notes:

i. During the year ended 31 December 2017, certain properties with carrying values of approximately RMB1,596,000 (2018: Nil) have been transferred to investment properties as these properties are held for rental income.

ii. During the year ended 31 December 2017, certain properties with carrying values of approximately RMB1,193,000 (2018: Nil) were transferred to property, plant and equipment as these properties are held for administrative use.

The above investment properties are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of term of the lease and 25 years

As at 31 December 2018 and 2017, certain investment properties with carrying values of approximately RMB2,447,000 and RMB2,864,000 were pledged to the bank for banking facilities granted to the Group (see Note 26).

The fair values of the Group's investment properties at 31 December 2018 and 2017 were approximately RMB15,109,000 and RMB14,607,000 respectively, were valued by 北京中企華資產有限責任公司, an independent valuer not connected to the Group.

15. INVESTMENT PROPERTIES – *continued*

Fair value

The following table gives information about how the fair value of investment properties as at 31 December 2018 and 2017 was determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements were categorised (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.

16. GOODWILL

	2018	2017
	RMB'000	RMB'000
Balance as at 1 January	**2,761**	3,043
Exchange realignment	**136**	(282)
Balance as at 31 December	**2,897**	2,761

Impairment testing on goodwill

The recoverable amount of the goodwill was determined based on the CGU of the Group's retail outlet network in Macau 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 the 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 22% (2017: 21%)

2. Pre tax discount rate of 10% (2017: 11%) per year

3. Average growth rate of 0% (2017: 0%)

16. GOODWILL – *continued*

Impairment testing on goodwill – *continued*

The management determined the gross margin ratio mainly based on past performance of the CGU and the 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 2018 and 2017.

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.

17. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2018 **RMB'000**	2017 RMB'000
Non-current asset		
Rental deposits paid	**9,293**	5,921
Current assets		
Prepayments	**1,891**	3,168
Advances to suppliers	**41,409**	44,404
Deposits paid	**1,403**	1,698
Input value added tax receivables (Note)	**48,364**	44,435
Interest receivables	**1,332**	—
Other receivables	**21,543**	18,669
	115,942	112,374

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 2017, the balances of deposits paid and other receivables were neither past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. INVENTORIES

	2018 RMB'000	2017 RMB'000
Merchandise for resale	**121,656**	106,952

19. TRADE RECEIVABLES

All of the Group's sales are on cash basis except for the wholesale of goods, bulk sales of merchandise to corporate customers and rental income receivable from tenants. The average credit terms offered to these customers or tenants are generally for a period of 0–180 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:

	2018 RMB'000	2017 RMB'000
Within 30 days	**12,711**	20,071
31 to 60 days	**3,521**	8,760
61 to 180 days	**5,020**	6,888
181 to 365 days	**372**	1,161
Over 1 year	**2,832**	2,266
	24,456	39,146

As at 31 December 2018, the gross amount of trade receivables arising from contracts with customers amounted to RMB24,431,000 (1 January 2018: RMB38,642,000).

There are no customers who represent more than 5% of the total trade receivable balance as at the end of the reporting periods. The concentration of credit risk is limited due to the customer base being large and unrelated.

As at 31 December 2017, included in the Group's trade receivable balance were debtors with aggregate carrying amount of RMB3,658,000 which were past due as at the end of the reporting period for which the Group had not provided for impairment loss because there has not been a significant change in credit quality and no recent history of default and they were still considered as recoverable. The Group did not hold any collateral over these balances.

19. TRADE RECEIVABLES – *continued*

The aged analysis of the trade receivables which were past due but not impaired was set out below:

	2017
	RMB'000
Less than 1 month past due	630
1 to 3 months past due	607
Over 3 months past due	2,421
	3,658

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. As at 31 December 2018, the identified impairment loss was immaterial.

Generally, trade receivables are written-off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery and are not subject to enforcement activity. The Group does not hold collateral as security.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVPTL include:

	2018	2017
	RMB'000	RMB'000
Wealth management product	**20,000**	–

As at 31 December 2018, the Group invested in a wealth management product issued by a bank in the PRC with the principal amount of RMB20,000,000 (2017: Nil). There are no fixed or determinable returns of the bank wealth management product and the return of principal is guaranteed.

21. DEPOSIT WITH A BANK/CASH AND CASH EQUIVALENTS

Deposit with a bank:

As at 31 December 2018, deposit with a bank of RMB40,000,000 (2017: Nil) with maturity of more than three months carries interest at floating rate of 3-month London Interbank Borrowing Rate.

Cash and cash equivalents

	2018 RMB'000	2017 RMB'000
Cash and equivalents are denominated in:		
HK$	**34,624**	37,354
RMB	**86,273**	126,027
Macau Patacas ("MOP")	**826**	1,131
	121,723	164,512

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:

	2018 RMB'000	2017 RMB'000
Current to 30 days	**46,352**	37,576
31 to 60 days	**20,302**	25,058
61 to 180 days	**35,570**	36,465
181 to 365 days	**6,242**	7,212
Over 1 year	**3,861**	3,887
	112,327	110,198

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

	2018 RMB'000	2017 RMB'000
Deposits received	**9,447**	10,827
Receipts in advance	**3,659**	17,845
Non-income tax payables	**1,338**	2,571
Accruals and other payables	**18,459**	24,272
	32,903	55,515

24. CONTRACT LIABILITIES

	31/12/2018 RMB'000	1/1/2018 RMB'000
Advances received to deliver goods	**9,760**	**17,111**
Unredeemed balance of award credits	**518**	**594**
	10,278	**17,705**

The significant changes in contract liabilities in 2018 was mainly due to less sales orders received from wholesales near the end of the end reporting period.

Payments received in advance that are related to sales of goods not yet delivered to customers are deferred and recognised as contract liabilities. Revenue is recognised when goods are delivered to customers. The Group receives deposits on acceptance of orders on a case by case basis with customers before delivery commences.

Revenue recognised during the year ended 31 December 2018 that was included in the contract liabilities as at 1 January 2018 is RMB17,111,000. There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

25. BALANCES WITH RELATED COMPANIES

(a) Amounts due from related companies

As at 31 December 2018 and 2017, the amounts due from related companies are unsecured, interest-free and repayable within 3 months based on invoice date. All of the amounts at the end of the respective reporting periods, based on the invoice date, are within 30 days. 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	2018 RMB'000	2017 RMB'000
佛山市順德區樂從供銷集團有限公司	Company controlled by the director *(note)*	–	3,416
高要市供銷集團有限公司	Company controlled by the director *(note)*	–	371
佛山市順德區金樂貿易有限公司	Company controlled by the director *(note)*	–	273
佛山市順德區樂從供銷社	Company controlled by the director *(note)*	–	92
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)*	–	1
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)*	–	275
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)*	–	105
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)*	–	40
高要市樂添房產經營有限公司	Company controlled by the director *(note)*	–	8
順德區海業水產發展有限公司	Company controlled by the director *(note)*	–	64
佛山市順德區嘉安物流有限公司	Company controlled by the director *(note)*	–	4
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)*	–	132
廣東廣樂包裝材料股份有限公司	Company controlled by the director *(note)*	–	14
佛山市順德區萬信珠寶玉器行有限公司	Company controlled by the director *(note)*	–	36
肇興市高要區振豪物業管理有限公司	Company controlled by the director *(note)*	–	3
佛山市順德區樂從供銷集團健怡樂餐飲管理有限公司	Company controlled by the director *(note)*	–	118
廣東海航樂萬家連鎖超市有限公司	Company controlled by a holding company of the Company	718	–
海南供銷大集酷鋪商貿有限公司	Company controlled by a holding company of the Company	195	–
		913	4,952

25. BALANCES WITH RELATED COMPANIES – *continued*

(b) Amounts due to related companies

As at 31 December 2018 and 2017, the amounts due to related companies are unsecured, interest-free and repayable within 3 months based on invoice date. All of the amounts at the end of the respective reporting periods, based on the invoice date, are within 30 days.

The amounts due to related parties are as follows:

Name of related party	Relationship	2018 RMB'000	2017 RMB'000
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)*	–	105
佛山市順德區宴米米業有限公司	Company controlled by the director *(note)*	–	581
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)*	–	23
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)*	–	63
海南供銷大集供應鏈網絡科技有限公司華南分公司	Company controlled by the director *(note)*	–	48
		–	820

Note:

A chairman and an executive director of the Company until 10 June 2017, Mr. Lao, is a beneficial shareholder of Foshan Shunde Lecong Supply and Marketing Group Limited ("Lecong Supply and Marketing") and the Company. In the opinion of the directors of the Company, the Company and Lecong Supply and Marketing were both controlled by Mr. Lao during the period from 1 January 2017 to 10 June 2017. Certain subsidiaries of the Group operating in the PRC entered into contracts with Lecong Supply and Marketing and its subsidiaries for sale of goods, purchase of goods, leasing of properties to and from Lecong Supply and Marketing.

26. BANK BORROWINGS

	2018 RMB'000	2017 RMB'000
Secured bank borrowings due for repayment within one year	**108,000**	92,000

As at 31 December 2018 and 2017, the bank borrowings were dominated in RMB, bore interest at fixed rate of 5.23% (2017: 4.75%) per annum and repayable within one year.

26. BANK BORROWINGS – *continued*

The Group's interest-bearing bank borrowings are secured by:

(i) the pledge of certain leasehold buildings of the Group with carrying values of approximately RMB9,708,000 and RMB14,356,000 as at 31 December 2018 and 2017 respectively (see Note 13);

(ii) the pledge of certain prepaid land lease of the Group with carrying values of approximately RMB25,812,000 and RMB28,530,000 as at 31 December 2018 and 2017 respectively (see Note 14); and

(iii) the pledge of certain investment properties of the Group with carrying values of approximately RMB2,447,000 and RMB2,864,000 as at 31 December 2018 and 2017 respectively (see Note 15).

27. SHARE CAPITAL

	2018		2017	
	Number of shares	**RMB'000**	Number of shares	RMB'000
Ordinary share of HK$0.01 each				
Authorised:				
At 1 January and 31 December	**2,000,000,000**	**15,826**	2,000,000,000	15,826
Issued and fully paid:				
At 1 January and 31 December	**290,457,000**	**2,387**	290,457,000	2,387

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2018 RMB'000	2017 RMB'000
Non-current asset			
Investments in subsidiaries		**32,858**	31,346
Current assets			
Amounts due from subsidiaries	(a)	**109,818**	105,357
Cash and cash equivalents		**34,587**	35,833
		144,405	141,190
Current liabilities			
Other payables		**1,118**	1,729
Amounts due to subsidiaries	(a)	**–**	137
		1,118	1,866
Net current assets		**143,287**	139,324
Net assets		**176,145**	170,670
Capital and reserves			
Share capital		**2,387**	2,387
Reserves	(b)	**173,758**	168,283
Total equity		**176,145**	170,670

Notes:

(a) The amounts are unsecured, interest-free and repayable on demand.

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

Notes: – *continued*

(b) The movement of reserves is shown as follows:

	Share premium RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2017	169,904	15,799	(2,036)	183,667
Loss for the year	–	–	(5,058)	(5,058)
Other comprehensive expense for the year				
Exchange differences arising on translation to presentation currency	–	(10,326)	–	(10,326)
Total comprehensive income for the year	–	(10,326)	(5,058)	(15,384)
At 31 December 2017 and 1 January 2018	169,904	5,473	(7,094)	168,283
Loss for the year	–	–	(2,691)	(2,691)
Other comprehensive income for the year				
Exchange differences arising on translation to presentation currency	–	8,166	–	8,166
Balance at 31 December 2018	169,904	13,639	(9,785)	173,758

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	1 January 2018 RMB'000	**Financing cash flows RMB'000**	**Accrued interest RMB'000**	**31 December 2018 RMB'000**
Liabilities				
Bank borrowings *(Note 26)*	**92,000**	**11,165**	**4,835**	**108,000**

	1 January 2017 RMB'000	Financing cash flows RMB'000	Accrued interest RMB'000	31 December 2017 RMB'000
Liabilities				
Bank borrowings *(Note 26)*	104,000	(16,625)	4,625	92,000

30. RELATED PARTY TRANSACTIONS

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

Related party relationship	Nature of transaction		2018 RMB'000	2017 RMB'000
Related companies	Sales of goods	*(note a)*	**3,221**	7,109
	Purchase of goods	*(note b)*	**1,441**	9,992
	Rental income received	*(note c)*	**–**	1,531
	Rental expense paid	*(note d)*	**–**	7,660

(a) The consideration of sale transactions are based on (i) historical transaction prices and amount; (ii) prevailing market prices; and (iii) discount rate offered to bulk purchase customers. The credit period for sales to related parties is within 90 days.

(b) The consideration of purchase transactions are based on (i) historical transaction prices and amount; (ii) prevailing comparable wholesale prices; and (iii) discounts offered on bulk purchase. The credit period for purchases from related parties is within 90 days.

(c) Lecong Supply and Marketing and its subsidiaries entered into lease agreements with the Group with respect of leasing of certain properties. The terms of lease agreements were mutually agreed by the Group and the related companies with reference of market rent. The credit period for leasing of properties to related companies was within 90 days.

(d) The Group entered into lease agreements with Lecong Supply and Marketing and its subsidiaries with respect of leasing of the properties for use as headquarter, retail outlets and warehouses. The terms of lease agreements were mutually agreed by the Group and the related companies with reference of market rent. The credit period for leasing of properties from related companies was within 90 days.

(ii) Compensation of key management personnel of the Group, including directors' remuneration as disclosed in note 9 to the consolidated financial statements, is as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**2,333**	1,967
Pension scheme contributions	**134**	144
	2,467	2,111

31. OPERATING LEASE ARRANGEMENTS

The Group as a 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 18 years.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**26,360**	15,872
Later than one year and not later than five years	**58,985**	34,366
Later than five years	**15,258**	16,385
	100,603	66,623

The Group as a lessor

The Group sub-leases out certain areas inside their retail outlets. The leases are negotiated for terms ranging from 1 to 10 years. None of the lease includes contingent rentals.

As at 31 December 2018, the Group had contracted with tenants for the future minimum lease payments as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**19,558**	19,441

32. CAPITAL COMMITMENTS

As at 31 December 2018, the Group had the following capital commitments:

	2018 RMB'000	2017 RMB'000
Contracted, but not provided for, in respect of acquisition of property, plant and equipment	**–**	260

33. 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 29,045,700 shares.

No share options were granted under the Share Option Scheme during both years. As at 31 December 2018 and 2017, there were no outstanding options granted under the Share Option Scheme.

34. 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	The BVI	2 ordinary shares of US$1 each	100	–	Investment holding
Hong Kong Shun Ke Long International Limited	Hong Kong	Paid up capital of HK$1	–	100	Investment holding
Macau Son Hak Long International Sociedade Unipessoal Limitada	Macau	MOP38,625,000	–	100	Operation and management of retail stores in Macau
Usmart Chain Supermarket Company Limited	Macau	MOP38,657,000	–	100	Operation and management of retail stores in Macau
佛山市順德區昌萬隆複合材料有限公司*	The 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#	The 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#	The PRC	Paid up capital of RMB6,000,000	–	100	Investment holding
佛山市順客隆商業有限公司#	The PRC	Paid up capital of RMB50,000,000	–	100	Operation and management of retail stores and wholesale in the PRC
珠海市順客隆商業有限公司#	The PRC	Paid up capital of RMB1,000,000	–	100	Operation and management of retail stores in the PRC
肇慶順客隆商業連鎖有限公司#	The PRC	Paid up capital of RMB10,000,000	–	100	Operation and management of retail stores in the PRC
廣州市順客隆超市有限公司#	The PRC	Paid up capital of RMB1,000,000	–	70	Operation and management of retail stores in the PRC
佛山市順德區譽邦行貿易有限公司#	The 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#	The 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#	The PRC	Paid up capital of RMB6,000,000	–	100	Operation and management of retail stores in the PRC
佛山市順德區澳中貿易有限公司#	The PRC	Paid up capital of HK$1,000,000	–	100	Operation and management of retail stores in the PRC
肇慶順客隆電子商務有限公司#	The PRC	Paid up capital of RMB1,000,000	–	100	Retail of goods in the PRC
Ozone Supply Chain International Limited	The 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#	The PRC	Paid up capital of RMB5,000,000	–	100	Dormant
肇慶市蜜蜂網絡科技有限公司#	The 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

None of the subsidiaries had any debt securities outstanding at the end of both reporting periods or at any time during both years.

No subsidiary has non-controlling interest material to the Group.

35. CAPITAL RISK MANAGEMENT

The capital structure of the Group consists of debts, which include the bank borrowings disclosed in note 26 and equity attributable to owners of the Company, comprising share capital as disclosed in note 27 and reserves as disclosed in the consolidated statement of changes in equity. 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.

	2018 RMB'000	2017 RMB'000
Debt	**108,000**	92,000
Equity	**277,888**	264,116
Debt to equity ratio	**39%**	35%

36. FINANCIAL INSTRUMENTS BY CATEGORY

Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Financial assets at FVTPL	**20,000**	–
At amortised cost/loans and receivables (including bank balances and cash)	**220,663**	234,898

	2018 RMB'000	2017 RMB'000
Financial liabilities		
At amortised cost	**248,233**	237,523

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade receivables, deposits paid and other receivables, cash and cash equivalents, amounts with related companies, trade payables, deposits received, accruals and other payables and bank borrowings.

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

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from trade and other receivables, amounts due from related parties and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

As at 31 December 2017, impairment loss was recognised when there was objective evidence of impairment loss.

Starting from 1 January 2018, for trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the allowance for impairment at lifetime ECL. The Group determines the ECL on these items collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Management considered other receivables and amounts due from related companies to be low credit risk and thus the allowance for impairment recognised during the year was limited to 12-month ECL. As at 31 December 2018, the identified impairment loss was immaterial.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

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

Credit risk – *continued*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- significant changes in the expected performance and behavior of the debtors, including changes in the payment status of debtors in the Group and changes in the operating results of the debtors.

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

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

Credit risk – *continued*

The Group's exposure to credit risk – *continued*

The table below details the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades.

31/12/2018	Notes	**Internal credit rating**	**12-month or lifetime ECL**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
				RMB'000	RMB'000	RMB'000
Trade receivables	19	Note	Lifetime ECL (simplified approach)	24,456	–	24,456
Other receivables	17	Performing	12-month ECL	33,571	–	33,571
Amounts due from related companies	25	Performing	12-month ECL	913	–	913
					–	

Note:

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience on the basis of past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 19 includes further details on the loss allowance for these assets.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 98% (2017: 98%) of the total trade receivable as at 31 December 2018.

As at 31 December 2018, the Group has no concentration of credit risk, as 2% (2017: 26%) of the total trade receivables, which was due from the Group's five largest customers.

None of the Group's financial assets are secured by collateral or other credit enhancements.

37. 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 current rates at the reporting date) and the earliest date the Group can be required to pay.

	Total contractual undiscounted cash flows due on demand or within one year RMB'000	Carrying amount RMB'000
31 December 2018		
Trade payables	112,327	112,327
Deposits received, accruals and other payables	27,906	27,906
Bank borrowings	113,020	108,000
	253,253	248,233

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

Liquidity risk – *continued*

	Total contractual undiscounted cash flows due on demand or within one year RMB'000	Carrying amount RMB'000
31 December 2017		
Trade payables	110,198	110,198
Deposits received, accruals and other payables	34,505	34,505
Amounts due to related parties	820	820
Bank borrowings	96,757	92,000
	242,280	237,523

Interest rate risk

The Group is primarily exposed to cash flow interest rate risk in relation to variable-rate interest bearing receivables, including bank balances.

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings.

The Group currently does not have an interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. However, management of the Group monitors interest rate exposure on an on-going basis and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

Sensitivity analysis

It is estimated that a general increase or decrease of 5 basis point in 2018 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 RMB49,000 (2017: RMB50,000) for the year ended 31 December 2018.

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 5 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 2018 and 2017.

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

Interest rate risk – *continued*

Fair value

The financial assets stated at FVTPL are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial assets stated at FVTPL is determined (in particular, the valuation techniques and inputs used).

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
		2018	2017				
		RMB'000	RMB'000				
Wealth management product	Level 2	**20,000**	–	Present value quoted by the relevant bank	N/A	N/A	N/A

During the year, there were no transfers between levels of fair value hierarchy.

The directors of the Company consider that the carrying amounts of other current financial assets and financial liabilities recorded at amortised cost using the effective interest rate method in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.