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 2020

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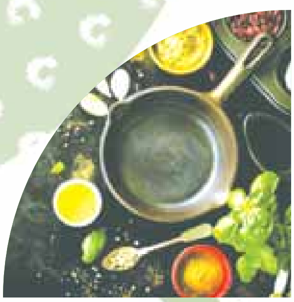

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Du Xiaoping *(Chairman)*
Mr. Han Wei *(Chief Executive Officer)*

Non-Executive Director
Mr. Wang Fu Lin

Independent Non-Executive Directors
Mr. Cheng Hok Kai Frederick
Mr. Wang Yilin
Mr. Zou Pingxue

AUDIT COMMITTEE
Mr. Cheng Hok Kai Frederick *(Chairman)*
Mr. Wang Yilin
Mr. Zou Pingxue

REMUNERATION COMMITTEE
Mr. Wang Yilin *(Chairman)*
Mr. Du Xiaoping
Mr. Zou Pingxue

NOMINATION COMMITTEE
Mr. Du Xiaoping *(Chairman)*
Mr. Wang Yilin
Mr. Zou Pingxue

AUTHORISED REPRESENTATIVES
Mr. Han Wei
Mr. Qiu Minghao

COMPANY SECRETARY
Mr. Qiu Minghao

COMPANY'S WEBSITE
www.skl.com.cn

STOCK CODE
974

PRINCIPAL PLACE OF BUSINESS IN THE PRC
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Guangdong Province, The PRC

PLACE OF BUSINESS IN HONG KONG
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REGISTERED OFFICE IN THE CAYMAN ISLANDS
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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 54, Hopewell Centre
183 Queen's Road East, Hong Kong

FINANCIAL SUMMARY

Results	For the year ended 31 December				
	2016	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	1,087,872	954,164	986,998	945,221	**888,749**
Gross profit	153,092	147,343	143,274	134,786	**125,817**
Profit (loss) from operation	40,033	21,537	21,375	(5,945)	**(2,702)**
Finance costs	5,559	4,625	4,835	10,084	**11,483**
Income tax expense	9,839	4,976	5,138	450	**222**
Profit (loss) for the year attributable to the owners of the Company	24,397	11,681	11,247	(20,626)	**(16,501)**
Total comprehensive income (expense) attributable to the owners of the Company	29,235	8,095	13,617	(19,850)	**(18,162)**
Dividend paid	24,991	Nil	Nil	Nil	**Nil**

Assets and liabilities	As at 31 December				
	2016	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Non-current assets	110,694	97,602	97,930	163,375	**186,444**
Current assets	428,762	427,936	444,690	433,788	**413,838**
Current liabilities	283,690	261,422	264,732	174,094	**284,003**
Net current assets	145,072	166,514	179,958	259,694	**129,835**
Total assets less current liabilities	255,766	264,116	277,888	423,069	**316,279**
Non-current liabilities	–	–	–	165,472	**76,810**
Net assets	255,766	264,116	277,888	257,597	**239,469**
Equity attributable to owners of the Company	254,460	262,555	276,172	256,322	**238,160**

CHAIRMAN'S STATEMENT

Dear Shareholders:

The retail sector is an important component of the national economy and is a commercial form that closely connected to people's daily lives. According to a report by the China Chain Store & Franchise Association, as of the end of 2019, the total retail sales of consumer goods has exceeded RMB40 trillion. In 2019, the sales of the top 100 chains increased by 5.2% year on year to approximately RMB2.6 trillion. However, except for supermarkets, both the sales and the number of stores of other business forms have declined to different extents, which indicates that the pressure of competition in the retail sector remains in place. With the development of e-commerce and the transformation of the retail sector in the recent years, an increasing number of innovative business forms have sprung out. Especially during this post-pandemic era and as encouraged by the implementation of the use of 5G, marketing forms such as, live streaming and community group buying, have huge potential which yet to be undiscovered. On the whole, at this stage, the retail sector in the People's Republic of China (the "PRC") is surrounded by both opportunities and challenges, and the business model was constantly updated and developed. In terms of principal business forms, among the top 20 chain companies, seven chain companies adopted the commonly two popular business forms, i.e. department stores and supermarket chains.

China Shun Ke Long Holdings Limited (the "Company" with its subsidiaries, collectively, the "Group") is implementing to its business strategy of the year, which is "adhering to the essence and seeking changes while stabilising". Further to our establishment in the Pearl River Delta region, the Group continues to achieve sustainable and steady operations. The Group recorded a total revenue of approximately RMB888.7 million in the year ended 31 December 2020 ("FY2020"), representing a decrease of RMB56.5 million as compared to that in the year 2019. The net loss attributable to the shareholders was approximately RMB16.5 million in FY2020, representing a decline of approximately RMB4.1 million as compared to that in the year 2019. In view of such achievements, the Group's operation and management are commendable, but there is room for improvement.

BUSINESS FORM INNOVATION, REFORM UPGRADING

The Group introduced new stores called the "Fresh Hub", a community-targeted fresh food business, with the opening of several demonstration stores. The successful establishment of this business model will lay the foundation for the Group's important transformation of business forms in the coming few years.

The Group has made use of its self-run platform and teamed up with other platforms to upgrade the New Retail. A priority was given to community marketing. It attracted online and offline traffic via its own platform called "SKL selected" mini programme and has strengthened cooperation with Taoxianda, Ele.me, JD Home and other e-commerce platforms and has improved its delivery capacity to further online and offline integration of the Group's platforms.

STRENGTHENING SUPPLY CHAIN AND CONSOLIDATING ITS REGIONAL DOMINANCE

The ultimate issue in respect of the ability to supply fresh food is the Group's ability of the supply chain. The Group acquired sole and exclusive distribution rights from 26 brands across Foshan, Jiangmen and Zhaoqing of the PRC. The Group has established cooperation relationship with more than 700 suppliers and have established partnership with 26 fruit and vegetable bases since FY2020. As such, the Group is working to strengthen its ability in the supply of fresh food. The supply chain has been consolidated through the connection, direct procurement, and integration of upstream commodity resources.

STAFF MOTIVATION AND SOCIAL CARE

The Group adopts a reward and punishment mechanism to increase the enthusiasm of employees and provides comprehensive training for them. Further, under the government’s call for poverty alleviation, the Group has collaborated with 13 poverty alleviation bases and purchased more than 30 kinds of poverty alleviation products.

IMPACT OF COVID-19

Due to the outbreak of coronavirus disease (“COVID-19”) pandemic in early 2020, all the retailers spent every effort to fight against the COVID-19 pandemic to ensure its supply of goods. The Group has strengthened the measures in respect of the COVID-19 pandemic prevention and supervision to ensure the normal operation of its 66 stores. Particularly, it bravely undertook its social responsibilities and followed the local governments’ instructions on stabilising prices and ensuring supply of goods, which has been recognised by the public. However, affected by the COVID-19 pandemic, the revenue from its wholesale distribution in FY2020 fell by approximately RMB83.8 million comparing to that in the year 2019. The suspension of some outlets on campus during the severe period of COVID-19 pandemic has resulted in a drop in its full-year revenue.

INCREASING STRENGTH OF ONLINE PLATFORMS AMID FIERCE MARKET COMPETITION

Amid the fierce market competition in the retail sector, particularly, with the market share continuously occupied by e-commerce platforms and community group buying platforms, and the New Retail transformation and upgrading has yet to break even, the Group will track the pulse of the market, pay close attention to the changes in customer needs in real time, and accelerate the pace of the development of online platforms.

As one of the top-ranked players in the retail sector in Guangdong, the Group will strive hard and move forward in the complex and changing environment of the sector. The Group will mainly adopt the business model of “retail + wholesale + bulk trade + online and offline + community marketing”, adhere to the market-oriented approach, take fresh food as a point for breakthrough, and integrate online and offline technology with retail services to keep up with the pace of digitalisation. While actively expanding the market in Guangdong-Hong Kong-Macau Greater Bay Area, the Group also takes a broad view to business opportunities in other provinces across the country, especially in Hainan Free Trade Zone, in a bid to expand its business territory. Through business innovation and the integration of resources from suppliers, service providers and others in the industry chain, the Group has enhanced strength, so as to increase customer satisfaction, maintain brand value, and promote its stable and healthy development. The COVID-19 pandemic is not over yet. The Group will maintain a high level of awareness of risk prevention and control, keep a close eye on the COVID-19 pandemic and look forward to the end of it as soon as possible.

I would like to express my gratitude to our shareholders and stakeholders for their continuous support and to the hard work of our employees, hoping that the Group’s performance will improve in the coming year and open up a new chapter to create better returns to the shareholders!

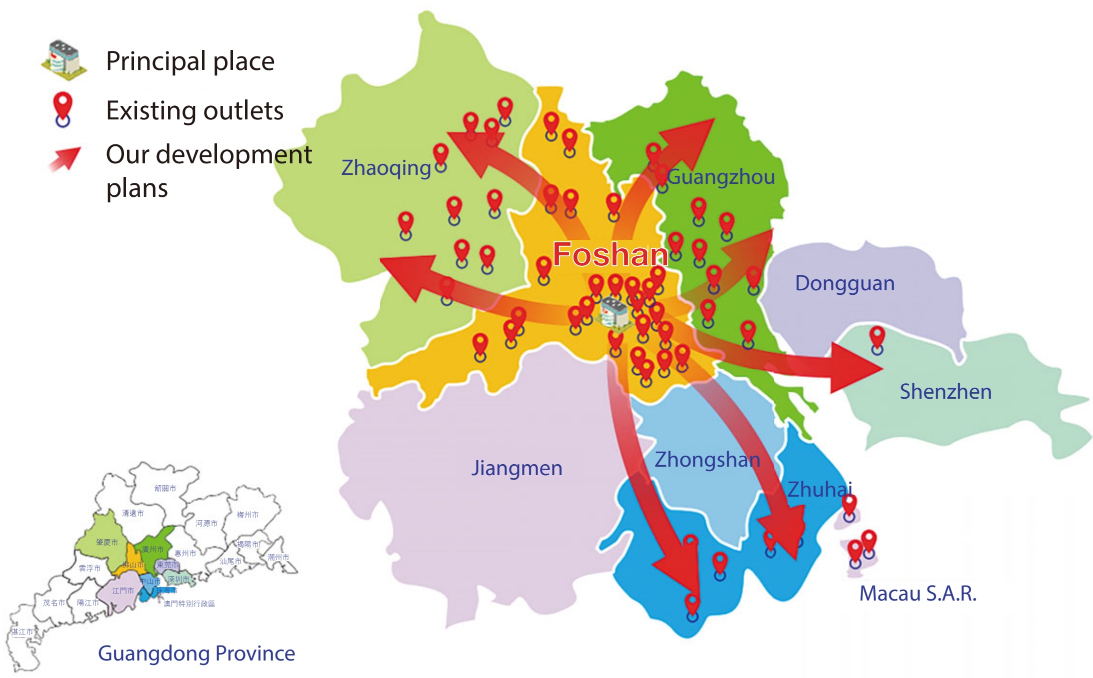
Chairman
Du Xiaoping

29 March 2021

BUSINESS REVIEW

China Shun Ke Long Holdings Limited (the “Company” with its subsidiaries, collectively, the “Group”) is an investment holding company and the Group is a supermarket chain store operator with geographical focus in Guangdong province of the People’s Republic of China (the “PRC”). During the year ended 31 December 2020 (the “FY2020” or “the Year”), 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.

The Group’s Strategic Development Map



Retail Outlets

During the FY2020, the Group opened 5 retail outlets and closed 4 retail outlets. As at 31 December 2020, the Group had 69 retail outlets located in Guangdong province of the PRC and 2 retail outlets located in the Macau Special Administrative Region (“Macau”) of the PRC, respectively.

The following table sets forth the movements in the number of retail outlets of the Group during the FY2020 and the year ended 31 December 2019 (the “FY2019”):

	For the year ended 31 December	
	2020	2019
At the beginning of the year	**70**	70
Additions	**5**	7
Reductions	**(4)**	(7)
At the end of the year	**71**	70

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 31 December 2020:

Location	Number of retail outlets
Foshan	53
Zhaoqing	7
Zhuhai	5
Guangzhou	3
Shenzhen	1
The PRC	69
Macau	2
Total	71

General Wholesale

During the FY2020, the Group managed to keep all sole and exclusive distribution rights it gained prior to the FY2020. The Group maintained sole and exclusive distribution rights for 26 brands covering Foshan, Jiangmen and Zhaoqing. The exact coverage of the Group's sole and exclusive distribution rights varied among those 26 brands. Instead of developing the size of general wholesale customer base, the Group put more emphases on gaining more sub-distributors as the Group's customers rather than retailers.

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 movements in number of franchise outlets of the Group during the FY2020 and FY2019:

	For the year ended 31 December	
	2020	2019
At the beginning of the year	670	482
Additions	–	188
Reductions	(37)	–
At the end of the year	633	670

MANAGEMENT DISCUSSION AND ANALYSIS

RECENT DEVELOPMENT AND OUTLOOK

2020 is very unusual year due to the outbreak of coronavirus disease ("COVID-19") pandemic in early 2020. As a result, huge impacts have been seen in the economy in the PRC and across the globe. Particularly, the retail sector, which is closely connected to people's daily lives, has the first taste of the impact. In the face of COVID-19, the Group, as an enterprise in the PRC focusing on business related to people's daily lives, the Group has developed the scheme and/or internal control regime in respect of the COVID-19 pandemic prevention and supervision to ensure the normal operation of the Group's 66 stores. Particularly, the Group bravely undertook its social responsibilities and followed the local governments' instructions on stabilising prices and ensuring supply of goods, which has been recognised by the public. With the joint efforts of the Group's management and employees, the Group achieved a positive operating and financial performance in the FY2020.

With the catalyst of network marketing and the COVID-19 pandemic, retail sector in the PRC is undergoing tremendous changes, which can be evidenced by the rapid growth of e-commerce platforms and the emergence of community group purchase. As such, the Group has actively adjusted and transformed its current business. Centering on the strategy of "adhering to the essence and seeking change while stabilising", it has improved its capabilities in products, services, accessibility, digitalisation and profitability.

1. In terms of products, the Group gradually improved the direct purchasing process and combined long-distance procurement with short-distance procurement to achieve the purpose of reducing procurement cost and enriching the variety of goods. In addition, the Group has improved the variety of the products on a regular and optimal basis, such as its core categories and cooperated with 26 fruit and vegetable bases to introduce the fresh food.

2. In terms of service capability, the Group initiated a three-year campaign of "Quality Year". The Group strived to change the store image. It established a complete closed-loop management system from training programme implementation to assessment adjustment as to improve service efficiency and quality.

3. In terms of accessibility, the Group utilised its self-run platform with other third party platforms. Priority was given to community marketing which attracted more online and offline traffic via its own platform called "SKL selected" mini programme, strengthened cooperation with Taoxianda, Ele.me, JD Home and other e-commerce platforms and improved its delivery capacity, so as to achieve online and offline integration.

4. In terms of digitalisation, the Group introduced and improved the price comparison system, continuous replenishment program and other systems to facilitate the transformation and upgrading its business model. Additionally, it sorted out the information of its members to integrate online and offline members. The Group built multiple member application scenarios through platforms, such as Ele.me, JD Home, Meituan and Alipay, and live-streaming marketing. With around 600,000 members, it has made remarkable results.

5. In terms of profitability, the Group introduced new stores called "Fresh Hubs" which mainly sell fresh food, to meet community needs precisely. Meanwhile, it actively expanded the wholesale business. The Group has won the bidding of some large projects, including an army life service station in Sansha and canteens of 17 schools in Shunde District.

With the above measures, the Group believes that there are undiscovered opportunities for development amid stability. However, there are uncertainties caused by the global environment. The Group, which remains a leading retailer in the Pearl River Delta region, will look for and seize business opportunities in other provinces, especially in the Hainan Free Trade Zone, in a bid to expand the business territory. Furthermore, the Group will continuously pay attention to different investment opportunities, identify appropriate businesses and projects for shareholders, and increase shareholder returns.

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 identified by the Group. There may be other risks particularly, 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.

Fierce competition in Expanding Retail Outlets Network

Under fierce competition in retail industry, we have to face many competitors locally or from overseas. Our future growth and profitability depend in part on our ability to expand our business presence and network in the Greater Bay Area and to implement our expansion plan. Particularly, it is subject to the risks and uncertainties as to our ability to identify suitable sites for new retail outlets, availability of resources and funding for expansion plan, our ability to attract management talents, and our ability to obtain government approvals, etc. If we failed to implement to same, our results of operations may be adversely affected.

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, disposal income, government policies, family structure, trend, and many other factors. The success of our business depends on our ability to provide products which meets the 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 facing keen competition from other players of the supermarket industry and online retailers, and due to the increase in the operating costs, the profit margin has been squeezed and have a thin net profit margins. If there is any occurrence of unfavourable event such as the outbreak of infectious disease e.g., COVID-19, concern over safety of product, price advantage of our competitors etc., our volume of products sold, selling prices or costs of sales, may be adversely affected.

Competition from online retailing platform

Online retailing platform has been rising abruptly these years. Based on its inherent attributions such as efficiency, it has been threatening our retail outlets or slowing down our pace of expanding our retail outlets network before we establish our own robust online retailing channels. As such, this further the competition in this supermarket operation industry.

High staff turnover rate

The Group is mainly engaged in the supermarket business, which has a high demand for staff. Shortage of manpower or higher staff turnover rate may adversely affect our business, operating results and expansion plans. In recent years, the turnover rate of younger people working in our business has been on the rise.

FINANCIAL REVIEW

Revenue

For the FY2020, despite the impact of online e-commerce and the COVID-19 pandemic, the revenue of the Group was approximately RMB888.7 million, representing a decrease of approximately RMB56.5 million or 6% when comparing with revenue for the FY2019. The decrease in the revenue was mainly due to the decrease in turnover of wholesale distribution caused by the COVID-19 pandemic.

For the FY2020, the Group's revenue from retail outlet operation was approximately RMB691.7 million, representing an increase of approximately RMB27.3 million or 4.1% comparing with the FY2019. The increase was mainly due to the refinement of store management, improvement of operational standards and enhancement of customer service levels.

For the FY2020, the Group's revenue from wholesale distribution was approximately RMB197.0 million, representing a decrease of approximately RMB83.8 million or 29.8% comparing with the FY2019. The decrease was mainly due to (i) the termination of the Company's granulated sugar business due to the low gross profit margin of the business, and (ii) the decrease in sales orders for wholesale business due to the closure or suspension of operations of some of the Company's wholesale customers, especially those in the catering industry, as a result of COVID-19 epidemic in FY2020.

Gross Profit Margin

For the FY2020 and FY2019, the Group's gross profit margins were 14.2% and 14.3%, respectively. The slightly decline was mainly due to the increase in the sales discounts offered during promotional activities.

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 FY2020 and FY2019:

	For the year ended 31 December	
	2020	2019
	RMB million	RMB million
Revenue		
Retail outlet operation	**691.7**	664.4
Wholesale distribution	**197.0**	280.8
Total	**888.7**	945.2
Cost		
Retail outlet operation	**572.6**	542.6
Wholesale distribution	**190.3**	267.8
Total	**762.9**	810.4
Gross profit		
Retail outlet operation	**119.1**	121.8
Wholesale distribution	**6.7**	13.0
Total	**125.8**	134.8
Gross Profit Margin		
Retail outlet operation	**17.2%**	18.3%
Wholesale distribution	**3.4%**	4.6%
Overall	**14.2%**	14.3%

Other Operating Income

For the FY2020, the Group's other operating income was approximately RMB35.0 million, representing a decrease of approximately RMB2.7 million or 7.2% comparing with the FY2019. The decrease was mainly due to the drop in promotion income from suppliers.

Selling and Distribution Costs

For the FY2020, the Group's selling and distribution costs were approximately RMB127.3 million, representing a decrease of approximately RMB17.5 million or 12.1% comparing with the FY2019. The decrease was mainly due to the reduction and exemption of employees' social insurance fees as a result of the relevant PRC government's regulations.

Administrative Expenses

For the FY2020, the Group's administrative expenses were approximately RMB36.1 million, representing an increase of approximately RMB2.4 million or 7.1% comparing with the FY2019. The increase was mainly due to increase in the Directors' and senior management's remuneration and miscellaneous expenses of the Company.

Finance Costs

For the FY2020, the Group's finance costs were approximately RMB11.5 million representing an increase of approximately RMB1.4 million or 13.9% comparing with the FY2019. The increase was mainly due to increase in interest expense of lease liabilities.

Impairment losses recognised in goodwill, property, plant and equipment and right-of-use assets

In 2020, the management has performed an impairment assessment of property, plant and equipment and right-of-use assets of the Group. Accordingly, the Group's property, plant and equipment had been impaired by RMB0.56 million, and there was no impairment of right-of-use assets. The recoverable amount of the cash generating unit is determined based on a discounted pre-tax cash flow projections, prepared in accordance with the financial budgets approved by management covering a five-year period. The major reason for such impairment was due to the impact of the temporary suspension of store operations during the outbreak of COVID-19 pandemic in the Group's retail stores operated in Macau, which led to an pre-tax operating loss greatly.

Income Tax Expense

For the FY2020, the Group's income tax expense was approximately RMB0.2 million, representing a decrease of approximately RMB0.3 million or 60% comparing with the FY2019, reflecting the drop of the net profit before income tax expense of profitable stores for the Year.

Net Loss

For the FY2020, the Group's net loss attributable to shareholders was approximately RMB16.5 million, representing a decrease of approximately RMB4.1 million or 19.9% comparing with the FY2019, which was mainly due to the decrease in selling and distribution costs during the Year.

The Company stated that it was expected that the Group would record a net loss not more than RMB15,000,000 for the FY2020 in the positive profit alert announcement dated 5 February 2021 (the "Announcement"). The actual net loss is more than that in the Announcement mainly due to impairment loss recognised in respect of trade receivables of RMB1,501,000.

Total Comprehensive Expense

For the FY2020, the Group's total comprehensive expense attributable to the shareholders was approximately RMB18.2 million, representing an decrease of approximately RMB1.7 million or 8.5% comparing with FY2019. The appreciation of RMB against Hong Kong dollars resulted in an exchange loss of approximately RMB1.7 million on translation of the financial statements from the functional currency to the presentation currency in the FY2020, and the exchange losses were reflected as other comprehensive expense.

Capital Expenditure

The Group's capital expenditure requirements were mainly related to additions of its property, plant and equipment and right-of-use assets for the newly opened and existing retail outlets. For the FY2020, the Group spent approximately RMB7.8 million and RMB68.6 million on the acquisition of property, plant and equipment and the right to use assets, respectively.

Capital Commitments

As at 31 December 2020, the Group did not have any significant capital commitments (2019: nil).

Liquidity and Financial Resources

As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB104.0 million (2019: approximately RMB122.6 million), out of which approximately RMB88.3 million was denominated in RMB and approximately RMB15.7 million was denominated in Hong Kong dollars or Macau Pataca.

As at 31 December 2020, the Group had net current assets of approximately RMB129.8 million (2019: approximately RMB259.7 million) and net assets of approximately RMB239.5 million (2019: approximately RMB257.6 million). As at 31 December 2020, the Group did not have unutilised banking facilities (2019: Nil).

On 21 October 2019, the Board announced that the Company, through its subsidiary, Guangdong Province Shun Ke Long Commerce Limited* (廣東省順客隆商業連鎖有限公司) ("Guangdong SKL", formerly known as Foshan Shun Ke Long Commerce Company Limited* (佛山市順客隆商業有限公司)) began to subscribe for up to RMB60 million of wealth management product from Shunde Rural Commercial Bank with expected annualised return rate of 2.8% to 3%. As at 31 December 2020, Guangdong SKL held RMB43.5 million of the wealth management product.

In order to minimise the credit risk, the management of the Group has assigned responsible staff to determinate credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The management considered that risk of default in respect of trade and other receivables is low and thus the identified impairment loss was immaterial.

Significant Investments and Plans for Material Investments or Capital Assets

The Group did not hold any significant investments during the FY2020.

Material Acquisitions and Disposals

The Group did not carry out any material acquisition nor disposal of any subsidiary during the FY2020.

Indebtedness and Pledge of Assets

As at 31 December 2020, the Group had bank borrowings denominated in RMB of approximately RMB108 million (2019: approximately RMB108 million) secured by:

(i) the pledge of certain buildings of the Group with carrying values of approximately RMB11.4 million as at 31 December 2020 (2019: approximately RMB11.7 million);

(ii) the pledge of certain right-of-use assets of the Group with carrying values of approximately RMB19.0 million as at 31 December 2020 (2019: approximately RMB19.6 million);

(iii) the pledge of certain investment properties of the Group with carrying values of approximately RMB9.4 million as at 31 December 2020 (2019: approximately RMB9.7 million).

All the bank borrowings were repayable within one year. The interests of those loans were fixed at 5.23% per annum (2019: at fixed rate of 5.46% per annum).

Key Financial Ratio

The following table sets forth the key financial ratios of the Group for the FY2020 and FY2019:

	As at 31 December For the year ended on that date	
	2020	2019
Debtor turnover days	**12.1**	9.3
Inventory turnover days	**65.7**	56.9
Creditor turnover days	**52.4**	51.5
Return on equity	**-6.9%**	-8.0%
Return on total assets	**-2.7%**	-3.4%
Total loans	**108.0**	108.0
Total equity	**239.5**	257.6
Gearing Ratio	**45.1%**	41.9%
Net debt to equity ratio	**Net cash**	Net cash
Current ratio	**1.5x**	2.5x
Quick ratio	**1.0x**	1.7x

Note: Gearing ratio is calculated as total loans divided by total equity.

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$. During the FY2020, the appreciation of RMB against HK$ had no impact 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 FY2020, 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 2020, 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 1,295 employees as at 31 December 2020, of which 1,249 employees worked in the PRC and 46 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 FY2020, the Group had not experienced any significant disruption to its operations due to labour disputes nor had it experienced any difficulty in the recruitment of experienced staff. The Group maintains a good relationship with its employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INTRODUCTION

This Environmental, Social and Governance Report (the "ESG Report") summarises the environmental, social and governance ("ESG") initiatives, plans and performances of China Shun Ke Long Holdings Limited (the "Company", together with its subsidiaries, the "Group" or "we"), and demonstrates our commitment to sustainable development.

The Company is an investment holding company, and the Group is principally engaged in the operation and management of retail stores and wholesale of goods in Guangdong province of the People's Republic of China (the "PRC") and the Macau Special Administrative Region ("Macau"). The Group maintains both retail and wholesale distribution channels. As at 31 December 2020, the Group had a total of 71 retail outlets located in Foshan, Zhaoqing, Zhuhai, Guangzhou, and Macau. In regards to general wholesale, the Group maintained sole and exclusive distribution rights for 26 brands in Foshan, Jiangmen and Zhaoqing.

During the financial year ended 31 December 2020 (the "Reporting Period" or "FY2020"), the Group has developed the marketing strategy of "retail + wholesale + bulk trade + online and offline integration + social marketing", proposed two main lines on physical retail, omnichannel and store update and transformation in order to tackle the negative impacts caused by the outbreak of coronavirus disease ("COVID-19") pandemic and to keep up with the new global trend of retail e-commerce. Currently, our online marketing channels include Ele.me, JD Daojia, Meituan and Taoxianda, and the Group has strongly developed its home delivery business, community-based group buying and live commerce. At the same time, we had kick-started live commerce retail, build our own platform Shun Ke Long Optimal, aiming to make it as an effective online marketing tool. In order to further expand the integrated wholesale business, the Group has established a Yubang Hang Mini Program to develop online wholesale business. Through adopting the model of "penetration into end customers through lower distribution channels", we aimed to enlarge our customer base from wholesale customers to end business customers and to reduce the number of levels within distribution channels.

The Group believes sustainability is a key to achieve continuous success, therefore we have integrated this key concept into our business strategy. In order to pursue a successful and sustainable business model, the Group recognises the importance of integrating ESG aspects into our risk management system. We adhere to the ESG management direction in accordance with sustainable development concepts and are committed to deal with ESG affairs effectively and responsibly.

THE ESG GOVERNANCE STRUCTURE

The Group conducts a top-down management approach regarding its ESG issues. The board of directors (the "Board") oversees the Group's overall ESG direction and sets out ESG strategy for the Group. The Board is also responsible for ensuring the effectiveness of the Group's ESG risk management and internal control mechanism.

In order to carry out a systematic management of the Group's ESG issues, the Group has assigned the management team as the ESG taskforce (the "Taskforce"). The Taskforce is responsible for collecting relevant ESG information for the preparation of the ESG Report. It reports to the Board on a regular basis, assists in identifying and assessing the Group's ESG risks, and evaluates the effectiveness of the Group's ESG internal control mechanism. The Taskforce also examines and evaluates the Group's ESG performance in different aspects such as environment, labour standards, and product responsibility.

The Board acknowledges its responsibility for ensuring the integrity the ESG Report. The ESG Report addresses all relevant material issues and fairly presents the Group's ESG performance in a transparent manner. The Board confirms that it has reviewed and approved the ESG Report.

REPORTING SCOPE

The ESG Report generally covers the Group's office in Hong Kong as well as its key business and operational activities, including retail outlets and general wholesale distribution in the PRC and Macau, which represent the Group's major source of revenue. The Group will continue to assess the major ESG aspects of different businesses and extend the scope of disclosures when applicable.

REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in the Appendix 27 of the Rules Governing the Listing Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Information relating to the Group's corporate governance practices has been set out in the Corporate Governance Report on page 40 to page 50 of this annual report.

REPORTING PERIOD

The ESG Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2020.

STAKEHOLDER ENGAGEMENT

We truly value the opinions of our stakeholders in sustaining our businesses and ESG strategies. To understand and address the key concerns of different stakeholders, we have been maintaining a close communication. We will continue to increase the involvement of stakeholders via constructive conversation to maintain long term prosperity. Stakeholder's expectations have been taken into consideration by utilising diversified engagement methods and communication channels as shown below:

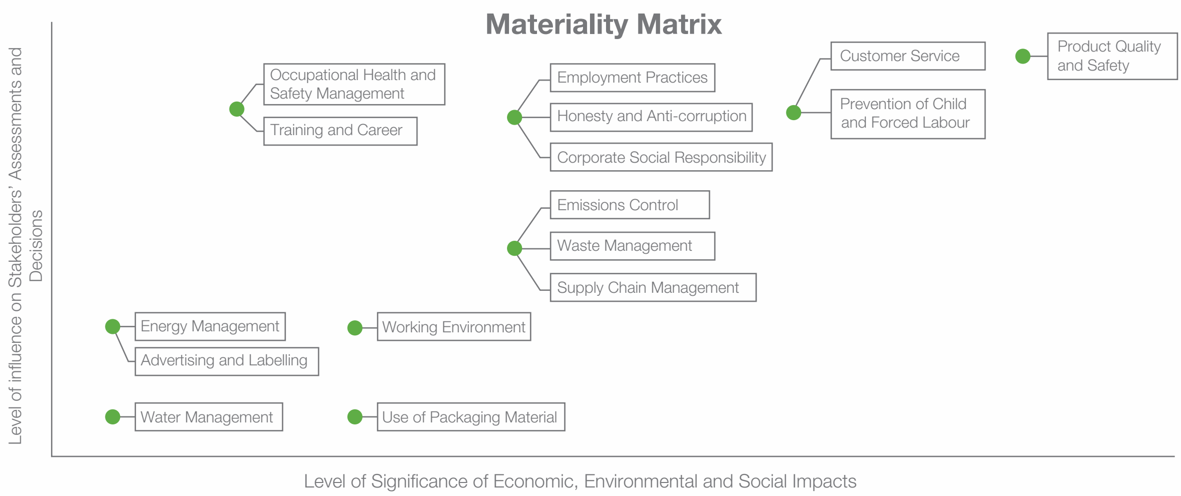
Stakeholders	**Expectations**	**Communication channels**
Shareholders and investors	• Complying with relevant laws and regulations • Disclosing latest information of the corporate in due course • Financial performance • Corporate sustainability	• Annual general meeting and other shareholder meetings • Financial reports • Announcements and circulars
Customers	• Product and service responsibility • Customer information and privacy protection • Compliant operation	• Customer service hotline and email • Meetings • Corporate website • Financial reports
Employees	• Health and safety • Equal opportunities • Remuneration and benefits • Career development	• Channels for employees' feedback (forms, suggestion boxes, etc.) • Trainings, seminars, and briefing sessions • Performance appraisals

Stakeholders	Expectations	Communication channels
Suppliers	• Fair competition • Business ethics and reputation • Cooperation with mutual benefits	• Supplier management meetings and events • Supplier on-site-audit and management system
Government and regulatory bodies	• Business ethics • Complying with relevant laws and regulations	• Regular work meetings • Regular performance reports • Field inspections
Community, non-government organisations and media	• Giving back to society • Environmental protection • Compliant operations	• Public or community events • Community investment program • ESG reports

We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the community on a continuous basis.

MATERIALITY ASSESSMENT

The Group's management and staff in major functions are involved in the preparation of the ESG Report to assist the Group in reviewing its operations and identifying the relevant ESG issues, and assessing the importance of those relevant matters to our business and stakeholders. We have compiled a survey in accordance with the identified material ESG issues to collect information from relevant departments, business units and stakeholders of the Group. The following matrix is a summary of the Group's material ESG issues.



During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

CONTACT US

We welcome stakeholders to provide their opinions and suggestions. You are welcome to provide valuable feedback on the ESG Report or our sustainability performance by email at ir@skl.com.cn.

ENVIRONMENTAL

A1. Emissions

The Group is committed to ensuring the long-term sustainability in the environment and our community. We acknowledged our responsibilities in handling the potential environmental impacts brought about by our business operations. We recognise our obligations in environmental consideration and always bring up any matter of environmental concern in our decision-making processes.

To create a sustainable business, the Group has implemented an environmental system which was accredited with ISO 14001:2015 Environmental Management System ("EMS"). The Group has also adopted relevant environmental policies which apply the emission mitigation principles and the waste management principles of "Reduce, Reuse, Recycle and Replace" ("4R Principles"). The objectives of such policies are to minimise the adverse environmental impacts, and ensure the emissions or wastes being generated are conducted in an environmentally responsible manner. We have also embraced our responsibility to create an environmentally sustainable business by implementing measures that promote energy conservation, waste reduction and any other green initiatives across our services. We are committed to raising our employees awareness on environmental protection and compliance with the relevant environmental laws and regulations.

During the Reporting Period, the Group was not aware of any material non-compliance with environmental related laws and regulations in relation to exhaust gas and greenhouse gas ("GHG") emissions, water and land discharge, and the generation of hazardous and non-hazardous wastes that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Environmental Protection Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, the Air Pollution Control Ordinance of Hong Kong, and the Environmental Law of Macau.

Emissions Control

Exhaust Gas Emissions

The Group's major sources of exhaust gas emissions are originated from diesel and petrol consumed by vehicles. In response to the above sources, we have actively taken the following emission reduction measures to minimise and control the impacts on air emitted from such sources:

- Conduct regular vehicle inspection and maintenance to maintain vehicle efficiency;
- Plan routes ahead of time to avoid route repetition and optimise fuel consumption;
- Remind employees to turn off engines for idling vehicles; and
- Actively adopt measures to reduce emissions, and relevant measures will be described in the section headed "GHG Emissions" under this aspect.

Besides, we have also been encouraging our employees to utilise the capacity of vehicles to reduce unnecessary usage and wastage. Summary of the Group's exhaust gas emissions performance was as follows:

Types of exhaust gas	Unit	FY2020	FY2019
Nitrogen Oxides (NO_x)	kg	414.52	522.68
Sulphur Oxides (SO_x)	kg	0.74	0.75
Particulate Matter (PM)	kg	39.72	50.08

GHG Emissions

The major sources of the Group's GHG emissions are generated from diesel and petrol consumption by vehicles (Scope 1) and purchased electricity (Scope 2). We have adopted the following measures to reduce GHG emissions during operation:

- Actively adopt vehicular emission reduction measures which are described in the section headed "Exhaust Gas Emissions" under this aspect; and

- Actively adopt measures for environmental protection, energy conservation, and water-saving which are described in "Use of Resources" in aspect A2.

In addition to the above measures, the Group also propagates environmental protection messages to employees by issuing environmental communication newsletters and posting notices and posters with green information in offices to raise their awareness and promote the best practices of environmental management. During the Reporting Period, the Group has achieved the target of reducing the total GHG emissions intensity. In the future, we aim to make continuous efforts to maintain or reduce the total GHG emissions intensity in the following year. Summary of the Group's GHG emissions performance was as follows:

Indicator[1]	Unit	FY2020	FY2019
Direct GHG emissions (Scope 1)	tCO_2e	127.58	135.42
Energy Indirect GHG emissions (Scope 2)	tCO_2e	16,511.69	19,078.84
Total GHG emissions (Scope 1 and 2)	tCO_2e	16,639.27	19,214.26
Total GHG emissions intensity	tCO_2e/employee[2]	12.85	14.69
Total GHG emissions intensity	tCO_2e/million revenue[3]	18.72	20.33

Note:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report — Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5), the latest released emission factors of China's regional power grid basis, and the "Sustainability Report 2019" issued by the Companhia de Electricidade de Macau (CEM).

2. As at 31 December 2020, the Group had a total of 1,295 employees (as at 31 December 2019: 1,308). The data is also used for calculating other intensity data.

3. During the Reporting Period, the Group's total revenue was approximately RMB888.7 million (FY2019: RMB945.2 million). The data is also used for calculating other intensity data.

Sewage Discharge

As the sewage of the Group is discharged into the municipal sewage pipe network to the regional water purification plant, the water consumed by the Group is considered as the sewage discharged. The data on water consumption will be included in the section "Water Management" in aspect A2.

Waste Management

Hazardous wastes

Despite the Group did not generate hazardous wastes during the Reporting Period, the Group has established guidelines governing the management and disposal of hazardous wastes. If there are any hazardous wastes produced, the Group is required to engage a qualified chemical waste collector to handle such wastes, which is complied with the relevant environmental regulations and rules.

Non-hazardous wastes

The Group adheres to the principle of waste management and is committed to handling and disposing of all wastes generated by our business activities through abiding by the 4R Principles. The Group has formulated the Waste Disposal Policy which is formally documented in the Food Safety Management System. All of our waste management measures and practices comply with relevant environmental laws and regulations. To minimise the disposal of paper boxes that are used as packaging materials by our suppliers, the Group actively recycles paper boxes and extends their service life for different purposes. Apart from reusing those paper boxes for packaging, we will also provide them for our customers to pack their products. The non-hazardous wastes generated by our business activities are mainly paper, and we continue to place great effort in educating our employees on the importance of reducing waste production by adopting the following environmentally friendly initiatives to reduce non-hazardous wastes during our business operation:

- Set duplex printing as the default mode for most network printers;
- Print or copy only the pages needed;
- Reuse envelops, folders and carton in office;
- Utilise electronic means for office daily communication;
- Promote double-sided printing and photocopying;
- Separate the single-sided paper and double-sided paper neatly for better recycling; and
- Use the back of old single-sided documents for printing or as draft paper.

During the Reporting Period, we have archived the target of maintaining or reducing the paper consumption intensity. We will continue to maintain the target of maintaining or reducing the paper consumption intensity in the following year. The Group's non-hazardous wastes discharge performances were as follows:

Non-hazardous waste types	Unit	FY2020	FY2019
Paper	tonnes	11.86	13.10
Paper consumption intensity	tonnes/employee	0.01	0.01
Paper consumption intensity	tonnes/million revenue	0.01	0.01

A2. Use of Resources

The Group takes the initiative to introduce resource efficiency and eco-friendly measures to the Group's operations. The Group has established relevant policies and procedures in governing the efficient use of resources, aiming to achieve higher energy efficiency and reduce unnecessary use of resources.

Energy Management

The Group aims to minimise environmental impacts in our operations by identifying and adopting appropriate measures. The Group has developed energy policies, measures and practices, for which they are formally documented in the Office Order Management Regulations to show our commitment on energy efficiency. All employees are required to adopt such measures and practices, including the purchase of energy-efficient products and services, and assume responsibility for the Group's overall energy efficiency.

The major source of energy consumed by the Group is purchased electricity consumed in daily operations as well as diesel and petrol consumed for vehicles. The Group strives to further reduce energy consumption by adopting the following energy-saving measures:

- Replace traditional light bulbs with electricity-saving light bulbs to ensure energy is being saved;
- Turn off all unnecessary lightings and use natural lightings as far as practicable;
- Clean electronic equipment (i.e., refrigerators and air-conditioners) regularly to maintain high efficiency;
- Turn office lights and other electronic devices off whenever and wherever unnecessary;
- Set the temperature of air-conditioners according to weather situations, and ensure that the temperature should not be set under 26°C in summer and over 22°C in winter; and
- Utilise office electronic communication means.

Although there was an increase in the consumption of diesel due to the insourcing delivery services by the Group during the Reporting Period, we have achieved our target to reduce the total energy consumption intensity. In the future, we aim to make continuous efforts to maintain or reduce the total energy consumption intensity. Summary of the Group's energy consumption performance was as follows:

Energy types	Unit	FY2020	FY2019
Direct energy consumption	MWh	488.95	493.26
Diesel	MWh	376.90	1.19
Petrol	MWh	112.05	492.07
Indirect energy consumption	MWh	21,035.24	22,773.59
Electricity	MWh	21,035.24	22,773.59
Total energy consumption	MWh	21,524.19	23,266.85
Total energy consumption intensity	MWh/employee	16.62	17.79
Total energy consumption intensity	MWh/million revenue	24.22	24.62

Water Management

The Group mainly consumes water for cleaning and sanitation. We have educated and encouraged all employees to develop the habit of water conservation. We have been strengthening our water-saving promotion, posting water saving reminders, and guiding employees to use water reasonably. The following are some measures we have implemented to improve the utilisation efficiency of water resources:

- Fix dripping taps immediately and avoid any leakage of the water supply system;
- Strengthen the inspection and maintenance on water tap, water pipelines and water storage;
- Carry out regular leakage tests on water taps, washers and other defects in the water supply system;
- Use water-saving equipment; and
- Advocate the virtue of preserving water and instill the concept of "Water Preservation" in employees.

During the Reporting Period, the water consumption intensity per employee and per million revenue have increased by approximately 35% and 42% respectively. The increase was mainly due to the increase in water consumed for cleaning and sanitization in response to the COVID-19 pandemic. We aim to continuously maintain or reduce the water consumption intensity in the following year. During the Reporting Period, the Group's water consumption performance was as follows:

Indicator	Unit	FY2020	FY2019
Water	m^3	111,898	83,834.00
Total water consumption intensity	m^3/employee	86.41	64.09
Total water consumption intensity	m^3/million revenue	125.91	88.69

Since the Group's consumed water is mainly tap water supplied by the municipal pipe network, therefore there is no issue with sourcing water that is fit for purpose.

Use of Packaging Material

Due to the Group's business nature, the main packaging material was plastic shopping bags. To reduce the consumption of plastic shopping bags, we have actively encouraged our customers to bring their own shopping bags. We aim to make continuous effort to maintain or reduce the plastic shopping bags consumption intensity in the following year. Summary of the Group's packaging material consumption performance was as follows:

Type of packaging material	Unit	FY2020	FY2019[4]
Plastic shopping bags	tonnes	14.95	20.44
Plastic shopping bags intensity	tonnes/million revenue	0.02	0.02

Note:

4. 2019 data has been restated.

A3. The Environment and Natural Resources

The Group pursues the best practices for environmental protection and focuses on the impact brought by the Group's businesses on the environment and natural resources. In addition to complying with related environmental regulations and international standards to protecting the natural environment and achieving the aim of environmental sustainability, we have also integrated the concepts of environmental protection and natural resource conservation into our internal management and daily operational activities.

Working Environment

The Group heavily emphasises on indoor air quality, and has strict control over air quality management. We prohibit anyone from smoking in all areas of shops and offices. Any person found to have violated such rule will be subjected to disciplinary action. Besides, the Group regularly monitors and measures the indoor air quality of the workplace to ensure office order and environmental sanitation. In addition, the Group has installed air purification equipment in the workplace and regularly cleaning air-conditioning systems to filter pollutants and dust in order to maintain the indoor air quality. Green plants will also be placed in offices and shops to improve the overall air quality.

SOCIAL

B1. Employment

Human resources are the most valuable asset and the foundation for sustainable development of the Group. Therefore, we dedicate to improving our employment system in order to retain talents. We have formulated an employee handbook (the "Employees' Handbook") to fulfil our vision on people-oriented management and realising the full potential of employees. The Employees' Handbook is formally documented, covering recruitment, promotion, dismissal, remuneration and benefits, diversity, equal opportunities and anti-discrimination, etc., to standardise the employment policies and codes to ensure that our employees clearly understand their rights and responsibilities. We review and update the relevant policies regularly in accordance with the latest laws and regulations.

During the Reporting Period, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Labour Law of the PRC, the Labour Contract Law of the PRC, the Social Insurance Law of the PRC, the Employment Ordinance of Hong Kong, and the Labour Relations Law of Macau.

Employment Practices

Recruitment, Promotion and Dismissal

We value talents and regard them as our most valuable and core assets, uphold the principle of fairness, impartiality and openness employment in recruiting talents to provide sufficient reserves for strengthening the Group's business. To ensure employees and applicants are treated and evaluated in a fair way, we apply robust and transparent recruitment processes based on merit selection against the job criteria, and recruit individuals based on their work performance, personal attributes, job experiences and career aspiration, regardless of their race, gender, religion, physical disability, marital status, sexual orientation, etc.

The Group offers promotion and development opportunities for outperforming employees through an open and fair assessment system so as to explore their potential capability, develop their career and meet the Group's needs of sustainable development. The Group carries out employees' appraisals and performance reviews periodically based on the principle of meritocracy openly and fairly.

Besides, the Group does not tolerate the dismissal of employees under any unreasonable basis. Any termination of employment contract would be based on reasonable, lawful grounds and internal policies. The Group strictly prohibits any kind of unfair or unreasonable dismissals.

Remuneration and Benefits

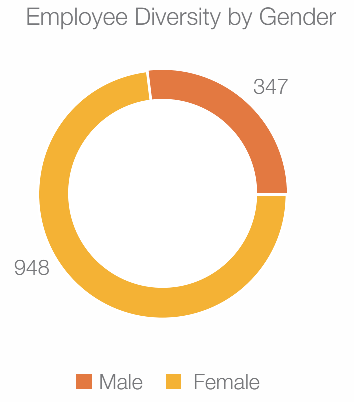
The Group has established a fair and reasonable remuneration system that provides compensation to employees. We offer competitive remuneration and benefits, which are determined by referencing market benchmarks in order to attract high-calibre candidates. Staff performance review and annual salary review are conducted regularly to determine the adjustments of salary. The Group also offers other remuneration packages, including but not limited to holidays, medical insurance, and granted leaves such as maternity leave, marriage leave, compassionate leave, and bereavement leave.

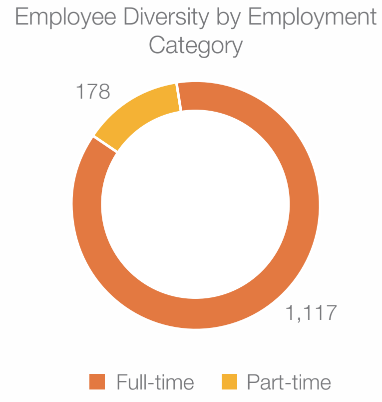
The Group signs and executes labour contracts with all employees in the PRC in accordance with the Labour Contract Law of the PRC. The Group pays "five social insurance and one housing fund" for its employees in the PRC in compliance with the laws and regulations, namely endowment insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund to protect employees' social insurance entitlements.

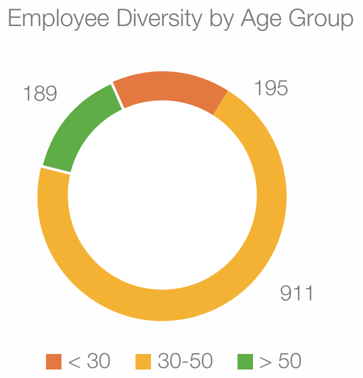
Diversity, Equal Opportunities and Anti-discrimination

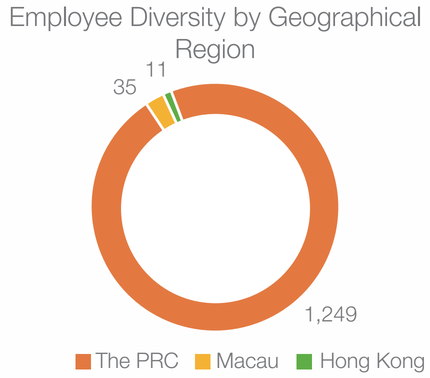
The Group understands the value of a diverse and skilled workforce and are committed to developing and maintaining an inclusive and collaborative workplace culture in which all can thrive. We are dedicated to providing equal opportunity in all aspects of employment and maintaining an inclusive and collaborative workplace culture that is free from discrimination, physical or verbal harassment against any individual on the basis of race, religion, colour, gender, physical or mental disability, age, place of origin, marital status, sexual orientation or any other grounds.

As at 31 December 2020, the Group had a total of 1,295 employees and the overall turnover rate was 46%. The following charts and table demonstrate the distribution of employee number and turnover rate of the Group.









	Turnover Rate (%)
By Gender	
Male	49
Female	45
By Age Group	
<30	115
30-50	34
>50	34
By Geographical Region	
The PRC	47
Macau	14
Hong Kong	73

B2. Health and Safety

The Group highly values employees' health and safety and is committed to protecting employees' health and safety by providing and maintaining a safe and healthy work environment. An occupational health and safety system is formulated, and the certificate of OHSAS 18001 Occupational Health and Safety Management System is obtained. The Group has also formulated a range of occupational health and safety measures and practices which are formally documented in the Employees' Handbook. Such measures and policies are to prevent and remediate accidents, detect potential safety hazards, and to ensure workplace safety. We review, and if necessary, revise the relevant measures and practices at least annually to ensure continuous improvements of our health and safety standards.

During the Reporting Period, there were no reported work-related fatalities. The Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Law of the PRC on the Prevention and Control of Occupational Diseases, the Production Safety Law of the PRC, the Occupational Safety and Health Ordinance of Hong Kong, and Macau's Decree Law No. 37/89/M (general regulation of working safety and hygiene of office, service and commercial establishment).

Occupational Health and Safety Management

Employees are required to follow the safety and health measures set out in the Employees' Handbook. To pursue an injury-free working environment, regular safety inspections are conducted to reduce the risks to employees. Follow-up actions will be carried out immediately when deemed necessary.

We emphasise to our employees that strict compliance with safety requirements is vital to ensure that they do not put themselves in danger. When safety issues are spotted, employees are required to report in a timely manner. The Group has also formulated a series of emergency plans on a regular basis in case of any accidents in order to further reinforce employees' safety awareness.

In response to the outbreak of COVID-19 pandemic, the Group has formulated a series of policies and measures to safeguard the health and safety of our customers and employees. Apart from issuing memorandums to our employees about the importance of maintaining personal hygiene, the Group also requires all employees and customers to wear surgical face masks and measure body temperature prior to entering the stores or the Group's premises. To ensure a hygienic environment is provided, every store is sanitized twice a day, and different parts of the air conditioning ventilation system, such as cooling towers, filters, and purifiers will be sanitized or replaced periodically. In addition, employees who are diagnosed or suspected of being infected by a medical institution shall be reimbursed in full with the treatment fees.

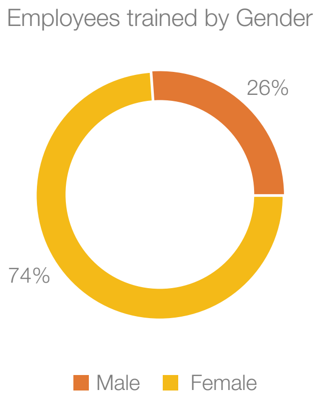
Fire Safety

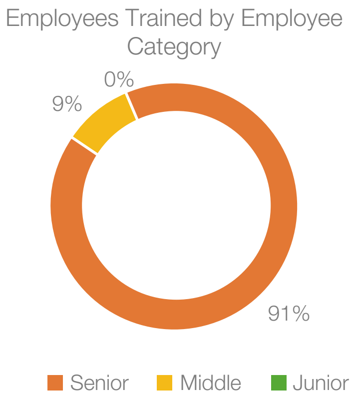
The Group has formulated fire safety systems in accordance with the Fire Protection Law of the PRC. The Group has provided training to employees in using fire equipment such as fire extinguishers, and conduct fire drills periodically. Fire evacuation plans are also formulated and evaluated regularly to ensure fire safety.

B3. Development and Training

The Group recognises the valuable contribution our talents made to the continued success of the Group. We are committed to inspiring our human capital towards delivering excellence. This is achieved through the development of training strategy that focuses on creating values and serving the needs of our customers, our talents and society.

The following charts demonstrates the breakdown of employees trained by gender and employee category:





Training and Career Development

The Group has developed training policies that offer different training and development opportunities to our employees in order to strengthen their work-related skills and improve the overall operational efficiency.

Different training courses and development programmes are provided for frontline employees, headquarters' employees, middle management and senior management. We require all new employees to attend induction courses to ensure that they are well-equipped with the necessary skills to perform their duties. The Group also provides regular on-the-job trainings to our existing employees. Training contents are regularly updated to ensure training materials are able to enhance the skills, knowledge, and competency of employees to perform duties and tasks.


On-the-job training


Team-building activity

During the Reporting Period, the average training hours per employee was 2.78 hours. The breakdown of the average training hours completed per employee by gender and employee category are as follows:

	Average training hours (hours)
By Gender	
Male	2.58
Female	2.85
By Employment Category	
Senior	4.04
Middle	2.47
Junior	0

B4. Labour Standards

Prevention of Child and Forced Labour

The Group strictly prohibits child and forced labour during the recruitment process as defined by laws and regulations. We strictly comply with local laws to prohibit any child and forced labour employment. All recruitment procedures are closely monitored by the Group's Human Resource Department to ensure compliance of latest and relevant laws and regulations that prohibits child labour and forced labour.

To combat against illegal employment on child labour, underage workers and forced labour, valid identity documents such as physical examination certificates, academic credentials, and identity cards are collected by the Group's human resources staff prior to the confirmation of employment. The Human Resources Department also ensures identity documents are carefully checked. If violation is involved, it will be dealt with in the light of circumstances.

During the Reporting Period, the Group was not aware of any material non-compliance with any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Labour Law of the PRC, the Labour Contract Law of the PRC, the Employment Ordinance of Hong Kong, and the Labour Relations Law of Macau.

B5. Supply Chain Management

As a socially responsible enterprise, it is vital to maintain and manage a sustainable and reliable supply chain. The supply chain management should be consistent with the Group's sustainability strategies in establishing a mutual trust and understanding with its business partners. All suppliers are evaluated carefully and are subjected to regular monitoring and assessment. All suppliers are expected to operate in compliance with local environmental laws, ordinances and regulations, so as to reduce ecological impacts.

Supply Chain Management

The Group has established a rigorous supplier selection system in selecting suppliers. During the supplier selection process, the Group does not only review suppliers' basic information, but also consider a number of other factors such as pricing, service quality, business reputation, and the compliance to relevant industrial laws, regulations and standards. In addition, we place product quality as our first priority, and we review the performance of our food product suppliers from time to time and request suppliers to provide regular testing reports of products in order to ensure the supplied food products are meeting our food quality standards.

In view of the growing social concern on environmental issues, the Group has also incorporated environmental and social considerations into the supplier selection process. We strive to maintain a good relationship with suppliers with remarkable records in environmental and social performance; suppliers who fail to demonstrate a good standard or fail to meet the Group's supplier selection criteria maybe excluded from our list of suppliers for future engagements.

In addition to the supplier selection system, the Group has formulated policies and procedures to ensure all suppliers could compete in a transparent and fair way. We will not tolerate any forms of discrimination against any suppliers, and we do not allow any forms of corruption or bribery. Employees and other individuals with interest in the suppliers are not allowed to participate in relevant procurement activities. The Group only selects suppliers who have good track record in the past and have no serious violations of business ethics.

During the Reporting Period, the Group had a total of 756 suppliers, for which 585 are from the PRC and 171 are from Macau.

B6. Product Responsibility

The Group actively safeguards the quality of our products and services, and maintains on-going communication with our customers to ensure understanding and satisfaction of their demands and expectations. We aim to apprehend customers' need and expectations, and strive to continuously improve the quality of our products and services.

During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations concerning advertising, labelling and privacy matters relating to products and services provided and methods of redress that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Law of the PRC on the Protection of Consumer Rights and Interests, the Product Quality Law of the PRC, the Patent Law of the PRC, the Advertising Law of the PRC, the Personal Data (Privacy) Ordinance of Hong Kong, the Food Safety Law of Macau, and the Consumer Protection Law of Macau.

Customer Service

The Group provides quality and warm service and experiences to consumers through standardised service quality, humanised service process and standardised service management. We recognise the importance of customers' needs and regard them as the foundation for the continuous improvement of our business. Customers can file complaints through mail, phone, and in person. The Group will process and record complaints with dedicated personnel, and keep the process and record confidential to protect all parties' interest to ensure that the complaint process is conducted fairly and recorded properly.

The Group requires each complaint to be properly submitted and processed through relevant function, and prohibits employees to reach private settlement with the complainant to ensure that the Group can accurately receive feedback from customers as an essential basis for enhancing the quality of business operations. The Group considers customer complaint as an important part of continuous improvement of its quality management. We are committed to understanding the facts and root causes of each customer's complaint, identifying responsible parties and areas for improvement, making recommendations and ensuring that necessary improvements have been made in order to enhance the quality of the Group's services, as to enable customers' loyalty to the Group's services and to retain a customer base for promoting the future development of the Group.

Product Quality and Safety

The Group recognises the importance of achieving and maintaining high product quality standard for the sustainable growth of the Group. A Food Safety Management System is established to ensure food quality and safety are maintained. To ensure food quality are up to the Group's standards, raw materials and food ingredients are sourced primarily from the list of suppliers approved by the Group's senior management. The Group examines the freshness and quality of the raw materials and food ingredients on a regular basis. The Group would cease sourcing from those suppliers who fail to provide quality food ingredients as specified.

Moreover, the Group prohibits employees from smoking, chewing gums and eating during work. Employees are required to sanitise their hands and wear gloves before touching raw food ingredients. Frontline employees are required to provide health certificates, and conduct body check annually to ensure that they are in good health conditions when handling food products.

The Group has also formulated an Expired Food Management Policy that is documented in the Food Safety Management System to specify different instructions and measures to standardise the daily logistics of the warehouse. Such measures include scanning food products daily to ensure food products are not expired. For food products which have already been expired, responsible personnel should dispose such food products in a destructive manner and record the amount of disposed product.

Advertising and Labelling

The Group strictly prohibits the advertisements to disclose descriptions, claims or illustrations that are not true. The Group advertises our shops and business through a variety of platforms, such as mobile apps and billboards. The Group complies with relevant legislations and code of practices, organises promotion campaigns and creates advertising materials and ensures they are reliable, reasonable, and not containing any deceitful details or elements when generating advertisements in order to protect consumers' interests, rights and benefits.

B7. Anti-corruption

The Group believes that a clean corporate culture is the key to our continued success, and we uphold the principles of integrity, honesty and fairness in how we conduct businesses. An Anti-corruption Policy has therefore been formulated and stipulated in the Employees' Handbook to manage fraudulent practices.

During the Reporting Period, there was no concluded legal case regarding corrupt practices brought against the Group or its employees. The Group was also not aware of any material non-compliance with related laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group. Such laws and regulations include but are not limited to the Criminal Law of the PRC, the Company Law of the PRC, the Prevention of Bribery Ordinance of Hong Kong, Prevention and the Law Suppression of Bribery in Private Sector, and the Prevention and Suppression of the Crime of Money Laundering of Macau.

Honesty and Anti-corruption

The Group strictly adheres to a high standard of business conduct, and has established relevant policies to define appropriate measures in handling conflict of interests, leakage of confidential information, embezzlement of the Group's asset in one's position, etc. to comply with relevant laws and regulations. The Group does not tolerate any forms of corruption, including deception, bribery, forgery, extortion, conspiracy, embezzlement, money laundering and collusion. Disciplinary actions will be taken against any kind of misconduct or malpractice.

Employees who are involved in related business activities are required to sign the probity letter upon employment. As spell out in the probity letter, employees should not offer, solicit or accept anything of material value to or from their colleagues, customers, suppliers or other business partners of the Group unless the Group has given consent. The Group expects all employees to discharge their duties with integrity, to act fairly and professionally, and to abstain from involving in any bribery activities or activities that might exploit their positions against the Group's interests.

The Group also requires its business partners to strictly comply with anti-corruption practices. All business partners are required to sign an acknowledgement letter of the Group's anti-corruption policies. Our statement of anti-corruption policies is placed in all open meeting areas to remind employees and our business partners of complying such practices.

B8. Community Investment

The Group empathetically stresses the importance of supporting the public by social participation and contribution. We aim to promote the stability of society, and support underprivileged on rehabilitation to improve the quality of life. To fulfil our corporate social responsibility, we focus on inspiring our employees' sense of social responsibility and encouraging them to participate in activities that contribute to the community.

Corporate Social Responsibility

During the Reporting Period, the Group has strengthened its infection prevention and supervision measures and complied with the government's direction on stabilising prices and ensuring supply. We had also donated approximately RMB60,000 of epidemic prevention supplies to Foshan Chain Association as well as the villages and communities surrounding the Town of Lecong.

Donations made by the Group

Donation certificate awarded by Town of Lecong

CONTENT INDEX OF THE ESG REPORTING GUIDE

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1 (“comply or explain”)	The types of emissions and respective emissions data.	Emissions — Emissions Control, Waste Management
KPI A1.2 (“comply or explain”)	GHG emissions in total (in tonnes) and intensity.	Emissions — Emissions Control
KPI A1.3 (“comply or explain”)	Total hazardous waste produced (in tonnes) and intensity.	Not applicable — Explained
KPI A1.4 (“comply or explain”)	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions — Waste Management
KPI A1.5 (“comply or explain”)	Description of reduction initiatives and results achieved.	Emissions — Emissions Control, Waste Management
KPI A1.6 (“comply or explain”)	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions — Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 (“comply or explain”)	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources — Energy Management
KPI A2.2 (“comply or explain”)	Water consumption in total and intensity.	Use of Resources — Water Management
KPI A2.3 (“comply or explain”)	Description of energy use efficiency initiatives and results achieved.	Use of Resources — Energy Management
KPI A2.4 (“comply or explain”)	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources — Water Management
KPI A2.5 (“comply or explain”)	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources — Use of Packaging Material
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer’s significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 (“comply or explain”)	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Working Environment

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
KPI B1.1 ("Recommended Disclosure")	Total workforce by gender, employment type, age group and geographical region	Employment — Employment Practices
KPI B1.2 ("Recommended Disclosure")	Employee turnover rate by gender, age group and geographical region.	Employment — Employment Practices
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1 ("Recommended Disclosure")	Number and rate of work-related fatalities	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1 ("Recommended Disclosure")	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2 ("Recommended Disclosure")	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1 ("Recommended Disclosure")	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2 ("Recommended Disclosure")	Description of steps taken to eliminate such practices when discovered.	Labour Standards

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1 ("Recommended Disclosure")	Number of suppliers by geographical region	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.4 ("Recommended Disclosure")	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5 ("Recommended Disclosure")	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1 ("Recommended Disclosure")	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment

EXECUTIVE DIRECTORS

Mr. Du Xiaoping ("Mr. Du") (杜小平), aged 59, was appointed as the Chairman and an executive Director of the Company on 27 July 2020. He has been serving various positions among the Company's controlling shareholders, including as the chairman of the board of directors of CCOOP Group Co., Ltd.* (供銷大集集團股份有限公司) ("CCOOP Group") since 2018, a company listed on the Shenzhen Stock Exchange (stock code: 000564), a director of CCOOP International Holdings Limited* (供銷大集國際控股有限公司), and the chairman of the board of directors and general manager of Hainan CCOOP Holding Ltd.* (海南供銷大集控股有限公司) since 2019. Since 2019, Mr. Du has also served as an executive director and the general manager of Shanxi Central Europe Development Holdings Ltd.* (陝西中歐發展控股有限公司), a director of HNA Logistics Group Co., Ltd.* (海航物流集團有限公司), and an executive director and the general manager of HNA Modern Logistics Group Co., Ltd.* (海航現代物流集團有限公司). Finally, since 2017, Mr. Du has also served as the chairman of the board of directors of Shanxi Chang'an Aviation & Tourism Co., Ltd.* (陝西長安航空旅遊有限公司).

Over the years, Mr. Du held various other positions within the aviation transportation and tourism industry. Mr. Du previously served as the chairman of the board of directors of Air Guilin Airlines & Tourism Group Co., Ltd.* (桂林航空旅遊集團有限公司) between 2016 and 2017, a director of HNA Airlines Holdings Co., Ltd.* (海航航空集團有限公司) between 2015 and 2017, the chairman of the board of directors of Tianjin Airlines Co., Limited* (天津航空有限責任公司) between 2015 and 2016, the executive chairman of the board of directors and the president of Gansu Airport Group Co., Ltd.* (甘肅機場集團有限公司) between 2009 and 2015, the chairman of the board of directors of Hainan Tourism Group Co., Ltd.* (海南旅遊集團有限公司) between 2005 and 2006, the vice general manager of the Beijing operations of Hainan Airlines Holding Co., Ltd.* (海南航空股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600221), between 2004 and 2007, the executive vice president of China Xinhua Airlines Co., Ltd.* (中國新華航空有限責任公司) between 2002 and 2005, the vice chairman of the board of directors and the general manager of Air Chang An Co., Ltd.* (長安航空有限責任公司) between 2000 and 2002, the general manager of the human resources department of Hainan Airlines Holding Co., Ltd.* (海南航空股份有限公司) 1997 to 2000, the general manager of the marketing department of Hainan Airlines Holding Co., Ltd.* (海南航空股份有限公司) between 1995 and 1997 and a teacher at the Tianjian Civil Aviation University of China* (天津中國民航學院) between 1982 to 1993.

Mr. Du graduated from the Maastricht School of Management in the Netherlands with a master's degree in business administration in 1995.

Mr. Han Wei ("Mr. Han")（韓瑋）, aged 39, was appointed as a non-executive Director of the Company on 10 June 2017, and re-designated as an executive Director and the Chief Financial Officer of the Company on 13 September 2017. Mr. Han resigned as the Chief Financial Officer and was appointed as the Chief Executive Officer of the Company on 27 July 2020. Mr. Han has been appointed as a director of Hong Kong Shun Ke Long International Limited, Shun Ke Long International Limited, Ozone Supply Chain International Limited and Ozone Supply Chain Management Limited, all of which are wholly owned subsidiaries of the Company, on 5 August 2020. Mr. Han has been serving various positions among the Company's controlling shareholders, including as a director of CCOOP Group since 2017 and an executive director of Green Industrial (HK) Holding Co., Limited* (綠色實業（香港）有限公司) since 2016. In addition, Mr. Han also has been appointed as an executive director of Feihang Yuanchuang Investment Co., Ltd.* (飛航遠創投資有限公司) since 2016.

Mr. Han previously served as the financial controller between 2017 and 2018 and the president between 2019 to February 2021 of CCOOP Group. Mr. Han served as the chairman of the board of directors of Hainan CCOOP Digital Technology Industry Co., Ltd.* (海南供銷大集數字科技產業有限公司) (formerly known as Hainan CCOOP Financial Information Technology Co., Ltd. (海南供銷大集金服信息科技有限公司)) between 2019 to December 2020, the deputy financial controller and the general manager in the financial planning department of Hainan CCOOP Holding Ltd.* (海南供銷大集控股有限公司) between 2015 and 2016. Mr. Han has also been appointed as a director of HNA Commence Holding Co., Ltd.* (海航商業控股有限公司) between 2016 to July 2020 and the chief financial officer and the financial controller of HNA Commence Holding Co., Ltd.* (海航商業控股有限公司) between 2015 and 2016, 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) between 2013 and 2015, the vice president of the project construction department of HNA Industry Holding Co., Ltd.* (海航實業控股(集團)有限公司) in 2012, the deputy general manager in the finance planning department of HNA Based Industry Group Co., Ltd.* (海航基礎產業集團有限公司) between 2012 and 2013, the assistant to the general manager in the finance department of Hainan Airlines Holding Co., Ltd.* (海南航空股份有限公司) between 2011 and 2012, and the fund planning and controlling manager and the fund planning supervisor both in the finance planning department of HNA Group Co., Ltd.* (海航集團有限公司) between 2008 and 2009 and between 2004 and 2008, respectively.

Mr. Han has graduated from Tsinghua University with an executive MBA degree in 2020. Prior to this, Mr. Han graduated from Xiamen University in China with a postgraduate diploma in 2006, and from Xi'an Jiaotong University in China with dual bachelor degrees in Economics and Law in 2004. He is an intermediate economist.

NON-EXECUTIVE DIRECTOR

Mr. Wang Fu Lin ("Mr. Wang") (王福林), aged 44, 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), 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), 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), and the general manager of the investment innovation department of CCOOP Group. Mr. Wang currently serves as the general manager of the board office of CCOOP Group, a director of HNA Commence Holding Co., Ltd.* (海航商業控股有限公司), and a director of CCOOP International Holdings Limited* (供銷大集國際控股有限公司). He holds a bachelor's degree in Economics from Xi'an College of Statistics in China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Hok Kai Frederick ("Mr. Cheng") (鄭學啟), aged 57, was appointed as an independent non-executive Director of the Company on 27 July 2020. Mr. Cheng has been serving as an independent non-executive director and the chairman of the audit committee of CIMC Vehicles (Group) Co., Ltd. (中集車輛(集團)股份有限公司), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1839), and as an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of JiaXing Gas Group Co., Ltd. (嘉興市燃氣集團股份有限公司), a company listed on the Stock Exchange (stock code: 9908) since 2019. Since 2017, Mr. Cheng has also been serving as an independent non-executive director, the chairman of the audit committee, and a member of each of the nomination and remuneration committees of Luzhou Xinglu Water (Group) Co., Ltd. (瀘州市興瀘水務(集團)股份有限公司), a company listed on the Stock Exchange (stock code: 2281).

Mr. Cheng previously served various senior positions at other companies listed on the Stock Exchange. Mr. Cheng served as an executive director of Sanai Health Industry Group Company Limited (三愛健康產業集團有限公司), a company listed on the Stock Exchange (stock code: 1889), in 2019, and the chief financial officer, the company secretary, an authorised representative under Rule 3.05 of the Listing Rules and the managing director of corporate finance and investment of PuraPharm Corporation Limited (培力控股有限公司), a company listed on the Stock Exchange (stock code: 1498), between 2010 and 2018. Prior to that, Mr. Cheng served as the finance director of Asia Pacific and Japan of Autodesk Asia Pte Ltd. between 2006 and 2008, the finance director of Pacific Rim of Mentor Graphics Asia Pte Ltd. between 2004 and 2006, the finance director of Asia Pacific and Japan of LSI Logic Hong Kong Limited between 1997 and 2004, and an audit assistant and a senior accountant of PricewaterhouseCoopers (formerly known as Price Waterhouse) between 1985 and 1988.

Mr. Cheng graduated from the University of New South Wales in Australia with a master's degree in accounting in 1992, and from the University of Salford in the United Kingdom with a bachelor's degree in finance and accounting in 1985. Mr. Cheng was admitted as an associate member of (i) CPA Australia (formerly known as Australian Society of Certified Practising Accounts), (ii) the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants), (iii) Governance Institute of Australia (formerly known as Chartered Secretaries Australia) and (iv) The Chartered Governance Institute, U.K. (formerly known as Institute of Chartered Secretaries and Administrators, U.K.) in 1992, 1992, 1996 and 1995, respectively, and then as the fellow member of such professional bodies in 2004, 2003, 2013 and 2012, respectively.

Mr. Wang Yilin (王一林), aged 66, was appointed as an independent non-executive Director of the Company on 5 August 2020. Mr. Wang Yilin has served as the chief consultant of Sanya International Asset Exchnage* (三亞國際資產交易中心) since November 2020. Mr. Wang Yilin has been serving as the president of the Financial Development Promotion Association of Hainan Province* (海南省金融發展促進會), and the honorary president of the Real Estate Association of Hainan Province* (海南省房地產業協會) since 2018. Mr. Wang Yilin previously served as a member of the Standing Committee of the Sixth People's Political Consultative Conference of Hainan Province* (海南省第六屆政協常務委員會) between 2013 and 2018, and the general manager and the secretary of the Party Committee of the Bank of China Hainan branch* (中國銀行海南省分行) between 2010 and 2014.

Mr. Wang Yilin graduated from the Xi'an Jiaotong University* (西安交通大學) in China with a PhD in Economics in 2000.

Mr. Zou Pingxue ("Mr. Zou") (鄒平學), aged 55, was appointed as an independent non-executive Director of the Company on 5 August 2020. Mr. Zou has been serving as the director and a member of academic committee of the Center for Basic Laws of Hong Kong and Macau Special Administrative Regions of Shenzhen University* (深圳大學港澳基本法研究中心), and as a part-time doctoral supervisor of legal theory of the Graduate School of Chinese Academy of Social Sciences* (中國社會科學院研究生院), since 2016. Mr. Zou has also been serving as a part-time doctoral supervisor of Constitutional Law and Administrative Law of the Law School of Wuhan University* (武漢大學法學院) since 2011, and a professor of the Law School of Shenzhen University* (深圳大學法學院) since 2005.

Mr. Zou previously served as the deputy director and a member of the academic committee of the Center for Basic Laws of Hong Kong and Macau Special Administrative Regions of Shenzhen University* (深圳大學港澳基本法研究中心) between 2009 and 2016. Between 2001 and 2014, Mr. Zou also held various positions at the Law School of Shenzhen University, including the positions of associate dean between 2009 and 2014, associate professor between 2002 and 2005, and office director and lecturer between 2001 and 2002. Prior to that, Mr. Zou served at the "Ruling City by Law" Office of the Standing Committee of the Shenzhen People's Congress* (深圳市人大常委會依法治市辦公室), as a principal staff member between 1996 and 2001, a senior staff member in 1996, and a staff member between 1995 and 1996.

Mr. Zou graduated from the Law School of Wuhan University (武漢大學法學院) in China, with a bachelor's degree in Law in 1987, a master's degree in Constitutional Law in 1990, and a PhD in Constitutional Law in 1995.

SENIOR MANAGEMENT

Ms. Wang Hui ("Ms. Wang") (王卉), aged 46, was appointed as Chief Financial Officer of the Company on 5 August 2020. Ms. Wang has been serving as the president of CCOOP Group since February 2021. Ms. Wang previously served as the financial controller of CCOOP Group between 2018 to February 2021, the general manager of the finance planning department of CCOOP Group between 2016 and 2018, the financial controller of Hainan HNA Sales Ltd.* (海南海航航空銷售有限公司) between 2013 and 2016. Ms. Wang served as the general manager of the finance department of Yuekai Securities Co., Ltd.* (粵開證券股份有限公司) (formerly known as Lianxun Securities Co., Ltd. (聯訊證券股份有限公司)) between 2011 and 2013, an accountant of the accounting management centre of the finance planning department of HNA Group Co., Ltd.* (海航集團有限公司) between 2006 and 2011, the finance manager of the finance department of Sanya LSG Catering Co., Ltd* (三亞漢莎航空食品有限公司) between 2005 and 2006, the project manager of Hainan Efa Certified Public Accountants* (海南鄂發會計師事務所) between 2001 and 2004, and the financial manager of Sanya Branch of China Air Express Co., Ltd* (民航快遞三亞分公司) between 2000 and 2001.

Ms. Wang graduated from the Party School of the Guizhou Provincial Committee of the Communist Party of China with a bachelor's degree in economics and management in 1998. She has been a certified public accountant in China since 2003.

Ms. Wang Yanfen (王艷芬), aged 45, joined the Group in 1996. She started as a first-line manager, and currently is the general manager of 廣東省順客隆商業連鎖有限公司, a wholly-owned subsidiary of the Company. She is responsible for the Group's business operations. Ms. Wang Yanfen has been committed to promoting corporate development, deepening reform, innovation and transformation and standardizing management, as a way to enhance efficiency and improve performance. Ms. Wang Yanfen successively served as deputy to the 14th National People's Congress of Foshan, Guangdong province, a guest supervisor of Lecong People's Government, and women's representative of Lecong. She also held management positions in various social groups and industry associations. Ms. Wang Yanfen was awarded as an advanced individual in the "Women Heroes" selection held in Shunde district, "Industry Star" in Lecong, "Advanced Workers" and "Outstanding Member of Communist Party". She strives to play her part in building a better society. Ms. Wang Yanfen graduated from Ji'nan University majoring in business administration, and obtained a MBA degree from Victoria University, Switzerland.

COMPANY SECRETARY

Mr. Qiu Minghao ("Mr. Qiu") (邱明昊), aged 40, was appointed as Company Secretary of the Company on 31 October 2019. He is a Chartered Secretary and an Associate of both The Chartered Governance Institute, U.K. (formerly known as The Institute of Chartered Secretaries and Administrators, U.K.) and The Hong Kong Institute of Chartered Secretaries. He has more than ten years of experience in handling company secretarial and compliance related matters to Hong Kong listed companies. Mr. Qiu received a Bachelor's degree of Administrative Studies with Honours from York University in Canada in 2005.

* *For identification purpose only*

CORPORATE GOVERNANCE PRACTICES

The board (the "Board") of directors (the "Directors") of China Shun Ke Long Holdings Limited (the "Company", with its subsidiaries, collectively, the "Group") 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 Group.

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 Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "Stock Exchange"). The Board is of the view that for the year ended 31 December 2020, the Company has complied with all the code provisions as set out in the CG Code, except for the following deviation:

Code Provision A.2.1

Code provision A.2.1 of the CG Code provides that the responsibilities between the Chairman and the Chief executive officer of an issuer should be segregated and should not be performed by the same individual.

Between 1 January 2020 to 27 July 2020, Mr. Sun Kin Ho Steven ("Mr. Sun") was both the chairman of the Board and Chief Executive Officer (the "CEO") of the Company. The Board believes that vesting the roles of both the chairman of the Board and the CEO in the same person can facilitate the execution of the Company's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of two executive Directors, one non-executive Director and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its Shareholders.

On 27 July 2020, Mr. Sun has resigned as the chairman of the Board and an executive Director and was terminated as the CEO. On the same day, the Board resolved to appoint Mr. Du Xiaoping as the chairman of the Board and Mr. Han Wei as the CEO. As such, the Company has complied with the code provision A.2.1 of the CG Code since 27 July 2020.

Code Provision A.5.1

With effect from 27 July 2020, Mr. Chong Kin Ho ("Mr. Chong") has resigned as an independent non-executive Director, and ceased to be the chairman of the audit committee (the "Audit Committee") of the Company; Mr. Chen Cheng Lien ("Mr. Chen") has resigned as an independent non-executive Director, and ceased to be a member of the Audit Committee, a member of the remuneration committee (the" Remuneration Committee") and a member of the nomination committee (the" Nomination Committee") of the Company; Mr. Tung Chia Hung Michael ("Mr. Tung") has resigned as an independent non-executive Director, and ceased to be a member of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee; and Mr. Cheng Hok Kai Frederick ("Mr. Cheng") has been appointed as an independent non-executive Director and the chairman of the Audit Committee.

Following the resignations of Mr. Chong, Mr. Chen and Mr. Tung and the appointment of Mr. Cheng, the Company has one independent non-executive Director on the Board, hence it fails to meet the following requirements of:

(i) including at least three independent non-executive directors on the Board, under Rule 3.10(1) of the Listing Rules;

(ii) appointing independent non-executive directors representing at least one-third of the Board, under Rule 3.10A of the Listing Rules;

(iii) establishing an Audit Committee comprising non-executive directors only, and with a minimum of three members and chaired by an independent non-executive director, under Rule 3.21 of the Listing Rules;

(iv) establishing a Remuneration Committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors, under Rule 3.25 of the Listing Rules; and

(v) establishing a Nomination Committee comprising a majority of independent non-executive directors, under code provision A.5.1 of the CG Code contained in Appendix 14 to the Listing Rules.

With Effective from 5 August 2020, Mr. Zou Pingxue ("Mr. Zou") has been appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee; and Mr. Wang Yilin ("Mr. Wang") has been appointed as an independent non-executive Director and a member of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee. Following the appointments of Mr. Zou and Mr. Wang, the Company has again fully complied with the requirements under Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code for the year ended 31 December 2020 and they all confirmed that they have fully complied with the required standard as set out in the Model Code.

BOARD COMPOSITION

The Directors during the year ended 31 December 2020 and up to the date of this annual report were as follows:

Executive Directors

Mr. Sun Kin Ho Steven *(Chairman and CEO) (resigned or terminated on 27 July 2020)*
Mr. Han Wei *(Chief Financial Officer, resigned on 27 July 2020) (CEO, appointed on 27 July 2020)*
Mr. Du Xiaoping *(Chairman) (appointed on 27 July 2020)*

Non-Executive Director

Mr. Wang Fu Lin

Independent Non-Executive Directors

Mr. Chong Kin Ho *(resigned on 27 July 2020)*
Mr. Tung Chia Hung Michael *(resigned on 27 July 2020)*
Mr. Chen Cheng Lien *(resigned on 27 July 2020)*
Mr. Cheng Hok Kai Frederick *(appointed on 27 July 2020)*
Mr. Wang Yilin *(appointed on 5 August 2020)*
Mr. Zou Pingxue *(appointed on 5 August 2020)*

An updated list of the Directors identifying their roles and functions is maintained on the websites of the Company and the Hong Kong Exchanges and Clearing Limited ("HKEx"). Independent Non-executive Directors are identified as such in all corporate communications containing the name of the Directors.

None of the members of the Board has any relationship with one another (including financial, business, family or other material/relevant relationship(s)).

BOARD DIVERSITY

The Company adopted a board diversity policy (the "Board Diversity Policy"). The Company recognised the benefits of having a diverse Board to enhance the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services, all of which the Company considers to be important to enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The nomination committee of the Company will monitor the implementation of the Board Diversity Policy and recommend any proposed changes to the Board for approval. The nomination committee will from time to time review the Board Diversity Policy as appropriate to ensure its effectiveness.

BOARD MEETINGS

The Board meets regularly, and at least four times a year. For regular Board meetings, the 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 the 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, the 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 of the Company, a Director who is considered to be materially interested in the matter shall abstain from voting on the resolution approving such matter.

During the year ended 31 December 2020, the Board held eight meetings. The attendance record of individual Director is set out below. Figure in Brackets indicates the total number of meeting held in the period in which the individual was a Director.

Directors	**Attendance**
Executive Directors	
Mr. Du Xiaoping *(Chairman) (appointed on 27 July 2020)*	4/(4)
Mr. Han Wei *(Chief Financial Officer, resigned on 27 July 2020) (CEO, appointed on 27 July 2020)*	7/(8)
Non-executive Director	
Mr. Wang Fu Lin	6/(8)
Independent Non-executive Directors	
Mr. Cheng Hok Kai Frederick *(appointed on 27 July 2020)*	4/(4)
Mr. Wang Yilin *(appointed on 5 August 2020)*	3/(3)
Mr. Zou Pingxue *(appointed on 5 August 2020)*	3/(3)
Former Directors	
Mr. Sun Kin Ho Steven *(Chairman and CEO) (resigned or terminated on 27 July 2020)*	3/(4)
Mr. Chong Kin Ho *(resigned on 27 July 2020)*	4/(4)
Mr. Tung Chia Hung Michael *(resigned on 27 July 2020)*	3/(4)
Mr. Chen Cheng Lien *(resigned on 27 July 2020)*	4/(4)

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.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate directors' and officers' liability insurance in respect of possible legal actions taken against Directors and officers of the Group arising out the corporate activities.

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 business, 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.

To comply with the requirements under the CG Code, the Board is also responsible for performing the corporate governance duties. During the year ended 31 December 2020, the Board has performed the corporate governance duties set out in D.3.1 of the CG Code, including but not limited to reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of responsibilities as 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 2020, 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
Mr. Du Xiaoping *(Chairman) (appointed on 27 July 2020)*	✓	✓
Mr. Han Wei	✓	✓
Mr. Wang Fu Lin	✓	✓
Mr. Cheng Hok Kai Frederick *(appointed on 27 July 2020)*	✓	✓
Mr. Wang Yilin *(appointed on 5 August 2020)*	✓	✓
Mr. Zou Pingxue *(appointed on 5 August 2020)*	✓	✓

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 the Directors entered into a service agreement or letter of appointment for a term of three years. 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 the Shareholders at the first general meeting or next annual general meetings after appointment pursuant to the Articles of Association of the Company.

The Company has received from all independent non-executive Directors' confirmation of independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that they are independence. None of them has served the Company for more than nine years.

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. As at the date of this annual report, the Audit Committee comprises three members, namely Mr. Cheng Hok Kai Frederick (Chairman), Mr. Wang Yilin and Mr. Zou Pingxue. They are all independent non-executive Directors.

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 the 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.

During the year ended 31 December 2020, the Audit Committee reviewed the interim and annual results of the Group and discussed and approved the relevant financial reports. It also reviewed and discussed the risk management and internal control systems of the Group. It also considered the appointment of the external auditors and discussed with external auditors the nature and scope of audit before any audit commences.

The Audit Committee held five meetings during the year ended 31 December 2020. The attendance record of individual members is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a member of the Audit Committee.

Members	**Attendance**
Mr. Cheng Hok Kai Frederick *(Chairman) (appointed on 27 July 2020)*	2/(2)
Mr. Wang Yilin *(appointed on 5 August 2020)*	1/(2)
Mr. Zou Pingxue *(appointed on 5 August 2020)*	2/(2)
Former committee members	
Mr. Chong Kin Ho (Chairman) *(resigned on 27 July 2020)*	3/(3)
Mr. Tung Chia Hung Michael *(resigned on 27 July 2020)*	3/(3)
Mr. Chen Cheng Lien *(resigned on 27 July 2020)*	3/(3)

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with paragraph B.1 of the CG Code. As at the date of this annual report, the Remuneration Committee comprises three members, namely Mr. Wang Yilin(Chairman), Mr. Du Xiaoping and Mr. Zou Pingxue. Mr. Du Xiaoping is an executive Director, while the remaining two members are independent non-executive Directors.

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 executive 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.

During the year ended 31 December 2020, the Remuneration Committee has reviewed the remuneration policy and remuneration of executive Directors and assessed performance of executive Directors.

During the year ended 31 December 2020, three Remuneration Committee meetings were held. The attendance record of individual members is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a member of the Remuneration Committee.

Members	Attendance
Mr. Wang Yilin *(Chairman) (appointed on 5 August 2020)*	N/A
Mr. Du Xiaoping *(appointed on 27 July 2020)*	N/A
Mr. Zou Pingxue *(appointed on 5 August 2020)*	N/A
Former committee members	
Mr. Tung Chia Hung Michael *(Chairman) (resigned on 27 July 2020)*	3/(3)
Mr. Chen Cheng Lien *(resigned on 27 July 2020)*	3/(3)
Mr. Sun Kin Ho Steven *(resigned on 27 July 2020)*	2/(3)

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with paragraphs A.5 of the CG Code. As at the date of this annual report, the Nomination Committee has three members, namely Mr. Du Xiaoping (Chairman), Mr. Wang Yilin and Mr. Zou Pingxue. Mr. Du Xiaoping is the Chairman of the Board and an executive Director while the remaining members are independent non-executive Directors.

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.

During the year ended 31 December 2020, the Nomination Committee reviewed the structure, composition and diversity of the Board of the company; assessed the independence of the independent non-executive Directors and recommended the Directors to be re-elected at the 2020 annual general meeting and new Directors before putting forth for discussion and approval by the Board.

During the year ended 31 December 2020, two Nomination Committee meeting were held. The attendance record of individual members is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a member of the Nomination Committee.

Members	Attendance
Mr. Du Xiaoping *(Chairman) (appointed on 27 July 2020)*	N/A
Mr. Wang Yilin *(appointed on 5 August 2020)*	N/A
Mr. Zou Pingxue *(appointed on 5 August 2020)*	N/A
Former committee members	
Mr. Sun Kin Ho Steven *(Chairman) (resigned on 27 July 2020)*	2/(2)
Mr. Tung Chia Hung Michael *(resigned on 27 July 2020)*	2/(2)
Mr. Chen Cheng Lien *(resigned on 27 July 2020)*	2/(2)

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for each financial period and confirmed that the consolidated financial statements contained herein give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of the consolidated financial performance and the consolidated cash flow of the Group for the year ended 31 December 2020.

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. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

Statement of the external auditor's responsibilities in respect of the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

AUDITORS' REMUNERATION

The Company appointed SHINEWING (HK) CPA Limited as the external auditors for the year ended 31 December 2020. During the year ended 31 December 2020, the total fees paid/payable, excluding disbursements and taxes, 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	1,200

INTERNAL CONTROLS AND RISK MANAGEMENT

The Group strives to maintain the integrity of its business, results of operations and reputation by strictly adhering to an internal control system in respect of its business. The Group has therefore implemented internal control procedures and manuals covering a number of key control areas such as tendering, purchase and procurement management, financial management and safety and environment compliance management with a view to ensuring compliance by the Group with applicable laws, rules and regulations.

The Board, through the Audit Committee, is responsible for overseeing and monitoring the key measures adopted by the Group under the risk management and internal control systems relating to the business operations of the Company and assess the effectiveness regularly. Review on the key measures adopted by the Group under the risk management and internal control system relating to the Group's business operations has been conducted for the year ended 31 December 2020.

For the year ended 31 December 2020, the Company did not have an internal audit function. The Company engaged an independent internal control consultant to perform a review on the design, implementation and operating effectiveness of the Company's internal control system. The results of the review were reported to the Audit Committee and measures was seriously considered by the Company after taking into account of the findings and recommendations of the internal control consultant.

Based on the above, for the year ended 31 December 2020, the Board considered the Group's risk management and internal control system as adequate and effective.

COMPANY SECRETARY

The Board appointed Mr. Qiu Minghao as the Company Secretary on 31 October 2019. During the year ended 31 December 2020, Mr. Qiu Minghao had taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

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 at Suite 4404–10, 44th Floor, One Island East, 18 Westlands Road, Taikoo Place, Hong Kong or, in the event the Company ceases to have such place of business, the registered office of the Company at 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).

The Shareholders may at any time send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Suite 4404–10, 44th Floor, One Island East, 18 Westlands Road, Taikoo Place, Hong Kong by post or by email at ir@skl.com.cn for the attention of the Company Secretary of the Company. The Company Secretary will be responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and enquiries, to the CEO of the Company. The Shareholders may also raise their enquiries in general meetings.

COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. Information would be communicated to the Shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), annual general meetings and other general meetings, as well as disclosure on the website of the Company. Interim reports, annual reports and circulars are sent to the Shareholders in a timely manner and are also available on the website of the Company.

The Company endeavours to maintain an on-going dialogue with the Shareholders and in particular, through annual general meeting (the "AGM") and other general meeting. At the AGM, the Directors (or their delegates as appropriate) are available to meet the Shareholders and answer their enquiries. The chairman of the AGM proposes separate resolutions for each issue to be considered. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The chairman of the AGM exercises his power under the Bye-laws to put each proposed resolution to the vote by way of a poll. Voting results are posted on the Company's website and HKEx's website on the day of the AGM.

During the year ended 31 December 2020, the Company held two general meeting. The attendance record of individual Directors is set out below. Figure in brackets indicates the total number of meetings held in the period in which the individual was a Director of the Company.

Directors	Attendance
Executive Directors	
Mr. Du Xiaoping *(Chairman of the Board) (appointed on 27 July 2020)*	1/(1)
Mr. Han Wei	1/(2)
Non-executive Director	
Mr. Wang Fu Lin	1/(2)
Independent Non-executive Directors	
Mr. Cheng Hok Kai Frederick *(appointed on 27 July 2020)*	1/(1)
Mr. Wang Yilin *(appointed on 5 August 2020)*	0/(1)
Mr. Zou Pingxue *(appointed on 5 August 2020)*	1/(1)
Former Directors	
Mr. Sun Kin Ho Steven *(Chairman of the Board) (resigned on 27 July 2020)*	1/(1)
Mr. Mr. Chong Kin Ho *(resigned on 27 July 2020)*	1/(1)
Mr. Tung Chia Hung Michael *(resigned on 27 July 2020)*	0/(1)
Mr. Chen Cheng Lien *(resigned on 27 July 2020)*	1/(1)

CONSTITUTIONAL DOCUMENT

During the year ended 31 December 2020, the Company has not made any changes to the Articles of Association of the Company. An up-to-date version of the Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website.

DIRECTORS' REPORT

The board (the "Board") of the China Shun Ke Long Holdings Limited (the "Company") is pleased to present this directors' report along with the audited consolidated financial statements (the "Financial Statements") of the Company for the year ended 31 December 2020 (the "FY2020").

DIRECTORS

The directors of the Company (the "Directors") during the year ended 31 December 2020 and up to the date of this annual report were as follows:

Executive Directors

Mr. Sun Kin Ho Steven *(Chairman and CEO) (resigned or terminated on 27 July 2020)*
Mr. Han Wei *(Chief Financial Officer, resigned on 27 July 2020) (CEO, appointed on 27 July 2020)*
Mr. Du Xiaoping *(Chairman) (appointed on 27 July 2020)*

Non-Executive Director

Mr. Wang Fu Lin

Independent Non-Executive Directors

Mr. Chong Kin Ho *(resigned on 27 July 2020)*
Mr. Tung Chia Hung Michael *(resigned on 27 July 2020)*
Mr. Chen Cheng Lien *(resigned on 27 July 2020)*
Mr. Cheng Hok Kai Frederick *(appointed on 27 July 2020)*
Mr. Wang Yilin *(appointed on 5 August 2020)*
Mr. Zou Pingxue *(appointed on 5 August 2020)*

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Company and its subsidiaries (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 ended 31 December 2020, a description of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred after 31 December 2020 (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 15 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 16 to 35 of this annual report. All such discussions form part of this annual report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 72 of this annual report.

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which, the Board considers the following factors to decide whether to announcement a dividend, including but not limited to:

- the general financial performance of the Group;
- availability of sufficient retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Company's shareholders' interests as a whole;
- the actual and future operations and liquidity positions of the Group;
- the Group's expected working capital requirements, capital expenditure requirements, investment plans and business expansion plans;
- the Group's financing requirements;
- legal and other restrictions on the payment of dividends by the Company;
- possible financial effects on the Company's cashflow and financial condition;
- statutory, regulatory and contractual restrictions on the Company and its subsidiaries;
- the general market conditions, business cycle of the Group's business and other internal and external factors that may have an impact on the business or financial performance and position of the Company; and
- Any other factor that the Board deems appropriate and relevant.

The Board has resolved not to declare any final dividend for the year ended 31 December 2020.

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.

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 2020 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 2020 are set out in note 27 to the Financial Statements.

RESERVES

Movements in the reserves of the Group for the year ended 31 December 2020 are set out in the consolidated statement of changes in equity on page 75 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 2020		Remaining balance of net proceeds as at 31 December 2020	
	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%	40.8	26.3%	33.6	21.7%
Upgrading existing retail outlets	–	0.0%	14.6	9.4%	16.9	10.9%	–	0%
Repayment of bank borrowings	–	0.0%	27.9	18.0%	27.9	18.0%	–	0%
Information systems upgrades	11.2	7.2%	11.2	7.2%	11.7	7.5%	–	0%
Upgrading and expanding the existing two distribution centres	13.3	8.6%	13.3	8.6%	4.0	2.6%	9.3	6.0%
General working capital	13.6	8.8%	13.6	8.8%	13.6	8.8%	–	0%
Total	155.0	100.0%	155.0	100.0%	114.9	74.1%	42.9	27.7%

COMPETING BUSINESS

CCOOP Group Co. Limited* ("CCOOP") (供銷大集集團股份有限公司), 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 2020. Both of Mr. Du Xiaoping ("Mr. Du") and Mr. Han Wei ("Mr. Han") are executive Directors of the Company. Mr. Du and Mr. Han are the chairman of the board of director and a director of CCOOP respectively. Pursuant to rule 8.10(2) of the Listing Rules, both of them were 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.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme of the Company (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. 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 Rule.

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 million, RMB26 million and RMB26 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 total payment received or receivable to the Group in respect of the transactions under the Goods Sales Agreement for the year ended 31 December 2020 are set out in note 25 and 30 to the Financial Statements.

B. Non-exempt continuing connected transaction

On 12 November 2020, the Company (for itself and on behalf of its subsidiaries) entered into a sale of goods agreement (the "Sale of Goods (2021) Agreement) with CCOOP (for itself and on behalf of its subsidiaries) for a term of three years from 1 January 2021 to renew the Goods Sales Agreement. The Sale of Goods (2021) Agreement serves as a framework to govern the sale of SKL Goods (as defined below) from the Group to CCOOP and its subsidiaries (the "CCOOP Group"), and sets out the principles and basis in particular with respect to the pricing on which the sale of SKL Goods may be conducted.

On the same day, the Company also entered a purchase of goods agreement (the "Purchase of Goods (2021) Agreement) with CCOOP (for itself and on behalf of its subsidiaries) for a term of three years from 1 January 2021. The Purchase of Goods (2021) Agreement serves as a framework to govern the purchase of CCOOP Goods (as defined below) by the Group from CCOOP Group, and sets out the principles and basis in particular with respect to the pricing on which the purchase of CCOOP Goods may be conducted.

CCOOP is a controlling shareholder indirectly holding approximately 70.42% of the issued shares of the Company through CCOOP International Holdings Limited. Therefore, CCOOP is a connected person of the Company, and the transactions contemplated under the Sale of Goods (2021) Agreement and the Purchase of Goods (2021) Agreement (the "Agreements") (the "Transactions") constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Agreements, the Transactions and the proposed annual caps under each of the Agreements are subject to the announcement, circular, independent shareholders' approval, annual review and reporting requirements in Chapter 14A of the Listing Rules. Details of the Sale of Goods (2021) Agreement and the Purchase of Goods (2021) Agreement were disclosed in the announcement and the circular of the Company dated 12 November 2020 and 4 December 2020, respectively. The Agreements, the Transactions and the proposed annual caps under each of the Agreements had been duly passed by way of poll at the extraordinary general meeting of the Company held on 23 December 2020.

Sales of goods

CCOOP Group has been one of the bulk purchase customers of the Group these years. Pursuant to the Sale of Goods (2021) Agreement, the Group may sell all goods sold or to be sold by the Group to the CCOOP Group, including but not limited to non-staple foods, fresh food, daily consuming products, cosmetics, clothing, home appliances, but excluding any goods to be purchased or contracted to be purchased under the Purchase of Goods (2021) Agreement (the "SKL Goods"). The sale of SKL Goods are within the ordinary course of business of the Group.

The price of SKL Goods will be determined after arm's length negotiation on a cost plus basis and case-by-case basis. The percentage markup will be determined by a number of factors including (i) the price set for SKL Goods in previous transactions; (ii) the then prevailing market prices of SKL Goods and of similar products; and (iii) the discount offered by the Group to other third party wholesaling customers. The percentage markup of the cost-plus basis is usually in the range of 2% to 5% for wholesale of products similar to SKL Goods. The price of SKL Goods offered to CCOOP Group should be not less than the price offered to other third party customers ordering similar quantity and product mix of SKL Goods on similar conditions such as credit terms and delivery requirements.

The annual caps for the three years ending 31 December 2023 under the Sale of Goods (2021) Agreement are RMB60 million, RMB80 million and RMB100 million respectively. They were determined by reference to various factors, including but not limited to, (i) the quantity demanded by CCOOP Group for SKL Goods as estimated by CCOOP Group on a without – commitment basis; (ii) the historical transaction amounts under the Goods Sales Agreement; (iii) the growth in demand of SKL Goods following the Group's expansion plan to expand the Group's sales channel geographically across the PRC; (iv) the costs of SKL Goods and the cost-plus basis adopted by the Group; and (v) the expected market prices of SKL Goods.

Purchase of goods

Pursuant to the Purchase of Goods (2021) Agreement, the Group may purchase all goods sold or to be sold by CCOOP Group, including but not limited to non-staple foods, fresh food, daily consuming products, cosmetics, clothing, home appliances, but excluding any goods to be sold or contracted to be sold under the Sale of Goods (2021) Agreement (the "CCOOP Goods"). The purchase of CCOOP Goods are within the ordinary course of business of the Group.

The price of CCOOP Goods will be determined after arm's length negotiation on a case-by-case basis, with reference to (i) the prevailing and historical market price of CCOOP Goods; (ii) the then prevailing market prices of similar products; and (iii) the discounts offered by CCOOP Group to other third parties customers for wholesaling. The price of CCOOP Goods should not be higher than the price offered by other third party suppliers to the Group for CCOOP products with similar quantity and product mix on similar terms.

The annual caps for the three years ending 31 December 2023 under the Purchase of Goods (2021) Agreement are RMB20 million, RMB40 million and RMB60 million respectively. They were determined by reference to various factors, including but not limited to, (i) the types and quantities of CCOOP Goods that may be demanded by the customers of the Group; (ii) the historical transaction amounts; (iii) the Group's expansion plan to expand the Group's sales channel into online sales platform; (iv) the Group's expansion plan to source products across the PRC; (v) the current price of CCOOP Goods; and (vi) the buffer for possible increase in the price of CCOOP Goods.

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 2020 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;

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

(iv) have not exceeded the relevant annual caps as disclosed in previous announcements.

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.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in the normal course of business are set out in note 25 and 30 to the Financial Statements. Those related party transactions, which constituted connected transactions not being exempt from annual reporting requirement under the Listing Rules, are set out in the sections headed “Continuing Connected Transactions” above.

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 2020.

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 2020, 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 2020, so far as was known to the Directors of the Company, 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 which would be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or were 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.

Shareholders are advised to refer the Company's announcement dated 31 January 2021, 4 February 2021 and 10 February 2021 for matters relating to the Company's relevant controlling Shareholders and Substantial Shareholders.

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 2020 or during the year ended 31 December 2020 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 2020, 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

(i) Mr. Han Wei (Mr. Han), has been appointed as a director of Hong Kong Shun Ke Long International Limited, Shun Ke Long International Limited, Ozone Supply Chain International Limited and Ozone Supply Chain Management Limited, all of which are wholly owned subsidiaries of the Company, on 5 August 2020. Mr. Han has ceased to serve as the president of CCOOP Group since February 2021, the chairman of the board of directors of Hainan CCOOP Digital Technology Industry Co., Ltd.* (海南供銷大集數字科技產業有限公司) (formerly known as Hainan CCOOP Financial Information Technology Co., Ltd. (海南供銷大集金服信息科技有限公司)) since December 2020 and as a director of HNA Commence Holding Co., Ltd.* (海航商業控股有限公司) since July 2020. Mr. Han has graduated from Tsinghua University with an executive MBA degree in 2020.

(ii) Mr. Wang Fu Lin, has been appointed as a director of HNA Commerce Holding Co., Ltd.* (海航商業控股有限公司), and a director of CCOOP International Holdings Limited* (供銷大集國際控股有限公司) since September 2007 and December 2016, respectively.

(iii) Mr. Wang Yilin has been appointed as the chief consultant of Sanya International Asset Exchange* (三亞國際資產交易中心) since November 2020.

DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS AND REMUNERATION POLICY

Details of the Directors' remuneration and five highest paid individuals of the Group are set out in note 9 to the consolidated financial statements.

The Remuneration Committee has reviewed overall remuneration policy and structure relating to all Directors and senior management members of the Group in reference to the Group's operating results and individual performance.

The Company also adopted a share option scheme on 19 August 2015. Details of which are set out in the section headed "Share Option Scheme" of this directors' report.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save as disclosed in note 30 to the Financial Statements of this annual report headed "Related Party Transactions" and the section "Continuing Connected Transactions" above, no contract of significance was entered into between the Company, or any of its subsidiaries, and any controlling shareholder or any its subsidiaries during the year ended 31 December 2020.

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 2020.

PERMITTED INDEMNITY PROVISION

According to Article 164 of the articles of association of the Company, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors and senior management arising out of corporate activities for the year ended 31 December 2020 and up to date of this annual report, and such permitted indemnity provision is currently in force.

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.

PROPERTY HELD

As at 31 December 2020, 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 2020 amounted to RMB169.9 million.

AUDITOR

SHINEWING (HK) CPA Limited has been auditors of the Company since 29 December 2017. The financial statements for the year ended 31 December 2020 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

During the year ended 31 December 2020, the percentages of purchases from the Group's largest supplier and the five largest suppliers were 5.9% and 23% respectively. As at 31 December 2020, the percentage of revenue attributable to the Group's five largest customers was less than 10%.

During the year ended 31 December 2020, 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.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 40 to 50 of this annual report.

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 2020 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 events requiring disclosure that has taken place subsequent to 31 December 2020 and up to the date of this annual report.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("AGM") will be held on Tuesday, 8 June 2021 at 10/F, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong. The register of members of the Company will be closed from Thursday, 3 June 2021 to Tuesday, 8 June 2021, both days inclusive, during which period no transfer of shares will be effected.

In order to be entitled to attend and vote at the AGM, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 2 June 2021.

By order of the Board
Du Xiaoping
Chairman and Executive Director

Hong Kong, 29 March 2021

* *For identification purpose only*

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 72 to 148, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 test on retail outlet operation cash generating units

Refer to notes 13 and 14 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group's retail outlet operation cash generating units ("Retail outlet CGUs") consisted of certain property, plant and equipment and right-of-use assets with carrying values of RMB39,256,000 and RMB122,539,000 respectively as at 31 December 2020. During the year ended 31 December 2020, an impairment loss of RMB559,000 was recognised against property, plant and equipment in relation to retail outlet operation cash generating unit in Macau. We have identified the impairment assessment of the Retail outlet CGUs as a key audit matter because of its significance to the consolidated financial statements and because determination of the recoverable amount of the relevant cash generating unit required significant management judgement and assumptions made for the profit and cash flow forecasts.	Our audit procedures were designed to assess the reasonableness of the selection of valuation model, adoption of key assumptions and input data by reference to the historical information together with other external available information. In particular, we have tested the future cash flow forecast prepared by management on whether it is agreed to the budget approved by the directors of the Company and compared the budget with actual results available up to the report date. We have also evaluated the appropriateness of the assumptions, including the future revenue, the future expenses and profit margin, against latest market expectations. We have also assessed 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 future revenue and expenses.

KEY AUDIT MATTERS – CONTINUED

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 2020, the Group had trade receivables of RMB35,119,000, net of accumulated impairment loss of RMB1,501,000. Allowance for impairment of trade receivables is based on expected credit losses ("ECL"), which is estimated by taking into account the credit loss experience and forward-looking information including both current and forecast general economic conditions. 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 assess the assumptions and judgements of the Group's ECL 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 2020 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.

The 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.

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

- 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 the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the 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 Mr. Wong Hon Kei, Anthony.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591

Hong Kong
29 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	6	**888,749**	945,221
Cost of inventories sold		**(762,932)**	(810,435)
Gross profit		**125,817**	134,786
Other operating income	6	**34,963**	37,721
Selling and distribution costs		**(127,334)**	(144,774)
Administrative expenses		**(36,148)**	(33,678)
Finance costs	7	**(11,483)**	(10,084)
Impairment loss recognised in respect of property, plant and equipment	13	**(559)**	(641)
Impairment loss recognised in respect of right-of-use assets	14	**–**	(481)
Impairment loss recognised in respect of goodwill	16	**–**	(2,958)
Impairment loss recognised in respect of trade receivables	19	**(1,501)**	–
Loss before tax	8	**(16,245)**	(20,109)
Income tax expense	10	**(222)**	(450)
Loss for the year		**(16,467)**	(20,559)
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		**(1,661)**	776
Loss and total comprehensive expense for the year		**(18,128)**	(19,783)
Loss for the year attributable to:			
Owners of the Company		**(16,501)**	(20,626)
Non-controlling interests		**34**	67
		(16,467)	(20,559)
Loss and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(18,162)**	(19,850)
Non-controlling interests		**34**	67
		(18,128)	(19,783)
Loss per share	11		
Basic (RMB)		**(0.06)**	(0.07)
Diluted (RMB)		**(0.06)**	(0.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	*13*	**39,946**	44,506
Right-of-use assets	*14*	**124,500**	97,488
Investment properties	*15*	**9,678**	10,005
Deposits paid	*17*	**12,320**	11,376
Goodwill	*16*	**–**	–
		186,444	163,375
Current assets			
Inventories	*18*	**143,926**	130,848
Trade and bills receivables	*19*	**35,440**	23,587
Deposits paid, prepayments and other receivables	*17*	**86,808**	108,280
Amounts due from related companies	*25*	**194**	3,195
Financial assets at fair value through profit or loss	*20*	**43,500**	20,000
Deposit with a bank	*21*	**–**	25,243
Cash and cash equivalents	*21*	**103,970**	122,635
		413,838	433,788
Current liabilities			
Trade payables	*22*	**102,800**	116,252
Deposits received, receipts in advance, accruals and other payables	*23*	**27,405**	26,870
Lease liabilities	*14*	**31,535**	17,675
Contract liabilities	*24*	**14,016**	13,107
Bank borrowings	*26*	**108,000**	–
Tax payable		**247**	190
		284,003	174,094
Net current assets		**129,835**	259,694
Total assets less current liabilities		**316,279**	423,069

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Lease liabilities	*14*	**76,810**	57,472
Bank borrowings	*26*	**–**	108,000
		76,810	165,472
Net assets		**239,469**	257,597
Capital and reserves			
Share capital	*27*	**2,387**	2,387
Reserves		**235,773**	253,935
Equity attributable to owners of the Company		**238,160**	256,322
Non-controlling interests		**1,309**	1,275
Total equity		**239,469**	257,597

The consolidated financial statements on pages 72 to 148 were approved and authorised for issue by the board of directors on 29 March 2021 and are signed on its behalf by:

Du Xiaoping
Director

Han Wei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	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 2019	2,387	169,904	84	(6,200)	200	15,156	873	5,787	87,981	276,172	1,716	277,888
(Loss) profit for the year	–	–	–	–	–	–	–	–	(20,626)	(20,626)	67	(20,559)
Other comprehensive income for the year												
Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	–	–	–	–	–	–	776	–	776	–	776
Total comprehensive income (expense) for the year	–	–	–	–	–	–	–	776	(20,626)	(19,850)	67	(19,783)
Transfer to statutory reserve	–	–	–	–	–	321	–	–	(321)	–	–	–
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	(508)	(508)
Balance at 31 December 2019 and 1 January 2020	2,387	169,904	84	(6,200)	200	15,477	873	6,563	67,034	256,322	1,275	257,597
(Loss) profit for the year	–	–	–	–	–	–	–	–	(16,501)	(16,501)	34	(16,467)
Other comprehensive expense for the year												
Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	–	–	–	–	–	–	(1,661)	–	(1,661)	–	(1,661)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(1,661)	(16,501)	(18,162)	34	(18,128)
Transfer to statutory reserve	–	–	–	–	–	279	–	–	(279)	–	–	–
Balance at 31 December 2020	2,387	169,904	84	(6,200)	200	15,756	873	4,902	50,254	238,160	1,309	239,469

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 arose as a result of the reorganisation. As at 31 December 2020 and 2019, 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 capital contribution upon acquisition of the net assets of a subsidiary pursuant to a group reorganisation.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Loss before tax	(16,245)	(20,109)
Adjustments for:		
Interest income on bank deposits	(1,101)	(1,708)
Interest income from financial assets at fair value through profit or loss ("FVTPL")	(895)	(425)
Depreciation of investment properties	327	601
Depreciation of property, plant and equipment	11,616	12,257
Depreciation of right-of-use assets	38,113	21,312
Gain on deregistration of a subsidiary	–	(2)
Government grants	(3,591)	(1,756)
Impairment loss recognised in respect of trade receivables	1,501	–
Impairment loss recognised in respect of goodwill	–	2,958
Impairment loss recognised in respect of property, plant and equipment	559	641
Impairment loss recognised in respect of right-of-use assets	–	481
Gain on lease termination	(286)	–
Rent concessions related to COVID-19	(274)	–
Finance costs	11,483	10,084
Gain on disposal of property, plant and equipment	(44)	(36)
Obsolete inventories written-off	953	1,674
Operating cash flows before movements in working capital	42,116	25,972
Increase in inventories	(14,164)	(10,866)
(Increase) decrease in trade and bills receivables	(13,356)	874
Decrease in deposits paid, prepayments and other receivables	20,192	3,191
Decrease (increase) in amounts due from related companies	3,001	(2,282)
(Decrease) increase in trade payables	(13,297)	3,864
Increase (decrease) in deposits received, receipts in advance, accruals and other payables	511	(1,313)
Increase in contract liabilities	909	2,829
Cash generated from operations	25,912	22,269
Income tax paid	(165)	(1,484)
NET CASH FROM OPERATING ACTIVITIES	25,747	20,785
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(7,838)	(8,228)
Purchases of financial assets at FVTPL	(404,500)	(192,000)
Proceeds from disposal of financial assets at FVTPL	381,895	192,425
Withdrawal of a deposit with a bank	25,243	14,757
Interest received	1,379	2,402
Proceeds on disposal of property, plant and equipment	266	735
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(3,555)	10,091

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
FINANCING ACTIVITIES		
New bank borrowings raised	**108,000**	108,000
Government grants received	**3,591**	1,756
Bank borrowings repaid	**(108,000)**	(108,000)
Repayment of capital element of lease liabilities	**(31,367)**	(22,428)
Interest paid on lease liabilities and bank borrowings	**(11,326)**	(10,084)
NET CASH USED IN FINANCING ACTIVITIES	**(39,102)**	(30,756)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(16,910)**	120
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**122,635**	121,723
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,755)**	792
CASH AND CASH EQUIVALENTS AT END OF YEAR	**103,970**	122,635

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 P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, 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 35.

CCOOP International Holdings Limited, which is a company incorporated in the 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.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the principal subsidiaries of the Group where the primary economic environment is in the PRC. Other than the subsidiaries established in the PRC and Macau which functional currencies are RMB and Macau Pataca ("MOP") respectively, the functional currency of the Company and other subsidiaries is Hong Kong dollars ("HK$"). 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 the first time, the Amendments to References to the Conceptual Framework in International Financial Reporting Standards ("IFRSs") and the following amendments to IFRSs, which include IFRSs, International Accounting Standards ("IAS(s)"), amendments and interpretations issued by the International Accounting Standards Board (the "IASB") and the IFRS Interpretations Committee ("IFRIC") of the IASB which are effective for the Group's financial year beginning 1 January 2020:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied Amendment to IFRS 16, *COVID-19-Related Rent Concessions* which is effective for annual periods beginning on or after 1 June 2020.

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

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

Early application of Amendment to IFRS 16, COVID-19 *Related Rent Concessions*

The amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 as if the changes were not lease modifications. Forgiveness or waiver of lease payments is accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. During the current year, the COVID-19-related rent concessions recognised in the profit or loss amounted to RMB274,000. There is no impact on the opening balance of equity at 1 January 2020.

Amendments to IAS 1 and IAS 8, *Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The application of these amendments in the current year had no impact on the consolidated financial statements.

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

New and amendments to IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts and related Amendments[5]
Amendments to IFRS 3	Reference to Conceptual Framework[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contacts – Cost of Fulfilling a Contract[3]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendment to IFRS 16	COVID-19 – Related Rent Concessions[4]
Amendment to IFRSs	Annual Improvements to IFRSs 2018–2020 cycle[3]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2023

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.

Amendments to IFRS 3, *Reference to the Conceptual Framework*

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of International Financial Report Interpretations Committee Interpretations ("IFRIC-Int") 21 Levies, the acquirer applies IFRIC-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

3. SIGNIFICANT ACCOUNTING POLICIES

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments in subsidiaries

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

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 ("CGU") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU (or groups of CGUs) 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 CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU 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 (or groups of CGUs). 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 CGU, 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 are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant and equipment – continued

Ownership interests in leasehold land and buildings – continued

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.

Investment properties

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

Investment properties also include leased properties recognised by the Group as right-of-use assets.

Owned 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.

If an item of property, plant and equipment becomes an investment property when there is a change is use, as supported by observable evidence, the carrying amount of that item at the date of transfer is the deemed cost for subsequent accounting for that property as an item of investment property.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 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 a bank in the consolidated statement of financial position.

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, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. 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 ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

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, 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 ("ECL"), 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.

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, 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 "Other operating income" (note 6).

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

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, 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 38.

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost and lease receivables. The amount of ECL 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, lease receivables and trade-related amounts due from related companies. The ECL 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

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 external (if available) or 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.

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 debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) the debt 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 debt instrument 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

Measurement and recognition of ECL

The measurement of ECL 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 described above. 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 ECL 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 ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 *Leases*.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – 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 a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

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

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.

Impairment losses on property, plant and equipment and right-of-use assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use 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 CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impairment losses on property, plant and equipment and right-of-use assets (other than impairment of goodwill set out in accounting policy of goodwill above) – continued

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGU. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Revenue recognition

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue recognition – continued

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct 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.

Contract liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue recognition – continued

Merchandise sales from retail outlet operation and wholesale distribution

For the general retail sales under retail outlet operation, revenue is recognised when control passes to the retail customers, being the point the retail customers purchase the goods at the retail outlets. Payment of transaction price is due immediately at the point the retail customers purchase the goods. The payment is usually settled in cash, using credit cards or by means of electronic payment.

Revenue from bulk sales of goods to retail customers under retail outlet operation is recognised when control of products has transferred, being when the products are delivered and there is no unfulfilled obligation that could affect them to accept the products. The retail customers 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.

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.

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 arranges promotion of 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leasing – continued

The Group as lessee – continued

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment property".

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in "Selling and distribution expenses" in the consolidated statement of profit or loss and other comprehensive income.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient for all leases.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Leasing – continued

The Group as lessee – continued

COVID-19-Related Rent Concessions

For rental concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether a COVID-19-Related Rent Concession for lease contracts is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties and leased retail areas. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the exemption described above, the sublease shall be classified as an operating lease.

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

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services.

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

Retirement benefits costs

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

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 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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 loss before tax because of income or expense that are taxable or deductible in other years and 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 goodwill or form the initial recognition (other than in a business combination) of other 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 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.

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, right-of-use assets and goodwill 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.

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 ACCOUNTING JUDGEMENT 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 may 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.

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 followings 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 assessment on retail outlet operation cash generating units ("Retail outlet CGUs")

The Group's Retail outlet CGUs consist of goodwill, certain property, plant and equipment and right-of-use assets. In determining whether there is any impairment loss of the Retail outlet CGUs, management estimated the recoverable amounts of the Retail outlet CGUs based on the value in use calculation. The value in use calculation is prepared by independent professional valuers based on the management's assumptions and estimates taking into account the existing business plan and other strategic business development. These calculations require the use of estimates such as the future revenue, expenses and discount rates.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Key sources of estimation uncertainty – continued

Impairment assessment on retail outlet operation cash generating units ("Retail outlet CGUs") – continued

As at 31 December 2020, the carrying values of goodwill, related property, plant and equipment and related right-of-use assets were nil (2019: nil), RMB39,256,000 (2019: RMB42,822,000) and RMB122,539,000 (2019: RMB90,090,000) respectively. Impairment loss of RMB559,000 was recognised against property, plant and equipment in relation to retail outlet operation CGU in Macau during the year ended 31 December 2020 (2019: impairment losses of RMB2,958,000, RMB641,000 and RMB481,000 were recognised against goodwill, property, plant and equipment and right-of-use assets respectively in relation to retail outlet operation CGU in Macau).

Impairment of trade receivables

The impairment provision for trade receivables is based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical credit loss experience, existing market conditions 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 profit or loss. As at 31 December 2020, the carrying amount of trade receivables was RMB35,119,000 (2019: RMB23,587,000). During the year ended 31 December 2020, impairment loss of RMB1,501,000 (2019: nil) was recognised.

Allowance for inventories

The Group makes the allowance for inventories based on assessments of the net realisable value and ageing analysis of inventories and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. As at 31 December 2020, the carrying amount of inventories was RMB143,926,000 (2019: RMB130,848,000). During the year ended 31 December 2020, obsolete inventories written off of RMB953,000 (2019: RMB1,674,000) was recognised.

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 useful lives and residual values of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

As at 31 December 2020, there were no changes on the estimated useful lives and residual values after performing annual assessment and the related depreciation of the property, plant and equipment with carrying values of RMB39,946,000 (2019: RMB44,506,000).

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.

Segment revenue and results

For the year ended 31 December 2020

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Inter-segment elimination RMB'000	Total RMB'000
REVENUE				
From external customers	691,762	196,987	–	888,749
From inter-segment	45,006	21,026	(66,032)	–
Reportable segment revenue	736,768	218,013	(66,032)	888,749
Reportable segment loss	(4,925)	(639)		(5,564)
Other corporate income				569
Other corporate expenses				(11,250)
Loss before tax				(16,245)

5. OPERATING SEGMENT INFORMATION – CONTINUED

Segment revenue and results – continued

For the year ended 31 December 2019

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Inter-segment elimination RMB'000	Total RMB'000
REVENUE				
From external customers	664,450	280,771	–	945,221
From inter-segment	48,149	14,227	(62,376)	–
Reportable segment revenue	712,599	294,998	(62,376)	945,221
Reportable segment (loss) profit	(12,095)	464		(11,631)
Other corporate income				636
Other corporate expenses				(9,114)
Loss before tax				(20,109)

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

	2020 RMB'000	2019 RMB'000
Retail outlet operation	496,968	406,541
Wholesale distribution	89,098	163,028
Total segment assets	586,066	569,569
Other corporate assets *(Note)*	14,216	27,594
Group's assets	600,282	597,163
Retail outlet operation	349,569	320,616
Wholesale distribution	8,293	16,885
Total segment liabilities	357,862	337,501
Other corporate liabilities *(Note)*	2,951	2,065
Group's liabilities	360,813	339,566

5. OPERATING SEGMENT INFORMATION – CONTINUED

Segment assets and liabilities – continued

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.

Other segment information

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 31 December 2020				
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to property, plant and equipment	7,701	137	–	7,838
Addition to right-of-use assets	68,563	–	–	68,563
Depreciation of property, plant and equipment	11,278	328	10	11,616
Depreciation of investment properties	327	–	–	327
Depreciation of right-of-use assets	36,268	1,845	–	38,113
Obsolete inventories written-off	863	90	–	953
Gain on disposal of property, plant and equipment	44	–	–	44
Interest income on bank deposits	843	14	244	1,101
Interest income from financial assets at FVTPL	895	–	–	895
Impairment loss recognised in respect of property, plant and equipment	559	–	–	559
Impairment loss recognised in respect of trade receivables	1,410	91	–	1,501

5. OPERATING SEGMENT INFORMATION – CONTINUED

Other segment information – continued

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended 31 December 2019				
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to property, plant and equipment	8,074	154	–	8,228
Addition to right-of-use assets	9,939	701	–	10,640
Depreciation of property, plant and equipment	11,981	264	12	12,257
Depreciation of investment properties	601	–	–	601
Depreciation of right-of-use assets	19,182	2,130	–	21,312
Obsolete inventories written-off	1,536	138	–	1,674
Gain on disposal of property, plant and equipment	36	–	–	36
Interest income on bank deposits	710	362	636	1,708
Interest income from financial assets at FVTPL	425	–	–	425
Impairment loss recognised in respect of goodwill	2,958	–	–	2,958
Impairment loss recognised in respect of property, plant and equipment	641	–	–	641
Impairment loss recognised in respect of right-of-use assets	481	–	–	481

5. OPERATING SEGMENT INFORMATION – CONTINUED

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	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (place of domicile)	**868,546**	916,917	**174,122**	151,987
Macau	**20,203**	28,304	**–**	–
Hong Kong	**–**	–	**2**	12
	888,749	945,221	**174,124**	151,999

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.

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.

The Group's revenue from external customers is derived from the PRC and Macau. No single customer of the Group contributed 10% or more to the Group's revenue for the years ended 31 December 2020 and 2019.

6. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

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

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Sales of goods		
General retail sales under retail outlet operation *(Note)*	656,438	631,490
Bulk sales under retail outlet operation	13,821	8,526
General wholesales under wholesale distribution	196,987	280,771
– Services rendered		
Commission from concessionaire sales under retail outlet operation	1,165	1,270
	868,411	922,057
Revenue from other sources		
Rental income from subleasing certain retail areas under retail outlet operation		
– Lease payments that are fixed	20,338	23,164
	888,749	945,221

Note: General retail sales included the compensation for reduced selling prices of approximately RMB1,400,000 and RMB163,000 from the local government in the PRC which was classified as revenue during the years ended 31 December 2020 and 2019 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 from contracts with customers by timing of recognition

	2020 RMB'000	2019 RMB'000
Timing of revenue recognition		
At a point of time	868,411	922,057

6. REVENUE AND OTHER OPERATING INCOME – CONTINUED

(a) Revenue – continued

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

As at 31 December 2020 and 2019, all of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as at the end of both reporting periods.

(b) Other operating income

	2020 RMB'000	2019 RMB'000
Gain on deregistration of a subsidiary	–	2
Gain on disposal of property, plant and equipment	44	36
Government grants *(Note i)*	3,591	1,756
Interest income on bank deposits	1,101	1,708
Interest income from financial assets at FVTPL	895	425
Net exchanges gains	91	25
Net rental income from investment properties *(Note ii)*		
Lease payments that are fixed	2,233	2,293
Promotion income from suppliers	24,303	26,590
Others	2,705	4,886
	34,963	37,721

Notes:

(i) Various local government grants were granted to the Group in respect of certain research projects during the years ended 31 December 2020 and 2019. During the year ended 31 December 2020, the Group recognised government grants of RMB519,000 in respect of COVID-19 related grants, of which RMB235,000 related to Employment Support Scheme provided by the Government of Hong Kong Special Administrative Region under the Anti-Epidemic Fund; RMB266,000 related to 百億抗疫援助基金 provided by the Government of Macao Special Administrative Region and RMB18,000 related to delayed resumption of work provided by the local government of the PRC. There were no unfulfilled conditions or contingencies attached to these government grants.

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

	2020 RMB'000	2019 RMB'000
Gross rental income	2,333	2,395
Less: Outgoing incurred for investment properties that generated rental income during the year	(100)	(102)
Net rental income	2,233	2,293

7. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on:		
Bank borrowings	**5,805**	5,882
Lease liabilities	**5,678**	4,202
	11,483	10,084

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging (crediting):

	2020 RMB'000	2019 RMB'000
Depreciation of investment properties	**327**	601
Depreciation of property, plant and equipment	**11,616**	12,257
Depreciation of right-of-use assets	**38,113**	21,312
Employee benefits expenses (excluding directors' remuneration *(Note 9)*):		
– Wages and salaries	**60,173**	66,115
– Pension scheme contributions	**4,937**	7,432
– Contractual compensation for loss of office paid	**1,500**	–
– Other benefits	**758**	234
	67,368	73,781
Auditor's remuneration	**1,200**	1,250
COVID-19 related rent concessions *(Note a)*	**(274)**	–
Obsolete inventories written-off (included in administrative expenses)	**953**	1,674

Note:

(a) Due to the outbreak of COVID-19, the Group has received rent concessions from lessors including rent forgiveness. The Group has early adopted Amendment to IFRS 16 and applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification.

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

(a) Director's emoluments

The emoluments paid or payable to each of the 10 (2019: 8) directors and the chief executive officer ("CEO") were as follows:

For year ended 31 December 2020

	Mr. Han Wei	Mr. Du Xiaoping *(Note i)*	Mr. Sun Kin Ho Steven *(Note ii)*	Total
	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	–	–	1,046	1,046
Pension scheme contributions	–	–	14	14
	–	–	1,060	1,060
Compensation for termination of service of directors:				
Contractual payments for:				
Loss of any other office in connection with the management of the affairs of the Company and its subsidiaries by the Company	–	–	921	921
Sub-total emoluments	–	–	1,981	1,981

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS – CONTINUED

(a) Director's emoluments – continued

For year ended 31 December 2020 – continued

	Mr. Wang Fu Lin 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) Director's emoluments – continued

For year ended 31 December 2020 – continued

	Mr. Cheng Hok Kai Frederick (Note i) RMB'000	Mr. Zou Pingxue (Note iii) RMB'000	Mr. Wang Yilin (Note iii) RMB'000	Mr. Chen Cheng Lien (Note ii) RMB'000	Mr. Chong Kin Ho (Note ii) RMB'000	Mr. Tung Chia Hung Michael (Note ii) 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	90	63	63	91	122	91	520
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	90	63	63	91	122	91	520
Total emoluments							2,501

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS – CONTINUED

(a) Director's emoluments – continued

For year ended 31 December 2019

	Mr. Han Wei	Mr. Sun Kin Ho Steven	Mr. Mung Hon Ting Jackie *(Note iv)*	Total
	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	–	458	805	1,263
Pension scheme contributions	–	–	12	12
Sub-total emoluments	–	458	817	1,275

	Mr. Wang Fu Lin	Mr. Wu Limin *(Note v)*	Total
	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) Director's emoluments – continued

For year ended 31 December 2019 – continued

	Mr. Chen Cheng Lien RMB'000	Mr. Chong Kin Ho RMB'000	Mr. Tung Chia Hung Michael 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	53	106	53	212
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	53	106	53	212
Total emoluments				1,487

Notes:

(i) Appointed on 27 July 2020

(ii) Resigned on 27 July 2020

(iii) Appointed on 5 August 2020

(iv) Resigned on 27 September 2019

(v) Resigned on 31 January 2019

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS – CONTINUED

(a) Director's emoluments – continued

Mr. Mung Hon Ting Jackie acted as CEO of the Company from 1 January 2019 to 27 September 2019 and his emoluments disclosed above included the services rendered by him as the CEO.

Mr. Sun Kin Ho Steven acts as CEO of the Company from 27 September 2019 to 27 July 2020 and his emoluments disclosed above included the services rendered by him as the CEO.

Mr. Han Wei acts as CEO of the Company from 27 July 2020 to 31 December 2020 and his emoluments disclosed above included the services rendered by him as the CEO.

No directors and the CEO waived or agreed to waive any emoluments during both years.

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, one (2019: two) was a director representing the former CEO of the Company who emolument is included in the note 9 (a). The emoluments of the remaining four (2019: three) individuals are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other benefits	2,739	1,696
Pension scheme contributions	34	77
Contractual compensation for loss of office paid	1,500	–
	4,273	1,773

Their emoluments were within the following bands:

	2020 No. of individuals	2019 No. of individuals
Nil to RMB869,000 (2019: Nil to RMB886,000) (approximately Nil – HK$1,000,000)	2	3
RMB869,000 to RMB1,303,000 (2019: RMB886,000 to RMB1,329,000) (approximately HK$1,000,000 – HK$1,500,000)	2	–

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group.

10. INCOME TAX EXPENSE

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

	2020 RMB'000	2019 RMB'000
Current – Macau		
Under provision in prior year	16	9
Current – the PRC		
Under provision in prior year	12	197
Charge for the year	194	244
	222	450

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 2020 and 2019.

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 2020 and 2019.

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 2020 and 2019.

From 1 January 2019 to 31 December 2021, under relevant PRC Enterprise Income Tax Law, for PRC enterprises that qualifies for small enterprises, annual taxable income below RMB3 million and thin-profit enterprises with an annual taxable income of RMB1 million or less are applicable to the effective tax rate of 5%. Where their annual taxable income exceeds RMB1 million but does not exceed RMB3 million, the RMB1 million portion will be subject to an effective tax rate of 5%, whereas the excess portion will be subject to the effective tax rate of 10%.

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%. 廣東省順客隆商業連鎖有限公司("廣東省順客隆商業") (formerly known as 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 years ended 31 December 2020 and 2019.

The Group's subsidiaries in Macau are subject to Complementary Tax at a rate of 12% based on estimated assessable profits for the years ended 31 December 2020 and 2019. During the year ended 31 December 2020 and 2019, no Macau Complementary Income Tax has been provided as there were no assessable profits generated.

10. INCOME TAX EXPENSE – CONTINUED

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

	2020 RMB'000	2019 RMB'000
Loss before tax	(16,245)	(20,109)
Tax on loss before tax, calculated at the rates applicable to loss in the tax jurisdictions concerned	(2,126)	(2,805)
Tax effect of expenses not deductible for tax purposes	418	1,255
Utilisation of tax losses previously not recognised	(72)	(507)
Tax effect of tax losses not recognised	2,242	3,064
Tax effect of deductible temporary differences not recognised	442	77
Under provision in prior years	28	206
Income tax on concessionary rate	(710)	(840)
Income tax expense	222	450

As at 31 December 2020, no deferred tax liabilities have been recognised in respect of the temporary differences of approximately RMB88,730,000 (2019: RMB92,104,000) 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 2020, the Group has unused estimated tax losses of approximately RMB13,026,000 (2019: RMB9,416,000), RMB15,077,000 (2019: RMB8,635,000) and RMB7,524,000 (2019: RMB5,824,000) for certain subsidiaries in the PRC, Hong Kong and Macau respectively. The tax losses incurred by the subsidiaries incorporated in the PRC (except for HNTE) and Macau will expire in five years and three years respectively from the year in which the loss originated, while the losses incurred by the subsidiaries in Hong Kong will not expire under current tax legislation in Hong Kong. With effective from 1 January 2018, the losses incurred by HNTE will expire in ten years from the year in which the loss originated. No deferred tax asset had been recognised as at 31 December 2020 and 2019 in respect of the estimated tax losses due to the unpredictability of future profit streams.

As at 31 December 2020, the Group has deductible temporary differences of approximately RMB2,701,000 (2019: RMB641,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

11. LOSS PER SHARE

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

	2020 RMB'000	2019 RMB'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	(16,501)	(20,626)

	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	290,457,000	290,457,000

The diluted loss per share are the same as basic loss per share as there are no potential dilutive 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 2020 and 2019.

13. PROPERTY, PLANT AND EQUIPMENT

	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 2019	20,180	39,155	7,590	8,450	29,259	104,634
Exchange realignment	–	1	11	2	11	25
Transferred to investment properties *(Note 15)*	(681)	–	–	–	–	(681)
Additions	–	4,467	276	497	2,988	8,228
Disposals	–	(7,492)	(606)	(993)	(2,402)	(11,493)
At 31 December 2019 and 1 January 2020	19,499	36,131	7,271	7,956	29,856	100,713
Exchange realignment	–	(25)	(21)	(5)	(38)	(89)
Additions	–	4,309	326	130	3,073	7,838
Disposals	–	–	(323)	(98)	(589)	(1,010)
At 31 December 2020	19,499	40,415	7,253	7,983	32,302	107,452
Accumulated depreciation and impairment						
At 1 January 2019	4,232	21,280	4,949	6,118	17,603	54,182
Exchange realignment	–	1	4	1	4	10
Depreciation provided for the year	501	5,577	968	761	4,450	12,257
Eliminated on disposals	–	(7,446)	(538)	(826)	(1,984)	(10,794)
Transferred to investment properties *(Note 15)*	(89)	–	–	–	–	(89)
Impairment loss recognised for the year	–	80	240	6	315	641
At 31 December 2019 and 1 January 2020	4,644	19,492	5,623	6,060	20,388	56,207
Exchange realignment	–	(25)	(21)	(5)	(37)	(88)
Depreciation provided for the year	509	6,573	628	587	3,319	11,616
Eliminated on disposals	–	–	(301)	(53)	(434)	(788)
Impairment loss recognised for the year	–	546	2	–	11	559
At 31 December 2020	5,153	26,586	5,931	6,589	23,247	67,506
Carrying values						
At 31 December 2020	14,346	13,829	1,322	1,394	9,055	39,946
At 31 December 2019	14,855	16,639	1,648	1,896	9,468	44,506

13. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

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

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:

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 2020 and 2019, certain buildings with carrying values of approximately RMB11,388,000 (2019: RMB11,748,000) respectively have been pledged to the bank for banking facilities granted to the Group (see note 26).

All retail outlets in Macau were making loss during the year ended 31 December 2020 due to the impact of temporary suspension of retail outlets operation in Macau during the outbreak of the COVID-19. The management carried out an impairment assessment for the retail outlet operation CGU in Macau. The estimate of the recoverable amount was based on value-in-use calculation using the discounted cash projection at pre-tax discount rate of 7.95% (2019: 13%) per annum based on the financial forecast approved by management covering a period of the remaining lease terms. Key assumptions for the value-in-use calculation include future revenue, budgeted gross margin and operating costs, which were determined based on the past performance, the Group's business plan and management expectations for the market development.

As a result, impairment losses of property, plant and equipment of RMB559,000 (2019: RMB641,000) was recognised during the year ended 31 December 2020.

14. LEASES

(i) Right-of-use assets

	Other properties leased for own use RMB'000	Ownership interests on leasehold land RMB'000	Total RMB'000
Balance as at 1 January 2019	83,367	26,300	109,667
Transferred to investment properties *(Note 15)*	–	(1,026)	(1,026)
Additions	10,640	–	10,640
Depreciation	(20,658)	(654)	(21,312)
Impairment losses	(481)	–	(481)
Balance as at 31 December 2019 and 1 January 2020	72,868	24,620	97,488
Additions	68,563	–	68,563
Depreciation	(37,241)	(872)	(38,113)
Adjustment for lease modification	3,210	–	3,210
Termination of leases	(6,648)	–	(6,648)
Balance as at 31 December 2020	100,752	23,748	124,500

At 31 December 2020, right-of-use assets of RMB23,748,000 (2019: RMB24,620,000) represents land use rights locating in the PRC.

As at 31 December 2020, certain ownership interests in leasehold land with carrying values of approximately RMB19,008,000 (2019: RMB19,555,000) have been pledged to the bank for banking facilities granted to the Group (see Note 26).

The Group has lease arrangements for retail outlets, warehouses and office premises. The lease terms are generally ranged from thirteen months to nineteen years at fixed rentals. The Group has also entered into short-term leases arrangements in respect of retail outlets, warehouses and office premises. One of the properties leased contains variable lease payment terms that are linked to sales generated from the relevant leased retail outlet and with minimum lease payment terms. During the years ended 31 December 2020 and 2019, no expenses related to variable lease payments of the lease were recognised into profit or loss.

Additions to the right-of-use assets for the year ended 31 December 2020 amounted to RMB68,563,000 (2019: RMB10,640,000), due to new leases of retail outlets, warehouses and office premises and renewal of existing leases.

During the year ended 31 December 2019, certain ownership interests in leasehold land with carrying values of RMB1,026,000 (2020: nil) were transferred to investment properties as those interests are held for rental income upon signing of an operating lease agreement with a third party in 2019.

14. LEASES – CONTINUED

(i) Right-of-use assets – continued

During the year ended 31 December 2019, an impairment loss of RMB481,000 (2020: nil) was recognised in the profit or loss which was allocated to the CGU of the Group's retail outlet operation in Macau. Details of the impairment assessment are set out in note 16.

During the years ended 31 December 2020 and 2019, the Group has subleased part of the rented retail outlets, details are set out in note 32. The Group has classified the subleases as operating leases. During the years ended 31 December 2020 and 2019, the Group recognised rental income from subleasing right-of-use assets of RMB20,338,000 (2019: RMB23,164,000).

(ii) Lease liabilities

	RMB'000
Balance as at 1 January 2019	86,935
Additions	10,640
Interest expenses on lease liabilities	4,202
Payment for lease liabilities	(26,630)
Balance as at 31 December 2019 and 1 January 2020	75,147
Additions	68,563
Interest expenses on lease liabilities	5,678
Payment for lease liabilities	(37,045)
Adjustment for lease modification	3,210
Termination of leases	(6,934)
Rent concessions related to COVID-19	(274)
Balance as at 31 December 2020	108,345

	2020 RMB'000	2019 RMB'000
Within one year	31,535	17,675
After one year but within two years	29,880	14,464
After two years but within five years	42,051	35,020
After five years	4,879	7,988
	108,345	75,147
Less: amount due for settlement within 12 months (shown under current liabilities)	(31,535)	(17,675)
Amount due for settlement after 12 months	76,810	57,472

14. LEASES – CONTINUED

(ii) Lease liabilities – continued

During the year ended 31 December 2020, the Group entered into new leases of retail outlets, warehouses and office premises and renewed existing leases of RMB68,563,000 (2019: RMB10,640,000).

Rent concessions

During the year ended 31 December 2020, the Group received rent concessions in the form of a discount on fixed payments and rent forgiveness during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

These rent concessions occurred as a direct consequence of COVID-19 pandemic, which met of all of the conditions in IFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. Accordingly, during the year, rent concessions totaling RMB274,000 have been accounted as negative variable lease payments and recognised in the profit or loss, with a corresponding adjustment to the lease liabilities.

(iii) Amounts recognised in profit or loss

	2020 RMB'000	2019 RMB'000
Depreciation of right-of-use assets by class of underlying asset:		
Other properties leased for own use	37,241	20,658
Ownership interests in leasehold land	872	654
	38,113	21,312
Interest expenses on lease liabilities	5,678	4,202
Expenses relating to short-term leases	6,854	16,115
Gain on lease termination	286	–
Rent concessions related to COVID-19 *(Note)*	(274)	–

Note:

As disclosed in notes 2 and 14(ii), the Group has early adopted the Amendment to IFRS 16, *COVID-19-Related Rent Concessions*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the year.

14. LEASES – CONTINUED

(iv) Others

During the year ended 31 December 2020, the total cash outflow for leases amount to RMB43,899,000 (2019: RMB42,745,000).

Restrictions or covenants on leases

As at 31 December 2020, lease liabilities of RMB108,345,000 are recognised with related right-of-use assets of RMB124,500,000 (2019: lease liabilities of RMB75,147,000 and related right-of-use assets of RMB97,488,000). The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

15. INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
Balance as at 1 January	10,005	8,988
Transferred from ownership interests in leasehold land *(Note 14(i))*	–	1,026
Transferred from property, plant and equipment *(Note 13)*	–	592
Depreciation	(327)	(601)
Balance as at 31 December	9,678	10,005
Balance as at 31 December		
Cost	11,695	11,695
Accumulated depreciation	(2,017)	(1,690)
Carrying values	9,678	10,005

During the year ended 31 December 2019, certain owned properties with carrying values of approximately RMB1,618,000 (2020: nil) were transferred to investment properties as these properties are held for rental income upon signing of an operating lease agreement with a third party in 2019.

15. INVESTMENT PROPERTIES – CONTINUED

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 2020 and 2019, certain investment properties with carrying values of approximately RMB9,424,000 and RMB9,731,000 respectively 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 2020 and 2019 were approximately RMB31,699,000 and RMB32,685,000 respectively, were valued by 北京中企華資產評估有限責任公司, an independent valuer not connected to the Group. Details of the valuation techniques and assumptions set out below. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Fair value

The following table gives information about how the fair value of investment properties as at 31 December 2020 and 2019 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.

As at 31 December 2020

Nature	:	Investment properties in the PRC
Fair value hierarchy	:	Level 3
Valuation technique(s) and key input(s)	:	Income approach with key inputs which are market unit rent and market yield

As at 31 December 2019

Nature	:	Investment properties in the PRC
Fair value hierarchy	:	Level 3
Valuation technique(s) and key input(s)	:	Income approach with key inputs which are market unit rent and market yield

16. GOODWILL

	2020 RMB'000	2019 RMB'000
Balance as at 1 January	–	2,897
Exchange realignment	–	61
Impairment loss	–	(2,958)
Balance as at 31 December	–	–

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. In 2019, the cash flow beyond the five-year period was extrapolated using an estimated weighted average growth rate of 0%. The following key assumptions had been made for the purpose of analysis:

1. Average net loss profit margin of 16%

2. Average gross profit margin of 23%

3. Pre tax discount rate of 13% per year

4. Average growth rate of 0%

During the year ended 31 December 2019, the Group's retail outlet network in Macau was affected by sharp increase in rental expenses. As a result, the net profit margin of the CGU declined in 2019 and the expected future cash flow was revised and adjusted downwards based on the management's expectation for the retail outlet operation.

The growth rate was based on the relevant industry growth rate forecast and did not exceed the average long-term growth rate for the relevant industry. 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.

An impairment loss of RMB4,080,000 was recognised in 2019 for the CGU as the recoverable amount of the CGU was less than its carrying values. The impairment loss was allocated to reduce the carrying values of assets of the CGU in the following order:

(a) First, to reduce the carrying value of goodwill of RMB2,958,000; and

(b) Then, to reduce carrying value of the property, plant and equipment and the right-of-use assets of RMB641,000 (as disclosed in note 13) and RMB481,000 (as disclosed in note 14(i)) respectively on pro-rata basis on the carrying values of each assets in the CGU.

17. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Non-current asset		
Rental deposits paid	12,320	11,376
Current assets		
Prepayments	55	308
Advances to suppliers	22,255	35,310
Deposits paid	545	1,256
Input value added tax receivables *(Note a)*	46,515	46,831
Interest receivables	360	638
Other receivables	17,078	23,937
	86,808	108,280

Notes:

(a) 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.

(b) For the rental deposits paid, other deposits paid and other receivables, the directors of the Company considered the credit risk of the amounts has not been increased significantly and thus the allowance for impairment recognised during the years was limited to 12-month ECL. As at 31 December 2020 and 2019, the identified impairment loss was immaterial.

18. INVENTORIES

	2020 RMB'000	2019 RMB'000
Merchandise for resale	143,926	130,848

19. TRADE RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Trade receivables	36,620	23,587
Less: allowance for impairment of trade receivables	(1,501)	–
	35,119	23,587
Bills receivables	321	–
	35,440	23,587

As at 31 December 2020, the gross amount of trade and bills receivables arising from contracts with customers amounted to RMB34,023,000 (2019: RMB22,839,000).

All the bills receivables are aged within 60 days (2019: nil).

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 receivable, net of allowance for trade receivables, at the end of the respective reporting periods, based on the invoice date, is as follows:

	2020	2019
	RMB'000	RMB'000
Within 30 days	18,894	11,138
31 to 60 days	5,649	5,617
61 to 180 days	7,053	4,195
181 to 365 days	2,849	445
Over 1 year	674	2,192
	35,119	23,587

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtors' current financial positions adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operated and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Due to the financial uncertainty arising from COVID-19, the Group has increased the expected loss rate for trade receivables in the current year as there is higher risk that a a prolonged COVID-19 could lead to increased credit default rates.

19. TRADE RECEIVABLES – CONTINUED

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the trade receivables related to a number of customers with common risk characteristics and the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's difference customer bases.

The Group recognises lifetime ECL for trade receivables based on past due status of customers collectively that are not individually significant as follows:

As at 31 December 2020	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 30 days	0.26%	18,943	49
31 to 60 days	0.26%	5,664	15
61 to 180 days	0.25%	7,071	18
181 to 365 days	0.25%	2,856	7
Over 1 year	67.69%	2,086	1,412
		36,620	1,501

As at 31 December 2019, the expected credit loss rates for trade receivables based on ageing of customers were very low, the identified impairment loss for trade receivable was immaterial.

The movements in the allowance for impairment of trade receivables are set out below:

	RMB'000
At 1 January 2019, 31 December 2019 and 1 January 2020	–
Impairment loss recognised	1,501
At 31 December 2020	1,501

The Group does not hold any collateral on the receivables.

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.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVPTL include:

	2020	2019
	RMB'000	RMB'000
Wealth management product	**43,500**	20,000

As at 31 December 2020, the Group invested in a wealth management product issued by a bank in the PRC with the principal amount of RMB43,500,000 (2019: RMB20,000,000). 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 2019, deposit with a bank of RMB25,243,000 (2020: nil) with maturity of more than three months carried interest at floating rate of 3-month London Interbank Borrowing Rate.

Cash and cash equivalents:

The Group's cash and cash equivalents denominated in RMB amounted to RMB88,300,000 (2019: RMB119,922,000) at 31 December 2020. Conversion of RMB into foreign currencies is subject to the PRC'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 to conduct foreign exchange business.

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. Cash at banks earns interest at floating rates based on daily deposit rates.

Details of impairment assessment of bank balances are set out in note 38.

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:

	2020 RMB'000	2019 RMB'000
Current to 30 days	35,455	48,125
31 to 60 days	19,425	18,744
61 to 180 days	32,631	37,321
181 to 365 days	7,182	7,264
Over 1 year	8,107	4,798
	102,800	116,252

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

	2020 RMB'000	2019 RMB'000
Rental deposits received and other refundable deposits received from suppliers	11,101	9,863
Rental income received in advance	350	360
Non-income tax payables	1,030	1,420
Accruals and other payables	14,924	15,227
	27,405	26,870

24. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Advances received to deliver goods	13,380	12,332
Unredeemed balance of award credits	636	775
	14,016	13,107

The changes in contract liabilities in 2020 was mainly due to more sales orders received from bulk sales retailers and wholesalers near the end of the 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 2020 that was included in the contract liabilities at the beginning of the year is RMB12,332,000 (2019: RMB9,760,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

25. AMOUNTS DUE FROM RELATED COMPANIES

As at 31 December 2020 and 2019, the amounts due from related companies are trade-related, 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 approximate to their fair values.

The amounts due from related parties are as follows:

Name of related party	Relationship	2020 RMB'000	2019 RMB'000
廣東海航樂萬家連鎖超市有限公司	A fellow subsidiary of a holding company	–	2,999
海南供銷大集酷鋪商貿有限公司	A fellow subsidiary of a holding company	194	194
西安民生百貨管理有限公司	A fellow subsidiary of a holding company	–	2
		194	3,195

25. AMOUNTS DUE FROM RELATED COMPANIES – CONTINUED

The Group measures the loss allowance for amounts due from related companies at an amount equal to lifetime ECL. The Group considers the days past due of amounts due from related companies to measure the ECL. The Group considers the historical loss rates in prior years and adjusts for forward looking macroeconomic data in calculating the expected credit loss rates. As at 31 December 2020 and 2019, the expected loss rate for amounts due from related companies based on ageing was very low, the identified impairment loss was immaterial.

26. BANK BORROWINGS

	2020 RMB'000	2019 RMB'000
Secured bank borrowings	108,000	108,000
Less: Amounts classified as current liabilities	(108,000)	–
Amounts as non-current	–	108,000
Carrying amount repayable:*		
Within one year	108,000	–
More than one year but less than two years	–	108,000
	108,000	108,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 December 2020 and 2019, the bank borrowings were denominated in RMB, bore interest at fixed rate of 5.23% (2019: 5.46%) per annum.

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

(i) the pledge of certain buildings of the Group with carrying values of approximately RMB11,388,000 and RMB11,748,000 as at 31 December 2020 and 2019 respectively (see note 13);

(ii) the pledge of certain right-of-use assets of the Group with carrying values of approximately RMB19,008,000 and RMB19,555,000 as at 31 December 2020 and 2019 respectively (see note 14);

(iii) the pledge of certain investment properties of the Group with carrying values of approximately RMB9,424,000 and RMB9,731,000 as at 31 December 2020 and 2019 respectively (see note 15).

27. SHARE CAPITAL

	2020 Number of shares	2020 RMB'000	2019 Number of shares	2019 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	2020 RMB'000	2019 RMB'000
Non-current asset			
Investments in subsidiaries		31,562	33,593
Current assets			
Amounts due from subsidiaries	*(a)*	116,022	116,575
Cash and cash equivalents		13,786	27,333
		129,808	143,908
Current liability			
Other payables		528	1,981
Net current assets		129,280	141,927
		160,842	175,520
Capital and reserves			
Share capital		2,387	2,387
Reserves	*(b)*	158,455	173,133
		160,842	175,520

Notes:

(a) The amounts are unsecured, interest-free and repayable on demand. During the years ended 31 December 2020 and 2019, the directors of the Company have preformed an impairment assessment based on the expected credit loss model. No impairment losses were recognised for both years.

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 2019	169,904	13,639	(9,785)	173,758
Loss for the year	–	–	(4,515)	(4,515)
Other comprehensive income for the year				
Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	3,890	–	3,890
Total comprehensive income (expense) for the year	–	3,890	(4,515)	(625)
Balance at 31 December 2019 and 1 January 2020	169,904	17,529	(14,300)	173,133
Loss for the year	–	–	(4,222)	(4,222)
Other comprehensive expense for the year				
Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	(10,456)	–	(10,456)
Total comprehensive expense for the year	–	(10,456)	(4,222)	(14,678)
Balance at 31 December 2020	**169,904**	**7,073**	**(18,522)**	**158,455**

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 2020	Financing cash flows	Accrued interest	Non-cash items: Additions *(note 14)*	Non-cash items: Adjustment for lease modification *(note 14)*	Non-cash items: Termination of leases *(note 14)*	Non-cash items: Rent concessions *(note 31)*	31 December 2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities								
Bank borrowings	108,000	(5,805)	5,805	–	–	–	–	108,000
Lease liabilities	75,147	(37,045)	5,678	68,563	3,210	(6,934)	(274)	108,345

	1 January 2019	Financing cash flows	Accrued interest	Non-cash item: Additions *(note 14)*	31 December 2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities					
Bank borrowings	108,000	(5,882)	5,882	–	108,000
Lease liabilities	86,935	(26,630)	4,202	10,640	75,147

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		2020 RMB'000	2019 RMB'000
Related companies	Sales of goods	*(Notes a and d)*	875	5,432
	Purchase of goods	*(Notes b and e)*	–	69
	Rental expense paid	*(Notes c and e)*	831	787

(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) In 2017, the Company entered into a two-year lease in respect of office premises from a fellow subsidiary of the Group's holding company. The amount of rent payable by the Company under the lease was HK$60,000 (equivalent to RMB53,160) per month. At 1 January 2019, the lease was accounted for as a short-term lease. During the year ended 31 December 2019, the Company had made lease payment of RMB319,000 (2020: nil) to the fellow subsidiary of the Group's holding company.

During the year ended 31 December 2019, the Company entered into a one-year lease in respect of other office premises from a fellow subsidiary of the Group's holding company. The amount of rent payable by the Company under the lease was HK$88,000 (equivalent to RMB76,446 (2019: RMB77,968)) per month. The Group has made lease payment of RMB688,000 (2019: RMB468,000) to the fellow subsidiary of the Group's holding company, where the lease is accounted for as a short-term lease.

During the year ended 31 December 2020, the Company entered into a one-year lease in respect of other office premises from a fellow subsidiary of the Group's holding company. The amount of rent payable by the Company under the lease was HK$55,000 (equivalent to RMB47,779) per month. The Group has made lease payment of RMB143,000 (2019: nil) to the fellow subsidiary of the Group's holding company, where the lease is accounted for as a short-term lease.

(d) The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the "Report of the Directors" section to the annual report.

(e) The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

30. RELATED PARTY TRANSACTIONS – CONTINUED

(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:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	4,305	3,171
Pension scheme contributions	48	89
Contractual compensation for loss of office paid	2,421	–
	6,774	3,260

31. MAJOR NON-CASH TRANSACTION

As disclosed in notes 2 and 14, the Group has early adopted the Amendment to IFRS 16, *COVID-19-Related Rent Concessions*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the year. Accordingly, rent concessions of RMB274,000 have been accounted as negative variable lease payments and recognised in profit or loss, with a corresponding adjustment to the lease liabilities.

32. OPERATING LEASE ARRANGEMENTS

The Group as a lessor

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

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020 RMB'000	2019 RMB'000
Within one year	17,231	20,059

33. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

(a) The PRC

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in a defined contribution retirement benefit scheme (the “Scheme”) organised by the local authority whereby the PRC subsidiaries are required to make contributions to the Scheme based on certain percentages of the eligible employee’s salaries. The local government authority is responsible for the entire pension obligations payable to the retired employees.

(b) Hong Kong

The Group also maintains the MPF Scheme for all qualifying employees in Hong Kong in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, of which the contribution was matched by employees and subject to a cap of HK$1,500 per employee.

The Group has no other obligations for payment of retirement and other post-retirement benefits of employees other than the contribution described above.

The total expense recognised in profit or loss of approximately RMB4,951,000 (2019: RMB7,444,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

34. 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 2020 and 2019, there were no outstanding options granted under the Share Option Scheme.

35. 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 indirectly	Principal activities
Subsidiaries				
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 good in the PRC
廣東省順客隆商業#	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
廣東省譽邦行供應鏈管理有限公司 (formerly known as 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 good 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 good 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

* 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.

36. 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.

	2020 RMB'000	2019 RMB'000
Debt	108,000	108,000
Equity	238,160	256,322
Debt to equity ratio	45%	42%

37. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at FVTPL	43,500	20,000
At amortised cost (including bank balances and cash)	169,907	211,867

	2020 RMB'000	2019 RMB'000
Financial liabilities		
At amortised cost	234,859	247,047

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk (currency 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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Credit risk

As at 31 December 2020, 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 bills receivables, deposits paid and other receivables, cash and cash equivalents and amounts due from related companies. 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.

For trade receivables and trade-related amounts due from related companies, the Group has applied the simplified approach in IFRS 9 to measure the loss 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 that the bills receivables to be low credit risk when there is no information indicating that they had a significant increase in credit risk since initial recognition and thus the allowance for impairment recognised during the year was limited to 12-month ECL. As at 31 December 2020, the identified impairment loss was not significant.

Management considered that rental deposits paid, other deposits paid and other receivables to be low credit risk and thus the allowance for impairment recognised during the year was limited to 12-month ECL. For the years ended 31 December 2020 and 2019, the Group assessed the ECL for rental deposits paid, other deposits paid and other receivables were immaterial and thus no loss allowance was recognised.

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

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 forward-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 debtor'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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Credit risk – continued

The Group's exposure to credit risk

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

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.

				2020			2019		
	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	*19*	Note	Lifetime ECL (simplified approach)	36,620	(1,501)	35,119	23,587	–	23,587
Bills receivables	*19*	Performing	12-month ECL	321	–	321	–	–	–
Rental deposits and other deposits paid	*17*	Performing	12-month ECL	12,865	–	12,865	12,632	–	12,632
Other receivables	*17*	Performing	12-month ECL	17,438	–	17,438	24,575	–	24,575
Amounts due from related companies	*25*	Note	Lifetime ECL (simplified approach)	194	–	194	3,195	–	3,195
Deposit with a bank	*21*	Performing	12-month ECL	–	–	–	25,243	–	25,243
Cash and cash equivalents	*21*	Performing	12-month ECL	103,970	–	103,970	122,635	–	122,635
				171,408	(1,501)	169,907	211,867	–	211,867

Note: The Group has applied simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

The Group's concentration of credit risk by geographical location is mainly in the PRC, which accounted for 99% (2019: 99%) of the total trade receivables as at 31 December 2020.

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

38. 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 details the Group's remaining contractual maturities for its non-derivative financial liabilities at the end of the reporting period. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables below include both interest and principal cash flows.

	Due on demand or within one year RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
31 December 2020					
Trade payables	102,800	–	–	102,800	102,800
Deposits received, accruals and other payables	24,059	–	–	24,059	24,059
Bank borrowings	109,561	–	–	109,561	108,000
	236,420	–	–	236,430	234,859
Lease liabilities	36,498	79,380	5,196	121,074	108,345

	Due on demand or within one year RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
31 December 2019					
Trade payables	116,252	–	–	116,252	116,252
Deposits received, accruals and other payables	22,795	–	–	22,795	22,795
Bank borrowings	5,868	109,616	–	115,484	108,000
	144,915	109,616	–	254,531	247,047
Lease liabilities	26,222	56,610	8,510	91,342	75,147

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Market risk

Currency risk

Certain bank balances are denominated in currencies other than the functional currencies of the entities to which they relate. The Group currently does not have a foreign currency hedging policy. Management monitors foreign exchange exposure and will consider hedging foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currencies denominated monetary assets at the end of the reporting period are as follows.

	2020 RMB'000	2019 RMB'000
HK$	984	689
RMB	497	1,262
	1,481	1,951

Sensitivity analysis

The Group is mainly exposed to the currency of HK$ and RMB.

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in exchange rates of the relevant foreign currencies against the respective entity's functional currency. 5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of reporting period for a 5% (2019: 5%) change in foreign currency rates. A positive number below indicates a decrease/an increase in post-tax loss/profit where the respective functional currencies of the reporting entity weaken 5% (2019: 5%) against the relevant foreign currencies. For a 5% (2019: 5%) strengthening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss/profit, and the balances below would be negative.

	HK$		RMB	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Profit or loss	43	30	23	53

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Market risk – continued

Interest rate risk

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

The Group's fair value interest rate risk relates primarily to its fixed-rate bank balances and 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 2020 in interest rates for floating rate assets, with all other variables held constant, would decrease or increase the Group's loss for the year by approximately RMB33,000 (2019: decrease or increase the Group's loss for the year by RMB45,000) for the year ended 31 December 2020.

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 2020 and 2019.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – 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
		2020 RMB'000	2019 RMB'000				
Wealth management product	Level 2	43,500	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.