順客隆

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

2017 Annual Report

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CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Wang Zheng *(Chairman)*
Mr. Mung Hon Ting Jackie *(Chief Executive Officer)*
Mr. Han Wei *(Chief Financial Officer)*

Non-Executive Directors
Mr. Wu Limin
Mr. Wang Fu Lin

Independent Non-Executive Directors
Mr. Sun Hong
Mr. Shin Yick Fabian
Mr. Guan Shiping

AUDIT COMMITTEE

Mr. Shin Yick Fabian *(Chairman)*
Mr. Guan Shiping
Mr. Wu Limin

REMUNERATION COMMITTEE

Mr. Sun Hong *(Chairman)*
Mr. Guan Shiping
Mr. Mung Hon Ting Jackie

NOMINATION COMMITTEE

Mr. Wang Zheng *(Chairman)*
Mr. Guan Shiping
Mr. Sun Hong

AUTHORISED REPRESENTATIVES

Mr. Mung Hon Ting Jackie
Mr. Chong Yuk Fai

COMPANY SECRETARY

Mr. Chong Yuk Fai

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Floor 3, Huale Building
No. 60 Hebin North Road
Lecong Town Shunde District, Foshan
Guangdong Province 528315
The PRC

PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

COMPANY'S WEBSITE

www.skl.com.cn

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman
KY1-1112
Cayman Islands

FINANCIAL SUMMARY

Results	For the year ended 31 December 2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000
Revenue (Note)	869,087	1,053,359	1,039,614	1,087,872	**954,164**
Gross profit (Note)	147,655	183,297	200,598	153,092	**147,343**
Profit from operation	40,441	46,341	48,373	40,033	**21,537**
Finance costs	4,026	4,210	7,268	5,559	**4,625**
Income tax expense	9,344	11,096	12,281	9,839	**4,976**
Profit for the year attributable to the owners of the Company	27,070	30,951	28,631	24,397	**11,681**
Total comprehensive income attributable to the owners of the Company	27,072	30,651	31,094	29,235	**8,095**
Dividend paid	Nil	18,800	18,800	24,991	**Nil**

Assets and liabilities	As at 31 December 2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000
Non-current assets	84,801	97,100	123,884	110,694	**97,602**
Current assets	216,072	289,812	458,326	428,762	**427,936**
Current liabilities	216,394	316,298	251,416	283,690	**261,422**
Net current (liabilities)/assets	(322)	(26,486)	206,910	145,072	**166,514**
Total assets less current liabilities	84,479	70,614	330,794	255,766	**264,116**
Non-current liabilities	—	—	80,000	—	**—**
Net assets	84,479	70,614	250,794	255,766	**264,116**
Equity attributable to owners of the Company	84,178	70,229	250,216	254,460	**262,555**

Note: Net rental income from investment properties of approximately RMB1,287,000 for the year ended 31 December 2016 is reclassified from "Revenue" to "Other operating income" to conform with changes in presentation in the current year.

CHAIRMAN'S STATEMENT

Dear Shareholders,

E-commerce continues to grow rapidly and has changed the way of consumption from physical stores to online stores. According to The Ministry of Commerce, online retail sales totaled RMB7.18 trillion in 2017, soaring 32% from RMB5.43 trillion of last year. The changes in customers' consumption patterns lead to a weakened traditional retail store business performance. The situation was no exception for the Group. Under tremendous pressure and fierce competition, the Group had suffered a decline in net profit in 2017.

By proactively seeking potential business investment and development projects in the PRC and overseas, the Group expects to enhance revenue, asset value and market publicity to a higher level. Upon completion of the sales of shares of the Group, CCOOP Group Co., Ltd. ("CCOOP Group"), a company listed on the Shenzhen Stock Exchange trading under the stock code 000564, has become the controlling shareholder of the Group. CCOOP Group owns the leading online business-to-business marketing and business platforms with rich resources on suppliers and self-operated commodity. Combined with the resources of our own offline physical stores, we aim to create a new platform of "Offline Store + Internet" to accelerate the transition of traditional physical retail model to new retail business model. Through continuous integration of funds, personnel, technology and other resources of CCOOP Group, the Group will improve comprehensive strength of customer services. Leveraging on the brand new business model, not only can the Group enhance its performance and business scale, but also rapidly expand its business to overseas and achieve light asset management.

Looking ahead to 2018, China aims to expand its economy by around 6.5 percent this year. The goal remains unchanged even though the economy grew 6.9 percent last year, picking up the speed for the first time in seven years. Consumption growth will also stay resilient due to solid income growth, underpinned by robust services sector activity and export. China sets its consumer price index at around 3 percent, and expects retail sales of consumer goods to rise around 10 percent in 2018. Amid the rising prominence of the service sector, the Group firmly believes that the upbeat outlook will generate new opportunities and drive business growth. Meanwhile, we will allocate resources on sourcing high-quality and variety of products, as well as improving store quality, and eventually create a more unique shopping experience. With a solid foundation in retail industry, we also expect to keep a good relationship with experienced customers and digging for new markets in e-commerce in the key regions in the PRC.

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere appreciation to the shareholders, suppliers, customers and business partners for their long-term supports, and thank you all staff for their dedication and contribution to the Group. The Group will continue to expand and develop its business in the future to create a brighter prospect and maximize more desirable returns to its shareholders.

Wang Zheng
Chairman

28 March 2018

BUSINESS REVIEW

China Shun Ke Long Holdings Limited (the "Company" and together with its subsidiaries, the "Group") is an investment holding company and the Group is a supermarket chain store operator with geographical focus in Guangdong province of the People's Republic of China (the "PRC"). During the year ended 31 December 2017 ("FY2017"), the Group maintained both retail and wholesale distribution channels. The Group's focus on the suburban and rural areas made it different from other major players in the market.

Retail Outlets

During the FY2017, the Group opened 3 retail outlets and closed 14 retail outlets. As at 31 December 2017, the Group had 61 retail outlets located in Guangdong province of the PRC and 3 retail outlets located in the Macau Special Administrative Region ("Macau") of the PRC, respectively.

The following table sets forth the changes in the number of retail outlets of the Group during FY2017:

	For the year ended 31 December	
	2017	2016
At the beginning of the year	**75**	85
Additions	**3**	12
Reductions	**(14)**	(22)
At the end of the year	**64**	75

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 31 December 2017:

Location	**Number of retail outlets**
Foshan	**45**
Zhaoqing	**10**
Zhuhai	**5**
Guangzhou	**1**
The PRC	**61**
Macau	**3**
Total	**64**

General Wholesale

During the FY2017, the Group managed to keep all sole and exclusive distribution rights it gained before. The Group maintained sole and exclusive distribution rights for 14 brands covering Foshan, Jiangmen and Zhaoqing. The exact coverage of the Group's sole and exclusive distribution rights varied among those 14 brands. Instead of developing the size of general wholesale customer base, the Group put more emphases on gaining more sub-distributors rather than retailers as the Group's customers.

Franchise Operation

The Group has a franchise scheme opened for application by interested parties to franchise retail outlets. The proceeds from selling goods to franchisees of the Group form part of its wholesale distribution revenue.

The following table sets forth the changes in number of franchise outlets of the Group during the FY2017:

	For the year ended 31 December	
	2017	2016
At the beginning of the year	**418**	33
Additions	**25**	388
Reductions	**(6)**	(3)
At the end of the year	**437**	418

RECENT DEVELOPMENT

Although the recovery trend of the physical stores is visible, the negative impacts brought by e-commerce and the Internet still exert a great pressure on the retail market. The Group will adhere to its principle of prudent financial management and strive to control costs. The Group will continue to review and enhance its products mix. The Group will expand our direct sourcing capabilities and identify more product supply origins. More direct purchases for fresh food from overseas would provide our customers with better and wider product range and at lower prices by eliminating middlemen and agents.

With the above measures and the efforts of the management team, especially for the expansion of the opening of new retail outlets, the Group will continue to maintain its leading position in the retail market and generate better returns for our shareholders.

OUTLOOK AND PROSPECT

The Group expects 2018 to be another challenging year. The surge in the operating costs in various business areas is not expected to slow down, particularly labour costs and rentals. Therefore, the Group remains very diligent in the selection of new retail outlets location to maintain quality and profitability. In particular, the Group's expansion plan is not hindered by economic fluctuations and it will continue opening new retail outlets in Guangdong province, so as to increase its market share in areas in which consumers' purchasing power grows relatively faster. At the same time, the Group will enhance the profitability of existing retail outlets by modifying the merchandise mix to meet customers' preference.

The recent acceleration of the integration of online and offline business demonstrates traditional physical stores are as important as ever and shopping in physical stores is for many people a pleasurable experience that cannot be easily replicated online. The Group will therefore continue to improve our service level. Furthermore, it is also important for us to develop different forms to cater for the customers' different and evolving needs. The Group will continue streamlining the administrative process to reduce office overheads and headcounts. The Group is optimistic that we can build on the solid foundation and deliver satisfactory performance in 2018.

FINANCIAL REVIEW

Revenue

For the FY2017, the revenue of the Group was approximately RMB954.2 million, representing a drop of approximately RMB133.7 million or 12.3% when compared with revenue for the year ended 31 December 2016 ("FY2016"). The decline in the revenue was mainly due to the fact that there was a tangible decrease in revenue of wholesale distribution, caused by intensified competition from other online platforms.

For the FY2017, the Group's revenue from retail outlet operation was approximately RMB677.0 million, representing a slight decrease of approximately RMB11.9 million or 1.7% when compared with FY2016. The decline was mainly caused by the intensified competition from online retailers.

For the FY2017, the Group's revenue from wholesale distribution operation was approximately RMB277.2 million, representing a drop of approximately RMB121.7 million or 30.5% when compared with FY2016. The drop was mainly due to the fact that there was a substantial decrease in the average purchase amounts by corporate customers.

Gross Profit Margin

For FY2017 and FY2016, the Group's gross profit margins were 15.4% and 14.1%, respectively. The improvement was mainly due to the result of reduction of low margin sales.

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 FY2017:

	For the year ended 31 December	
	2017	2016
	RMB million	RMB million
Revenue		
Retail outlet operation	**677.0**	688.9
Wholesale distribution	**277.2**	399.0
Total	**954.2**	1,087.9
Cost		
Retail outlet operation	**536.6**	551.2
Wholesale distribution	**270.2**	383.6
Total	**806.8**	934.8
Gross profit		
Retail outlet operation	**140.4**	137.7
Wholesale distribution	**7.0**	15.4
Total	**147.4**	153.1
Gross profit margin		
Retail outlet operation	**20.7%**	20.0%
Wholesale distribution	**2.5%**	3.9%
Overall	**15.4%**	14.1%

Other Operating Income

For the FY2017, the Group's other operating income was approximately RMB55.6 million, representing an increase of approximately RMB4.4 million or 8.6% when compared with FY2016. The increase was mainly due to the substantial increase in promotion income from suppliers, which mitigated the drop in governments grants.

Selling and Distribution Costs

For the FY2017, the Group's selling and distribution costs were approximately RMB141.0 million, representing an increase of approximately RMB10.5 million or 8.1% when compared with FY2016. The increase was mainly due to the rise in the minimum wages in Guangdong Province and more marketing campaigns carried out in the second half of FY2017.

Administrative Expenses

For the FY2017, the Group's administrative expenses were approximately RMB40.4 million, representing an increase of approximately RMB6.6 million or 19.5% when compared with FY2016. The increase was mainly due to the professional fees incurred in relation to the mandatory unconditional cash offer for the shares of the Company.

Finance Costs

For the FY2017, the Group's finance costs were approximately RMB4.6 million, representing a decrease of approximately RMB0.9 million or 16.8% when compared with FY2016. The decrease was mainly due to reduction in bank borrowings during FY2017.

Income Tax Expense

For the FY2017, the Group's income tax expense was approximately RMB5.0 million, representing an effective tax rate of 29.4%. The high effective tax rate was mainly caused by some of the expenses in relation to closure of retail outlets being not tax deductible.

Net Profit

For the FY2017, the Group's net profit attributable to the shareholders was approximately RMB11.9 million, representing a drop of approximately RMB12.7 million or 51.5% when compared with FY2016. The drop was mainly due to reduction in government grants and increase in administrative expenses.

Total Comprehensive Income

For the FY2017, the Group's total comprehensive income attributable to the shareholders was approximately RMB8.4 million, representing a drop of approximately RMB21.1 million or 71.7% when compared with FY2016. The steady appreciation of RMB against HK$ led to an exchange loss on translating foreign operations of approximately RMB3.6 million for the FY2017, which was reflected as other comprehensive income.

Capital Expenditure

The Group's capital expenditure requirements were mainly related to additions of its property, plant and equipment for the newly opened and existing retail outlets. For the FY2017, the Group spent approximately RMB18.0 million on addition of its property, plant and equipment.

Liquidity and Financial Resources

As at 31 December 2017, the Group had cash and cash equivalents of approximately RMB164.5 million (as at 31 December 2016: approximately RMB151.9 million), out of which approximately RMB126.0 million was denominated in RMB and approximately RMB38.5 million (as at 31 December 2016: approximately RMB46.2 million) was denominated in HK$ or MOP.

As at 31 December 2017, the Group had net current assets of approximately RMB166.5 million (as at 31 December 2016: approximately RMB145.1 million) and net assets of approximately RMB264.1 million (as at 31 December 2016: approximately RMB255.8 million). As at 31 December 2017, the Group had unutilized banking facilities of approximately RMB51.0 million (as at 31 December 2016: approximately RMB91.0 million).

Significant Investments and Plans for Material Investments or Capital Assets

The Group did not hold any significant investments during the FY2017. Save for the business plan disclosed in the Prospectus and the announcement dated 24 October 2016, there was no other plan for material investments or capital assets as at 31 December 2017.

Material Acquisitions and Disposals

The Group did not carry out any material acquisition nor disposal of any subsidiary or associated company during the FY2017.

Indebtedness and Pledge of Assets

As at 31 December 2017, the Group had bank borrowings denominated in approximately RMB92.0 million (as at 31 December 2016: approximately RMB104.0 million) secured by:

(i) the pledge of certain leasehold buildings of the Group with net carrying amount of approximately RMB14.4 million (as at 31 December 2016: approximately RMB14.1 million);

(ii) the pledge of certain prepaid land lease of the Group with net carrying amount of approximately RMB28.5 million (as at 31 December 2016: approximately RMB29.3 million); and

(iii) the pledge of certain investment properties of the Group with net carrying amount of approximately RMB2.9 million (as at 31 December 2016: approximately RMB2.5 million).

All the bank borrowings were repayable within one year. The interests of those loans were fixed at 4.75% per annum (2016: at floating rate ranging from 4.4% to 6.3% per annum).

Key Financial Ratio

The following table sets forth the key financial ratios of the Group for the FY2017:

	As at/for the year ended 31 December	
	2017	2016
Debtor turnover days	**17.8**	15.1
Inventory turnover days	**52.8**	52.1
Creditor turnover days	**55.3**	54.2
Return on equity	**4.5%**	9.6%
Return on total assets	**2.3%**	4.6%
Interest coverage ratio	**4.7x**	7.2x
Gearing ratio	**34.8%**	40.7%
Net debt to equity ratio	**Net cash**	Net cash
Current ratio	**1.6x**	1.5x
Quick ratio	**1.2x**	1.1x

Debtor turnover days, inventory turnover days and creditor turnover days were calculated with reference to the average of the opening and closing balance of the trade receivables, inventories and trade payables respectively. The Group maintained relatively stable credit terms throughout FY2017 and FY2016. Also, there was no significant changes in the credit terms obtained from the Group's suppliers during the FY2017.

Return on equity and return on total assets were calculated based on net profit of the Company. Interest coverage ratio was calculated by dividing the earnings before interest and taxes by the interest expenses for the same period.

Gearing ratio was calculated based on the interest-bearing liabilities divided by the total equity as at the respective year end. Net debt to equity ratio was calculated based on net interest-bearing liabilities divided by the total equity. The tangible improvement on these ratios was also due to earlier repayment of bank borrowings. The Group had a net cash position as at 31 December 2017. In addition, current ratio and quick ratio remained at healthy level.

Foreign Currency Exposure

Majorities of the Group's assets, liabilities and cash flows were denominated in RMB and part of the Group assets were denominated in HK$. During the FY2017, the steady appreciation of RMB against HK$ had negative effect from translation as the reporting currency of the Group was RMB. Apart from that, the management of the Company viewed that the change in exchange rate for RMB against foreign currencies did not have significant impact on the Group's financial position nor performance given that the functional currency of the Group was RMB. During the FY2017, 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 2017, 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 1,128 employees as at 31 December 2017, of which 1,097 employees worked in the PRC and 31 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 FY2017, the Group had not experienced any significant problem with its employees or disruption to its operations due to labour disputes nor had it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

INTRODUCTION

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

Based on the principle of materiality, this report focuses on the environmental and social impacts of our retail and wholesale business. This report identified the following material ESG issues during the year ended 31 December 2017:

A. ENVIRONMENTAL

A1 Emission

The Group complied with all the applicable laws and regulations in respects of greenhouse emission and waste generation in PRC. The Group's indirect source of carbon dioxide emissions is from its electricity consumption in our retail outlets. In 2017, approximately 5,036 tonnes of carbon dioxide were emitted.

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

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

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

Note: the range of calculation for the volume of greenhouse gas emission shall include the indirect emission generated by the electricity purchased by the Group and its retail outlets and shall be subject to the emission factor of South China electricity grid stipulated in 2015 Reference Emission Factor for Power Grid of China Section (2015中國區域電網基準線排放因數).

A2 Use of Resources

Total water consumption of the Group in 2017 was approximately 65,732 cubic metres. Water supply for the Group is adequate and there is no problem in water sourcing. The Group has been actively carrying out water conservation measures and encouraging reutilization of water so as to reduce water consumption.

Total power consumption of the Group was approximately 6.62 million kWh in 2017. Several measures have been implemented in order to reduce carbon emissions and increase energy efficiency, such as the installation of light-emitting diode ("LED") lighting in the Group's retail outlets and office; reducing electricity consumption and keeping indoor temperature at reasonable level; frequent and regular maintenance of ventilation system; reminding employees to do photocopying wisely and to use both sides of paper.

Packaging material is another source of resources consumed in our operations. During the year ended 31 December 2017, the Group distributed plastic shopping bags and packing materials of 11,685 kg to our customers. The Group encourage our customers to bring their own shopping bags to reduce shopping bags consumption.

A3 The Environment and Natural Resources

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

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

B. SOCIAL

B1 Employment

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

A robust and stable team of employees is the key to maintain a regular and stable operation. As at 31 December 2017, the Group had 1,128 employees and the proportion of male to female employees was 22.7% to 77.3%. The principle of equal working environment has been strictly adhered.

B2 Health and Safety

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

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

During the year ended 31 December 2017, there was no material non-compliance with the laws and regulations in relation to health and safety, nor any work-related fatal accidents.

B3 Development and Training

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

B4 Labour Standards

During the year ended 31 December 2017, there was no child and forced labour in our Group as it strictly complies with the requirements of the relevant laws and regulations such as the "Labour Law of the PRC" and "the Labour Contract Law of the PRC".

B5 Supply Chain Management

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

B6 Product Responsibility

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

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

B7 Anti-corruption

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

The Group also requires our business partners to strictly comply with anti-corruption practices. All business partners need to sign acknowledgement letter of the Group's anticorruption policies. Our statement of anti-corruption policies is placed in all open meeting areas to remind ourselves and our business partners of such practices. Therefore, the Group complied with all the laws and regulations in respects of bribery, extortion, fraud and money laundering for the year ended 31 December 2017.

B8 Community Investment

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wang Zheng (王正), aged 28, was appointed as the Chairman and Executive Director of the Company on 2 March 2018. He was a human resources manager of Shanghai Daxinhua International Ship Management Co., Ltd. (上海大新華國際船舶管理有限公司) from October 2011 to November 2012, after which he served as a human resources assistant in HNA Group Limited (海航集團有限公司) from November 2012 to June 2013 and was promoted to be a human resources manager from June 2013 to February 2015. Since February 2015, he was the secretary of the chairman of the board of directors of HNA Group Limited (海航集團有限公司). Mr. Wang graduated from Shanghai Maritime University with a bachelor degree in transportation engineering.

Mr. Mung Hon Ting Jackie (蒙翰廷), aged 24, was appointed as the Chief Executive Officer, Executive Director and Authorized Representative of the Company on 2 March 2018. He served as an audit associate of Deloitte Touche Tohmatsu Limited (Hong Kong) in 2015, after which he served as an analyst in VMS Securities Limited (Hong Kong) from November 2015 to February 2016. He served as a fund manager of Global Mastermind Capital Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 905), from March 2016 to November 2017. Mr. Mung served as the chief executive officer of VeloX Express Limited from March 2016 to November 2017. Since April 2016, he has been appointed as a director of VeloX Express Limited and China Logistics Holdings Group Co., Limited respectively. Mr. Mung has been appointed as an executive director and the deputy chief investment officer of Hong Kong International Construction Investment Management Group Co., Limited, a company listed on the Stock Exchange (stock code: 687), since October 2017 and January 2018 respectively. He is currently a member of Hong Kong Youth Elites Association, Hong Kong United Youth Association and Guangdong Youth Federation. Mr. Mung received his bachelor of science degree in corporate finance and accounting from Bentley University in the United States in 2014.

Mr. Han Wei (韓瑋), aged 36, was appointed as a Non-Executive Director on 10 June 2017 and re-designated as an Executive Director and the Chief Financial Officer on 13 September 2017. Mr. Han previously served as the fund planning and procurement manager in the finance planning department of HNA Group Co., Ltd. (海航集團有限公司), the assistant to the general manager in the finance department of Hainan Airlines Co., Ltd. (海南航空股份有限公司), the deputy general manager in the finance planning department of HNA Infrastructure Industry Group Limited (海航基礎產業集團有限公司), the vice president of the project construction department of HNA Industrial Holdings (Group) Co., Ltd. (海航實業控股(集團)有限公司), the executive deputy manager in the finance planning department of HNA Industrial Group Co., Ltd. (海航實業集團有限公司), the chief financial officer of HNA Retailing Co., Ltd. (海航商業控股有限公司), the financial controller of HNA Retailing Co., Ltd. (海航商業控股有限公司), and the deputy financial controller and the general manager in the financial planning department of Hainan Gongxiao Daji Holding Ltd. (海南供銷大集控股有限公司). Mr. Han currently serves as a director of HNA Retailing Co., Ltd. (海航商業控股有限公司), the financial controller of Hainan Gongxiao Daji Holding Ltd. (海南供銷大集控股有限公司), an executive director of Green Industrial (HK) Holding Co., Limited (綠色實業(香港)有限公司), an executive director of Feihang Yuanchuang Investment Co., Ltd. (飛航遠創投資有限公司), the financial controller of CCOOP Group Co., Ltd. (供銷大集集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000564), and a director and chief executive officer of Hainan Gongxiao Daji Financial Information Technology Co., Ltd (海南供銷大集金服信息科技有限公司). He holds dual bachelor degrees in Economics and Law from Xi'an Jiaotong University in China and a postgraduate diploma in Finance from Xiamen University in China. He is an intermediate economist.

NON-EXECUTIVE DIRECTORS

Mr. Wu Limin (武利民), aged 57, was appointed as an Executive Director on 10 June 2017 and re-designated as a Non-Executive Director on 13 September 2017. Mr. Wu previously served as the director and engineer of Beijing Electrical Equipment Research Institute (北京電器研究所), the general manager of Beijing Electrical New Technology Company (北京電器新技術公司), the project manager of TRW Inc. in the USA, an engineer and project manager of B&H Inc. in California, the USA, the vice president and chief representative in China of Engineer Project Investment Company in the USA, a director and the general manager of Beijing New Cooperation Technology Co., Ltd. (北京新合作科技有限公司), the chairman of Beijing New Cooperation Supermarket Chain Co., Ltd. (北京新合作連鎖超市有限公司), the vice president of New Cooperation Trade Chain Co., Ltd. (新合作商貿連鎖集團有限公司) and the executive vice president of Hainan Gongxiao Daji Holding Ltd. (海南供銷大集控股有限公司). Mr. Wu currently serves as the vice president (venture investment) of CCOOP Group Co., Ltd. (供銷大集集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000564). He holds a master's degree in Computer Software from South Dakota State University in the USA.

Mr. Wang Fu Lin (王福林), aged 41, was appointed as a Non-Executive Director on 10 June 2017. Mr. Wang previously served as the deputy general manager of project development and management department of HNA Group Co., Ltd. (海航集團有限公司), the assistant to president of HNA Real Estate Holdings (Group) Co., Ltd. (海航置業控股(集團)有限公司), and the chairman and general manager of Chongqing Dingrui Real Estate Development Co., Ltd. (重慶鼎瑞地產開發有限公司), and the general manager in the planning investment department of Hainan Gongxiao Daji Holding Ltd. (海南供銷大集控股有限公司). Mr. Wang currently serves as the general manager of the investment innovation department of CCOOP Group Co., Ltd. (供銷大集集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000564). He holds a bachelor's degree in Economics from Xi'an College of Statistics in China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Hong (孫洪) (formerly Sun Xiong (孫雄)), aged 69, was appointed as an Independent Non-Executive Director of the Company on 19 August 2015. He has been the chairman of Guangdong Chain Operations Association (廣東省連鎖經營協會) from 2012 to 2015, and was appointed as council member of the China Chain Store and Franchise Association (中國連鎖經營協會常務理事) in December 1998 and the vice president of Guangdong Association of Commerce and Economic (廣東省商業經濟學會) in 2008. He was appointed as the committee member of the Advisory Committee in Economic Decision-making of Economy Promotion Bureau of Shunde District (順德區經濟促進局經濟決策諮詢委員會) from October 2011 to December 2016. Mr. Sun was the expert consultant of the Foshan government in May 2010. He was elected as a member of the expert committee of Guangdong Consumer Council (廣東省消費者委員會專家委員會委員) from March 2012 to March 2015. He has been a director of Nanning Department Store Company Limited (南寧百貨大樓股份有限公司) (Shanghai stock code: 600712), a company listed on the Shanghai Stock Exchange since 14 December 2017 and an independent non-executive director of Yi Hua Development Store Holdings Limited (stock code: 2213), a company listed on the Stock Exchange since 12 November 2013. He was an independent director of Shenzhen Agricultural Products Co., Ltd. (深圳市農產品股份有限公司) (Shenzhen stock code: 000061) a company listed on the Shenzhen Stock Exchange, from October 2006 to October 2009. He studied commerce and economics in Renmin University of China (中國人民大學) in 1985 and obtained a graduation certificate in June 1988. Mr. Sun was appointed as an Adjunct Professor in the College of Business in the City University of Hong Kong from January 2011 to December 2014. Mr. Sun was appointed as the MBA Adjunct Professor of the school of business administration in the South China University of Technology (華南理工大學) in 2002.

Mr. Guan Shiping (關仕平), aged 63, was appointed as an Independent Non-Executive Director of the Company on 19 August 2015. Mr. Guan graduated from South China Normal University (華南師範大學) majoring in biology in 1982. Mr. Guan studied law in the China University of Political Science and Law (中國政法大學) in 1988 and obtained a diploma in Chinese from Sun Yat-sen University (中山大學) in November 1989. In 2001, he completed his study of criminal law in the postgraduate school of Sun Yat-sen University (中山大學研究生院). He was qualified to practise law in the PRC in January 1992. He was qualified as a second-grade lawyer in Guangdong Province in 2005.

He was the manager and lawyer of Foshan Municipal Law Firm (佛山市城區律師事務所) from November 1992 to May 1994. He has been the manager and lawyer of Guangdong Guanglixin Law Firm (廣東廣立信律師事務所) since May 1994. Mr. Guan was named as Outstanding Lawyer (優秀律師) by Foshan Justice Bureau (佛山市司法局) in 1998, by Foshan Municipal Justice Bureau (佛山市城區司法局) in 2000 and by Lawyers' Association of the Foshan Municipal (佛山市律師協會) in 2007. He was awarded Outstanding Contribution Award on Stabilising the Province's Legal Profession (全省律師行業維穩工作傑出貢獻獎) by Lawyers' Association of Guangdong Province (廣東省律師協會) in 2010. Mr. Guan has been the legal advisory group member of Standing Committee of the Foshan Municipal Chancheng City (佛山市禪城區人大常委會) between 2003 and 2011 and of People's Government of the Foshan Municipal Chancheng City (佛山市禪城區人民政府) between 2007 and 2012. He has also been the consultant of Legal Aid Expert Advisory Group of the Foshan Municipal (佛山市法律援助專家顧問組) between 2007 and 2009.

Mr. Shin Yick Fabian (冼易), aged 49, was appointed as an Independent Non-Executive Director of the Company on 19 August 2015. Mr. Shin has been an independent non-executive director of each of Lisi Group (Holdings) Limited (stock code: 526), Newton Resources Ltd (stock code: 1231) and Goldenmars Technology Holdings Limited (stock code: 3638) since 1 January 2013 and 14 August 2015 and 30 September 2016, respectively. Mr. Shin has been appointed as a non-executive director of Pak Tak International Limited (stock code: 2668) with effect from 9 February 2017. Mr. Shin has been appointed as a director of BIO-key International, Inc. (NASDAQ: BKYI) since 20 November 2017. Mr. Shin was a non-executive director of Hang Fat Ginseng Holdings Company Limited (stock code: 911) between January and February 2016.

Mr. Shin graduated from the University of Birmingham in England with a bachelor's degree in commerce in July 1990. After graduation, he worked in the audit department of Deloitte Touche Tohmatsu from August 1991 to February 1994. He had also worked in Victory City International Holdings Limited, a company listed on the Stock Exchange (stock code: 539), as group financial controller and company secretary from July 1996 to June 1998. From February 2010 to July 2015, he was the Deputy Chief Executive Officer of CMB International Capital Corporation Limited. Mr. Shin has over 26 years of experience in investment banking and financial management. He is a fellow member of Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants, Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

SENIOR MANAGEMENT

Mr. Feng Hengyuan (馮恒源), aged 32, was appointed as the Chief Innovation and Investment Officer on 13 September 2017. Mr. Feng has joined HNA Group Company Limited since October 2011 and has been acting as a centre manager of its investment banking management department since October 2015. He has extensive work experience in the matters relating to the merger and acquisition, asset reconstruction, equity financing, corporate governance and compliance issues of listed companies in the PRC and Hong Kong. The Board considers that his educational background and work experience are fit for the future development of the Group. He obtained a bachelor degree in Business Administration from Nanjing Agricultural University in June 2008 and a master degree in Accounting (Professional) from Macquarie University, Australia in January 2011.

Mr. Chong Yuk Fai (莊旭輝), aged 37, has been appointed as the Financial Controller, Company Secretary and Authorised Representative of the Company with effect from 1 August 2016. Mr. Chong is responsible for the financial reporting functions as well as the company secretarial affairs of the Group. Mr. Chong has over 14 years of experience in auditing, accounting and corporate finance. Prior to joining the Company, Mr. Chong had worked for an international accounting firm providing assurance services and a number of listed companies in Hong Kong responsible for financial management. Mr. Chong holds a bachelor degree in Accounting and Finance from The University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE PRACTICES

The board (the "Board") of directors (the "Directors") of China Shun Ke Long Holdings Limited (the "Company" and together with its subsidiaries, the "Group") is committed to achieving high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework to safeguard the interests of shareholders of the Company (the "Shareholders"), to enhance corporate value and accountability, and to formulate its business strategies and policies for the development of the Company.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. The Board is of the view that for the year ended 31 December 2017, the Company has complied with all the code provisions as set out in the CG Code.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with the Model Code for the year ended 31 December 2017.

BOARD OF DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this annual report were as follows:

Executive Directors

Mr. Wang Zheng *(Chairman, appointed on 2 March 2018)*
Mr. Mung Hon Ting Jackie *(Chief Executive Officer, appointed on 2 March 2018)*
Mr. Han Wei *(appointed as Non-Executive Director on 10 June 2017 and re-designated as Executive Director and Chief Financial Officer on 13 September 2017)*
Mr. He Jia Fu *(appointed on 10 June 2017 and resigned on 2 March 2018)*
Mr. Li Zhongxu *(appointed on 10 June 2017 and resigned on 2 March 2018)*
Ms. Wang Yanfen *(resigned on 10 June 2017)*
Mr. Wu Zhaohui *(resigned on 10 June 2017)*

Non-Executive Directors

Mr. Wu Limin *(appointed as Executive Director on 10 June 2017 and re-designated as Non-Executive Director on 13 September 2017)*
Mr. Wang Fu Lin *(appointed on 10 June 2017)*
Mr. Lao Songsheng *(re-designated from Executive Director on 10 June 2017 and resigned on 2 March 2018)*
Mr. Chen Yijian *(resigned on 10 June 2017)*
Ms. Lao Weiping *(resigned on 10 June 2017)*
Ms. Zhang Bei *(resigned on 10 June 2017)*

Independent Non-Executive Directors

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

ATTENDANCE RECORD OF DIRECTORS

The attendance record of each Director at the Board and Board committee meetings and the general meeting of the Company held for the year ended 31 December 2017 is set out in the table below:

	Attendance/Number of Meetings				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	General Meeting
Mr. He Jia Fu	5/5	N/A	1/1	N/A	1/2
Mr. Li Zhongxu	5/5	N/A	N/A	1/1	2/2
Mr. Han Wei	5/5	1/1	N/A	N/A	2/2
Mr. Wu Limin	5/5	1/1	N/A	N/A	2/2
Mr. Wang Fu Lin	5/5	N/A	N/A	N/A	1/2
Mr. Lao Songsheng	5/8	N/A	1/1	N/A	0/2
Ms. Wang Yanfen	3/3	N/A	N/A	N/A	N/A
Mr. Wu Zhaohui	3/3	N/A	N/A	N/A	N/A
Mr. Chen Yijian	3/3	N/A	N/A	1/1	N/A
Ms. Lao Weiping	3/3	1/1	N/A	N/A	N/A
Ms. Zhang Bei	3/3	N/A	N/A	N/A	N/A
Mr. Sun Hong	8/8	N/A	2/2	2/2	2/2
Mr. Guan Shiping	8/8	3/3	2/2	2/2	2/2
Mr. Shin Yick Fabian	8/8	3/3	N/A	N/A	1/2

Note:

(i). Mr. He Jia Hu was a chairman of nomination committee from 10 June 2017 to 1 March 2018 (both days are inclusive);

(ii). Mr. Li Zhongxu was a member of remuneration committee from 10 June 2017 to 1 March 2018 (both days are inclusive);

(iii). Mr. Han Wei was a member of audit committee from 10 June 2017 to 12 September 2017 (both days are inclusive);

(iv). Mr. Wu Limin has been appointed as a member of audit committee since 13 September 2017;

(v). Mr. Lao Songsheng resigned as a chairman of nomination committee on 10 June 2017;

(vi). Mr. Chen Yijian resigned as a member of remuneration committee on 10 June 2017; and

(vii). Ms. Lao Weiping resigned as a member of audit committee on 10 June 2017.

Under E.1.2 of the CG Code, the Chairman of the Board should attend the general meetings of the Company and invite the chairman of the committees to attend. Also, under A.6.7. of the CG Code, independent non-executive directors and other non-executive directors should attend general meeting of the Company and develop balanced understanding of the views of shareholders. However, due to other business commitment, Mr. He Jia Fu, the former Chairman of the Board and Mr. Wang Fu Lin, a Non-Executive Director did not attend the annual general meeting held on 22 June 2017 and Mr. Shin Yick Fabian, the chairman of audit committee and an Independent Non-Executive Director did not attend the extraordinary general meeting held on 20 December 2017. Also, Mr. Lao Sonsheng, a former Non-Executive Director did not attend the annual general meeting held on 22 June 2017 and the extraordinary general meeting held on 20 December 2017.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

All Directors, including Non-Executive Directors and Independent Non-Executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

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

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

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

RELATIONSHIPS AMONG DIRECTORS

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

During the year ended 31 December 2017, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

	Attending courses/ seminars/ conferences	Reading books/ journals/ articles
Mr. He Jia Fu	√	√
Mr. Li Zhongxu	√	√
Mr. Han Wei	√	√
Mr. Wu Limin	√	√
Mr. Wang Fu Lin	√	√
Mr. Lao Songsheng	√	√
Ms. Wang Yanfen	√	√
Mr. Wu Zhaohui	√	√
Mr. Chen Yijian	√	√
Ms. Lao Weiping	√	√
Ms. Zhang Bei	√	√
Mr. Sun Hong	√	√
Mr. Guan Shiping	√	√
Mr. Shin Yick Fabian	√	√

CHAIRMAN AND CHIEF EXECUTIVE

Upon the re-designation of Mr. Lao Songsheng from Chairman to a Non-Executive Director and the resignation of Mr. Wang Yanfen as Chief Executive Officer on 10 June 2017, the positions of Chairman and Chief Executive Officer had been held by Mr. He Jia Fu and Mr. Li Zhongxu, respectively, until 1 March 2018. Mr. He Jia Fu was responsible for formulation of the overall planning and strategic plan and business development direction of the Group, formulation and execution of operational plan and overseeing the corporate management structure of the Group. Mr. Li Zhongxu was responsible for drawing up of the overall business operation plan of the Group, issuance of annual management plan, management and arrangement of corporate resources and development of new projects of the Group. Since the appointment on 2 March 2018, Mr. Wang Zheng and Mr. Mung Hon Ting Jackie are Chairman and Chief Executive Officer, respectively, exercising the above-mentioned separate responsibilities.

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.

Save for Mr. Wang Fu Lin who was appointed as a Non-Executive Director for a term of three years commencing from 10 June 2017 and Mr. Wu Limin who was re-designated as a Non-Executive Director for a term of three years commencing from 13 September 2017, each of the Independent Non-Executive Directors is engaged by a letter of appointment with the Company for a term of three years commencing from 19 August 2015.

Mr. Sun Hong, Mr. Guan Shiping and Mr. Shin Yick Fabian will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. All Directors of the Company are subject to retirement by rotation once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by Shareholders at the first general meeting or next annual general meetings after appointment pursuant to the Articles of Association of the Company.

BOARD COMMITTEES

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

Audit Committee

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

As at the date of this annual report, Mr. Shin Yick Fabian, an Independent Non-Executive Director, is the chairman of the Audit Committee and Mr. Guan Shiping, an Independent Non-Executive Director, and Mr. Wu Limin, a Non-Executive Director, are members of the Audit Committee.

During the year, the Audit Committee had held 3 meetings and the attendance records of members are set out on page 22 of this annual report. The Audit Committee had reviewed significant issues on the financial reporting process, internal control procedures, risk management systems, scope of work and appointment of external auditor and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice for the year ended 31 December 2017 without the presence of the Executive Directors.

Remuneration Committee

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

As at the date of this annual report, Mr. Sun Hong, an Independent Non-Executive Director, is the chairman of the Remuneration Committee and Mr. Guan Shiping, an Independent Non-Executive Director, and Mr. Mung Hon Ting Jackie, an Executive Director, are members of the Remuneration Committee.

During the year ended 31 December 2017, the Remuneration Committee held 2 meetings and had recommended to the Board on the appointment of Mr. He Jia Fu, Mr. Li Zhongxu and Mr. Han Wei as Executive Directors and Mr. Wu Limin and Mr. Wang Fu Lin as Non-Executive Directors and the approval of their remuneration packages. The attendance records of members are set out on page 22 of this annual report.

Nomination Committee

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

As at the date of this annual report, Mr. Wang Zheng, the Chairman and Executive Director, is the chairman of the Nomination Committee. Mr. Sun Hong and Mr. Guan Shiping, both Independent Non-Executive Directors, are members of the Nomination Committee.

During the year ended 31 December 2017, the Nomination Committee held 2 meetings and recommended to the Board on the appointment of Mr. He Jia Fu, Mr. Li Zhongxu and Mr. Han Wei as Executive Directors and Mr. Wu Limin and Mr. Wang Fu Lin as Non-Executive Directors. The attendance records of members are set out on page 22 of this annual report.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2017.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the Financial Statements is set out in the Independent Auditor's Report from page 45 to page 49 in this annual report.

AUDITORS' REMUNERATION

The Company appointed SHINEWING (HK) CPA Limited as the external auditors to fill the casual vacancy following the resignation of BDO Limited for the year ended 31 December 2017. During the year ended 31 December 2017, the total fees paid/payable, excluding disbursements, in respect of audit and non-audit services provided by SHINEWING (HK) CPA Limited and BDO Limited (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally) are set out below:

Items	RMB'000
Annual audit fee charged by SHINEWING (HK) CPA Limited	1,000
Review of interim financial information charged by BDO Limited	550
Advisory and other services charged by BDO Limited	350

INTERNAL CONTROLS

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

During the year ended 31 December 2017, the Audit Committee has reviewed the potential areas of improvement on internal control of the Group. The Board has also reviewed updates on regulations regarding risk management and the effectiveness of the internal control systems of the Group.

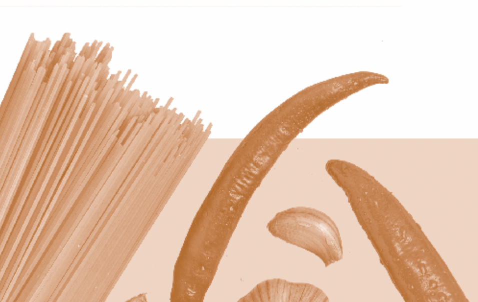
Deed of Non-competition

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

The Independent Non-Executive Directors have reviewed compliance by the Covenantors and confirm that based on confirmations and information provided by each of the Covenantors, they were in compliance with the Deed of Non-Competition for the year ended 31 December 2017.

COMPANY SECRETARY

The Board appointed Mr. Chong Yuk Fai as its Company Secretary in accordance with the Articles of Association of the Company and in compliance with the requirements of the Listing Rules on 29 July 2016. During the year ended 31 December 2017, the Company Secretary had taken no less than 15 hours of relevant professional training.



SHAREHOLDERS' RIGHTS

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

CONVENING AN EXTRAORDINARY GENERAL MEETING BY SHAREHOLDERS

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

The written requisition shall be deposited at the place of business of the Company in Hong Kong (20th Floor, One Island South, No. 2 Heung Yip Road, Wong Chuk Hang, Hong Kong) or, in the event the Company ceases to have such place of business, the registered office of the Company (Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY1-1112, Cayman Islands). The requisition must state clearly the name of the requisitionist(s), his/her/their shareholding in the Company, the reason(s) to convene the EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted in the EGM and signed by the requisitionist(s).

PUTTING FORWARD ENQUIRIES TO THE BOARD

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

COMMUNICATION WITH SHAREHOLDERS

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

During the year ended 31 December 2017, the Company has not made any changes to the Articles of Association. An up-to-date version of the Articles of Association is available on the Company's website and the Stock Exchange's website.

REPORT OF THE DIRECTORS

The board (the "Board") of directors (the "Directors") of China Shun Ke Long Holdings Limited (the "Company" and together with its subsidiaries, the "Group") is pleased to present the report of the Directors along with the audited consolidated financial statements of the Company for the year ended 31 December 2017 (the "Financial Statements").

DIRECTORS

The Directors during the year ended 31 December 2017 and up to the date of this annual report were as follows:

Executive Directors

Mr. Wang Zheng *(Chairman, appointed on 2 March 2018)*
Mr. Mung Mon Ting Jackie *(Chief Executive Officer, appointed on 2 March 2018)*
Mr. Han Wei *(appointed as Non-Executive Director on 10 June 2017 and re-designated as Executive Director and Chief Financial Officer on 13 September 2017)*
Mr. He Jia Fu *(appointed on 10 June 2017 and resigned on 2 March 2018)*
Mr. Li Zhongxu *(appointed on 10 June 2017 and resigned on 2 March 2018)*
Ms. Wang Yanfen *(resigned on 10 June 2017)*
Mr. Wu Zhaohui *(resigned on 10 June 2017)*

Non-Executive Directors

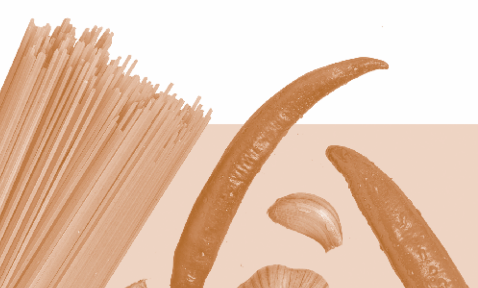
Mr. Wu Limin *(appointed as Executive Director on 10 June 2017 and re-designated as Non-Executive Director on 13 September 2017)*
Mr. Wang Fu Lin *(appointed on 10 June 2017)*
Mr. Lao Songsheng *(re-designated from Executive Director on 10 June 2017 and resigned on 2 March 2018)*
Mr. Chen Yijian *(resigned on 10 June 2017)*
Ms. Lao Weiping *(resigned on 10 June 2017)*
Ms. Zhang Bei *(resigned on 10 June 2017)*

Independent Non-Executive Directors

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

PRINCIPAL ACTIVITIES

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



BUSINESS REVIEW

The slowdown in the economy growth of the PRC and the keen competition in the retail industry were the principal risks and uncertainties facing the Group. The Group closed 14 retail outlets and opened 3 retail outlets during the year ended 31 December 2017. By closing less productive retail outlets, the competitiveness of the Group's retail outlet portfolio was improved. The Group will continue to monitor the performance of retail outlets and take steps to further improve the Group's competitiveness. The Group does not have any current plan that will cause substantial changes to the Group's business.

There were no significant changes in the revenue of the Group for the year ended 31 December 2017 as compared to that for the year ended 31 December 2016. The net profit attributable to the owners of the Company for the year ended 31 December 2017 was approximately RMB11.9 million, representing a decrease of approximately RMB12.7 million or 51.5% as compared to that for the year ended 31 December 2016.

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

During the year ended 31 December 2017, the Directors were not aware of any beach of relevant laws and regulations that had a significant impact on the Group.

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

For the Company's view on the future development in the Company's business, please refer to the "Outlook and Prospect" section under the "Management Discussion and Analysis" on the page 7 of this annual report.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 50 of this annual report.

DIVIDEND

The Board has resolved not to declare any final dividend for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 22 June 2018 to Wednesday, 27 June 2018, both days inclusive, during which period no transfer of shares will be effected.

In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, 27 June 2018, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 21 June 2018.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 December 2017 are set out in note 13 to the Financial Statements.

SHARE CAPITAL

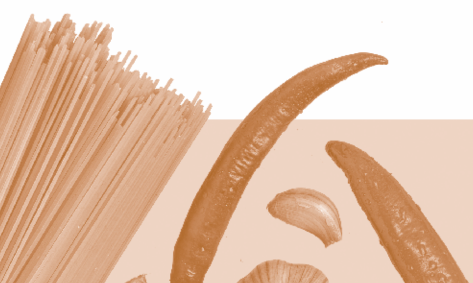
Details of the Company’s authorised and issued share capital as at 31 December 2017 are set out in note 25 to the Financial Statements.

RESERVES

Movements in the reserves of the Group for the year ended 31 December 2017 are set out in the consolidated statement of changes in equity on page 53 of this annual report.

LISTING

The Shares were successfully listed (the “Listing”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 September 2015 (the “Listing Date”) through an offering of Shares (the “Global Offering”). For the details of the Global Offering, please refer to the prospectus issued by the Company (the “Prospectus”) on 28 August 2015. In the Global Offering, 75,600,000 Shares were issued at HK$2.88 each and the total gross proceeds received amounted to 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 references are made to the announcement issued by the Company dated 24 October 2016, the Board considers that if the net proceeds were still allocated as the original manner stipulated in the Prospectus, it would not be cost effective and at the best interests of the Company and its Shareholders. In view of the recent slowdown in economic growth in the PRC, the Company has been slowing down the pace of opening new outlets and thus freeing up proceeds originally intended to be used for such purpose. With a view to better use the net proceeds from the Global Offering, the Company has decided to re-allocate parts of the unutilized proceeds to upgrade the existing outlets to enhance the Group's competitiveness as one of the major market players in Guangdong province and repay the bank borrowings to reduce the Group's finance costs in the manner as stated below.

	Original allocation of net proceeds		Revised allocation of the net proceeds		Utilization as at 31 December 2017		Remaining balance of net proceeds as at 31 December 2017	
	RMB million	% of net proceeds	RMB million	% of net proceeds	RMB million	% of net proceeds	RMB million	% of net proceeds
Opening of new outlets	116.9	75.4%	74.4	48.0%	28.8	18.6%	45.6	29.4%
Upgrading existing outlets	–	0.0%	14.6	9.4%	14.6	9.4%	–	0.0%
Repayment of bank borrowings	–	0.0%	27.9	18.0%	27.9	18.0%	–	0.0%
Information systems upgrades	11.2	7.2%	11.2	7.2%	9.5	6.1%	1.7	1.1%
Upgrading and expanding the existing two distribution centres	13.3	8.6%	13.3	8.6%	3.1	2.0%	10.2	6.6%
General working capital	13.6	8.8%	13.6	8.8%	13.6	8.8%	–	0.0%
Total	155.0	100.0%	155.0	100.0%	97.5	62.9%	57.5	37.1%

COMPETING BUSINESS

During the year ended 31 December 2017, neither any of the controlling Shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) (the "Controlling Shareholders") nor any of the Directors was interested in the business which competed or was likely to compete, either directly or indirectly, with the Group's business.

SHARE OPTION SCHEME

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

1 Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph 2 below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

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

(ii) attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

2 Eligible Participants

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

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

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

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

3 Maximum number of Shares

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

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

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

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. As at the date of this annual report, the Company does not have any other share option scheme.

4 Maximum entitlement

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company, the approval of the Shareholders in a general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting.

Any grant of options to a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the Independent Non-Executive Directors (excluding any Independent Non-Executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial Shareholder or any Independent Non-Executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon the exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in a general meeting on a poll at which all core connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

5 Exercisable Period

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

6 Vesting Period

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

7 Consideration

Upon acceptance of the option, the grantee shall pay HK$1.0 to the Company as the consideration for the grant. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

8 Exercise Price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

9 Life Span

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

CONTINUING CONNECTED TRANSACTIONS

Non-exempted continuing connected transaction

During the year ended 31 December 2017, the Group carried out a number of continuing connected transactions not being exempt from annual reporting requirement in Chapter 14A of the Listing Rules with Foshan Shunde Lecong Supply and Marketing Group Limited (佛山市順德區樂從供銷集團有限公司) (the "Lecong Supply and Marketing Group" and together with its subsidiaries, the "Lecong Group").

Mr. Lao Songsheng, a former Non-Executive Director of the Company, who resigned on 2 March 2018, holds approximately 34.0% interests in Golden Prime Investment Holdings Limited (佛山市金源投資控股有限公司) and Golden Prime Investment Holdings Limited holds approximately 56.8% interests in Lecong Supply and Marketing Group.

Purchase of goods

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

Pursuant to the Goods Purchase Agreement, the Lecong Group has agreed to exclusively supply to the Group the fresh meat and other agricultural products the Lecong Group sourced from the farmers or other suppliers. The consideration of the transactions under the Goods Purchase Agreement will be based on: (a) historical transaction prices and amount; (b) prevailing comparable wholesale prices; and (c) discounts offered on bulk-purchase. Specific terms of the transactions will be determined on a case-by case basis and separate agreements will be entered into by the parties involved in each transaction.

The total consideration paid or payable by the Group in respect of the transactions under the Goods Purchase Agreement for the year ended 31 December 2017 was approximately RMB10.0 million, which was within the annual cap set for the year ended 31 December 2017 of RMB80 million.

On 21 November 2017, the Company (for itself and on behalf of its subsidiaries) and Lecong Supply and Marketing Group (for itself on behalf of its subsidiaries) entered into the master goods purchase agreement with a term of three years commencing on 1 January 2018. Details were disclosed in the announcement dated 6 November 2017 and the circular dated 30 November 2017. The master purchase renewal agreement, the transactions contemplated thereunder and the proposed annual caps had been duly passed by way of poll at the extraordinary general meeting held on 20 December 2017.

Sales of goods

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

The consideration of the transactions under the Goods Sales Agreement will be based on: (a) historical transaction prices and amount; (b) prevailing market prices; and (c) discounts offered on bulk-purchase by the Group to the bulk purchase customers. Specific terms of the transactions will be determined on a case-by case basis and separate agreements will be entered into by the parties involved in each transaction.

The total consideration received or receivable by the Group in respect of the transactions under the Goods Sales Agreement for the year ended 31 December 2017 was approximately RMB7.1 million, which was within the annual cap set for the year ended 31 December 2017 of RMB11.0 million.

On 21 November 2017, the Company (for itself and on behalf of its subsidiaries) and Lecong Supply and Marketing Group (for itself and on behalf of its subsidiaries) entered into the master goods sales agreement with a term of three years commencing from 1 January 2018. Details were disclosed in the announcement of the Company dated 6 November 2017.

Leasing of properties

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

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

The total rent paid or payable by the Group in respect of the transactions under the master leasing agreement for the year ended 31 December 2017 was approximately RMB7.7 million, which was within the annual cap set for the year ended 31 December 2017 of RMB15.5 million. Lower rent paid or payable by the Group as compared to the estimated rents was mainly due to the partial rental wavier obtained from the Lecong Group of approximately RMB2.5 million and rental saving of approximately RMB1.1 million resulting from rental area reduction of a particular retail outlet.

On 21 November 2017, the Company (for itself and on behalf of its subsidiaries) and Lecong Supply and Marketing Group (for itself and on behalf of its subsidiaries) entered into the master leasing agreement with a term of three years commencing from 1 January 2018. Details were disclosed in the announcement of the Company dated 6 November 2017.

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 2017 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of continuing connected transactions set out above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

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

(ii) on normal commercial terms or better; and

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

RELATED PARTY TRANSACTIONS

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

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 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Lao Songsheng *(resigned on 2 March 2018)*	Interest of controlled corporations	12,892,000 (long position) *(Note)*	4.44%

Note: 12,892,000 Shares were beneficially owned by Shun Ao Holdings Limited ("Shun Ao"). Shun Ao is a company incorporated in the British Virgin Islands (the "BVI") and its entire issued share capital is owned by Ever Prosperous Holdings Limited ("Ever Prosperous"). Ever Prosperous is a company incorporated in the BVI and its entire issued share capital is owned by Mr. Lao Songsheng. Accordingly, Mr. Lao Songsheng is deemed to be interested in the Shares held by Shun Ao.

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

As at 31 December 2017, the interests or short position of persons, other than the Directors or the chief executive of the Company, in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

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

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 28 to the Financial Statements of this annual report headed "Related Party Transactions" and the section headed "Continuing Connected Transactions" above, the Group did not have any transaction, arrangement, or contract of significance subsisting as at 31 December 2017 or during the period between the year ended 31 December 2017 in which a Director or an entity connected with a Director was, either directly or indirectly, materially interested.

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

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

Mr. Shin Yick Fabian, an Independent Non-Executive Director, has been appointed as a director of BIO-key International, Inc. (NASDAQ: BKYI) since 20 November 2017.

Mr. Sun Hong, an Independent Non-Executive Director, has been appointed as a director of Nanning Department Store Company Limited (南寧百貨大樓股份有限公司) (Shanghai stock code: 600712), a company listed on the Shanghai Stock Exchange since 14 December 2017.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance was entered into between the Company, or any of its subsidiaries, and any of the Controlling Shareholders or any of their subsidiaries during the year ended 31 December 2017.

FINANCIAL SUMMARY

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

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with a Director or any person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) is currently in force and was in force during the year ended 31 December 2017 for the benefit of the Directors.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

EMOLUMENT POLICY

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

DIRECTORS' EMOLUMENTS

Details of the Directors' emoluments are set out in note 9 to the Financial Statements of this annual report. The Directors' remunerations, bonuses and other compensation are determined by the Remuneration Committee with reference to the Directors' duties, responsibilities and the Group's performance and results.

PROPERTY HELD

As at 31 December 2017, there was no property held for development and/or sale or for investment purpose for which the percentage ratios, as defined under Rule 14.04(9) of the Listing Rules, exceeded 5%.

PROPERTY INTERESTS AND PROPERTY VALUATION

The Company has valued the property interests of the Group and included such valuation in the Prospectus and those property interests are not stated at valuation (or at subsequent valuation) in the Financial Statements. The valuation of the property interests of the Group as at 30 June 2015 was RMB107.3 million as included in the Prospectus. Had the property interests been stated at such valuation, the addition depreciation that would be charged against the statement of comprehensive income for the year ended 31 December 2017 would be approximately RMB1.6 million.

DISTRIBUTABLE RESERVES

Pursuant to applicable statutory provisions of the Cayman Islands, the Company's reserves available for distribution to the Shareholders as at 31 December 2017 amounted to RMB169.9 million.

AUDITOR

BDO Limited has resigned as the auditors of the Company with effect from 29 December 2017. The Board, with the recommendation from the audit committee of the Company, has appointed SHINEWING (HK) CPA Limited as the new auditors of the Company to fill the casual vacancy following the resignation of BDO 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 2017, the percentages of purchases from the Group's largest supplier and the five largest suppliers were 1.4% and 6.1%, respectively. During the year ended 31 December 2017, the percentages of revenue attributable to the Group's largest customer was 0.9%.

During the year ended 31 December 2017, Lecong Group was the Group's the fourth largest supplier and the Group's the largest customer. The percentage of purchases from Lecong Group and the percentage of revenue attributable to Lecong Group were 1.2% and 0.9% respectively. Lecong Supply and Marketing Group is owned as to approximately 56.8%, 29.4% and 13.8% by Golden Prime Investment Holdings Limited (佛山市金源投資控股有限公司), Foshan Shunde Lecong Xing Nong Seafood Co-operative (佛山市順德區樂從興農水產專業合作社) and Foshan Shunde Lecong Jian Nong Vegetables and Fruit Co-operative (佛山市順德區樂從建農蔬菜專業合作社) respectively. Mr. Lao Songsheng, Ms. Wang Yanfen, Mr. Wu Zhaohui, Mr. Chen Yijian, Ms. Lao Weiping and Ms. Zhang Bei, who were served as Directors of the Company for the year ended 31 December 2017, hold approximately 34.0%, 3.3%, 0.6%, 5.8%, 4.4% and 0.9% interest in Golden Prime Investment Holdings Limited respectively. Mr. Lao Songsheng also holds approximately 4.9% and 11.2% interest in Foshan Shunde Lecong Xing Nong Seafood Co-operative and Foshan Shunde Lecong Jian Nong Vegetables and Fruit Co-operative respectively.

During the year ended 31 December 2017, except Directors' interest in Lecong Group, none of the Directors or any of their close associates, or any Shareholders of the Company (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in any of the Group's five largest suppliers or customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules up to the date of this annual report save as the disclosure in the paragraph headed "Restoration of public float of the Company" in 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.

SIGNIFICANT EVENTS

Mandatory unconditional cash offer

As disclosed in the joint announcements issued by the CCOOP International Holdings Limited (the "Offeror") and the Company dated 23 January 2017 and 12 May 2017 and the composite offer and response document jointly issued by the Offeror and the Company dated 19 May 2017, on 23 January 2017, the Offeror, Golden Prime Holdings Limited, Xing Nong Holdings Limited and Jian Nong Holdings Limited as the vendors (the "Vendors") and Mr. Lao Songsheng as the guarantor and Shun Ao Holdings Limited entered into a sale and purchase agreement, pursuant to which the Offeror conditionally agreed to purchase and the Vendors conditionally agreed to sell 162,092,600 shares of the Company (the "Shares"), representing approximately 55.80% of the then entire issued share capital of the Company, for a total consideration of HK$640,265,770 (representing HK$3.95 per Share)(the "Sale and Purchase Agreement"). Completion took place on 12 May 2017.

Upon the completion of the Sale and Purchase Agreement, the Offeror and parties acting in concert with it were interested in 162,092,600 Shares, representing approximately 55.80% of the then existing issued share capital of the Company. Pursuant to the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"), Dakin Securities Limited, on behalf of the Offeror, made a mandatory unconditional general offer in cash in compliance with the Takeovers Code at HK$3.95 for each Share (the "Offer").

As disclosed in the announcement dated 9 June 2017 jointly issued by the Company and the Offeror, the Offer was closed on 9 June 2017 and the Offeror received valid acceptances in respect of a total of 74,425,717 Shares under the Offer, representing approximately 25.62% of the then entire issued share capital of the Company.

Immediately after the close of the Offer, on 9 June 2017, the Offeror and parties acting in concert with it were interested in an aggregate of 236,518,317 Shares, representing approximately 81.43% of the then entire issued share capital of the Company.

Restoration of public float of the Company

As disclosed in the joint announcement issued by the Company and the Offeror dated 9 June 2017 and the announcement issued by the Company dated 20 June 2017, the Company could not satisfy the minimum public float requirement of 25% as set out in Rule 8.08(1)(a) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), immediately following the close of the Offer on 9 June 2017. As a result, an application was made to the Stock Exchange for a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period of four months commencing from 9 June 2017. On 20 June 2017, the Stock Exchange granted the Company a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for the period from 9 June 2017 to 8 October 2017. Trading in the Shares of the Company had been suspended with effect from 9:00 a.m. on 12 June 2017 at the request of the Company pending the restoration of the required minimum public float of 25%.

As disclosed in the announcements of the Company dated 15 September 2017 and 28 September 2017, Mr. Lao Songsheng disposed of 23,052 shares in Golden Prime Holdings Limited ("Golden Prime") (representing approximately 23.1% of the then issued shares of Golden Prime) to third parties independent of and not connected with the Company and its connected person (as defined in the Listing Rules) (the "Director's Disposal") on 15 September 2017. Immediately after the Director's Disposal, Golden Prime ceased to be a core connected person (as defined in the Listing Rules) of the Company and became a member of the public shareholder of the Company under Rule 8.24 of the Listing Rules. Accordingly, the 25,988,000 Shares held by Golden Prime (representing approximately 8.95% of the then issued Shares) were counted as part of the public float of the Company.

On 28 September 2017, the Offeror and the parties acting in concert with it, the controlling shareholder of the Company (as defined in the Listing Rules), completed the disposal of 27,600,000 Shares (representing approximately 9.50% of the then issued Shares) and 4,360,000 Shares (representing approximately 1.50% of the then issued Shares) to two third parties independent of and not connected with the Company and its connected person respectively (the "Offeror's Disposal").

Immediately after the Director's Disposal and Offeror's Disposal and as at 28 September 2017, 73,006,683 Shares (including the 25,988,000 Shares held by Golden Prime and the 31,960,000 Shares from the Offeror's Disposal) representing approximately 25.14% of the then issued Shares are held by the public. Therefore, the Company restored its public float and is in compliance with Rule 8.08(1)(a) of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Except for the matters disclosed under the "Recent Development" section under the "Management Discussion and Analysis" on the page 6 of this annual report, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2017 and up to the date of this annual report.

By order of the Board
Wang Zheng
Chairman and Executive Director
Hong Kong, 28 March 2018

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 50 to 108, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

IMPAIRMENT OF GOODWILL (*REFER TO NOTES 4 AND 16 TO THE CONSOLIDATED FINANCIAL STATEMENTS*)

The key audit matter

As at 31 December 2017, the Group has goodwill of approximately RMB2,761,000, which has been allocated to an individual cash generating unit of retail outlet network in Macau.

The Group's assessment on impairment of goodwill is a judgemental process which requires estimates concerning the forecast future cash flows associated with the goodwill, the discount rates and the growth rate of revenue and costs to be applied in determining the value-in-use. The selection of valuation model, adoption of key assumptions and input data may be subject to management basis and changes in these assumptions and input to valuation model may result in significant financial impact.

The extent of judgment of the goodwill resulted in this matter being identified as a key audit matter.

How the matter was addressed in our audit

In order to address this matter in our audit, we have obtained management's assessment and challenged the reasonableness of the selection of valuation methodology, adoption of key assumptions and input data. In particular, we have tested the future cash flow forecast on whether it is agreed to the budget approved by the board of directors and compare the budget with actual results available up to the report date. We have also challenged the appropriateness of the assumptions, including the sales growth rates and gross margin, against the latest market expectations.

We have also challenged the discount rate employed in the calculation of value-in-use by reviewing its basis of calculation and comparing its input data to market sources.

As any changes in these assumptions and input to valuation model may result in significant financial impact, we have tested management's sensitivity analysis in relation to the key inputs to the impairment assessment, which included changes in the sales growth rate.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2017.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

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

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

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

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

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

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

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

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

Hong Kong
28 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000 (Re-presented)
Revenue	6	**954,164**	1,087,872
Cost of inventories sold		**(806,821)**	(934,780)
Gross profit		**147,343**	153,092
Other operating income	6	**55,551**	51,164
Selling and distribution costs		**(140,978)**	(130,437)
Administrative expenses		**(40,379)**	(33,786)
Finance costs	7	**(4,625)**	(5,559)
Profit before tax	8	**16,912**	34,474
Income tax expense	10	**(4,976)**	(9,839)
Profit for the year		**11,936**	24,635
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(3,586)**	4,838
Profit and total comprehensive income for the year		**8,350**	29,473
Profit for the year attributable to:			
– Owners of the Company		**11,681**	24,397
– Non-controlling interests		**255**	238
		11,936	24,635
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		**8,095**	29,235
– Non-controlling interests		**255**	238
		8,350	29,473
Earnings per share – basic (RMB)	11	**0.04**	0.08
Diluted (RMB)		**0.04**	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	**52,451**	63,777
Prepaid land lease	14	**32,224**	33,910
Investment properties	15	**4,245**	4,251
Deposits paid and prepayments	17	**5,921**	5,713
Goodwill	16	**2,761**	3,043
Total non-current assets		**97,602**	110,694
Current assets			
Inventories	18	**106,952**	126,664
Trade receivables	19	**39,146**	53,947
Deposits paid, prepayments and other receivables	17	**112,374**	94,140
Amounts due from related companies	23	**4,952**	2,084
Cash and cash equivalents	20	**164,512**	151,927
Total current assets		**427,936**	428,762
Total assets		**525,538**	539,456
Current liabilities			
Trade payables	21	**110,198**	134,072
Deposits received, receipts in advance, accruals and other payables	22	**55,515**	43,084
Amounts due to related companies	23	**820**	2,154
Bank borrowings	24	**92,000**	104,000
Tax payable		**2,889**	380
Total current liabilities		**261,422**	283,690
Net current assets		**166,514**	145,072
Net assets		**264,116**	255,766

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000
Capital and reserves			
Share capital	25	**2,387**	2,387
Reserves		**260,168**	252,073
Equity attributable to owners of the Company		**262,555**	254,460
Non-controlling interests		**1,561**	1,306
Total equity		**264,116**	255,766

Wang Zheng
Director

Mung Hon Ting Jackie
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	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 2016	2,387	194,895	84	(6,200)	200	9,568	873	2,165	46,244	250,216	578	250,794
Profit for the year	–	–	–	–	–	–	–	–	24,397	24,397	238	24,635
Other comprehensive income for the year												
Exchange differences arising on translation to presentation currency	–	–	–	–	–	–	–	4,838	–	4,838	–	4,838
Total comprehensive income for the year	–	–	–	–	–	–	–	4,838	24,397	29,235	238	29,473
Dividend paid *(Note 12)*	–	(24,991)	–	–	–	–	–	–	–	(24,991)	–	(24,991)
Transfer to statutory reserve	–	–	–	–	–	1,649	–	–	(1,649)	–	–	–
Capital injection from non-controlling equity holders	–	–	–	–	–	–	–	–	–	–	490	490
Balance at 31 December 2016 and 1 January 2017	2,387	169,904	84	(6,200)	200	11,217	873	7,003	68,992	254,460	1,306	255,766
Profit for the year	–	–	–	–	–	–	–	–	11,681	11,681	255	11,936
Other comprehensive expense for the year												
Exchange differences arising on translation to presentation currency	–	–	–	–	–	–	–	(3,586)	–	(3,586)	–	(3,586)
Total comprehensive income for the year	–	–	–	–	–	–	–	(3,586)	11,681	8,095	255	8,350
Transfer to statutory reserve	–	–	–	–	–	2,274	–	–	(2,274)	–	–	–
Balance at 31 December 2017	2,387	169,904	84	(6,200)	200	13,491	873	3,417	78,399	262,555	1,561	264,116

Notes:

(a) Special reserve

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

(b) Merger reserve

The merger reserve of the Group arouse as a result of the reorganisation. As at 31 December 2017 and 2016, the balance of merger reserve included the deemed distribution upon the acquisition of a subsidiary from the controlling shareholders as part of the reorganisation.

(c) Capital reserve

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

(d) Statutory reserve

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

(e) Capital contribution reserve

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**16,912**	34,474
Adjustments for:		
Interest income	**(1,386)**	(1,849)
Interest expenses	**4,625**	5,559
Depreciation of property, plant and equipment	**13,008**	13,016
Depreciation of investment properties	**409**	97
Amortisation of prepaid lease payments	**1,686**	1,012
Net loss on disposals of property, plant and equipment	**672**	118
Obsolete inventories written-off	**1,639**	1,135
Operating cash flows before movements in working capital	**37,565**	53,562
Decrease in inventories	**17,978**	12,684
Decrease (increase) in trade receivables	**14,782**	(17,368)
(Increase) decrease in deposits paid, prepayments and other receivables	**(19,261)**	3,710
(Increase) decrease in amounts due from related companies	**(2,868)**	603
Decrease in trade payables	**(23,686)**	(9,702)
Increase in deposits received, receipts in advance, accruals and other payables	**12,637**	908
Decrease in amounts due to related companies	**(1,334)**	(10,811)
Cash generated from operations	**35,813**	33,586
Income tax paid	**(2,467)**	(10,448)
Interest received	**1,386**	1,849
NET CASH GENERATED FROM OPERATING ACTIVITIES	**34,732**	24,987

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 RMB'000	2016 RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(17,237)	(20,231)
Proceeds received on disposals of property, plant and equipment	15,180	54
NET CASH USED IN INVESTING ACTIVITIES	(2,057)	(20,177)
FINANCING ACTIVITIES		
New bank borrowings raised	92,000	24,000
Bank borrowings repaid	(104,000)	(52,000)
Interest paid	(4,625)	(5,559)
Final dividend paid	–	(24,991)
Capital contributed by non-controlling equity holders of subsidiaries of the Group	–	490
NET CASH USED IN FINANCING ACTIVITIES	(16,625)	(58,060)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	16,050	(53,250)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	151,927	200,599
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(3,465)	4,578
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	164,512	151,927

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 Cayman Islands on 18 March 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands and its principal place of business in the People's Republic of China (the "PRC") is located at Floor 3, Huale Building, No.60 Hebin North Road, Lecong Town Shunde District, Foshan, Guangdong Province 528315, the PRC.

The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 26 May 2015. The ordinary shares of the Company (the "Shares") were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 September 2015.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are set out in note 32.

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 shares in aggregate, representing 70.42% of the entire issued share capital of the Company. In the opinion of the directors of the Company, the holding company of the Company is CCOOP Group, the shares of which are listed on the Shenzhen Stock Exchange.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)")

In the current year, the Group has applied the following new and revised IFRSs, which include IFRSs, International Accounting Standards ("IAS(s)"), amendments and Interpretation ("Int(s)"), issued by International Accounting Standards Board (the "IASB") and the IFRS Interpretations Committee ("IFRIC") of the IASB.

Amendments to IFRSs	Annual Improvements to IFRSs 2014 – 2016 Cycle: Amendments to IFRS 12
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of other new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to IAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in note 27. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in note 27, the directors of the Company considered that these amendments have had no impact on the Group's consolidated financial statements.

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

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 9 (2014)	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2014 – 2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfer of Investment Property[1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective date not yet been determined.

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

IFRS 9 (2014) Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, IFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of IFRS 9 was issued in 2014 to incorporate all the requirements of IFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of IFRS 9 also introduces an "expected credit loss" model for impairment assessments.

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

IFRS 9 (2014) Financial Instruments – *continued*

Key requirements of IFRS 9 (2014) are described as follows:

– All recognised financial assets that are within the scope of IFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have 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, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

– With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

– In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

– IFRS 9 (2014) introduces a new model which more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

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

IFRS 9 (2014) Financial Instruments – *continued*

IFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company has performed a preliminary analysis of the Group's financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of IFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The directors of the Company expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The directors of the Company anticipate that the adoption of IFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) Impairment

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade receivables and increase the amount of impairment allowance recognised for these items.

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of IFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of IFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

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

IFRS 15 Revenue from Contracts with Customers – *continued*

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

IFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods, provision of services and rental income. Under IFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under IAS 18 Revenue. Furthermore, IFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of IFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 December 2017.

IFRS 16 Leases

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

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

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

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

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

IFRS 16 Leases – *continued*

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

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

IFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

As at 31 December 2017, the Group had non-cancellable operating lease commitments of RMB66,623,000 as disclosed in note 29. Out of this balance, an amount of RMB50,751,000 represents operating leases with original lease terms of over one year in which the Group will recognise right-to-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations under IFRS 16. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of IFRS 16 will not have other material impact on amounts reported in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of measurement

The financial statements have been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

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. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company 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.

Changes in the Group's ownership interests in existing subsidiaries

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

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 (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

Property, plant and equipment

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

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment other than properties under construction 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.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leasehold land and buildings

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

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

Investment properties

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

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

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

Inventories

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

Cash and cash equivalents

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Impairment loss on financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment loss on financial assets – continued

Objective evidence of impairment of loans and receivables could include:

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

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

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

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

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

Financial liabilities and equity instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments – *continued*

Other financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

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

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Impairment losses on tangible assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Revenue recognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition – *continued*

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

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

Promotion income is recognised when services are provided.

Service income is recognised when services are provided.

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Borrowing costs

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

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

Retirement benefits costs

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

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, 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.

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

Foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Government grants

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

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of 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 and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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 based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

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

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

Provisions

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

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

Critical judgement in applying accounting policies

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

Classification between investment properties and owner-occupied properties

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

Key sources of estimation uncertainty

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

Income taxes

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

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

Key sources of estimation uncertainty – *continued*

Deferred tax liabilities

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

Allowance for inventories

The Group makes the allowance for inventories based on assessments of the net realisable value of inventories. An allowance is applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the costs of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance write-back in the period in which such estimate has been changed. As at 31 December 2017, the carrying value of inventories was RMB106,952,000 (2016: RMB126,664,000). No impairment losses were recognised for both years.

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

The management of the Group determines whether the property, plant and equipment, prepaid lease payments and investment properties are impaired, when there is indication that these assets may suffer an impairment loss. The impairment loss for property, plant and equipment, prepaid lease payments and investment properties are recognised for the amounts by which the carrying values exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment, prepaid lease payments and investment properties have been determined based on value-in-use calculations if there is any indication of impairment. These calculations require the use of estimates such as the future revenue and discount rates. As at 31 December 2017, the carrying values of property, plant and equipment, prepaid lease payments and investment properties were RMB52,451,000 (net of accumulated depreciation of RMB52,401,000) (2016: carrying value of RMB63,777,000 (net of accumulated depreciation of RMB48,144,000)), RMB32,224,000 (net of accumulated amortisation of RMB7,691,000) (2016: carrying value of RMB33,910,000 (net of accumulated amortisation of RMB6,005,000)) and RMB4,245,000 (net of accumulated depreciation of RMB966,000) (2016: carrying value of RMB4,251,000 (net of accumulated amortisation of RMB833,000)) respectively.

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

Key sources of estimation uncertainty – *continued*

Depreciation of property, plant and equipment

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units ("CGU") to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying value of goodwill is approximately RMB2,761,000 (2016: RMB3,043,000). No impairment losses were recognised for both years.

Impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of trade receivables was RMB39,146,000 (2016: RMB53,947,000). No impairment losses were recognised for both years.

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. 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 expenses, 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

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Inter-segment elimination RMB'000	Total RMB'000
For the year ended 31 December 2017:				
Revenue				
From external customers	676,938	277,226	–	954,164
From inter-segment	70,287	71,622	(141,909)	–
Reportable segment revenue	747,225	348,848	(141,909)	954,164
Reportable segment profit	23,114	394		23,508
Other corporate income				318
Other corporate expenses				(6,914)
Profit before tax				16,912

5. OPERATING SEGMENT INFORMATION – *continued*

Segment revenue and results

	Retail outlet operation RMB'000 (Re-presented)	Wholesale distribution RMB'000	Inter-segment elimination RMB'000	Total RMB'000 (Re-presented)
For the year ended 31 December 2016:				
Revenue				
From external customers	688,926	398,946	–	1,087,872
From inter-segment	50,078	87,277	(137,355)	–
Reportable segment revenue	739,004	486,223	(137,355)	1,087,872
Reportable segment profit	26,240	8,642		34,882
Other corporate income				1,623
Other corporate expenses				(2,031)
Profit before tax				34,474

Segment assets and liabilities

	2017 RMB'000	2016 RMB'000
Retail outlet operation	**398,681**	426,621
Wholesale distribution	**87,374**	70,570
Total segment assets	**486,055**	497,191
Other corporate assets *(Note)*	**39,483**	42,265
Group's assets	**525,538**	539,456
Retail outlet operation	**250,371**	272,632
Wholesale distribution	**9,586**	9,594
Total segment liabilities	**259,957**	282,226
Other corporate liabilities *(Note)*	**1,465**	1,464
Group's liabilities	**261,422**	283,690

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 prepayments.

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

5. OPERATING SEGMENT INFORMATION – *continued*

Other segment information

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Total RMB'000
For the year ended 31 December 2017:			
Additions to property, plant and equipment	**17,628**	**335**	**17,963**
Depreciation of property, plant and equipment	**12,725**	**283**	**13,008**
Depreciation of investment properties	**409**	**–**	**409**
Amortisation of prepaid land lease	**1,686**	**–**	**1,686**
Obsolete inventories written-off	**1,639**	**–**	**1,639**
Loss (gain) on disposals of property, plant and equipment	**674**	**(2)**	**672**
Interest income	**1,052**	**16**	**1,068**
For the year ended 31 December 2016:			
Additions to property, plant and equipment	19,824	407	20,231
Depreciation of property, plant and equipment	12,707	309	13,016
Depreciation of investment properties	97	–	97
Amortisation of prepaid land lease	1,012	–	1,012
Obsolete inventories written-off	1,135	–	1,135
Net loss on disposals of property, plant and equipment	118	–	118
Interest income	222	4	226

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

	Revenue from external customers		Non-current assets	
	2017 RMB'000	2016 RMB'000 (Re-presented)	**2017 RMB'000**	2016 RMB'000
The PRC (place of domicile)	**918,888**	1,050,343	**91,219**	105,338
Macau	**35,276**	37,529	**462**	369
	954,164	1,087,872	**91,681**	105,707

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.

Rental deposits paid are excluded from non-current assets under geographical segment.

5. OPERATING SEGMENT INFORMATION – *continued*

Information about major customers

There was no customer that contributed to 10% or more of the Group's revenue for the year ended 31 December 2017.

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

6. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

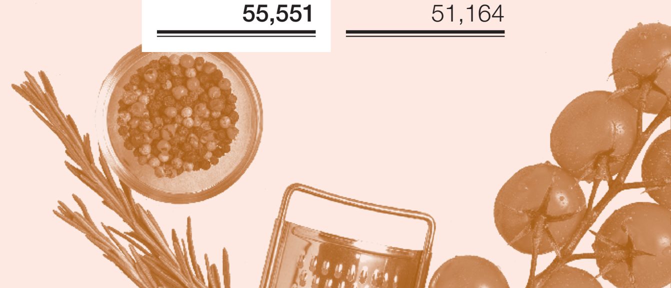
Revenue, which is also the Group's turnover, represents net invoiced value of goods sold, rental income and the value of services rendered. Revenue recognised during the year is as follows:

	2017 RMB'000	2016 RMB'000 (Re-presented)
Retail outlet operation and sales		
General retail sales *(Note)*	**531,540**	559,690
Bulk sales	**114,427**	99,874
Net rental income from leasing shop premises	**30,224**	28,687
Commission from concessionaire sales	**747**	675
Wholesale distribution		
General wholesales	**238,711**	357,584
Franchisees	**38,515**	41,362
	954,164	1,087,872

Note: General retail sales included the compensation for reduced selling prices of RMB2,929,000 and RMB3,510,000 from the local government in the PRC which was classified as turnover during the years ended 31 December 2017 and 2016 respectively. In the opinion of the directors, it was directly related to the sale of daily necessities food and was related to the ordinary and usual course of the business of the Group. Accordingly, it was classified as turnover of the Group.

(b) Other operating income

	2017 RMB'000	2016 RMB'000 (Re-presented)
Government grants *(Note i)*	**1,472**	5,824
Interest income	**1,386**	1,849
Promotion income from suppliers	**44,264**	33,084
Net rental income from investment properties *(Note ii)*	**1,363**	1,287
Others	**7,066**	9,120
	55,551	51,164



6. REVENUE AND OTHER OPERATING INCOME – *continued*

(b) Other operating income – *continued*

Notes:

(i) Various local government grants were assigned to subsidiaries of the Group during the years ended 31 December 2017 and 2016. 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:

	2017 RMB'000	2016 RMB'000
Gross rental income	**1,516**	1,424
Less: Outgoings incurred for rental income during the year	**(153)**	(137)
Net rental income	**1,363**	1,287

7. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest charged on bank borrowings	**4,625**	5,559

8. PROFIT BEFORE TAX

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

	2017 RMB'000	2016 RMB'000
Cost of inventories sold	**806,821**	934,780
Depreciation of property, plant and equipment	**13,008**	13,016
Depreciation of investment properties	**409**	97
Amortisation of prepaid land lease	**1,686**	1,012
Net exchange losses (gains)	**13**	(215)
Employee benefits expenses (excluding directors' remuneration *(Note 9)*):		
– Wages and salaries	**53,932**	45,632
– Pension scheme contributions	**8,618**	8,456
– Other benefits	**1,429**	2,289
	63,979	56,377
Auditor's remuneration	**2,049**	1,603
Operating lease charges in respect of land and buildings	**38,777**	34,950
Obsolete inventories written-off	**1,639**	1,135
Net loss on disposals of property, plant and equipment	**672**	118

9. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

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

Year ended 31 December 2017

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive Directors:				
Mr. He Jia Fu *(Note i)*	–	–	–	–
Mr. Li Zhongxu *(Note i)*	–	–	–	–
Mr. Han Wei *(Note ii)*	–	–	–	–
Ms. Wang Yanfen *(Note iii)*	–	92	14	106
Mr. Wu Zhaohui *(Note iii)*	–	78	13	91
	–	170	27	197
Non-Executive Directors:				
Mr. Wu Limin *(Note iv)*	–	–	–	–
Mr. Wang Fu Lin *(Note v)*	–	–	–	–
Mr. Lao Songsheng *(Note vi)*	–	–	–	–
Mr. Chen Yiijan *(Note iii)*	–	–	–	–
Ms. Lao Weiping *(Note iii)*	–	–	–	–
Ms. Zhang Bei *(Note iii)*	–	–	–	–
	–	–	–	–
Independent Non-Executive Directors:				
Mr. Guan Shiping	120	–	–	120
Mr. Shin Yick Fabian	120	–	–	120
Mr. Sun Hong	120	–	–	120
	360	–	–	360

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

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

Year ended 31 December 2016

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive Directors:				
Mr. Lao Songsheng	–	60	–	60
Ms. Wang Yanfen	–	177	29	206
Mr. Wu Zhaohui	–	140	27	167
	–	377	56	433
Non-Executive Directors:				
Mr. Chen Yiijan	–	–	–	–
Ms. Lao Weiping	–	–	–	–
Ms. Zhang Bei	–	–	–	–
	–	–	–	–
Independent Non-Executive Directors:				
Mr. Guan Shiping	120	–	–	120
Mr. Shin Yick Fabian	120	–	–	120
Mr. Sun Hong	120	–	–	120
	360	–	–	360

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

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

Notes:

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

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

(iii): Resigned on 10 June 2017

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

(v): Appointed on 10 June 2017

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

(b) Five highest paid employees' emoluments

The five highest paid individuals whose emoluments were the highest in the Group for the year ended 31 December 2017 included none of directors (2016: 2) and their emoluments are reflected in note 9(a). The emoluments of the remaining 5 highest paid individuals (2016: 3) for the year ended 31 December 2017 are as follows:

	2017	2016
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,437**	811
Pension scheme contributions	**117**	45
	1,554	856

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

(b) Five highest paid employees' emoluments – *continued*

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

	2017 No. of individuals	2016 No. of individuals
Nil to RMB865,000 (2016: Nil to RMB895,000) (Nil – HK$1,000,000)	**5**	3

During the year ended 31 December 2017, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the persons, who were directors, waived or agreed to waive any emoluments during both years.

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

	2017 No. of individuals	2016 No. of individuals
Nil to RMB865,000 (2016: Nil to RMB895,000) (Nil – HK$1,000,000)	**5**	5

10. INCOME TAX EXPENSE

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

	2017	2016
	RMB'000	RMB'000
Current — Macau		
Charge for the year	**90**	132
Current — the PRC		
Over provision in prior years	**(604)**	–
Charge for the year	**5,490**	9,707
	4,976	9,839

The Group was not subject to any income tax under the jurisdiction of the Cayman Islands and British Virgin Islands for the years ended 31 December 2017 and 2016.

No provision for Hong Kong Profits Tax had been provided as the Group had no estimated assessable profits arising in Hong Kong for the years ended 31 December 2017 and 2016.

The Group's subsidiaries in the PRC were subject to Enterprise Income Tax at the rate of 25% based on the estimated assessable profits for the years ended 31 December 2017 and 2016. A subsidiary of the Group in the PRC was granted as "High Technology Enterprise" by the local tax authority, and subject to a reduced preferential Enterprise Income Tax rate of 15% for the year ended 31 December 2017.

The Group's subsidiaries in Macau were subject to Complementary Tax at rate of 12% based on estimated assessable profits for the years ended 31 December 2017 and 2016.

10. INCOME TAX EXPENSE – *continued*

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

	2017 RMB'000	2016 RMB'000
Profit before tax	16,912	34,474
Tax calculated at the rates applicable to profit in the tax jurisdictions concerned	5,618	8,110
Tax effect of expenses not deductible for tax purposes	2,180	1,498
Tax effect of revenue not taxable for tax purposes	–	(693)
Utilisation of tax losses previously not recognised	(362)	(71)
Tax effect of tax losses not recognised	794	1,053
Over provision in prior years	(604)	–
Income tax on concessionary rate	(2,650)	(58)
Income tax expenses	4,976	9,839

As at 31 December 2017, no deferred tax liabilities had been recognised in respect of the temporary differences of RMB93,875,000 (2016: RMB58,743,000) associated with undistributed earnings of certain subsidiaries established and operating in the PRC because the Group would control the timing of the reversal of the temporary differences by distributing the earnings among certain subsidiaries and it is probable that the temporary differences would not be reversed in the foreseeable future.

As at 31 December 2017, the Group had unused estimated tax losses of RMB8,996,000 (2016: RMB6,499,000). The tax losses incurred by the subsidiaries incorporated in the PRC will expire in five years from the year in which the loss originated. No deferred tax assets had been recognised as at 31 December 2017 and 2016 in respect of the estimated tax losses due to the unpredictability of future profit streams.

11. EARNINGS PER SHARE

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

	2017	2016
	RMB'000	RMB'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earning per share	**11,681**	24,397

	2017	2016
Number of shares		
Weighted average number of ordinary shares for in issue	**290,457,000**	290,457,000

The diluted earnings per share are the same as basic earnings per share as there are no potential ordinary shares outstanding during both years.

12. DIVIDEND

The board of directors does not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

On 17 June 2016, the Group declared a 2015 final dividend of HK$10.0 cents per share payable to the shareholders. On 8 July 2016, the Group paid a 2015 final dividend in aggregate amount of RMB24,991,000 (equivalent to approximately HK$29,046,000).

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings RMB'000	Leasehold improvements RMB'000	Plants and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost:						
At 1 January 2016	20,307	61,086	12,782	7,943	14,172	116,290
Exchange realignment	–	16	1	5	5	27
Additions	–	14,836	1,738	646	3,011	20,231
Disposals	–	(20,109)	(2,783)	(230)	(1,505)	(24,627)
At 31 December 2016 and 1 January 2017	20,307	55,829	11,738	8,364	15,683	111,921
Exchange realignment	–	(5)	(16)	(5)	(17)	(43)
Reclassification	–	(6,203)	–	–	6,203	–
Additions	–	9,138	3,191	403	5,231	17,963
Transfered from investment properties *(Note 15)*	1,575	–	–	–	–	1,575
Transfered to investment properties *(Note 15)*	(1,702)	–	–	–	–	(1,702)
Disposals	–	(18,532)	(4,247)	(307)	(1,776)	(24,862)
At 31 December 2017	20,180	40,227	10,666	8,455	25,324	104,852
Accumulated depreciation:						
At 1 January 2016	2,511	24,193	4,201	3,964	5,925	40,794
Exchange realignment	–	2	–	1	1	4
Depreciation	476	6,619	1,688	1,243	2,990	13,016
Disposals	–	(3,693)	(953)	(98)	(926)	(5,670)
At 31 December 2016 and 1 January 2017	2,987	27,121	4,936	5,110	7,990	48,144
Exchange realignment	–	(3)	(7)	(2)	(5)	(17)
Reclassification	–	(2,986)	–	–	2,986	–
Depreciation	439	4,352	2,368	812	5,037	13,008
Transfered from investment properties *(Note 15)*	382	–	–	–	–	382
Transfered to investment properties *(Note 15)*	(106)	–	–	–	–	(106)
Disposals	–	(6,702)	(1,230)	(30)	(1,048)	(9,010)
At 31 December 2017	3,702	21,782	6,067	5,890	14,960	52,401
Carrying value:						
At 31 December 2017	16,478	18,445	4,599	2,565	10,364	52,451
At 31 December 2016	17,320	28,708	6,802	3,254	7,693	63,777

13. PROPERTY, PLANT AND EQUIPMENT – *continued*

The Group's leasehold 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:

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

As at 31 December 2017 and 2016, certain leasehold buildings with carrying value of RMB14,356,000 and RMB14,096,000 respectively were pledged to the bank for banking facilities granted to the Group (*Note 24*).

14. PREPAID LAND LEASE

	2017 **RMB'000**	2016 RMB'000
Balance as at 1 January	**33,910**	34,922
Amortisation	**(1,686)**	(1,012)
Balance as at 31 December	**32,224**	33,910
Balance as at 31 December		
Cost	**39,915**	39,915
Accumulated amortisation	**(7,691)**	(6,005)
Carrying value	**32,224**	33,910

As at 31 December 2017 and 2016, certain prepaid land lease with carrying value of RMB28,530,000 and RMB29,313,000 respectively were pledged to the bank for banking facilities granted to the Group *(Note 24)*.

15. INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000
Balance as at 1 January	**4,251**	4,348
Transferred from properties, plant and equipment *(Note 13)*	**1,596**	–
Transferred to properties, plant and equipment *(Note 13)*	**(1,193)**	–
Depreciation	**(409)**	(97)
Balance as at 31 December	**4,245**	4,251
Balance as at 31 December		
Cost	**5,211**	5,084
Accumulated depreciation	**(966)**	(833)
Carrying value	**4,245**	4,251

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

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 2017 and 2016, certain investment properties with carrying value of RMB2,864,000 and RMB2,501,000 respectively were pledged to the bank for banking facilities granted to the Group *(Note 24)*.

The fair value of the Group's investment property at 31 December 2017 and 2016 were RMB14,607,000 and RMB13,000,000 respectively, were valued by 北京中企華資產有限責任公司, an independent valuer not connected to the Group (2016: directors of the Company).

15. INVESTMENT PROPERTIES – *continued*

Fair value

The following table gives information about how the fair value of investment properties as at 31 December 2017 and 2016 was determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements were categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements was observable.

• Nature	:	Investment properties in the PRC
• Fair value hierarchy	:	Level 3
• Valuation technique(s) and key input(s)	:	Direct comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties.
• Significant unobservable inputs	:	Price per square metre (RMB)
• Relationship of unobservable inputs to fair value	:	The higher the price per square metre, the higher the fair value.

16. GOODWILL

	2017	2016
	RMB'000	RMB'000
Balance as at 1 January	**3,043**	2,694
Exchange realignment	**(282)**	349
Balance as at 31 December	**2,761**	3,043

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-years financial budget approved by the management which represented the business cycle and strategy plan of Group's business segment. The following key assumptions had been made for the purpose of analysis:

1. Gross margin ratio of 21% (2016: 19%)

2. Pre-tax discount rate of 11% (2016: 11%) per year

3. Average growth rate of 0% (2016: 0%)

16. GOODWILL – *continued*

Impairment testing on goodwill – *continued*

The management determined the gross margin mainly based on past performance of the CGU and expectations for the market development. The discount rate used was pre-tax and reflected the specific risk associated with the CGU. The recoverable amount of the CGU had been determined from value in use calculations based on cash flow projections from formally approved budget covering a five-years period. Cash flow beyond the five-years period were extrapolated using an estimated weighted average growth rate of 0%, which would not exceed the long-term growth rate for retail outlet operation industry in Macau.

The recoverable amount of the goodwill determined in the above manner suggested that there was no impairment in the value of goodwill as at 31 December 2017 and 2016.

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

17. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2017	2016
	RMB'000	RMB'000
Non-current assets		
– Rental deposits paid	**5,921**	4,987
– Payment in advance for acquisition of property, plant and equipment	**–**	726
	5,921	5,713
Current assets		
– Prepayments	**3,168**	1,493
– Advances to suppliers	**44,404**	21,932
– Deposits paid	**1,698**	2,328
– Input value added tax receivables *(Note)*	**44,435**	40,661
– Other receivables	**18,669**	27,726
	112,374	94,140

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

As at 31 December 2017 and 2016, the balances of deposits and other receivables were neither past due nor impaired. Financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. INVENTORIES

	2017 RMB'000	2016 RMB'000
Merchandise for resale	**106,952**	126,664

19. TRADE RECEIVABLES

All of the Group's sales are on cash basis except for the wholesale of goods, bulk sales of merchandise to corporate customers and rental income receivable from tenants. The average credit terms offered to these customers or tenants are generally for a period of 0–180 days from the invoice date. An aged analysis of the trade receivables at the end of the respective reporting periods, based on the invoice date, is as follows:

	2017 RMB'000	2016 RMB'000
Within 30 days	**20,071**	20,614
31 to 60 days	**8,760**	8,743
61 to 180 days	**6,888**	22,512
181 to 365 days	**1,161**	1,118
Over 1 year	**2,266**	960
	39,146	53,947

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

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**35,488**	34,578
Past due but not impaired		
Less than 1 month past due	**630**	7,157
1 to 3 months past due	**607**	10,134
Over 3 months past due	**2,421**	2,078
	39,146	53,947

Receivables that were neither past due nor impaired relate to the customers for which there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

20. CASH AND CASH EQUIVALENTS

	2017	2016
	RMB'000	RMB'000
Cash and cash equivalents are denominated in:		
HK$	**37,354**	41,345
RMB	**126,027**	105,696
Macau Patacas ("MOP")	**1,131**	4,886
	164,512	151,927

RMB is not freely convertible into other currencies. Under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

21. TRADE PAYABLES

The Group normally obtains credit terms of 0–360 days from its suppliers.

An aged analysis of the trade payables at the end of the respective reporting periods, based on the invoice date, is as follows:

	2017	2016
	RMB'000	RMB'000
Current to 30 days	**37,576**	54,192
31 to 60 days	**25,058**	24,481
61 to 180 days	**36,465**	45,047
181 to 365 days	**7,212**	8,486
Over 1 year	**3,887**	1,866
	110,198	134,072

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

	2017 RMB'000	2016 RMB'000
Deposits received	10,827	8,697
Receipts in advance	17,845	7,943
Accruals and other payables	26,843	26,444
	55,515	43,084

23. BALANCES WITH RELATED COMPANIES

(a) Amounts due from related companies

As at 31 December 2017 and 2016, the amounts due from related companies were unsecured, interest- free and repayable within 3 months based on invoice date. The carrying amounts due approximate to their fair value.

The amounts due from related parties are as follows:

Name of related party	Relationship	2017 RMB'000	2016 RMB'000
佛山市順德區樂從供銷集團有限公司	Company controlled by the director (note 28 (i)(a))	3,416	814
高要市供銷集團有限公司	Company controlled by the director (note 28 (i)(a))	371	–
佛山市順德區金樂貿易有限公司	Company controlled by the director (note 28 (i)(a))	273	–
佛山市順德區樂從供銷社	Company controlled by the director (note 28 (i)(a))	92	–
佛山市順德區樂從供銷集團樂的百貨有限公司	Company controlled by the director (note 28 (i)(a))	1	427
佛山市順德區樂從供銷集團荔園酒家有限公司	Company controlled by the director (note 28 (i)(a))	275	273
佛山市順德區樂從供銷集團樂添房產經營有限公司	Company controlled by the director (note 28 (i)(a))	–	240
佛山市順德區樂從供銷集團振豪物業管理有限公司	Company controlled by the director (note 28 (i)(a))	105	162
佛山市順德區樂從供銷集團小布樂餐飲有限公司	Company controlled by the director (note 28 (i)(a))	40	93
高要市樂添房產經營有限公司	Company controlled by the director (note 28 (i)(a))	8	23
順德區海業水產發展有限公司	Company controlled by the director (note 28 (i)(a))	64	22
佛山市順德區嘉安物流有限公司	Company controlled by the director (note 28 (i)(a))	4	16
佛山市順德區樂從供銷集團樂的上品軒食品有限公司	Company controlled by the director (note 28 (i)(a))	–	12
佛山市順德區樂從供銷集團盈樂商業管理有限公司	Company controlled by the director (note 28 (i)(a))	132	1
廣東廣樂包裝材料股份有限公司	Company controlled by the director (note 28 (i)(a))	14	–
佛山市順德區萬信珠寶玉器行有限公司	Company controlled by the director (note 28 (i)(a))	36	–
肇興市高要區振豪物業管理有限公司	Company controlled by the director (note 28 (i)(a))	3	–
佛山市順德區樂從供銷集團健怡樂餐飲管理有限公司	Company controlled by the director (note 28 (i)(a))	118	–
臺山宴米米業有限公司	Company controlled by the director (note 28 (i)(a))	–	1
		4,952	2,084

23. BALANCES WITH RELATED COMPANIES – *continued*

(b) Amounts due to related companies

As at 31 December 2017 and 2016, the amounts due to related companies were unsecured, interest-free and repayable within 3 months based on invoice date.

The amounts due to related parties are as follows:

Name of related party	Relationship	2017 RMB'000	2016 RMB'000
佛山市順德區樂從供銷集團樂添房產經營有限公司	Company controlled by the director (note 28 (i)(a))	105	–
佛山市順德區宴米米業有限公司	Company controlled by the director (note 28 (i)(a))	581	1,871
佛山市順德區金樂貿易有限公司	Company controlled by the director (note 28 (i)(a))	-	230
佛山市順德區樂從供銷集團益群食品有限公司	Company controlled by the director (note 28 (i)(a))	23	23
佛山市順德區樂從供銷集團樂的上品軒食品有限公司	Company controlled by the director (note 28 (i)(a))	63	–
肇慶西江襪廠有限公司	Company controlled by the director (note 28 (i)(a))	-	14
廣東廣樂包裝材料股份有限公司	Company controlled by the director (note 28 (i)(a))	-	11
肇慶西江酒廠有限公司	Company controlled by the director (note 28 (i)(a))	-	5
海南供銷大集供應鏈網絡科技有限公司華南分公司	Company controlled by the controlling shareholders	48	–
		820	2,154

24. BANK BORROWINGS

	2017 RMB'000	2016 RMB'000
Secured – bank borrowings due for repayment within one year	92,000	104,000

As at 31 December 2017 and 2016, the bank borrowings were dominated in RMB and repayable within one year. As at 31 December 2017, the bank borrowings bore interest at fixed rate of 4.75% per annum (2016: at floating rate ranging from 4.4% to 6.3% per annum).

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

(i) the pledge of certain leasehold buildings of the Group with carrying value of RMB14,356,000 and RMB14,096,000 as at 31 December 2017 and 2016 respectively *(Note 13)*;

(ii) the pledge of certain prepaid land lease of the Group with net carrying value of RMB28,530,000 and RMB29,313,000 as at 31 December 2017 and 2016 respectively *(Note 14)*; and

(iii) the pledge of certain investment properties of the Group with carrying value of RMB2,864,000 and RMB2,501,000 as at 31 December 2017 and 2016 respectively *(Note 15)*.

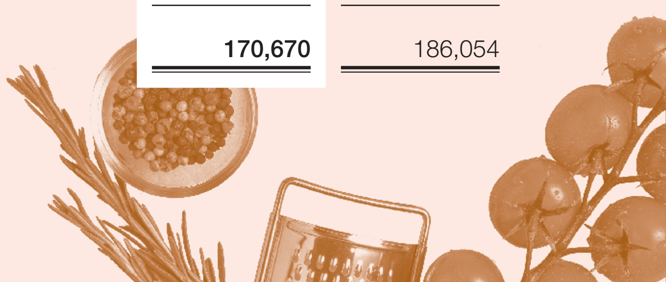
25. SHARE CAPITAL

The issued ordinary share capital is as follows:

	2017		2016	
	Number of shares	RMB'000	Number of shares	RMB'000
Ordinary shares of HK$0.01 each				
Authorised:				
At 31 December	**2,000,000,000**	**15,826**	2,000,000,000	15,826
Issued and fully paid:				
At 31 December	**290,457,000**	**2,387**	290,457,000	2,387

26. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017	2016
	RMB'000	RMB'000
Non-current asset		
Investments in subsidiaries	**31,346**	33,571
Current assets		
Amounts due from subsidiaries	**105,357**	121,601
Cash and cash equivalents	**35,833**	32,351
	141,190	153,952
Current liabilities		
Other payables	**1,729**	1,323
Amounts due to subsidiaries	**137**	146
	1,866	1,469
Net current assets	**139,324**	152,483
Net assets	**170,670**	186,054
Capital and reserves		
Share capital	**2,387**	2,387
Reserves	**168,283**	183,667
Total equity	**170,670**	186,054



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

Note: 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 2016	194,895	4,981	(3,472)	196,404
Profit for the year	–	–	1,436	1,436
Other comprehensive income for the year				
Exchange differences arising on translation to presentation currency	–	10,818	–	10,818
Total comprehensive income for the year	–	10,818	1,436	12,254
Dividend paid *(Note 12)*	(24,991)	–	–	(24,991)
At 31 December 2016 and 1 January 2017	169,904	15,799	(2,036)	183,667
Loss for the year	–	–	(5,058)	(5,058)
Other comprehensive expense for the year				
Exchange differences arising on translation to presentation currency	–	(10,326)	–	(10,326)
Balance at 31 December 2017	169,904	5,473	(7,094)	168,283

27. 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 2017 RMB'000	Financing cash flows RMB'000	Accrued interest RMB'000	31 December 2017 RMB'000
Liabilities				
Bank borrowings *(Note 24)*	**104,000**	**(16,625)**	**4,625**	**92,000**

28. 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	2017 RMB'000	2016 RMB'000
Related companies *(Note a)*	Sale of goods *(Note b)*	**7,109**	4,798
	Purchase of goods *(Note c)*	**9,992**	43,768
	Rental income received *(Note d)*	**1,531**	439
	Rental expense paid *(Note e)*	**7,660**	8,437

Notes:

(a) Mr. Lao Songsheng, a former director of the Company, is a beneficial shareholder of Foshan Shunde Lecong Supply and Marketing Group Limited (the "Lecong Supply and Marketing Group" and together with its subsidiaries, the "Lecong Group") and the Company. In the opinion of the directors of the Company, the Company and Lecong Supply and Marketing Group were both controlled by Mr. Lao Songsheng during the years ended 31 December 2017 and 2016. Certain subsidiaries of the Group operating in the PRC entered into contracts with Lecong Group for sale of goods, purchase of goods, leasing of properties to and from Lecong Group.

(b) The consideration of sale transactions are based on 1) historical transaction prices and amount; 2) prevailing market prices; and 3) discount rate offered to bulk purchase customers. The credit period for sales to related parties is within 90 days.

(c) The consideration of purchase transactions are based on 1) historical transaction prices and amount; 2) prevailing comparable wholesale prices; and 3) discounts offered on bulk purchase. The credit period for purchases from related parties is within 90 days.

(d) Lecong Group entered into lease agreements with the Group with respect of leasing of certain properties. The terms of lease agreements are mutually agreed by the Group and the related companies with reference of market rent. The credit period for leasing of properties to related companies is within 90 days.

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

28. 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:

	2017	2016
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,967**	1,548
Pension scheme contributions	**144**	101
	2,111	1,649

29. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group leases certain of its office and shop premises and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from 1 to 19 years.

As at 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	2016
	RMB'000	RMB'000
Within one year	**15,872**	10,885
Later than one year and not later than five years	**34,366**	13,118
Later than five years	**16,385**	6,257
	66,623	30,260

The Group as lessor

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

As at 31 December 2017, the Group had contracted with tenants for the future minimum lease payments as follows:

	2017	2016
	RMB'000	RMB'000
Within one year	**19,441**	10,857

30. CAPITAL COMMITMENTS

As at 31 December 2017, the Group had the following capital commitments:

	2017 RMB'000	2016 RMB'000
Contracted, but not provided for, in respect of acquisition of property, plant and equipment	260	716

31. SHARE OPTION SCHEME

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

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

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

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

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares immediately following the completion of global offering, being 29,045,700 shares.

No share options were granted under the Share Option Scheme during the current and prior years. As at 31 December 2017 and 2016, there were no outstanding options granted under the Share Option Scheme.

32. INVESTMENTS IN SUBSIDIARIES

Company name	Place of incorporation/ establishment	Particulars of issued and fully paid share capital/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Subsidiaries					
Shun Ke Long International Limited	BVI	2 ordinary shares of US$1.00 each	100	–	Investment holding
Hong Kong Shun Ke Long International Limited	Hong Kong	Paid up capital of HK$1	–	100	Investment holding
Macau Son Hak Long International Sociedade Unipessoal Limitada	Macau	MOP38,625,000	–	100	Operations and management of retail stores in Macau
Usmart Chain Supermarket Company Limited	Macau	MOP38,657,000	–	100	Operations and management of retail stores in Macau
佛山市順德區昌萬隆複合材料有限公司*	PRC	Paid up capital of HK$85,500,000	–	100	Wholesale of goods in the PRC
佛山市順德區駿樂商業管理有限公司#	PRC	Paid up capital of RMB1,000,000	–	100	Investment holding
佛山市順德區金程商貿有限公司#	PRC	Paid up capital of RMB6,000,000	–	100	Investment holding
佛山市順客隆商業有限公司#	PRC	Paid up capital of RMB50,000,000	–	100	Operations and management of retail stores and wholesale in the PRC
珠海市順客隆商業有限公司#	PRC	Paid up capital of RMB1,000,000	–	100	Operations and management of retail stores in the PRC
肇慶順客隆商業連鎖有限公司#	PRC	Paid up capital of RMB10,000,000	–	100	Operations and management of retail stores in the PRC
廣州市順客隆超市有限公司#	PRC	Paid up capital of RMB1,000,000	–	70	Operations and management of retail stores in the PRC
佛山市順德區譽邦行貿易有限公司#	PRC	Paid up capital of RMB500,000	–	100	Wholesale of goods in the PRC
肇慶市高要區樂通貿易有限公司#	PRC	Paid up capital of RMB1,000,000	–	100	Wholesale of goods in the PRC
佛山市順德區名建貿易有限公司#	PRC	Paid up capital of RMB6,000,000	–	100	Operations and management of retail stores in the PRC
佛山市順德區澳中貿易有限公司#	PRC	Paid up capital of HK$1,000,000	–	100	Operations and management of retail stores in the PRC
肇慶順客隆電子商務有限公司#	PRC	Paid up capital of RMB1,000,000	–	100	Retail of goods in the PRC
Ozone Supply Chain International Limited	BVI	Paid up capital of US$1	100	–	Investment holding
Ozone Supply Chain Management Limited	Hong Kong	Paid up capital of HK$100	–	100	Dormant
佛山市泛邦進出口有限公司#	PRC	Paid up capital of RMB5,000,000	–	100	Dormant
肇慶市蜜蜂網絡科技有限公司#	PRC	Paid up capital of RMB1,000,000	–	51	Dormant

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

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

33. CAPITAL RISK MANAGEMENT

The capital structure of the Group consists of debts, which include the bank borrowings disclosed in note 24 and equity attributable to owners of the Company, comprising share capital as disclosed in notes 25 and reserves as disclosed in the consolidated statement of changes in equity. The management reviews the capital structure on regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	2017	2016
	RMB'000	RMB'000
Debt	**92,000**	104,000
Equity	**264,116**	255,766
Debt to equity ratio	**35%**	41%

34. FINANCIAL INSTRUMENTS BY CATEGORY

Categories of financial instruments

	2017	2016
	RMB'000	RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)	**234,898**	242,999

	2017	2016
	RMB'000	RMB'000
Financial liabilities		
At amortised cost	**240,094**	275,367

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The carrying amounts of the Group's financial instruments approximate their fair values as at the end of each reporting period. Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments.

These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of the directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group has no significant concentrations of credit risk. Most of the sales transactions are settled in cash basis or by credit card payment. Credit risk on cash and bank balances is mitigated as cash is deposited in banks of high credit rating.

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment by the credit control department. When considered appropriate, customers may be requested to provide proof as to their financial position. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. Monthly reports of customer payment history are produced and reviewed by the finance department. Overdue balances and significant trade receivables are highlighted. The Group will determine the appropriate recovery actions.

There is no requirement for collateral or other credit enhancement by the Group.

The credit and investment policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

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

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations and also in respect of its cash flow management.

The Group's policy is to maintain sufficient cash and bank balances and has available funding to meet its working capital requirements. The Group's liquidity is dependent upon the cash received from its customers. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

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

	Total contractual undiscounted cash flows due on demand or within one year RMB'000	Carrying amounts RMB'000
31 December 2017		
Trade payables	110,198	110,198
Deposits received, accruals and other payables	37,076	37,076
Amounts due to related parties	820	820
Bank borrowings	96,757	92,000
	244,851	240,094

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

Liquidity risk – *continued*

	Total contractual undiscounted cash flows due on demand or within one year RMB'000	Carrying amounts RMB'000
31 December 2016		
Trade payables	134,072	134,072
Deposits received, accruals and other payables	35,141	35,141
Amounts due to related parties	2,154	2,154
Bank borrowings	105,092	104,000
	276,459	275,367

Interest rate risk

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

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

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

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

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

Interest rate risk – *continued*

Sensitivity analysis

No sensitivity analysis is presented as there were no variable-rate of bank borrowings as at 31 December 2017. It is estimated that a general increase or decrease of 100 basis points in 2016 interest rates for floating rate borrowings, with all other variables held constant, would decrease or increase the Group's profit/retained earnings for the year by RMB600,000.

It is estimated that a general increase or decrease of 5 basis point in 2017 in interest rates for floating rate assets, with all other variables held constant, would increase or decrease the Group's profit/retained earnings for the year by RMB50,000 (2016: RMB56,000) for the year ended 31 December 2017.

There is no impact on other components of equity.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred at the reporting date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the years ended 31 December 2017 and 2016.

36. COMPARATIVE FIGURES

Certain comparative figures have been re-presented to conform with changes in presentation in the current year. The changes included the reclassification of net rental income from investment properties of RMB1,287,000 previously classified under "Revenue" to "Other operating income".

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements set out on pages 50 to 108 were approved and authorised for issue by the board of directors on 28 March 2018.