THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Shun Ke Long Holdings Limited, you should at once hand this Composite Document, together with the accompanying Form of Acceptance, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer.

供销大集
ccoop

CCOOP GROUP CO., LTD*
(供銷大集集團股份有限公司)
(formerly known as Xi'an Minsheng Group Co., Ltd*
(西安民生集團股份有限公司))
(Incorporated in the People's Republic of China with limited liability)

CCOOP INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

顺客隆
Simple kind life

CHINA SHUN KE LONG HOLDINGS LIMITED
中國順客隆控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 974)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO THE MANDATORY UNCONDITIONAL CASH OFFER BY DAKIN SECURITIES LIMITED ON BEHALF OF CCOOP INTERNATIONAL HOLDINGS LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF CHINA SHUN KE LONG HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY CCOOP INTERNATIONAL HOLDINGS LIMITED)

Joint financial advisers to the Offeror

Hong Kong International Capital Management Limited

德健融資有限公司
DAKIN CAPITAL LIMITED

Financial adviser to the Company

Innovax Capital

Independent Financial Adviser to the Independent Board Committee of China Shun Ke Long Holdings Limited

Lego Corporate Finance Limited
力高企業融資有限公司

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Dakin Securities containing, among other things, the principal terms of the Offer is set out on pages 7 to 15 of this Composite Document. A letter from the Board is set out on pages 16 to 21 of this Composite Document. A letter from the Independent Board Committee to the Offer Shareholders containing its recommendation in respect of the Offer is set out on pages 22 to 23 of this Composite Document. A letter from the Independent Financial Adviser to the Independent Board Committee in respect of the Offer and the principal factors considered by it in arriving at its advice is set out on pages 24 to 46 of this Composite Document.

The procedures for acceptance and settlement and the acceptance period of the Offer is set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar by no later than 4:00 p.m. (Hong Kong time) on Friday, 9 June 2017, being the First Closing Date (or such later time and/or date as the Offeror may decide and announce in accordance with the Takeovers Code).

Persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside of Hong Kong should read the section headed "Overseas Shareholders" in the letter from Dakin Securities and Appendix I to this Composite Document before taking any action. It is the responsibility of any person wishing to accept the Offer to satisfy himself, herself or itself as to full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdiction. Each such person is advised to seek professional advice on deciding whether to accept the Offer.

* *For identification purpose only*

19 May 2017

CONTENTS

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

Unless otherwise expressly stated, references to times and dates in this Composite Document and the Form of Acceptance are to Hong Kong times and dates.

Despatch date of this Composite Document and the accompanying Form of Acceptance and the commencement of the Offer(1)	Friday, 19 May 2017
Latest time and date for acceptance of the Offer(2), (4)	4:00 p.m. on Friday, 9 June 2017
First Closing Date(2)	Friday, 9 June 2017
Announcement of the results of the Offer as at the First Closing Date, or as to whether the Offer has been revised or extended, on the website of the Stock Exchange(2)	By 7:00 p.m. on Friday, 9 June 2017
Latest date for posting of remittances to Offer Shareholders for the amounts due under the Offer in respect of valid acceptances received under the Offer(3)	Tuesday, 20 June 2017

Notes:

1. The Offer, which is unconditional in all respects, is made on Friday, 19 May 2017, being the Despatch Date, and is capable of acceptance on and from that date until the First Closing Date. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the section headed "Right of withdrawal" in Appendix I to this Composite Document.

2. In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document was posted. The latest time and date for acceptance of the Offer is 4:00 p.m. (Hong Kong time) on Friday, 9 June 2017 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. An announcement will be issued through the website of the Stock Exchange by 7:00 p.m. (Hong Kong time) on Friday, 9 June 2017 stating whether the Offer has been extended or revised or has expired. In the event that the Offeror decides to extend the Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Offer Shareholders who have not yet accepted the Offer.

   Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty arising therefrom and, if applicable, the fees payable to the Registrar in respect of lost or unavailable Share certificates) payable for the Offer Shares tendered under the Offer will be made to the Offer Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven Business Days following the date of receipt by the Registrar of the duly completed Form of Acceptance together with all the valid requisite documents from the Offer Shareholders accepting the Offer.

4. If there is a tropical cyclone warning signal no. 8 or above, or a black rainstorm warning:

   (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will remain at 4:00 p.m. (Hong Kong time) on the same day; or

   (b) in force in Hong Kong at any local time between 12:00 noon (Hong Kong time) and 4:00 p.m. (Hong Kong time) on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. (Hong Kong time) on the following Business Day.

NOTICE TO OVERSEAS SHAREHOLDERS

The Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong. The Offeror intends to make the Offer available to all Offer Shareholders, including those with registered addresses outside Hong Kong. As the Offer to persons not residing in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offers. It is the responsibility of the Overseas Shareholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Acceptance of the Offer by any Overseas Shareholder will constitute a warranty by any such person that such person (i) is permitted under all applicable laws to receive and accept the Offer, and any revision thereof, (ii) has observed all the applicable laws and regulations of the relevant jurisdiction in connection with such acceptance, including obtaining any government or other consent which may be required, and (iii) has complied with any other necessary formality and has paid any issue, transfer or other taxes due in such jurisdiction, and that such acceptance shall be valid and binding in accordance with all applicable laws. Overseas Shareholders are recommended to seek professional advice on whether to accept the Offer.

NOTICE TO U.S. SHAREHOLDERS

The Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong, which are different from those of the United States. In addition, U.S. holders of Shares should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differ from those of the United States. The Offer is being extended into the United States pursuant to the applicable U.S. tender offer rules or an available exemption therefrom or otherwise in accordance with the requirements of the SFO.

Accordingly, the Offer will comply with the relevant Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which may be different from those applicable under U.S. domestic tender offer procedures and laws. The receipt of cash pursuant to the Offer by a U.S. holder of Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each U.S. holder of Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Offer.

The financial information of the Company included in this Composite Document has been extracted from the audited financial statements for each of the three financial years ended 31 December 2016, 2015 and 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Such financial information may not be wholly comparable to financial information of U.S. companies or companies whose financial statements are solely prepared in accordance with generally accepted accounting principles in the United States. It may be difficult for U.S. holders of Shares to enforce their rights and claims arising out of the U.S. federal securities laws, because Dakin Securities, the Offeror and the Company are located in countries other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. In addition, most of the assets of Dakin Securities, the Offeror and the Company are located outside the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult for U.S. holders of Shares to effect service of process within the United States upon Dakin Securities, the Offeror or the Company or their respective officers or directors, to enforce against them a judgment of a U.S. court or them or their affiliates to subject themselves to a U.S. court judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States, and (ii) the Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and will be available on the website of the SFC at http://www.sfc.hk/.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “will”, “would” or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

In this Composite Document, the following expressions have the meanings set out below, unless the context requires otherwise:

"acting in concert"	has the meaning given to it in the Takeovers Code
"associate(s)"	has the meaning given to it in the Takeovers Code
"Board"	the board of Directors
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCOOP Group"	CCOOP Group Co., Ltd* (供銷大集集團股份有限公司), formerly known as Xi'an Minsheng Group Co., Ltd* (西安民生集團股份有限公司), a company established in the PRC, and whose change of name was approved by its shareholders at the extraordinary general meeting held on 23 January 2017 and took effect from 23 February 2017
"Closing Date"	the First Closing Date or any subsequent closing date of the Offer if it is extended or revised in accordance with the Takeovers Code
"Company"	China Shun Ke Long Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 974)
"Completion"	completion of the transaction in accordance with the terms and conditions of the Sale and Purchase Agreement
"Completion Announcement"	the joint announcement issued by the Company and the Offeror dated 12 May 2017 relating to, among other things, Completion
"Composite Document"	this composite offer and response document jointly issued by the Offeror, CCOOP Group and the Company to the Shareholders in accordance with the Takeovers Code in relation to the Offer

"Concert Parties"	in relation to the Offeror, persons acting in concert with the Offeror
"Consideration"	the total consideration for the sale and purchase of the Sale Shares payable by the Offeror to the Vendors
"controlling shareholder"	has the meaning given to it in the Takeovers Code
"Dakin Capital"	Dakin Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, one of the joint financial advisers to the Offeror
"Dakin Securities"	Dakin Securities Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contacts) regulated activities under the SFO
"Despatch Date"	19 May 2017, being the date of despatch of this Composite Document
"Director(s)"	director(s) of the Company
"Encumbrance"	any mortgage, charge, pledge, lien, (otherwise than arising by statute or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
"Ever Prosperous"	Ever Prosperous Holdings Limited (順隆控股有限公司), a company incorporated in the BVI with limited liability and wholly owned by the Guarantor, which is the parent company of Shun Ao
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"First Closing Date"	9 June 2017, being the first closing date of the Offer
"Form of Acceptance"	the form of acceptance and transfer of Offer Shares in respect of the Offer

"Golden Prime"	Golden Prime Holdings Limited (金元控股有限公司), a company incorporated in the BVI with limited liability, and as at the date of this Composite Document owned by the Guarantor as to approximately 34.6% and other 44 individuals with their respective shareholdings ranging from approximately 0.1% to 6.0%
"Group"	the Company and its subsidiaries
"Guarantor"	Mr. Lao Songsheng, chairman of the Board and an executive Director
"HKICM"	Hong Kong International Capital Management Limited, a licensed corporation to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, one of the joint financial advisers to the Offeror
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the board of Directors comprising all the non-executive Directors, namely Mr. Chen Yijian, Ms. Lao Weiping and Ms. Zhang Bei, and all independent non-executive Directors, namely Mr. Guan Shiping, Mr. Sun Hong and Mr. Shin Yick Fabian, established pursuant to the Takeovers Code to give recommendations to the Offer Shareholders in respect of the Offer
"Independent Financial Adviser" or "Lego Corporate Finance"	Lego Corporate Finance Limited, a corporation licensed to carry type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee in relation to the Offer

"Initial Announcement"	the initial announcement issued by the Company dated 12 December 2016 made pursuant to Rule 3.7 of the Takeovers Code
"Innovax Capital"	Innovax Capital Limited, a licensed corporation to carry type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Company
"Irrevocable Undertaking"	an irrevocable undertaking executed by each of the Vendors, Shun Ao and the Guarantor in favour of the Offeror dated 23 January 2017
"Jian Nong"	Jian Nong Holdings Limited (建農控股有限公司), a company incorporated in the BVI with limited liability, and as at the date of this Composite Document owned by the Guarantor as to approximately 17.2% and other 316 individuals with their respective shareholdings ranging from approximately 0.1% to 2.0%
"Joint Announcement"	the joint announcement issued by the Offeror and the Company dated 23 January 2017 in relation to the Transaction and the Offer made pursuant to Rule 3.5 of the Takeovers Code
"Last Trading Date Before Initial Announcement"	9 December 2016, being the last day on which the Shares were traded on the Stock Exchange prior to the publication of the Initial Announcement
"Last Trading Date Before Joint Announcement"	23 January 2017, being the last day on which Shares were traded on the Stock Exchange prior to the publication of the Joint Announcement
"Latest Practicable Date"	16 May 2017, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC

"Offer"	the mandatory unconditional cash offer made by Dakin Securities for and on behalf of the Offeror to the Offer Shareholders to acquire all the issued Shares (other than those already owned by the Offeror) at the Offer Price in accordance with the terms set out in this Composite Document and any subsequent revision or extension of the Offer
"Offer Period"	has the meaning given to it under the Takeovers Code, which, in respect of the Offer, means the period from on the date of the Initial Announcement until the Closing Date
"Offer Price"	HK$3.95 per Offer Share
"Offer Shares"	the Shares which are subject to the Offer
"Offer Shareholders"	in respect of the Offer, the Shareholders other than the Offeror
"Offeror"	CCOOP International Holdings Limited, a company incorporated in the Cayman Islands and an indirectly wholly-owned subsidiary of CCOOP Group
"Overseas Shareholders"	Shareholders whose addresses, as shown on the register of members of the Company, are outside of Hong Kong
"PRC"	the People's Republic of China, which expression, solely for the purpose of construing this Composite Document, except where the context requires, does not include Hong Kong, Macau or Taiwan
"Registrar"	Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, being the branch share registrar of the Company in Hong Kong for receiving and processing acceptances of the Offer in respect of the Offer Shares which are listed on the Stock Exchange
"Relevant Period"	the period commencing on 12 June 2016, being the date falling six months prior to date of the Initial Announcement, and ending on and including the Latest Practicable Date

"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 23 January 2017 entered into among the Vendors, the Offeror, the Guarantor and Shun Ao in respect of the sale and purchase of the Sale Shares
"Sale Shares"	162,092,600 Shares, representing approximately 55.80% of the total number of issued Shares, and each a "Sale Share"
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holders of Share(s)
"Share(s)"	ordinary share(s) of HK0.10 each in the share capital of the Company
"Shun Ao"	Shun Ao Holdings Limited (順澳控股有限公司), a company incorporated in the BVI with limited liability and as at the date of this Composite Document indirectly wholly-owned by the Guarantor
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"U.S." or "United States"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"Vendors"	collectively, Golden Prime, Xing Nong and Jian Nong
"Xing Nong"	Xing Nong Holdings Limited (興農控股有限公司), a company incorporated in the BVI with limited liability, and as at the date of this Composite Document owned by the Guarantor at to approximately 7.4% and other 396 individuals with their respective shareholdings ranging from approximately 0.1% to 2.0%
"%"	per cent.

* *English translations of company names from the Chinese language are marked with "*" and are provided for identification purposes only*

德健證券有限公司
DAKIN SECURITIES LIMITED

19 May 2017

To the Offer Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY DAKIN SECURITIES LIMITED FOR AND ON BEHALF OF CCOOP INTERNATIONAL HOLDINGS LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF CHINA SHUN KE LONG HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY CCOOP INTERNATIONAL HOLDINGS LIMITED)

INTRODUCTION

On 23 January 2017, the Offeror and the Company jointly announced that on 23 January 2017, the Offeror, the Vendors, the Guarantor and Shun Ao entered into the Sale and Purchase Agreement, pursuant to which the Offeror has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares, representing approximately 55.80% of the entire issued share capital of the Company as at the Latest Practicable Date, for a Consideration of HK$640,265,770 (representing HK$3.95 per Sale Share).

On 12 May 2017, the Offeror and the Company jointly announced that Completion took place on 12 May 2017 and upon Completion, the Offeror and its Concert Parties held 162,092,600 Shares (representing approximately 55.80% of the issued Shares as at the Latest Practicable Date). The aggregate of the cash amount paid by the Offeror as Consideration for the Sale Shares pursuant to the Sale and Purchase Agreement was HK$640,265,770 (representing HK$3.95 per Sale Share).

In accordance with Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror) upon Completion.

Unless the context requires otherwise, terms defined in this Composite Document, of which this letter forms part, shall have the same meanings when used herein.

UNCONDITIONAL OFFER

The Offer is unconditional in all respects and is therefore not conditional upon any minimum level of acceptances being received or subject to any other condition.

THE OFFER

On behalf of the Offeror, we hereby unconditionally make the Offer to acquire all the Shares not already owned or agreed to be acquired by the Offeror on the following basis:

Offer Price

For each Offer Share . . . . .HK$3.95 in cash

The Offer Price of HK$3.95 per Offer Share under the Offer is equal to the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement. This letter, Appendix I to this Composite Document and the accompanying Form of Acceptance together set out the terms of the Offer and certain related information.

Comparisons of Value

The Offer Price represents:

(a) a premium of approximately 13.18% to the closing price of HK$3.49 per Share as quoted on the Stock Exchange on the Last Trading Date Before Joint Announcement;

(b) a premium of approximately 31.67% to the closing price of HK$3.00 per Share as quoted on the Stock Exchange on the Last Trading Date Before Initial Announcement;

(c) a premium of approximately 32.55% to the average closing price of approximately HK$2.98 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date Before Initial Announcement;

(d) a premium of approximately 35.57% to the average closing price of HK$2.91 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Date Before Initial Announcement;

(e) a premium of approximately 35.56% to the average closing price of approximately HK$2.91 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Day Before Initial Announcement;

(f) a premium of approximately 34.93% to the average closing price of approximately HK$2.93 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day Before Initial Announcement;

(g) a premium of approximately 35.80% to the average closing price of approximately HK$2.91 per Share as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day Before Initial Announcement; and

(h) a premium of approximately 0.25% over the closing price of HK$3.94 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Please refer to the section headed "Market Prices" in Appendix IV to this Composite Document for further information on the market prices of the Shares.

Highest and lowest prices

During the Relevant Period, the highest closing price of Shares as quoted on the Stock Exchange was HK$3.95 on 15 May 2017, and the lowest closing price of Shares as quoted on the Stock Exchange was HK$2.75 on 13 July 2016.

Acceptance

The Offer is capable of acceptance on and from Friday, 19 May 2017 and will remain open for acceptance until Friday, 9 June 2017, being the Closing Date, unless extended or revised in accordance with the Takeovers Code. The Offeror reserves the right to revise or extend the Offer in accordance with the Takeovers Code. Unless the Offer has previously been revised or extended with the consent of the Executive, to be valid, the Form of Acceptance must be received by no later than 4:00 p.m. (Hong Kong time) on Friday, 9 June 2017.

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Please also refer to Appendix I to this Composite Document for further terms of the Offer.

IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, Shun Ao and Golden Prime held 38,880,000 Shares (the "**Remaining Shares**") representing approximately 13.39% of the issued Shares. On 23 January 2017, each of the Vendors, Shun Ao and the Guarantor jointly and severally executed the Irrevocable Undertaking to the Offeror that:

(i) it will not accept the Offer in respect of any Shares (including the Remaining Shares) held by it or any party acting in concert with it and, during the Offer Period, will not transfer, dispose of or otherwise make any of the Remaining Shares available for acceptance under the Offer; and

(ii) subject to Completion and the Offeror or parties acting in concert with it remaining as the controlling shareholder(s) of the Company (as defined under the Listing Rules), each of the Vendors, Shun Ao and the Guarantor and its respective close associates (as defined under the Listing Rules) will not, from the date of Completion, acquire any Shares or voting rights in the Company without prior written approval from the Offeror, if:

    (a) the Company is already in breach of the minimum public float requirement under the Listing Rules;

    (b) such acquisition will result in the Vendors, Shun Ao or the Guarantor and their respective close associates (as defined under the Listing Rules) and the Offeror and its close associates (as defined under the Listing Rules) in aggregate exceed 75% of the issued share capital of the Company; or

    (c) such acquisition will result in a potential breach by the Company of the minimum public float requirement under the Listing Rules.

CONFIRMATION OF FINANCIAL RESOURCES FOR THE OFFER

Based on the Offer Price of HK$3.95 per Share and 290,457,000 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company was valued at HK$1,147,305,150.

The maximum cash amount to be paid to Offer Shareholders in respect of acceptances under the Offer is HK$353,463,380, based on the Offer Price of HK$3.95 per Offer Share and 89,484,400 Offer Shares (being a total of 290,457,000 Shares in issue less (i) the Sale Shares of 162,092,600 Shares held by the Offeror and (ii) the 38,880,000 Shares held by the Vendors and Shun Ao after Completion, in respect of which the Vendors, the Guarantor and Shun Ao have undertaken not to accept the Offer and, during the Offer Period, not to transfer, dispose of or otherwise make available for acceptance under the Offer).

The Offer is unconditional in all respects. The total cash consideration will be funded by the internal resources of the Offeror. There is no arrangement in relation to such facilities under which the payment of interest on, repayment of or security for any liability, contingent or otherwise, will depend, to any significant extent, on the business of the Company. HKICM and Dakin Capital have been appointed as the joint financial advisers to the Offeror in respect of the Offer. HKICM and Dakin Capital, as joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror to satisfy the acquisition of the Sale Shares and meet full acceptance of the Offer as described above.

INFORMATION OF THE OFFEROR

The Offeror, CCOOP International Holdings Limited, is a limited liability exempted company incorporated in the Cayman Islands on 7 December 2016, and is an indirectly wholly-owned subsidiary of CCOOP Group Co., Ltd* (供銷大集集團股份有限公司) ("**CCOOP Group**").

CCOOP Group is a company listed on the Shenzhen Stock Exchange trading under the stock code 000564 and is principally engaged in the retail chain and department store businesses in the PRC.

THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

Reasons for the Offer

CCOOP Group intends to develop its business in the Pearl River Delta region and offshore capital markets. The Offeror considers that the business of the Group to be a good strategic fit with the businesses of CCOOP Group and, therefore, considers the Offer to be in its long-term commercial interest.

Business

The Offeror intends that the Group will continue with its existing businesses. Subject to market conditions, the Offeror intends to provide funds, personnel, technology and other resources to support the Group's investment in and development of new projects, and enhance revenue, asset value and market publicity to a higher level, including by actively seeking potential business investment and development projects in the PRC and overseas. The Offeror will, following the close of the Offer, conduct a more detailed review on the business operations and financial position of the Group for the purpose of formulating appropriate business plans and strategies and exploring other business opportunities for the future development of the Group in order to enhance the long-term growth potential of the Group. Subject to the results of the review, and should suitable investment or business opportunities arise in the future, the Offeror may consider acquisitions of assets and/or businesses by the Group in order to enhance its growth potential. As of the Latest Practicable Date, the Offeror had no plans for any acquisition of business and/or assets, or disposal, termination or scaling-down of the Group's existing business or assets.

Employment

The Offeror has no intention to terminate any employment of the employees of the Group. Within 24 months after Completion, except in cases of breach of internal policies or regulations of the Group by the employees or incompetence of the employees, the Offeror has no intention to terminate any employment of the mid-level and senior management of the Group or lower their remuneration and benefits from the level as at 30 June 2016, except for the proposed change of Board composition as detailed in the section headed "Proposed change to the Board composition" below.

COMPULSORY ACQUISITION

The Offeror does not intend to exercise any right which may be available to it to compulsorily acquire any outstanding Offer Shares not acquired under the Offer after the close of the Offer.

MAINTAINING THE LISTING

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror and the new directors appointed to the Board (with effect from the date immediately after the First Closing Date) have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. Such steps may include the Offeror selling some of its Shares.

PROPOSED CHANGE TO THE BOARD COMPOSITION

The Board is currently made up of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors.

Following Completion and commencement of the acceptance period of the Offer, all the current executive Directors and non-executive Directors (save and except Mr. Lao Songsheng and his alternate Director) have tendered their resignations from the Board with their resignations taking effect from the day immediately after the First Closing Date. Mr. Lao Songsheng will be re-designated as a non-executive Director from an executive Director and will resign as the chairman of the Board, both with effect from the day immediately after the First Closing Date.

The Offeror has nominated and the Board has appointed new Directors (including executive and non-executive Directors, namely Mr. He Jia Fu, Mr. Li Zhongxu, Mr. Wu Limin, Mr. Han Wei and Mr. Wang Fu Lin) to the Board with effect from the day immediately after the First Closing Date. Biographical details of the new Directors have been set out in the Completion Announcement.

Any further changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement(s) will be made as and when appropriate.

OVERSEAS SHAREHOLDERS

The Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong. The Offeror intends to make the Offer available to all Offer Shareholders, including those with registered addresses outside Hong Kong. As the Offer to persons not residing in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offers. It is the responsibility of the Overseas Shareholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Acceptance of the Offer by any Overseas Shareholder will constitute a warranty by any such person that such person (i) is permitted under all applicable laws to receive and accept the Offer, and any revision thereof, (ii) has observed all the applicable laws and regulations of the relevant jurisdiction in connection with such acceptance, including obtaining any government or other consent which may be required, and (iii) has complied with any other necessary formality and has paid any issue, transfer or other taxes due in such jurisdiction, and that such acceptance shall be valid and binding in accordance with all applicable laws.

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

Procedures for Acceptance of the Offer

To accept the Offer, you must complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which forms part of the terms of the Offer.

The completed Form of Acceptance should then be forwarded, together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the whole of your holding of the Shares or, if applicable, for not less than the number of Shares in respect of which you intend to accept the Offer, by post or by hand to the Registrar at Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, marked "**SKL Offer**" on the envelope, as soon as practicable after receipt of these documents and in any event, so as to reach the Registrar by no later than 4:00 p.m.

(Hong Kong time) on Friday, 9 June 2017, being the First Closing Date (or such later time and/or date as the Offeror may decide and announce with the consent of the Executive in accordance with the Takeovers Code). No acknowledgement of receipt of any Form(s) of Acceptance, Share certificate(s), transfer receipt(s) or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

Your attention is also drawn to the section headed "Terms of the Offer" as set out in paragraph 1 of Appendix I to this Composite Document and the accompanying Form of Acceptance.

Settlement of the Offer

Provided that a valid Form of Acceptance and the relevant documents required to render the relevant acceptance under the Offer are complete and in good order in all respects and have been received by the Registrar no later than 4:00 p.m. (Hong Kong time) on Friday, 9 June 2017, being the latest time for acceptance of the Offer unless the Offer is extended by the Offeror in accordance with the Takeovers Code, a cheque for the amount due to the relevant accepting Shareholder, less seller's *ad valorem* stamp duty (if any) payable by the relevant accepting Shareholder and if applicable, the fees payable to the Registrar in respect of lost or unavailable Share certificates, will be despatched to the relevant accepting Shareholder by ordinary post at his/her/its own risk as soon as possible, but in any event within seven Business Days after the date on which all relevant documents are received by the Registrar to render such acceptance complete and valid.

No fractions of a cent will be payable and the amount of the consideration payable to a Shareholder who accepts the Offer will be rounded up to the nearest cent.

Stamp Duty

Seller's *ad valorem* stamp duty for Shares registered on the Hong Kong register arising in connection with acceptance of the Offer will be payable by each accepting Shareholder at the rate of 0.1% of the consideration payable by the Offeror for such person's Shares or the market value of such person's Shares, whichever is higher, and will be deducted from the cash amount due to such person under the Offer.

The Offeror will pay the buyer's *ad valorem* stamp duty on its own behalf and the seller's *ad valorem* stamp duty on behalf of the accepting Shareholders in respect of the Shares accepted under the Offer.

Nominee Registration

To ensure the equality of treatment of all Offer Shareholders, those Offer Shareholders who hold Share(s) as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Share(s) whose investments are registered in the names of nominees (including those whose interests in Shares are held through CCASS) to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their respective nominees.

TAXATION ADVICE

Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. It is emphasised that none of the Offeror, the Company, the Vendors, Dakin Securities, HKICM, Dakin Capital, Innovax Capital, the Independent Financial Adviser and the Registrar or any of their respective directors, officers or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

This Composite Document does not include any information in respect of overseas taxation. Offer Shareholders who may be subject to overseas tax are recommended to consult their tax advisers regarding the implications in the relevant jurisdictions of owning and disposing of Shares.

FURTHER TERMS OF THE OFFER

Further terms of the Offer (including the procedures for acceptance, the acceptance period and stamp duty payable by the Offer Shareholders who accept the Offer) are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

RECOMMENDATION AND ADDITIONAL INFORMATION

Your attention is drawn to the "Letter from the Board" on pages 16 to 21, the "Letter from the Independent Board Committee" on pages 22 to 23 and the "Letter from the Independent Financial Adviser" on pages 24 to 46, all of which are contained in this Composite Document, in relation to their recommendations and/or advice regarding the Offer.

Your attention is also drawn to the additional information set out in the appendices which form part of this Composite Document.

Yours faithfully,
For and on behalf of
Dakin Securities Limited
Chang Tin Duk, Victor
Director

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 974)

Executive Directors:
Mr. Lao Songsheng
Ms. Wang Yanfen
Mr. Wu Zhaohui

Non-executive Directors:
Mr. Chen Yijian
Ms. Lao Weiping
Ms. Zhang Bei

Independent non-executive Directors:
Mr. Guan Shiping
Mr. Sun Hong
Mr. Shin Yick Fabian

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

Principal place of business in Hong Kong:
Room 1007, 10th Floor
Sincere House
83 Argyle Street
Kowloon
Hong Kong

19 May 2017

To the Offer Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY DAKIN SECURITIES LIMITED FOR AND ON BEHALF OF CCOOP INTERNATIONAL HOLDINGS LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF CHINA SHUN KE LONG HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY CCOOP INTERNATIONAL HOLDINGS LIMITED)

INTRODUCTION

References are made to the Joint Announcement by which the Offeror and the Company jointly announced that on 23 January 2017, the Offeror, the Vendors, the Guarantor and Shun Ao entered into the Sale and Purchase Agreement, pursuant to which the Offeror has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares, representing approximately 55.80% of the entire issued share capital of the Company as at the Latest Practicable Date, for a Consideration of HK$640,265,770 (representing HK$3.95 per Sale Share). Completion took place on 12 May 2017.

Immediately following Completion and as at the Latest Practicable Date, the Offeror and its Concert Parties were interested in 162,092,600 Shares, representing approximately 55.80% of the existing issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror and its Concert Parties are required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror) upon Completion.

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, on 18 January 2017, the Board has established the Independent Board Committee comprising all the non-executive Directors, namely Mr. Chen Yijian, Ms. Lao Weiping and Ms. Zhang Bei, and all the independent non-executive Directors, namely Mr. Guan Shiping, Mr. Sun Hong and Mr. Shin Yick Fabian, to make a recommendation to the Offer Shareholders in respect of the Offer, in particular as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

Pursuant to Rule 2.1 of the Takeovers Code, on 18 January 2017, Lego Corporate Finance has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offer, and in particular as to whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Offeror and the Offer as well as setting out the letter from the Independent Board Committee containing its recommendation to the Offer Shareholders in respect of the terms of the Offer and as to acceptance of the Offer, and the letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee in respect of the terms of the Offer and as to acceptance of the Offer.

THE OFFER

As at the Latest Practicable Date, there were 290,457,000 Shares in issue.

There were no outstanding warrants, options, derivatives or securities convertible into Shares and the Company had not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company as at the Latest Practicable Date.

Principal terms of the Offer

As mentioned in the "Letter from Dakin Securities" on pages 7 to 15 of this Composite Document, Dakin Securities is making the Offer for and on behalf of the Offeror to all the Offer Shareholders for all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror) in accordance with the Takeovers Code on the following basis:

For each Offer Share . . . . HK$3.95 in cash

The Offer Price of HK$3.95 per Offer Share under the Offer is equal to the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

Further details of the Offer, including terms and procedures for acceptance of the Offer, are contained in the "Letter from Dakin Securities" as set out on pages 7 to 15 of, and Appendix I to, this Composite Document and the accompanying Form of Acceptance.

INFORMATION OF THE GROUP

The Company is a company incorporated in Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the operation and management of retail stores and wholesale of goods in the PRC and Macau.

The table below sets out the shareholding structure of the Company (based on information received by the Company and notified pursuant to Part XV of the SFO as at the Latest Practicable Date) (i) immediately prior to Completion; and (ii) immediately after Completion and as at the Latest Practicable Date:

	Immediately prior to Completion		**Immediately after Completion and as at the Latest Practicable Date**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Shareholders				
Shun Ao *(Note 1)*	12,892,000	4.44	12,892,000	4.44
Golden Prime *(Note 2)*	106,806,460	36.77	25,988,000	8.95
Xing Nong *(Note 3)*	55,299,773	19.04	–	–
Jian Nong *(Note 4)*	25,974,367	8.94	–	–
The Offeror and its Concert Parties *(Note 5)*	–	–	162,092,600	55.80
Other Shareholders *(Note 6)*	89,484,400	30.81	89,484,400	30.81
Total	290,457,000	100.00	290,457,000	100.00

Notes:

1. As at the Latest Practicable Date, Shun Ao was wholly-owned by Ever Prosperous, in which its entire issued share capital was owned by Mr. Lao Songsheng.

2. As at the Latest Practicable Date, Golden Prime had 45 individual shareholders, including Mr. Lao Songsheng who was interested in approximately 34.6% of its issued share capital, Ms. Wang Yanfen who was interested in approximately 3.3% of its issued share capital, Mr. Wu Zhaohui who was interested in approximately 0.6% of its issued share capital, Mr. Chen Yijian who was interested in approximately 5.8% of its issued share capital, Ms. Lao Weiping who was interested in approximately 4.4% of its issued share capital and Ms. Zhang Bei who was interested in approximately 0.9% of its issued share capital. Each of the other shareholders was interested in less than 5.0% of its issued share capital.

3. As at the Latest Practicable Date, Xing Nong had 397 individual shareholders, including Mr. Lao Songsheng who was interested in approximately 7.4% of its issued share capital. Each of the other shareholders was interested in less than 2.0% of its issued share capital.

4. As at the Latest Practicable Date, Jian Nong had 317 individual shareholders, including Mr. Lao Songsheng who was interested in approximately 17.2% of its issued share capital. Each of the other shareholders was interested in less than 2.0% of its issued share capital.

5. Immediately following Completion and as at the Latest Practicable Date, the Offeror was directly interested in approximately 55.80% of the entire issued shares of the Company.

6. As at the Latest Practicable Date, other Shareholders comprised Ms. Lao Weiping, a non-executive Director, who held 1,000 Shares (approximately 0.0003% of total number of issued Shares), and public Shareholders, which held 89,483,400 Shares (approximately 30.81% of total number of issued Shares) in aggregate.

The following table set out a summary of the audited consolidated results of the Group for each of the three financial years ended 31 December 2016, 2015 and 2014, as extracted from the accounts prepared in accordance with Hong Kong Financial Reporting Standards in the Company's annual report for each of the years ended 31 December 2016 and 2015:

	For the year ended 31 December		
	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
Revenue	1,089,159	1,039,614	1,053,359
Profit before tax	34,474	41,105	42,131
Profit attributable to the owners of the Company	24,397	28,631	30,951

	As at 31 December 2016	**As at 31 December 2015**	**As at 31 December 2014**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
Consolidated net asset value attributable to the owners of the Company	254,460	250,216	70,229

Further information of the Group are set out in Appendices II and III to this Composite Document.

INFORMATION OF THE OFFEROR

Your attention is drawn to the section headed "Information of the Offeror" in the "Letter from Dakin Securities" as set out on page 11 of this Composite Document.

THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

Your attention is drawn to the section headed "The Offeror's intentions in relation to the Group" in the "Letter from Dakin Securities" as set out on pages 11 to 12 of this Composite Document.

The Board is aware of the intention of the Offeror in respect of the Group and its employees and is willing to co-operate with the Offeror and act in the best interest of the Company and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY

It is stated in the "Letter from Dakin Securities" on pages 7 to 15 of this Composite Document that the Offeror intends to maintain the listing of the Shares on the Stock Exchange following the close of the Offer.

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- that there are insufficient Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror and the new directors appointed to the Board (with effect from the day immediately after the First Closing Date) have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

Therefore, at the close of the Offer, there may be insufficient public float of the Shares and the trading in the Shares may be suspended until sufficient public float exists for the Shares.

Shareholders and potential investors are advised to exercise caution when dealing in Shares.

RECOMMENDATION

Your attention is drawn to (i) the "Letter from the Independent Board Committee" on pages 22 to 23 of this Composite Document, which sets out its recommendation to the Offer Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable so far as the Offer Shareholders are concerned, and as to acceptance thereof; and (ii) the "Letter from the Independent Financial Adviser" on pages 24 to 46 of this Composite Document, which sets out its letter of advice to the Independent Board Committee as to whether the terms of the Offer are, or are not, fair and reasonable so far as the Offer Shareholders are concerned, and as to acceptance thereof, and the principal factors considered by it in arriving at its advice and recommendation.

ADDITIONAL INFORMATION

You are advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully,
By order of the Board
China Shun Ke Long Holdings Limited
Lao Songsheng
Chairman

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Offer which has been prepared for the purpose of inclusion in this Composite Document.

CHINA SHUN KE LONG HOLDINGS LIMITED
中國順客隆控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 974)

19 May 2017

To the Offer Shareholders

Dear Sir or Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY DAKIN SECURITIES LIMITED FOR AND ON BEHALF OF CCOOP INTERNATIONAL HOLDINGS LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF CHINA SHUN KE LONG HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY CCOOP INTERNATIONAL HOLDINGS LIMITED)

INTRODUCTION

We refer to the composite offer and response document dated 19 May 2017 issued jointly by the Offeror and the Company ("**Composite Document**") of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Composite Document unless the context requires otherwise.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Offer Shareholders are concerned, and as to acceptance thereof.

Lego Corporate Finance has been appointed as the Independent Financial Adviser to advise us in respect of the terms of the Offer and as to acceptance thereof. Details of its advice and the principal factors considered by it in arriving at its advice and recommendation are set out in the "Letter from the Independent Financial Adviser" on pages 24 to 46 of the Composite Document.

We also wish to draw your attention to the "Letter from the Board", the "Letter from Dakin Securities" and the additional information set out in the appendices to the Composite Document.

RECOMMENDATION

Having considered the terms of the Offer and the letter of advice from the Independent Financial Adviser, we consider that the terms of the Offer are fair and reasonable so far as the Offer Shareholders are concerned, and therefore we recommend the Offer Shareholders to accept the Offer.

However, for those Offer Shareholders who are considering to realise all or part of their holdings in the Shares, they should monitor the Share price movement until near the end of the Offer Period. If the market price of the Shares exceeds the Offer Price and the sale proceeds net of all transaction costs exceed the net proceeds receivable under the Offer, the Offer Shareholders should consider selling their Shares in the open market instead of accepting the Offer.

Offer Shareholders are recommended to read the full text of the "Letter from the Independent Financial Adviser" set out in the Composite Document. Notwithstanding our recommendation, the Offer Shareholders should consider carefully the terms and conditions of the Offer.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Chen Yijian
Non-executive Director

Ms. Lao Weiping
Non-executive Director

Ms. Zhang Bei
Non-executive Director

Mr. Guan Shiping
Independent non-executive Director

Mr. Sun Hong
Independent non-executive Director

Mr. Shin Yick Fabian
Independent non-executive Director

The following is the full text of the letter of advice from Lego Corporate Finance, the Independent Financial Adviser to the Independent Board Committee, which has been prepared for the purpose of incorporation into the Composite Document, setting out its advice to the Independent Board Committee in respect of the Offer.

Lego Corporate Finance Limited
力高企業融資有限公司

19 May 2017

To the Independent Board Committee

Dear Sirs or Madams,

THE MANDATORY UNCONDITIONAL CASH OFFER BY DAKIN SECURITIES LIMITED ON BEHALF OF CCOOP INTERNATIONAL HOLDINGS LIMITED TO ACQUIRE ALL OF THE ISSUED SHARES IN THE SHARE CAPITAL OF CHINA SHUN KE LONG HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY CCOOP INTERNATIONAL HOLDINGS LIMITED)

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee in respect of the Offer, details of which are set out in the letter from the Board (the "**Letter from the Board**") and letter from Dakin Securities (the "**Letter from Dakin**") contained in the composite offer and response document jointly issued by the Company and the Offeror dated 19 May 2017 (the "**Composite Document**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document, unless the context otherwise requires.

The Independent Board Committee comprising all the non-executive Directors, namely Mr. Chen Yijian, Ms. Lao Weiping and Ms. Zhang Bei, and all the independent non-executive Directors, namely Mr. Guan Shiping, Mr. Sun Hong and Mr. Shin Yick Fabian, has been established pursuant to the Takeovers Code to give recommendations to the Offer Shareholders in respect of the Offer, in particular as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee in this regard. Our appointment has been approved by the Independent Board Committee.

Lego Corporate Finance is not associated or connected with the Company or the Offeror, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any parties acting, or presumed to be acting in concert with any of them and accordingly, we are considered eligible to give independent advice to the Independent Board Committee in respect of the Offer. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we had received or will receive any fees or benefits from the Company or the Offeror, or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates, or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Composite Document; (ii) the information and facts provided by the Company and/or its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Composite Document were true, accurate and complete in all material respects as at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Composite Document and opinions expressed to us and that all information or representations provided to us by the Company, the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and up to the Latest Practicable Date. The Company will notify the Shareholders of any material changes during the Offer Period as soon as possible in accordance with Rule 9.1 of the Takeovers Code. The Offer Shareholders will also be informed should there be any material changes to the information contained or referred to herein and our opinion as soon as possible after the Latest Practicable Date and throughout the Offer Period. We have also relied on the responsibility statement made by the directors of the Offeror contained in the Composite Document. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Company, the Directors, the management of the Group and the advisers of the Company.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Composite Document so as to provide a reasonable basis for our recommendation. We have neither carried out any independent verification of the information provided, representations made or opinion expressed by the Company, the Directors, management of the Group and the Offeror, nor conducted any form of in-depth investigation into the business, affairs, operations, financial position or prospects of the Company or the Offeror or their respective subsidiaries or associates.

We have not considered the tax implications on the Offer Shareholders regarding the Offer since these are particular to their individual circumstances. In particular, the Offer Shareholders who are resident overseas or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFER

On 23 January 2017, the Offeror and the Company jointly announced that on even date, the Offeror, the Vendors, the Guarantor and Shun Ao entered into the Sale and Purchase Agreement, pursuant to which the Offeror has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the Sale Shares, representing approximately 55.8% of the entire issued share capital of the Company as at the Latest Practicable Date, for a Consideration of HK$640,265,770, representing HK$3.95 per Sale Share. Immediately prior to Completion, the Offeror and its Concert Parties did not hold any Shares or voting rights of the Company.

On 12 May 2017, the Offeror and the Company jointly announced that Completion took place on even date and immediately upon Completion, the Offeror and its Concert Parties held 162,092,600 Shares, representing approximately 55.8% of the total number of issued Shares as at the Latest Practicable Date.

In accordance with Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror) upon Completion.

Dakin Securities is making the Offer on behalf of the Offeror in compliance with the Takeovers Code on the following basis:

For each Offer Share . . . . .HK$3.95 in cash

The Offer Price of HK$3.95 per Offer Share under the Offer is equal to the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement. The Letter from Dakin, Appendix I to the Composite Document and the Form of Acceptance together set out the terms of the Offer and certain related information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee regarding the Offer, we have taken into consideration the following principal factors and reasons:

1. Information and historical financial performance of the Group

1.1 Overview of the business of the Group

The Company is an investment holding company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange since September 2015. The Group is principally engaged in supermarket chain store operation with geographical focus in Guangdong Province in the PRC. During the year ended 31 December 2016, the Group maintained both retail and wholesale distribution channels with focus on the suburban and rural areas.

Retail outlets

The Group operates its retail business under the well-recognised "Shunkelong (順客隆)" brand, offering a broad range of consumer products, including its private label brands mainly for sale in its retail outlets. During the year ended 31 December 2016, the Group opened 12 retail outlets and closed 22 retail outlets. As disclosed in the Company's annual report for the year ended 31 December 2016 (the "**2016 Annual Report**"), the Directors are of the view that by closing less productive retail outlets, the competitiveness of the Group's retail outlet portfolio was improved. As at 31 December 2016, the Group had 73 retail outlets located in Guangdong Province, the PRC and two retail outlets located in Macau.

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

Location	**Number of retail outlets**
Foshan	59
Zhaoqing	7
Zhuhai	5
Guangzhou	1
Yunfu	1
Sub-total of Guangdong Province	73
Macau	2
Total	75

General wholesale

The Group's wholesale distribution business distributes non-staple food products of certain consumer brands to sub-distributors and retail store operators, and supplies fast consumable products to its franchisees. During the year ended 31 December 2016, the Group maintained sole and exclusive distribution rights for 14 brands covering cities such as Foshan, Jiangmen and Zhaoqing. The exact coverage of the Group's sole and exclusive distribution rights varied among those 14 brands. Instead of developing the size of general wholesale customer base, the Group put more emphases on gaining more sub-distributors rather than retailers as the Group's customers.

Franchise operation

The Group has a franchise scheme opened for application by interested parties to franchise retail outlets under the "Ledi (樂的)" brand and a new brand "Shiweixian (食為鮮)". The proceeds from selling goods to franchisees of the Group form part of its wholesale distribution revenue.

As at 31 December 2016, the Group had 418 franchise outlets, while 388 franchise outlets were opened during the year ended 31 December 2016 and 3 franchise outlets were closed during such period. As disclosed in the 2016 Annual Report, the sharp increase in the number of franchise outlets is mainly due to the improvement of the Group's corporate image as a result of successful listing of the Company's shares on the Main Board of the Stock Exchange such that more corporate customers are willing to join the Group's franchise scheme.

Online supermarket

The Group operates its own online supermarket and has installed 55 "All-in-one machine (一體機)" in its retail outlets to allow customers to shop online without the limitation of stock availabilities at the retail outlets. The online supermarket contributes part of the overall revenue of retail outlet operation.

The Group also sells goods through several e-commerce platforms operated by independent third parties, including "Hellogou", an e-commerce platform established by Foshan Shunde Hengli E-commerce Company Limited* (佛山市順德區恒立電子商務有限公司) ("**Hengli Limited**") and on which both the PRC vendors and the overseas vendors can sell goods to the PRC customers.

Moreover, the Group has been providing various advisory services to Hengli Limited since March 2016, including but not limited to looking for new vendors for "Hellogou" e-commerce platform and franchisees for its retail outlets.

1.2 Review of financial performance and position of the Group

Set out below are the consolidated income statements of the Group for the three years ended 31 December 2014, 2015 and 2016 as extracted from the annual report of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**") and the 2016 Annual Report, respectively, which were prepared in accordance with International Financial Reporting Standards:

	For the year ended 31 December		
	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,089,159	1,039,614	1,053,359
Cost of inventories sold	(934,780)	(836,016)	(870,062)
Gross profit	154,379	200,598	183,297
Other operating income	49,877	45,541	23,814
Selling and distribution costs	(130,437)	(152,904)	(133,298)
Administrative expenses	(33,786)	(44,862)	(27,472)
Finance costs	(5,559)	(7,268)	(4,210)
Profit before income tax expense	34,474	41,105	42,131
Income tax expense	(9,839)	(12,281)	(11,096)
Profit for the year	24,635	28,824	31,305
Profit for the year attributable to:			
– Owners of the Company	24,397	28,631	30,951
– Non-controlling interests	238	193	84
	24,635	28,824	31,305

Financial results for the year ended 31 December 2015 compared with that for the year ended 31 December 2014

The revenue of the Group slightly decreased by approximately 1.3% from approximately RMB1,053.4 million for the year ended 31 December 2014 to approximately RMB1,039.6 million for the year ended 31 December 2015. As disclosed in the 2015 Annual Report, the decrease in revenue was mainly attributable to the cessation of the sales of tobacco products in late 2014, which amounted to approximately RMB65.8 million in the year ended 31 December 2014. As part of the reorganisation steps taken by the Group in preparation for the listing of the Shares, the Group disposed of its assets relating to the tobacco business to Foshan Shunde Shente Trading Limited ("**Foshan Shente**"), because the sales of tobacco products by the Group might be forbidden after reorganisation of the Group pursuant to the restriction imposed on foreign-invested enterprise under Catalogue for the Guidance of Foreign Investment Industries. Subsequently, the Group entered into lease agreements and supplemental lease agreements with Foshan Shente as lessee, pursuant to which the Group agreed to lease certain areas of its retail outlets to Foshan Shente for the sale of tobacco products. For the year ended 31 December 2015, the Group recorded revenue from wholesale distribution of approximately RMB254.1 million, which is relatively stable compared with the revenue of approximately RMB253.5 million for the year ended 31 December 2014. For the year ended 31 December 2015, the Group's revenue from retail outlet operation was approximately RMB785.5 million, representing a decrease of approximately 1.8% as compared to that for the year ended 31 December 2014. The drop was mainly caused by the cessation of the sales of tobacco products in late 2014. Given that there was rental income from Foshan Shente, the cessation of the sales of the tobacco products did not have any significant impact on the Group's profit for the year ended 31 December 2015.

The Group's gross profit for the years ended 31 December 2014 and 2015 were approximately RMB183.8 million and RMB200.6 million, representing gross profit margins of approximately 17.4% and 19.3%, respectively. As disclosed in the 2015 Annual Report, the increase in gross profit margin for the year ended 31 December 2015 compared to the year ended 31 December 2014 was mainly due to the combined effect of the cessation of the sales of tobacco products and the inclusion of Foshan Shente as the Group's lessee since no cost was reflected as cost of inventories sold for rental income receivable from Foshan Shente. During the year ended 31 December 2015, the Group's revenue included compensation received from the local government in the PRC of approximately RMB10.2 million, while that for the year ended 31 December 2014 was approximately RMB4.2 million, under the Agricultural Fair Value Shop Scheme. The larger amount of compensation recorded during the year ended 31 December 2015 also affected the gross profit margin positively.

The Group recorded an increase in administrative expenses of approximately 63.3% from approximately RMB27.5 million for the year ended 31 December 2014 to approximately RMB44.9 million for the year ended 31 December 2015, which was mainly due to the recognition of listing expenses of approximately RMB10.0 million for the year ended 31 December 2015 and increased staff costs as a result of business expansion and regular salary adjustment.

As disclosed in 2015 Annual Report, the decrease in the Group's net profit of approximately RMB2.3 million or 7.5% from approximately RMB31.0 million for the year ended 31 December 2014 to approximately RMB28.8 million for the year ended 31 December 2015 was mainly due to the recognition of listing expenses for the year ended 31 December 2015. Excluding the listing expenses for the years ended 31 December 2014 and 2015, the Group would have recorded an increase in net profit of approximately 19.4% for the year ended 31 December 2015.

Financial results for the year ended 31 December 2016 compared with that for the year ended 31 December 2015

The revenue of the Group increased by approximately 4.8% from approximately RMB1,039.6 million for the year ended 31 December 2015 to approximately RMB1,089.2 million for the year ended 31 December 2016. As disclosed in the 2016 Annual Report, such growth was mainly due to the sharp increase in revenue from wholesale distribution which is partially offset by the decrease in revenue from retail outlet operation. For the year ended 31 December 2016, the Group recorded revenue from wholesale distribution of approximately RMB399.0 million, representing an increase of approximately RMB144.9 million or 57.0% compared to that for the year ended 31 December 2015. Such increase was mainly attributable to the increase in number of corporate customers and franchisees of the Group for the year ended 31 December 2016. The Group recorded revenue from retail outlet operation of approximately RMB690.2 million for the year ended 31 December 2016, representing a decrease of approximately RMB95.3 million or 12.1% compared to that for the year ended 31 December 2015, which was mainly due to the continued easing of the economy and intensified competition from online retailers.

The Group's gross profit for the years ended 31 December 2015 and 2016 were approximately RMB200.6 million and RMB154.4 million, representing gross profit margins of approximately 19.3% and 14.2%, respectively. The decrease in gross profit margin for the year ended 31 December 2016 compared to the year ended 31 December 2015 was mainly due to the increased proportion of revenue contribution from wholesale distribution, which has a lower gross profit margin compared with retail outlet operation, as well as the decrease in gross profit margin of both wholesale distribution and retail outlet operation. For the year ended 31 December 2016, the gross profit margin for retail outlet operation and wholesale distribution were approximately 20.1% and 3.9%, respectively; while for the year ended 31 December 2015, the gross profit margin for retail outlet operation and wholesale distribution were approximately 23.6% and 5.9%, respectively. Such decreases in gross profit margins of both wholesale distribution and retail outlet operation were mainly due to the increase in cost of inventories sold while the Group did not fully transfer such increment to its customers.

The Group recorded a decrease in selling and distribution costs of approximately RMB22.5 million or 14.7% from approximately RMB152.9 million for the year ended 31 December 2015 to approximately RMB130.4 million for the year ended 31 December 2016. As disclosed in the 2016 Annual Report, such decrease was mainly due to the successful implementation of the Group's cost control management for the year ended 31 December 2016.

As disclosed in 2016 Annual Report, the decrease in the Group's net profit of approximately RMB4.2 million or 14.8% from approximately RMB28.8 million for the year ended 31 December 2015 to approximately RMB24.6 million for the year ended 31 December 2016 was mainly due to the continuous easing of the PRC economy and intensified competition from online retailers which caused increase in cost of inventory sold and decrease in gross profit margin for the year ended 31 December 2016.

Set out below is the summary of the consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 as extracted from the 2015 Annual Report and 2016 Annual Report, respectively, which were prepared in accordance with International Financial Reporting Standards:

	As at 31 December		
	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	539,456	582,210	386,912
Total liabilities	283,690	331,416	316,298
Net assets	255,766	250,794	70,614

The Group's total assets increased by approximately RMB195.3 million from approximately RMB386.9 million as at 31 December 2014 to approximately RMB582.2 million as at 31 December 2015. Such increase was mainly attributable to the increase in cash and cash equivalents of approximately RMB174.8 million following the listing of the Shares on the Main Board of the Stock Exchange and the corresponding fund raising activity in September 2015. The Group's total liabilities increased by approximately RMB15.1 million from approximately RMB316.3 million as at 31 December 2014 to approximately RMB331.4 million as at 31 December 2015. Such increase was mainly attributable to the increase in bank borrowings of approximately RMB75.0 million, part of which were used to repay the amounts due to related companies of approximately RMB48.2 million, and partially net off by decrease in payment of deposits received, receipts in advance, accruals and other payables of approximately RMB13.6 million. As a result of the foregoing, the Group's net assets value increased from approximately RMB70.6 million as at 31 December 2014 to approximately RMB250.8 million as at 31 December 2015. The Group recorded a total assets of approximately RMB539.5 million and a total liabilities of approximately RMB283.7 million as at 31 December 2016. The slight decrease in total assets was offset by the slight decrease in total liabilities, and hence, the Group's net assets value of approximately RMB255.8 million as at 31 December 2016 remained at a relatively stable level compared to that as at 31 December 2015.

As disclosed in the 2016 Annual Report, 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 year ended 31 December 2016, the Group spent approximately RMB20.2 million on additions of its property, plant and equipment.

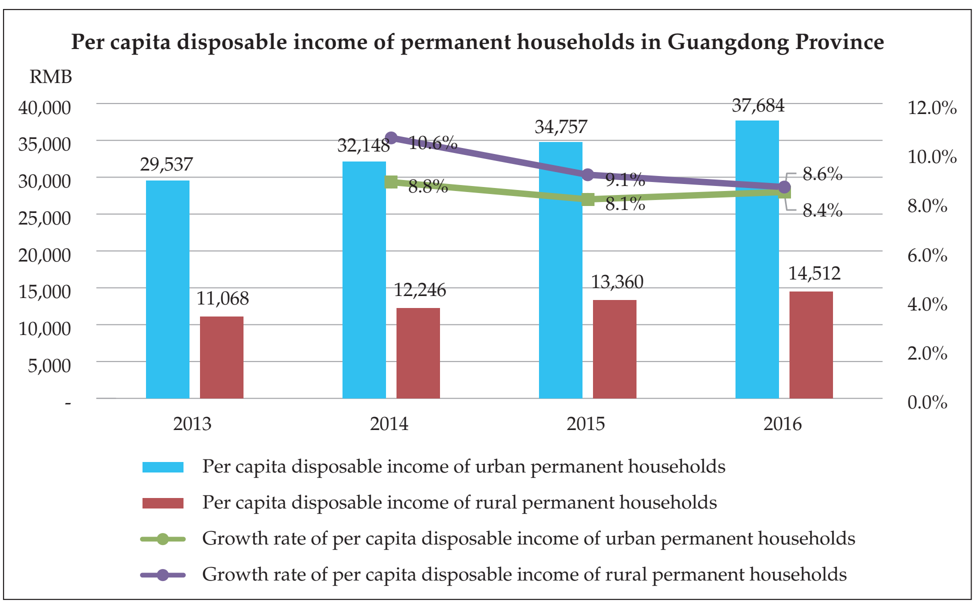
2. Business prospect of the Group

As disclosed in the Letter from Dakin, the Offeror intends to continue the existing business of the Group of supermarket chain store operation with geographical focus in Guangdong Province in the PRC. During the year ended 31 December 2016, the Group maintained both retail and wholesale distribution channels with focus on the suburban and rural areas.

According to the National Bureau of Statistics of China, for 2016, the gross domestic products of the PRC amounted to approximately RMB74,412.7 billion, representing an increase of approximately 6.7% compared to 2015. Such growth rate of gross domestic products of 2016 is lower than the growth rate of 2015 of 6.9%, and being the weakest since 1990. During 2014 to 2016, the national per capita disposable income of rural households has been growing at a compound annual growth rate ("**CAGR**") of approximately 9.4%, which is faster than that of urban households at a CAGR of approximately 8.3%.

According to the National Bureau of Statistics of China, the gross domestic products of Guangdong Province amounted to approximately RMB7,951.2 billion for 2016, representing an increase of approximately 7.5% compared to the year of 2015. Such growth rate of gross domestic products of 2016 is lower than the growth rate of 8.0% in 2015, but higher than the national growth rate for 2016. For 2016, the Guangdong Province per capita disposable income of urban permanent households was approximately RMB37,684, representing an increase of 8.4% as compared to 2015; and the Guangdong Province per capita disposable income of rural permanent households was approximately RMB14,512, representing an increase of 8.6% as compared to 2015. The Guangdong Province per capita disposable income for both urban and rural permanent households are higher than the national per capita disposable income for urban and rural permanent households, respectively.

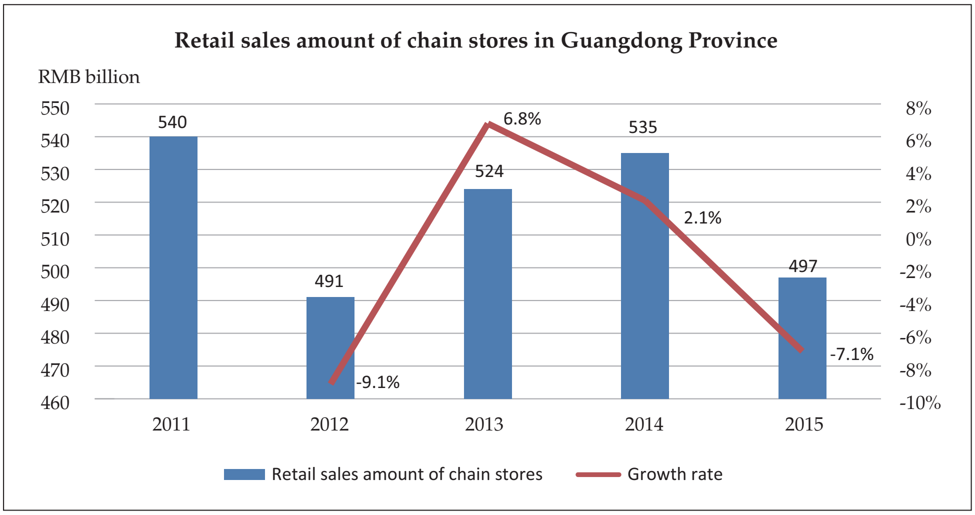
The chart below illustrates the per capita disposable income of urban permanent households and the per capita disposable income of rural permanent households in Guangdong Province from 2011 to 2016:



Source: National Bureau of Statistics of China

As illustrated above, the per capita disposable income of urban and rural permanent households in Guangdong Province have increased from approximately RMB29,537 and RMB11,068 respectively in 2013, to approximately RMB37,684 and RMB14,512 respectively in 2016, recording a CAGR of approximately 8.5% and 9.5%, respectively. The per capital disposable income of rural permanent households has been growing faster than that of urban permanent households in Guangdong Province over the past three years.

The Group principally operates its supermarket chain stores in Guangdong Province of the PRC. The chart below illustrates the retail sales amount of chain stores in Guangdong Province from 2011 to 2015 according to National Bureau of Statistics of China:



Source: National Bureau of Statistics of China

As illustrated above, the retail sales amount of chain stores in Guangdong Province has decreased from approximately RMB540 billion in 2011 to approximately RMB497 billion in 2015, representing a negative CAGR of approximately -2.0%. The retail sales amount of chain stores fluctuated during the period from 2011 to 2015 and recorded a decrease of 7.1% in 2015 compared to 2014, indicating an unstable market environment for retail chain stores.

In conclusion, the Group's financial performance has been generally stable during the three years ended 31 December 2016. Notwithstanding, the gross profit margin and net profit margin decreased for the year ended 31 December 2016, mainly due to the continuous easing of the PRC economy and intensified competition from online retailers. There has been a recent downward trend in the growth rate of the PRC gross domestic products and the per capita disposal income, and the business environment for retail chain stores in Guangdong Province is not stable as demonstrated by the fluctuation in the sales value during the past few years. Hence, the Group's business prospect depends on its managements' ability to overcome such unfavourable factors of the macro economy and the operating environment of retail chain stores in Guangdong Province.

3. Information of the Offeror and its intentions regarding the future of the Group

3.1 Information of the Offeror

As disclosed in the Letter from Dakin, the Offeror, CCOOP International Holdings Limited, is a limited liability exempted company incorporated in the Cayman Islands on 7 December 2016, and is an indirectly wholly-owned subsidiary of CCOOP Group Co., Ltd* (供銷大集集團股份有限公司, formerly known as Xi'an Minsheng Group Co., Ltd* (西安民生集團股份有限公司)) ("**CCOOP Group**"). CCOOP Group is a company listed on the Shenzhen Stock Exchange and is principally engaged in the retail chain and department store businesses in the PRC.

3.2 Reasons for the Offer

As disclosed in the Letter from Dakin, CCOOP Group intends to develop its business in the Pearl River Delta region and offshore capital markets. The Offeror considers that the business of the Group to be a good strategic fit with the businesses of CCOOP Group and, therefore, considers the Offer to be in its long-term commercial interest.

3.3 Intentions of the Offeror regarding the Group

As disclosed in the Letter from Dakin, the Offeror intends that the Group will continue with its existing businesses. Subject to market conditions, the Offeror intends to provide funds, personnel, technology and other resources to support the Group's investment in and development of new projects, and enhance revenue, asset value and market publicity to a higher level, including by actively seeking potential business investment and development projects in the PRC and overseas. The Offeror will, following the close of the Offer, conduct a more detailed review on the business operations and financial position of the Group for the purpose of formulating appropriate business plans and strategies and exploring other business opportunities for the future development of the Group in order to enhance the long-term growth potential of the Group. Subject to the results of the review, and should suitable investment or business opportunities arise in the future, the Offeror may consider acquisitions of assets and/or businesses by the Group in order to enhance its growth potential. As of the Latest Practicable Date, the Offeror had no plans for any acquisition of business and/or assets, or disposal, termination or scaling-down of the Group's existing business or assets.

As further disclosed in the Letter from Dakin, the Offeror has no intention to terminate any employment of the employees of the Group. Within 24 months after Completion, except in cases of breach of internal policies or regulations of the Group by the employees or incompetence of the employees, the Offeror has no intention to terminate any employment of the mid-level and senior management of the Group or lower their remuneration and benefits from the level as at 30 June 2016, except for the proposed change of the Board composition.

3.4 Intentions of the Offeror regarding the Board composition

The Board is currently made up of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors.

As disclosed in the Letter from Dakin, following the Completion and commencement of the acceptance period of the Offer, all the current executive Directors and non-executive Directors (save and except Mr. Lao Song Sheng and his alternate Director) have tendered their resignations from the Board with their resignation taking effect from the day immediately after the First Closing Date. Mr. Lao Songsheng will be re-designated as a non-executive Director from an executive Director and will resign as the chairman of the Board, both with effect from the day immediately after the First Closing Date.

The Offeror has nominated and the Board has appointed new Directors (including executive and non-executive Directors, namely Mr. He Jia Fu, Mr. Li Zhongxu, Mr. Wu Limin, Mr. Han Wei and Mr. Wang Fu Lin) to the Board with effect from the day immediately after the First Closing Date. Biographical details of the new Directors have been set out in the Completion Announcement.

3.5 Public float and maintaining the listing status of the Company

As disclosed in the Letter from Dakin, the Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offer. The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares are held by the public, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends the Company to remain listed on the Stock Exchange. The directors of the Offeror and the new directors appointed by the Board (with effective from the date immediately after the First Closing Date) have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares. Such steps may include the Offeror selling some of its Shares.

4. The Offer Price

The Offer is being made by Dakin Securities, on behalf of the Offeror, at an Offer Price of HK$3.95 per Offer Share in cash, which is the same as the purchase price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Offer Price of HK$3.95 per Offer Share represents:

(i) a premium of approximately 13.2% to the closing price of HK$3.49 per Share as quoted on the Stock Exchange on the Last Trading Date Before Joint Announcement;

(ii) a premium of approximately 31.7% to the closing price of HK$3.00 per Share as quoted on the Stock Exchange on the Last Trading Date Before Initial Announcement;

(iii) a premium of approximately 32.6% to the average closing price of approximately HK$2.98 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date Before Initial Announcement;

(iv) a premium of approximately 35.6% to the average closing price of HK$2.91 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Date Before Initial Announcement;

(v) a premium of approximately 35.6% to the average closing price of approximately HK$2.91 per Share as quoted on the Stock Exchange for the last 60 consecutive trading days up to and including the Last Trading Day Before Initial Announcement;

(vi) a premium of approximately 34.9% to the average closing price of approximately HK$2.93 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day Before Initial Announcement;

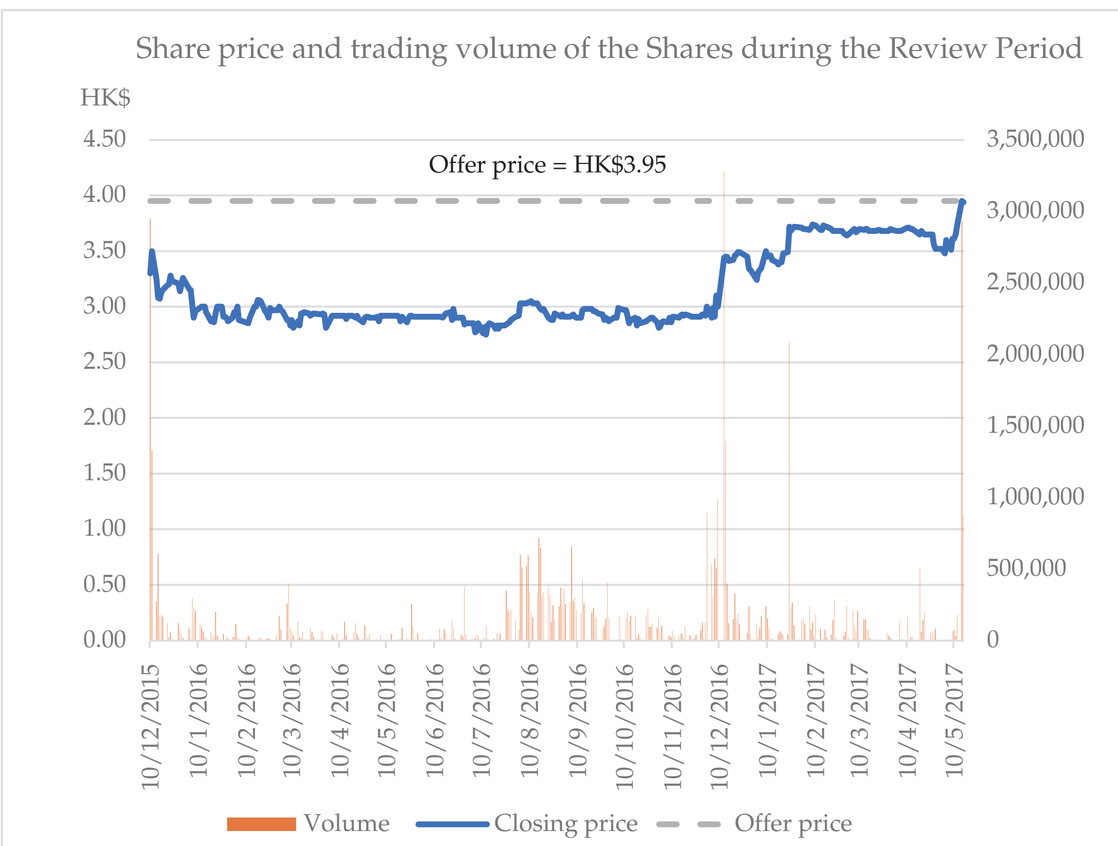
(vii) a premium of approximately 35.8% to the average closing price of approximately HK$2.91 per Share as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day Before Initial Announcement;

(viii) a premium of 0.3% over the closing price of HK$3.94 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ix) a premium of approximately 299.0% to the audited consolidated net asset value attributable to the Shareholders of approximately HK$0.99 per Share (equivalent to approximately RMB0.88 per Share assuming RMB/HK$ = 1.13) as at 31 December 2016 (calculated by dividing the audited consolidated net assets value of approximately RMB254.5 million as at 31 December 2016 and 290,457,000 Shares in issue as at the Latest Practicable Date).

4.1 Historical price performance of the Shares

The graph below sets forth the daily closing prices of the Shares as quoted on the Stock Exchange from 10 December 2015, being the 12 months leading up to 9 December 2016, being the Last Trading Day Before Initial Announcement (both days inclusive) (the "**Pre-Announcement Period**") and from 13 December 2016, being the first trading date after the issue of the Initial Announcement, up to and including the Latest Practicable Date (the "**Post-Announcement Period**", together with the Pre-Announcement Period, referred to as the "**Review Period**"):



Source: Website of the Stock Exchange

The Pre-Announcement Period

The closing price of the Shares ranged from HK$2.75 per Share to HK$3.50 per Share with an average of HK$2.94 per Share during the Pre-Announcement Period. The Offer Price of HK$3.95 per Share was at all time higher than the closing price of the Shares during the Pre-Announcement Period and represented a premium of approximately 43.6%, 34.6% and 12.9% over the lowest, average and highest closing price of the Shares, respectively during such period. During the Pre-Announcement Period, the lowest and highest closing prices of the Shares were HK$2.75 per Share recorded on 13 July 2016 and HK$3.50 per Share recorded on 11 December 2015, respectively.

The Post-Announcement Period

During the Post-Announcement Period, the closing price of the Shares ranged from HK$3.24 per Share to HK$3.95 per Share with an average of HK$3.61 per Share. The Offer Price of HK$3.95 per Share was at all time not lower than the closing price of the Shares during the Post-Announcement Period and represented a premium of approximately 21.9% and 9.4% over the lowest and average closing price of the Shares, and equals to the highest closing price of the Shares, respectively during such period. During the Post-Announcement Period, the lowest and highest closing prices of the Shares were HK$3.24 per Share recorded on 3 January 2017 and HK$3.95 per Share recorded on 15 May 2017, respectively.

The closing price of the Shares increased to HK$3.44 per Share on 13 December 2016, being the first trading date after the issue of the Initial Announcement from HK$3.00 per Share on 9 December 2016, being the Last Trading Day Before Initial Announcement, representing an increase of approximately 14.7%. The closing price of the Shares further surged to HK$3.72 on 24 January 2017, being the date following the publish of the Joint Announcement. Subsequently, the closing price of the Shares further increased to HK$3.95 on 15 May 2017, being the first trading day after the issue of the Completion Announcement.

4.2 Trading volume of the Shares

The following table sets out the trading volume of the Shares during the Review Period:

Month/period	Total trading volume for the month/period	Average daily trading volume for the month/period *(Note 1)*	Percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date	Percentage of average daily trading volume to total number of Shares held by public Shareholders as at the Latest Practicable Date *(Note 2)*
	Number of Shares	*Number of Shares*		
2015				
December (from 10 December 2015)	6,154,000	410,267	0.1412%	0.4585%
2016				
January	1,608,000	84,632	0.0291%	0.0946%
February	393,000	24,563	0.0085%	0.0274%
March	1,660,000	87,368	0.0301%	0.0976%
April	735,000	38,684	0.0133%	0.0432%
May	665,000	35,000	0.0120%	0.0391%
June	996,500	49,825	0.0172%	0.0557%
July	1,347,000	70,895	0.0244%	0.0792%
August	7,568,000	344,000	0.1184%	0.3844%
September	4,862,000	243,100	0.0837%	0.2717%
October	1,914,400	106,356	0.0366%	0.1189%
November	1,097,000	49,864	0.0172%	0.0557%
December	10,389,000	546,789	0.1883%	0.6110%
2017				
January	3,828,000	201,474	0.0694%	0.2251%
February	1,809,991	100,555	0.0346%	0.1124%
March	1,510,000	71,905	0.0248%	0.0804%
April	1,528,000	109,143	0.1601%	0.5198%
May (up to the Latest Practicable Date)	4,186,000	465,111	0.0376%	0.1220%

Source: Website of the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which excludes any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.

2. Based on 89,483,400 Shares held by public Shareholders as at the Latest Practicable Date.

As illustrated in the table above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 24,563 Shares to approximately 546,789 Shares, representing approximately 0.0085% to 0.1883% of the total number of Shares in issue as at the Latest Practicable Date, and approximately 0.0274% to 0.6110% of the total number of Shares held by public Shareholders as at the Latest Practicable Date. The average daily trading volume for the month/period surged since December 2016, which is in line with the surge of the closing price of the Shares.

Given the thin historical daily trading volume of the Shares, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of Shares in the open market within a short timeframe without exerting a downward pressure on the market price of the Shares. Therefore, the Offer represents an opportunity and a viable alternative exit for the Offer Shareholders, particularly for those who hold a large volume of Shares, to dispose of their entire holdings at the Offer Price to realise their investments in the Company if they so wish.

4.3 Comparison of the Offer Price with comparable companies

The Group is principally engaged in supermarket chain store operation with geographical focus in Guangdong Province, the PRC. During the year ended 31 December 2016, the Group maintained both retail and wholesale distribution channels.

In assessing the fairness and reasonableness of the Offer, we have attempted to compare the pricing ratios represented by the Offer Price against the market valuation of other listed companies in Hong Kong which are engaged in business similar to that of the Group. Price-to-earnings ratio ("**P/E ratio(s)**") and price-to-book ratio ("**P/B ratio(s)**") have been used in the analysis. In general, in assessing whether a business segment is principal to a company, we consider it is a justifiable basis to make reference to the revenue generated from a business segment which contributes more than half of the total revenue of a company. We have, based on the information available from the website of the Stock Exchange, identified the following six comparable companies (the "**Comparables**"), being companies listed on the Stock Exchange, which (i) are principally engaged in the operation of supermarkets and/or hypermarkets; (ii) operate their businesses in the PRC; and (iii) with market capitalisation ranging between HK$1,000 million and HK$5,000 million. We consider that the Comparables are fair and representative samples for comparison as the principal businesses of the Comparables are similar to the businesses of the Group. In forming our opinion, we have also considered the results of the comparison together with the other factors stated in this letter as a whole. The list of the Comparables is exhaustive and their respective P/E ratios and P/B ratios are set out below:

Company name (stock code)	**Principal activities**	**P/E ratio**	**P/B ratio**	**Market capitalisation as at the Latest Practicable Date**
		(Note 1)	*(Note 2)*	*(Note 3)*
		times	*times*	*HK$ million*
C.P. Lotus Corporation (121)	Operation of large scale hypermarket stores located in the northern, southern and eastern parts of the PRC	N/A *(Note 4)*	0.79	1,366.4
Lianhua Supermarket Holdings Co., Ltd. (980)	Operation of hypermarkets, supermarkets and convenience stores in the PRC	N/A *(Note 4)*	1.09	3,403.6
Springland International Holdings Limited (1700)	Operation of department stores and supermarkets in the PRC	10.46	0.66	3,842.9
Lifestyle China Group Ltd. (2136)	Operation of department stores, supermarkets and restaurants in the PRC	11.93	0.40	3,862.2
	Average	**11.20**	**0.74**	
	Maximum	**11.93**	**1.09**	
	Minimum	**10.46**	**0.40**	
The Company	**Operation of supermarket chain stores in the PRC and maintained both retail and wholesale distribution channels**	**32.65** *(Note 5)*	**4.06** *(Note 6)*	**1,147.3** *(Note 7)*

Source: Website of the Stock Exchange

Notes:

1. P/E ratios of the Comparables are calculated based on their respective closing share price as at the Latest Practicable Date and the net profit attributable to the shareholders of the Comparables as extracted from their respective latest annual report divided by the total number of issued shares as extracted from their respective latest monthly return.

2. P/B ratios of the Comparables are calculated based on their respective closing share price as at the Latest Practicable Date and the net assets value attributable to the shareholders of the Comparables as extracted from their respective latest published audited balance sheet divided by the total number of issued shares as extracted from their respective latest monthly return.

3. Market capitalisation of the Comparables are calculated based on their respective closing share price as at the Latest Practicable Date and the total number of issued shares as extracted from their respective latest monthly return.

4. The relevant Comparables recorded net loss attributable to their shareholders, hence, P/E ratio is not applicable to those Comparables.

5. Calculated based on the Offer Price and the net profit attributable to the Shareholder as extracted from the latest annual report of the Company divided by the total number of issued Shares as at the Latest Practicable Date.

6. Calculated based on the Offer Price and the net assets attributable to the Shareholder as extracted from the latest published balance sheet of the Company divided by the total number of issued Shares as at the Latest Practicable Date.

7. Calculated based on the Offer Price and the total number of issued Shares as at the Latest Practicable Date.

As shown in the above table, two of the Comparables were profit-making for the latest financial year with P/E ratios ranged from approximately 10.46 to 11.93 times, and an average of approximately 11.20 times. The P/B ratios of the Comparables ranged from approximately 0.40 times to 1.09 times, with an average of approximately 0.74 times. The P/E ratio and P/B ratio of the Company as implied by the Offer Price of approximately 32.65 times and 4.06 times were higher than the respective P/E ratios and P/B ratios of the Comparables, which suggest that, insofar as the P/E ratios and P/B ratios are concerned, the Offer Price appears attractive as compared to the share prices of the Comparables relative to their respective earnings and net assets value, which is considered favourable so far as the Offer Shareholders are concerned.

RECOMMENDATIONS

We have considered the principal factors discussed above and, in particular, the following in arriving at our opinion:

(a) the revenue generated by the Group remained relatively stable for the years ended 31 December 2014, 2015 and 2016, while its net profit decreased slightly for the year ended 31 December 2016 as compared to the year ended 31 December 2015;

(b) the business prospect of the Group is subject to the management's ability to overcome the unfavourable factors of the macro economy and the operating environment of retail chain stores in Guangdong Province;

(c) the Offer Price was at all time not lower than the closing price of the Shares during the Review Period;

(d) in view of the thin historical daily trading volume of the Shares, the Offer represents an opportunity and a viable alternative exit for the Offer Shareholders, particularly for those who hold a large volume of Shares, to dispose of their entire holdings at the Offer Price to realise their investments in the Company within a short timeframe without exerting a downward pressure on the market price of the Shares; and

(e) the P/E ratio and P/B ratio of the Company as implied by the Offer Price appear attractive as compared to the respective P/E ratios and P/B ratios of the Comparables.

We consider that the terms of the Offer (including the Offer Price) are fair and reasonable so far as the Offer Shareholders are concerned. Accordingly, we recommend the Independent Board Committee advising the Offer Shareholders to accept the Offer.

However, the Offer Shareholders, in particular those who intend to accept the Offer, are reminded to note the recent fluctuation in the price of the Shares. There is no guarantee that the current market price of the Shares will or will not sustain and will or will not be higher than the Offer Price during and after the period for the acceptance of the Offer. The Offer Shareholders who intend to accept the Offer are reminded to closely monitor the market price and the liquidity of the Shares during the period for the acceptance of the Offer and shall, having regard to their own circumstances and investment objectives, consider selling their Shares in the open market and/or identifying other potential purchasers, instead of accepting the Offer, if the net proceeds from the sale of such Shares, net of all transaction costs, would be higher than that receivable under the Offer.

Should the Offer Shareholders who are confident in the future prospect of the Group and the price trend of the Shares in the future and decided to retain part or all of their investments in the Shares, they are advised to carefully monitor the development of the Group, the intentions of the Offeror in relation to the Company in the future, the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Offer and any announcements of the Company during the Offer Period.

The Offer Shareholders are also reminded that their decisions to dispose of or hold their investments in the Shares are subject to their individual circumstances and investment objectives. The Offer Shareholders should read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the Form of Acceptance, if they wish to accept the Offer. Further terms and conditions of the Offer are set out in the Letter from Dakin, Appendix I to the Composite Document and the accompanying Form of Acceptance.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Kristie Ho
Managing Director

Ms. Kristie Ho is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). She has over 12 years of experience in the finance and investment banking industry.

1. TERMS OF THE OFFER

Procedures for acceptance of the Offer

(a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

(b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the accompanying Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by post or by hand, marked "**SKL Offer**" on the envelope, as soon as possible and in any event reach the Registrar no later than by 4:00 p.m. (Hong Kong time) on Friday, 9 June 2017, being the First Closing Date, or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code.

(c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in respect of all or part of your Shares, you must either:

(i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the accompanying Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Offer to the Registrar in an envelope marked "**SKL Offer**"; or

(ii) arrange for the Shares to be registered in your name through the Registrar and send the accompanying Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar in an envelope marked "**SKL Offer**"; or

(iii) if your Shares have been lodged with your licensed securities dealer (or other registered dealer in securities or custodian bank) through CCASS, instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set out by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

(d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer, the accompanying Form of Acceptance should nevertheless be completed, signed and delivered in an envelope marked "**SKL Offer**" to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a form of letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Registrar. The Offeror shall have the absolute discretion to decide whether any Shares in respect of which the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

(e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s) and you wish to accept the Offer, you should nevertheless complete and sign the accompanying Form of Acceptance and deliver it in an envelope marked "**SKL Offer**" to the Registrar together with the transfer receipt(s) duly signed by you. Such action will be deemed to be an irrevocable instruction and authority to Dakin Securities and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar, on your behalf, the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms of the Offer, as if it was/they were delivered to the Registrar with the accompanying Form of Acceptance.

(f) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. (Hong Kong time) on Friday, 9 June 2017, being the First Closing Date, or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code, and is:

(i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) is/are not in your name, such other documents (for example a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Offer Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or

(iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Offer Shareholder, appropriate documentary evidence of authority (for example grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

(g) No acknowledgement of receipt for any Form(s) of Acceptance, Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(h) The address of the Registrar is Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2. ACCEPTANCE PERIOD AND REVISIONS

(a) The Offer is capable of acceptance on and from Friday, 19 May 2017 and will remain open for acceptance until Friday, 9 June 2017, being the First Closing Date, unless extended or revised in accordance with the Takeovers Code. The Offeror reserves the right to revise or extend the Offer in accordance with the Takeovers Code. Unless the Offer has previously been revised or extended with the consent of the Executive, to be valid, the Form of Acceptance must be received by no later than 4:00 p.m. (Hong Kong time) on Friday, 9 June 2017.

(b) If the Offer is extended or revised, the announcement of such extension will state the next closing date or a statement that the Offer will open until further notice. In the latter case, at least 14 days' notice in writing must be given to Offer Shareholders before the Offer is closed. If, during the course of the Offer, the Offeror revises the terms of the Offer, all Offer Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the First Closing Date.

(c) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the "First Closing Date" shall, except where the context otherwise requires, be deemed to refer to the subsequent Closing Date.

3. SETTLEMENT OF THE OFFER

(a) Provided that a valid Form of Acceptance and the relevant documents required to render the relevant acceptance under the Offer are complete and in good order in all respects and have been received by the Registrar no later than 4:00 p.m. (Hong Kong time) on Friday, 9 June 2017, being the latest time for acceptance of the Offer unless the Offer is extended by the Offeror in accordance with the Takeovers Code, a cheque for the amount due to the relevant accepting Shareholder, less seller's *ad valorem* stamp duty (if any) payable by the relevant accepting Shareholder and if applicable, the fees payable to the Registrar in respect of lost or unavailable Share certificates, will be despatched to the relevant accepting Shareholder by ordinary post at his/her/its own risk as soon as possible, but in any event within seven Business Days after the date on which all relevant documents are received by the Registrar to render such acceptance complete and valid.

(b) No fractions of a cent will be payable and the amount of the consideration payable to an Offer Shareholder who accepts the Offer will be rounded up to the nearest cent.

(c) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

(d) Settlement of the consideration to which an Offer Shareholder is entitled under the Offer will be implemented in full accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offer Shareholder.

4. NOMINEE REGISTRATION

To ensure the equality of treatment of all Offer Shareholders, those Offer Shareholders who hold Share(s) as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Share(s) whose investments are registered in the names of nominees (including those whose interests in Shares are held through CCASS) to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their respective nominees.

5. ANNOUNCEMENTS

The announcement of the results of the Offer will be jointly issued by the Offeror and the Company and posted on the website of the Stock Exchange by 7:00 p.m. (Hong Kong time) on Friday, 9 June 2017, being the First Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 of the Takeovers Code and will include, among other things, the results of the Offer.

In any announcement of an extension of the Offer, either the next closing date must be stated or a statement may be made that the Offer will remain open for acceptance for 14 days thereafter in accordance with the Takeovers Code.

The results announcement shall state the total number of Shares and the rights over Shares:

(a) for which acceptances of the Offer have been received;

(b) held, controlled or directed by the Offeror or its Concert Parties before the Offer Period; and

(c) acquired or agreed to be acquired during the Offer Period by the Offeror or its Concert Parties.

The announcement shall also (i) specify the percentages of the issued share capital of the Company and the percentages of voting rights represented by these numbers of Shares; and (ii) include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or its Concert Parties has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

If the Offeror, its Concert Parties or its advisers make any statement about the level of acceptances or the number or percentage of accepting Shareholders during the Offer Period, then the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.

As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Offer in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be published on the website of the Stock Exchange and made in accordance with the requirements of the Listing Rules.

6. RIGHT OF WITHDRAWAL

(a) As the Offer is unconditional in all respects, acceptances of the Offer tendered by the Offer Shareholders shall be irrevocable and cannot be withdrawn, except as permitted under the Takeovers Code and in the circumstances set out in (b) below.

(b) If the Offeror is unable to comply with the requirements set out in paragraph 5 of this Appendix I, under Rule 19.2 of the Takeovers Code, the Executive may require that the Offer Shareholders who tendered acceptances of the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Offer Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Offer Shareholder(s).

Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn.

7. POSTING

All documents and remittances to be sent to Offer Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Offer Shareholders' addresses as they appear in the register of members of the Company or, in the case of joint Offer Shareholders, to the Offer Shareholder whose name appears first in the register of members of the Company. None of the Company, the Offeror, the Vendors, Dakin Securities, HKICM, Dakin Capital, Innovax Capital, the Independent Financial Adviser and the Registrar or any of their respective directors or agents or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liability that may arise as a result thereof.

8. OVERSEAS SHAREHOLDERS

The Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong. The Offeror intends to make the Offer available to all Offer Shareholders, including those with registered addresses outside Hong Kong. As the Offer to persons not residing in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offers. It is the responsibility of the Overseas Shareholders who wish to accept the Offers to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Acceptance of the Offer by any Overseas Shareholder will constitute a warranty by any such person that such person (i) is permitted under all applicable laws to receive and accept the Offer, and any revision thereof, (ii) has observed all the applicable laws and regulations of the relevant jurisdiction in connection with such acceptance, including obtaining any government or other consent which may be required, and (iii) has complied with any other necessary formality and has paid any issue, transfer or other taxes due in such jurisdiction, and that such acceptance shall be valid and binding in accordance with all applicable laws. Overseas Shareholders are recommended to seek professional advice on whether to accept the Offer.

Notice to U.S. Shareholders

The Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong, which are different from those of the United States. In addition, U.S. holders of Shares should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differ from those of the United States. The Offer is being extended into the United States pursuant to the applicable U.S. tender offer rules or an available exemption therefrom or otherwise in accordance with the requirements of the SFO.

Accordingly, the Offer will comply with the relevant Hong Kong disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments, which may be different from those applicable under U.S. domestic tender offer procedures and laws. The receipt of cash pursuant to the Offer by a U.S. holder of Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each U.S. holder of Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of acceptance of the Offer.

The financial information of the Company included in this Composite Document has been extracted from the audited financial statements for the three years ended 31 December 2014, 31 December 2015 and 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. Such financial information may not be wholly comparable to financial information of U.S. companies or companies whose financial statements are solely prepared in accordance with generally accepted accounting principles in the United States. It may be difficult for U.S. holders of Shares to enforce their rights and claims arising out of the U.S. federal securities laws, because Dakin Securities, the Offeror and the Company are located in countries other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. In addition, most of the assets of Dakin Securities, the Offeror and the Company are located outside the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult for U.S. holders of Shares to effect service of process within the United States upon Dakin Securities, the Offeror or the Company or their respective officers or directors, to enforce against them a judgment of a U.S. court or them or their affiliates to subject themselves to a U.S. court judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States, and (ii) the Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and will be available on the website of the SFC at http://www.sfc.hk/.

9. STAMP DUTY

Sellers' *ad valorem* stamp duty for Shares registered on the Hong Kong register arising in connection with acceptance of the Offer will be payable by each relevant Offer Shareholder at the rate of 0.1% of the consideration payable by the Offeror for such person's Shares or the market value of such person's Shares, whichever is higher, and will be deducted from the cash amount due to such person under the Offer.

The Offeror will pay the buyer's *ad valorem* stamp duty on its own behalf and the sellers' *ad valorem* stamp duty on behalf of the accepting Shareholders in respect of the Shares accepted under the Offer.

10. TAX IMPLICATIONS

Offer Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. It is emphasised that none of the Offeror, the Company, the Vendors, Dakin Securities, HKICM, Dakin Capital, Innovax Capital, the Independent Financial Adviser and the Registrar or any of their respective directors, officers or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

This Composite Document does not include any information in respect of overseas taxation. Offer Shareholders who may be subject to overseas tax are recommended to consult their tax advisers regarding the implications in the relevant jurisdictions of owning and disposing of Shares.

11. GENERAL

(a) All communications, notices, Form of Acceptance, Share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Offer Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and neither the Company, the Offeror, the Vendors, Dakin Securities, Dakin Capital, HKICM and Innovax Capital nor any of their respective agents nor the Registrar accepts any liability for any loss in postage or any other liabilities that may arise as a result.

(b) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.

(c) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.

(d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of an Offer Shareholder will constitute such Offer Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.

(e) Due execution of the Form of Acceptance will constitute an authority to any director of the Offeror, the Vendors, Dakin Securities, HKICM, Dakin Capital, Innovax Capital, or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.

(f) Acceptance of the Offer by any Offer Shareholder will be deemed to constitute a warranty by such person that all the Shares sold by such person under the Offer are free from all Encumbrances and together with all rights and benefits attaching to them as at the date of this Composite Document or subsequently becoming attached to them, including but not limited to the right to receive all dividends, distributions and any return of capital, if any, which may be paid, made or declared, or agreed to be made or paid thereon or in respect thereof on or after the date on which the Offer is made, being the date of this Composite Document.

(g) The settlement of the consideration to which any Offer Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Offer Shareholder.

(h) Any Offer Shareholders accepting the Offer will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.

(i) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares it has indicated in the Form of Acceptance is the aggregate number of Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.

(j) In making their decision, the Offer Shareholders must rely on their own examination of the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, the Company, the Vendors, Dakin Securities, HKICM, Dakin Capital, Innovax Capital, the Registrar or their respective professional advisers. Offer Shareholders should consult their own professional advisers for professional advice.

(k) The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholders who wishes to accept the Offer, to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of the relevant jurisdictions. The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Offer.

(l) This Composite Document and the Form of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.

(m) References to the Offer in this Composite Document and in the accompanying Form of Acceptance shall include any extension and/or revision thereof.

(n) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

12. INTERPRETATION

(a) A reference in this Composite Document to an Offer Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Composite Document apply to them jointly and severally.

(b) A reference in this Composite Document and the Form of Acceptance to the Offer shall include any extension and/or revision thereof.

(c) A reference in this Composite Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the financial information of the Group for each of the three financial years ended 31 December 2016, 2015 and 2014, as extracted from the audited consolidated financial statements of the Group set forth in the annual reports of the Company for each of the years ended 31 December 2016 and 31 December 2015.

	For the year ended 31 December		
	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*
Revenue	1,089,159	1,039,614	1,053,359
Cost of inventories sold	(934,780)	(839,016)	(870,062)
Gross profit	154,379	200,598	183,297
Other operating income	49,877	45,541	23,814
Selling and distribution costs	(130,437)	(152,904)	(133,298)
Administrative expenses	(33,786)	(44,862)	(27,472)
Finance costs	(5,559)	(7,268)	(4,210)
Profit before income tax expense	34,474	41,105	42,131
Income tax expense	(9,839)	(12,281)	(11,096)
Profit for the year	24,635	28,824	31,035
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	4,838	2,463	(300)
Total comprehensive income for the year	29,473	31,287	30,735

	For the year ended 31 December		
	2016	**2015**	**2014**
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*
Profit for the year attributable to:			
– Owners of the Company	24,397	28,631	30,951
– Non-controlling interests	238	193	84
	24,635	28,824	31,035
Total comprehensive income for the period/year attributable to:			
– Owners of the Company	29,235	31,094	30,651
– Non-controlling interests	238	193	84
	29,473	31,287	30,735
Earnings per share			
– basic and diluted *(RMB)*	0.08	0.12	0.14

The auditors of the Company for each of the three financial years ended 31 December 2016, 2015 and 2014 were BDO Limited. Their opinions on the consolidated financial statements of the Group for each of the three financial years ended 31 December 2016, 2015 and 2014 were unqualified.

There were no exceptional items in respect of the consolidated financial results of the Group for each of the aforesaid periods.

2. FINANCIAL STATEMENTS OF THE GROUP

Audited consolidated financial information of the Group for the year ended 31 December 2016

Set out below is the full text of the audited consolidated financial statements of the Group for the year ended 31 December 2016 extracted from the annual report of the Company for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Equity attributable to owners of the Company											
	Share capital (*note 26*) *RMB'000*	Share premium (*note 27*) *RMB'000*	Special reserve (*note 27*) *RMB'000*	Merger reserve (*note 27*) *RMB'000*	Capital reserve (*note 27*) *RMB'000*	Statutory reserve (*note 27*) *RMB'000*	Capital contribution reserve (*note 27*) *RMB'000*	Translation reserve (*note 27*) *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Balance at 1 January 2015	70	29,519	84	(6,200)	200	6,964	873	(298)	39,017	70,229	385	70,614
Comprehensive income												
Exchange differences arising on translation to presentation currency	–	–	–	–	–	–	–	2,463	–	2,463	–	2,463
Profit for the year	–	–	–	–	–	–	–	–	28,631	28,631	193	28,824
Total comprehensive income for the year	–	–	–	–	–	–	–	2,463	28,631	31,094	193	31,287
Repurchase of issued of US$1.00 each (*note 26(b)*)	(70)	–	–	–	–	–	–	–	–	(70)	–	(70)
Issuance of ordinary share in connection with the Global Offering (*note 26(d)*)	588	168,920	–	–	–	–	–	–	–	169,508	–	169,508
Share capitalisation (*note 26(e)*)	1,766	(1,766)	–	–	–	–	–	–	–	–	–	–
Exercise of over-allotment option (*note 26(f)*)	33	9,387	–	–	–	–	–	–	–	9,420	–	9,420
Share issues expenses	–	(11,165)	–	–	–	–	–	–	–	(11,165)	–	(11,165)
Interim dividend paid	–	–	–	–	–	–	–	–	(18,800)	(18,800)	–	(18,800)
Transfer to statutory reserve	–	–	–	–	–	2,604	–	–	(2,604)	–	–	–
Balance at 31 December 2015 and 1 January 2016	2,387	194,895	84	(6,200)	200	9,568	873	2,165	46,244	250,216	578	250,794
Comprehensive income												
Exchange differences arising on translation to presentation currency	–	–	–	–	–	–	–	4,838	–	4,838	–	4,838
Profit for the year	–	–	–	–	–	–	–	–	24,397	24,397	238	24,635
Total comprehensive income for the year	–	–	–	–	–	–	–	4,838	24,397	29,235	238	29,473
Final dividend paid	–	(24,991)	–	–	–	–	–	–	–	(24,991)	–	(24,991)
Transfer to statutory reserve	–	–	–	–	–	1,649	–	–	(1,649)	–	–	–
Capital contribution by non-controlling equity holders of a subsidiary	–	–	–	–	–	–	–	–	–	–	490	490
Balance at 31 December 2016	2,387	169,904	84	(6,200)	200	11,217	873	7,003	68,992	254,460	1,306	255,766

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Cash flows from investing activities		
Interest received	1,849	515
Purchases of property, plant and equipment	(20,231)	(42,801)
Proceeds from sale of property, plant and equipment	54	1,252
Net cash used in investing activities	(18,328)	(41,034)
Cash flows from financing activities		
Proceeds from bank borrowings	24,000	132,000
Repayments of bank borrowings	(52,000)	(57,000)
Interest paid	(5,559)	(7,268)
Repurchase of issued shares	–	(70)
Dividends paid to previous shareholder of a subsidiary	–	(18,800)
Proceeds from issuance of ordinary shares	–	178,928
Share offer expenses paid	–	(10,250)
Distribution arising from the reorganisation	–	(43,200)
Final dividend paid	(24,991)	–
Injection by non-controlling equity holders of a subsidiary	490	–
Net cash (used in)/generated from financing activities	(58,060)	174,340
Net (decrease)/increase in cash and cash equivalents	(53,250)	172,424
Cash and cash equivalents at beginning of year	200,599	25,761
Effect of exchange rate changes on cash and cash equivalents	4,578	2,414
Cash and cash equivalents at end of year	151,927	200,599

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. CORPORATE INFORMATION

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

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

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 32 to the consolidated financial statements.

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

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

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

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

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

Amendments to IAS 1 – Disclosure Initiative

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

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

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

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

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

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

Amendments to IAS 27 – Equity Method in Separate Financial Statements

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

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

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

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

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

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

Amendments to IAS 7 – Disclosure Initiative

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

Amendments to IAS 12 – Income Taxes

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

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

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

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in IAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

IFRS 15 – Revenue from Contracts with customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. IFRS 15 supersedes existing revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

IFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

IFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under IFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments IFRS 15 – Revenue from Contracts with customers

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

IFRS 16 – Leases

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

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

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("**the Group**"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(c) Goodwill

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

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

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

(d) Property, plant and equipment

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

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

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

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

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

(e) Investment properties

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

(f) Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(g) Leasing

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

The Group as lessor

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

The Group as lessee

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

(h) Financial Instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

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

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For Loans and receivables

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

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

Financial liabilities at amortised cost including trade payables, deposits received, accruals and other payables, amounts due to related companies and bank borrowings, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with IAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(i) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Inventories comprise merchandise purchased for resale. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(j) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and the use by others of the Group's assets yielding interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Sale of goods are recognised upon transfer of the significant risks and rewards of ownership to the customers. This is usually taken as the time when the goods are delivered and the customers have accepted the goods;

(ii) Income from concessions is recognised on an accrual basis in accordance with the substance of the relevant agreements;

(iii) Promotion income is recognised when services have been provided;

(iv) Rental income under operating leases is recognised in accordance with the policy for leases in note 4(g) state; and

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

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(l) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which it/they operates (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

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

(m) Employee benefits

Retirement benefits to employees are provided through a defined contribution plan. The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of the basic salaries for their employees who are registered as permanent residents in Mainland China. The contributions are charged to the combined income statement as they become payable in accordance with the rules of the central pension scheme.

(n) Impairment of non-financial assets

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

- property, plant and equipment/investment property under cost model;
- prepaid land lease; and
- investments in subsidiaries

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

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

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 4(c)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(o) Government grants

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

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(r) Coupon liabilities

Coupon liabilities are recognised based on the fair value of bonus points or coupons granted to customers in accordance with the announced bonus point scheme and the Group's past experience on the level of redemption of coupons and are recorded in other payables. The revenue of the Group is deducted when the coupon liabilities are recognised.

(s) Cash and cash equivalents

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

(t) Share-based payments

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Inventory valuation

Inventory is valued using the cost method, which values inventory at the lower of the actual cost and net realisable value. Cost is determined using the first-in, first-out method. The estimated net realisable value is generally the merchandise selling price less selling expenses. The Group reviews its inventory levels in order to identify slow-moving merchandise and use markdowns to clear merchandise. Inventory value is reduced when the decision to markdown below cost is made.

Impairment of non-financial assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

Depreciation

The Group depreciates property, plant and equipment over the estimated useful life, and after taking into account of their estimated residual value, using the straight-line method, from 1 year to 50 years, commencing from the date on which the assets are available for use. The estimated useful life reflects the management's estimations of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

Provision for impairment of trade receivables

The policy for the provision for impairment of trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the immediate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

Income tax

Significant judgement is required in determining the amount of the provision of income tax and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in periods in which such determination are made.

Deferred tax liabilities

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

Classification of properties with dual use

Significant judgement is required in separating the portions of rental areas and the areas for own use for the Group's properties with dual use. This evaluation requires judgements to be made including the ability of separation of rental area and the area for own use in terms of physical separation and legal separation; the significance of proportions of the properties used for rental area and for own use. The Group reviews and reassesses the properties at each reporting date and has made adjustment if considers necessary and appropriate.

Impairment of goodwill

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

6. OPERATING SEGMENT INFORMATION

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

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

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

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

Segment revenue and results

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

	Retail outlet operation *RMB'000*	Wholesale distribution *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
For the year ended 31 December 2015:				
Revenue				
From external customers	785,510	254,104	–	1,039,614
From inter-segment	60,313	16,502	(76,815)	–
Reportable segment revenue	845,823	270,606	(76,815)	1,039,614
Reportable segment profit	35,216	10,693		45,909
Other corporate income				207
Other corporate expenses				(5,011)
Profit before income tax				41,105

Segment assets and liabilities

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

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

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

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

Other segment information

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

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

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

The PRC is the country of domicile of the Group. The country of domicile is determined by referring to the country which the Group regards as its home country, has the majority of operations and centre of management.

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

Information about a major customer

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

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

7. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

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

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

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

(b) Other operating income

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

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

Note: Various local government grants had granted to subsidiaries of the Group during the years ended 31 December 2016 and 2015. There were no unfulfilled conditions or contingencies attached to these government grants.

8. PROFIT BEFORE INCOME TAX EXPENSE

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

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

9. FINANCE COSTS

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

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Director's remuneration

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

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Year ended 31 December 2016				
Executive Directors				
Mr. Lao Songsheng (劳松盛)	–	60	–	60
Ms. Wang Yanfen (王艷芬)	–	177	29	206
Mr. Wu Zhaohui (吳兆輝)	–	140	27	167
	–	377	56	433
Non-Executive Directors				
Mr. Chen Yijian (陳義建)	–	–	–	–
Ms. Lao Weiping (劳偉萍)	–	–	–	–
Ms. Zhang Bei (張蓓) *(Note)*	–	–	–	–
	–	–	–	–
Independent Non-Executive Directors				
Mr. Guan Shiping (關仕平)	120	–	–	120
Mr. Shin Yick Fabian (冼易)	120	–	–	120
Mr. Sun Hong (孫洪)	120	–	–	120
	360	–	–	360
Year ended 31 December 2015				
Executive Directors				
Mr. Lao Songsheng (劳松盛)	–	128	–	128
Ms. Wang Yanfen (王艷芬)	–	150	21	171
Mr. Wu Zhaohui (吳兆輝)	–	130	20	150
	–	408	41	449
Non-Executive Directors				
Mr. Chen Yijian (陳義建)	–	–	–	–
Ms. Lao Weiping (劳偉萍)	–	–	–	–
	–	–	–	–
Independent Non-Executive Directors				
Mr. Guan Shiping (關仕平)	41	–	–	41
Mr. Shin Yick Fabian (冼易)	41	–	–	41
Mr. Sun Hong (孫洪)	41	–	–	41
	123	–	–	123

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

(b) Five highest paid employees

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

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

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

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

During the year ended 31 December 2016, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the persons, who were directors, waived or agreed to waive any emoluments during the year. (2015: Nil)

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

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

11. INCOME TAX EXPENSE

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

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

The Group's subsidiaries in the PRC were subject to Enterprise Income Tax at the rate of 25% based on the estimated assessable profits for the year ended 31 December 2016 (2015: 25%).

The Group's subsidiaries in Macau were subject to Complementary Tax at rate of 12% based on estimated assessable profit for the year ended 31 December 2016 (2015: 12%).

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

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

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

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

As at 31 December 2016 and 2015, no deferred tax liabilities had been recognised in respect of the temporary differences of approximately RMB58,743,000 and RMB36,962,000 associated with undistributed earnings of certain subsidiaries established and operating in the PRC because the Group is in a position to control the dividend policies of its subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2016 and 2015, the Group had estimated unused tax losses of approximately RMB6,499,000 and RMB3,831,000 which were available for offset against future profits and are subject to expiry period of five years. No deferred tax asset had been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

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

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

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

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

13. DIVIDEND

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

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

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings	Leasehold improvements	Plants and machinery	Motor vehicles	Furniture, fixtures and equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2015	20,307	35,045	6,940	7,223	10,598	834	80,947
Exchange adjustment	–	21	6	5	6	–	38
Additions	–	29,787	6,536	1,506	4,972	–	42,801
Transfers	–	834	–	–	–	(834)	–
Disposals	–	(4,601)	(700)	(791)	(1,404)	–	(7,496)
At 31 December 2015 and 1 January 2016	20,307	61,086	12,782	7,943	14,172	–	116,290
Exchange adjustment	–	16	1	5	5	–	27
Additions	–	14,836	1,738	646	3,011	–	20,231
Disposals	–	(20,109)	(2,783)	(230)	(1,505)	–	(24,627)
At 31 December 2016	20,307	55,829	11,738	8,364	15,683	–	111,921
Accumulated depreciation:							
At 1 January 2015	2,035	19,447	2,632	3,147	4,473	–	31,734
Exchange adjustment	–	3	1	–	1	–	5
Depreciation	476	7,526	1,813	1,328	2,237	–	13,380
Disposals	–	(2,783)	(245)	(511)	(786)	–	(4,325)
At 31 December 2015 and 1 January 2016	2,511	24,193	4,201	3,964	5,925	–	40,794
Exchange adjustment	–	2	–	1	1	–	4
Depreciation	476	6,619	1,688	1,243	2,990	–	13,016
Disposals	–	(3,693)	(953)	(98)	(926)	–	(5,670)
At 31 December 2016	2,987	27,121	4,936	5,110	7,990	–	48,144
Net book value:							
At 31 December 2016	17,320	28,708	6,802	3,254	7,693	–	63,777
At 31 December 2015	17,796	36,893	8,581	3,979	8,247	–	75,496

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

15. PREPAID LAND LEASE

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

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

16. INVESTMENT PROPERTIES

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

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

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

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

The directors of the Group considered that there was no impairment of investment properties during the years ended 31 December 2016 and 2015 as there was no significant change in the fair value of the investment properties during the years.

Fair value

The following table gives information about how the fair value of investment properties as at 31 December 2016 and 2015 was determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements were categorized (Level 1 to 3) based on the degree to which the inputs to the fair value measurements was observable.

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

17. GOODWILL

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

Impairment testing on goodwill

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

1. Gross margin ratio of 19 % (2015: 26%)

2. Pre tax discount rate of 11 % (2015: 11%) per year

3. Average growth rate of 0 % (2015: 0%)

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

The recoverable amount of the goodwill determined in the above manner suggested that there was no impairment in the value of goodwill as at 31 December 2016 and 2015.

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

18. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

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

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

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

19. INVENTORIES

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

20. TRADE RECEIVABLES

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

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

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

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

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

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

21. CASH AND CASH EQUIVALENTS

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

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

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

22. TRADE PAYABLES

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

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

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

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

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

24. BALANCES WITH RELATED COMPANIES

(a) Amounts due from related companies

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

The amounts due from related parties are as follows:

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

(b) Amounts due to related companies

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

The amounts due to related parties are as follows:

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

25. BANK BORROWINGS

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

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

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

(i) the pledge of certain leasehold buildings of the Group with net carrying amount of approximately RMB14,096,000 and RMB16,024,000 as at 31 December 2016 and 2015 respectively *(Note 14)*;

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

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

26. SHARE CAPITAL

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

	2016		2015	
	Number of share(s)	*RMB'000*	*Number of share(s)*	*RMB'000*
Authorised:				
Ordinary shares of US$1.00 each				
At 1 January	2,000,000,000	15,826	50,000	305
Increase in authorised share capital of HK$0.01 each *(note a)*	–	–	2,000,000,000	15,826
Cancellation of unissued shares of US$1.00 each *(note c)*	–	–	(50,000)	(305)
Ordinary shares of HK$0.01 each				
At 31 December	2,000,000,000	15,826	2,000,000,000	15,826
Issued and fully paid:				
Ordinary shares of US$1.00 each				
At 1 January	290,457,000	2,387	11,429	70
Repurchase of issued shares of US$1.00 each *(note b)*	–	–	(11,429)	(70)
Issue of share capital of HK$0.01 each	–	–	11,429	–
Issuance of ordinary shares in connection with the Global Offering *(note d)*	–	–	71,620,000	588
Share capitalisation *(note e)*	–	–	214,845,571	1,766
Exercise of over-allotment option *(note f)*	–	–	3,980,000	33
Ordinary shares of HK$0.01 each				
At 31 December	290,457,000	2,387	290,457,000	2,387

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

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

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

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

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

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

27. RESERVES

Group

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

Share premium

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

Special reserve

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

Merger reserve

The merger reserve of the Group arose as a result of the reorganisation. As at 31 December 2016 and 2015, the balance of the merger reserve included the deemed distribution upon the acquisition of a subsidiary from the controlling shareholder as part of the reorganisation.

Capital reserve

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

Statutory reserve

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

Capital contribution reserve

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

Translation reserve

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

The Company

	Share premium	**Translation reserve**	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2015	29,519	146	–	29,665
Insurance of ordinary shares in connection with the Global Offering *(note 26 (d))*	168,920	–	–	168,920
Share capitalisation *(note 26 (e))*	(1,766)	–	–	(1,766)
Exercise of over-allotment option *(note 26 (f))*	9,387	–	–	9,387
Share issue expenses	(11,165)	–	–	(11,165)
Exchange differences arising on translation to presentation currency	–	4,835	–	4,835
Loss for the year	–	–	(3,472)	(3,472)
Balance at 31 December 2015 and 1 January 2016	194,895	4,981	(3,472)	196,404
Exchange differences arising on translation to presentation currency	–	10,818	–	10,818
Final dividend paid	(24,991)	–	–	(24,991)
Profit for the year	–	–	1,436	1,436
Balance at 31 December 2016	169,904	15,799	(2,036)	183,667

28. RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

29. OPERATING LEASE ARRANGEMENTS

As lessee

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

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

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

As lessor

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

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

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

30. CAPITAL COMMITMENTS

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

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

31. SHARE OPTION SCHEME

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

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

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

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

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares immediately following the completion of global offering (excluding the shares issued upon the partial exercise of the over-allotment option relating to the global offering), being 28,647,700 shares.

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

32. INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries are as follow:

Company name	Place of incorporation/ establishment	Particulars of issued and fully paid share capital/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Subsidiaries					
Shun Ke Long International Limited	BVI	2 ordinary shares of US$1.00 each	100	–	Investment holding
Hong Kong Shun Ke Long International Limited	Hong Kong	1 ordinary share of HK$1.00 each	–	100	Investment holding
Macau Son Hak Long International Sociedade Unipessoal Limitada	Macau	MOP38,625,000	–	100	Operations and management of retail stores in Macau
Usmart Chain Supermarket Company Limited	Macau	MOP38,657,000	–	100	Operations and management of retail stores in Macau
佛山市順德區昌萬隆複合材料有限公司*	PRC	Paid up capital of HK$85,500,000	–	100	Wholesale of goods in the PRC
佛山市順德區駿樂商業管理有限公司#	PRC	Paid up capital of RMB1,000,000	–	100	Investment holding
佛山市順德區金程商貿有限公司#	PRC	Paid up capital of RMB6,000,000	–	100	Investment holding
佛山市順客隆商業有限公司#	PRC	Paid up capital of RMB50,000,000	–	100	Operations and management of retail stores and wholesale in the PRC
珠海市順客隆商業有限公司#	PRC	Paid up capital of RMB1,000,000	–	100	Operations and management of retail stores in the PRC
肇慶順客隆商業連鎖有限公司#	PRC	Paid up capital of RMB10,000,000	–	100	Operations and management of retail stores in the PRC
廣州市順客隆超市有限公司#	PRC	Paid up capital of RMB1,000,000	–	70	Operations and management of retail stores in the PRC
佛山市順德區譽邦行貿易有限公司#	PRC	Paid up capital of RMB500,000	–	100	Wholesale of goods in the PRC
肇慶市高要區樂通貿易有限公司#	PRC	Paid up capital of RMB1,000,000	–	100	Wholesale of goods in the PRC
佛山市順德區名建貿易有限公司#	PRC	Paid up capital of RMB6,000,000	–	100	Operations and management of retail stores in the PRC
佛山市順德區澳中貿易有限公司#	PRC	Paid-up capital of HK$1,000,000	–	100	Operations and management of retail stores in the PRC
肇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	–	75	Dormant
佛山市泛邦進出口有限公司#	PRC	Paid-up capital of RMB5,000,000	–	100	Trading of equipment and wooden products
肇慶市蜜蜂網絡科技有限公司#	PRC	Paid-up capital of RMB1,000,000	–	51	Dormant

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

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

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting periods are as follows:

Financial assets

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

Financial liabilities

The Group's financial liabilities as at the end of each reporting periods which are categorised as financial liabilities at amortised cost are as follows:

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise trade receivables, deposit paid and other receivables, cash and cash equivalents, balances with related companies, trade payables, deposit received, accruals and other payables and bank borrowings. These financial instruments mainly arise from its operations.

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

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

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

Credit risk

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

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

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

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

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

Liquidity risk

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

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

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

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

	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2016				
Trade payables	134,072	134,072	134,072	–
Deposits received, accruals and other payables	35,141	35,141	35,141	–
Amounts due to related parties	2,154	2,154	2,154	–
Bank borrowings	104,000	105,092	105,092	–
	275,367	276,459	276,459	–

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

Interest rate risk

The Group's exposure to interest rate risk for changes in interest rates primarily relates to the Group's cash at bank and bank borrowings. The Company manages the risk by regularly evaluating its cash flows and by repaying the bank borrowings when sufficient funds are available.

The following table details interest rates analysis that the directors of the Company evaluate its interest rate risk.

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

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

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

There is no impact on other components of equity.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred at the reporting date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point decrease or increase represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the years ended 31 December 2016 and 2015.

Capital management

The capital structure of the Group consists of debts, which include the bank borrowings disclosed in note 25 and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in notes 26 and 27 respectively. The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

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

36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

3. INDEBTEDNESS

As at the close of business on 30 April 2017, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness and contingent liabilities prior to the printing of this Composite Document, the details of the Group's indebtedness is as follows:

	As at 30 April 2017
	RMB'000
	(Unaudited)
Bank Borrowings	
– secured	92,000
Total	92,000

As at close of business on 30 April 2017, the Group had outstanding secured bank borrowings of approximately RMB92,000,000. All bank borrowings are secured by leasehold buildings, prepaid land lease and investment properties.

Save as aforesaid and apart from intra-group liabilities, normal trade and other payables as at the close of business on 30 April 2017, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 30 April 2017.

The Directors confirmed that, save as disclosed, there have not been any material changes to the indebtedness and contingent liabilities since 30 April 2017 and up to the Latest Practicable Date.

4. MATERIAL CHANGE

The Directors have confirmed there were no material change in the financial or trading position or outlook of the Group since 31 December 2016, being the date to which the latest published audited accounts of the Company were made, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company and the Offeror.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than any information relating to the Offeror or any of its associates or any parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror or any of its associates or any parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than any information relating to the Group, the Vendors, the Guarantor, Ever Prosperous and Shun Ao or any of their associates or any parties acting in concert with any of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, the Vendors, the Guarantor, Ever Prosperous and Shun Ao or any of their associates or any parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statements in this Composite Document misleading.

The directors of CCOOP Group jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than any information relating to the Group, the Vendors, the Guarantor, Ever Prosperous and Shun Ao or any of their associates or any parties acting in concert with any of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, the Vendors, the Guarantor, Ever Prosperous and Shun Ao or any of their associates or any parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statements in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

(a) Share capital

As at the Latest Practicable Date, the authorised share capital and the issued share capital of the Company were as follows:

Authorised Share Capital:		*HK$'000*
2,000,000,000	Shares	20,000
Issued and fully paid-up Share Capital:		*RMB'000*
290,457,000	Shares	2,387

All the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to rights in respect of capital, dividends and voting.

As at the Latest Practicable Date, no new Shares had been issued by the Company since 31 December 2016 (being the date to which its latest published audited financial statements were prepared).

As at the Latest Practicable Date, there were no outstanding warrants or options or other securities carrying rights of conversion into or exchange or subscription for the Shares or derivatives issued by the Company.

(b) Listing

The Shares are listed and traded on the main board of the Stock Exchange. No part of the Shares is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on any other stock exchange.

3. MARKET PRICES

(a) The table below shows the closing market prices of the Shares as quoted on the Stock Exchange (i) on the Latest Practicable Date; (ii) on the last trading day immediately preceding the date of the Initial Announcement; (iii) on the last trading day immediately preceding the date of the Joint Announcement; (iv) at the end of each calendar month during the Relevant Period:

Date	**Closing price per Share** *HK$*
30 June 2016	2.85
29 July 2016	2.88
31 August 2016	2.93
30 September 2016	2.87
31 October 2016	2.86
30 November 2016	2.93
9 December 2016 (being the Last Trading Date Before Initial Announcement)	3.00
30 December 2016	3.33
23 January 2017 (being Last Trading Date Before Joint Announcement)	3.49
27 January 2017	3.72
28 February 2017	3.66
31 March 2017	3.69
28 April 2017	3.52
16 May 2017 (being the Latest Practicable Date)	3.94

(b) During the Relevant Period, the highest closing price of Shares as quoted on the Stock Exchange was HK$3.95 on 15 May 2017, and the lowest closing price of Shares as quoted on the Stock Exchange was HK$2.75 on 13 July 2016.

4. DISCLOSURE OF INTERESTS IN SHARES AND COMMITMENTS WITH RESPECT TO THE OFFER

(a) (i) Directors' interests

As at the Latest Practicable Date, the following Directors had interests in the Shares or underlying Shares, debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest which they were taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange; or (iv) required to be disclosed under the Takeovers Code:

Long position

Name of Director	Capacity	Number of issued Shares held	Percentage of total number of issued Shares as at the Latest Practicable Date *(%)*
Lao Songsheng	Interest of controlled corporations *(Note 1)*	38,880,000	13.39
Lao Weiping	Beneficial owner *(Note 2)*	1,000	0.0003
Chen Yijian	Interest of spouse *(Note 2)*	1,000	0.0003

Notes:

1. As at the Latest Practicable Date, out of theses 38,880,000 Shares, 12,892,000 Shares were beneficially owned by Shun Ao and 25,988,000 Shares were beneficially owned by Golden Prime. Shun Ao was wholly-owned by Ever Prosperous, in which its entire issued share capital was owned by Mr. Lao Songsheng. Mr. Lao Songsheng was also interested in approximately 34.6% of the issued share capital of Golden Prime. Accordingly, Mr. Lao Songshen was deemed to be interested in the Shares held by Shun Ao and Golden Prime.

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests in the Shares, underlying shares, debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO); (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; or (iv) required to be disclosed under the Takeovers Code.

(ii) Substantial Shareholders' interests

As at the Latest Practicable Date, the following Shareholders (other than the Directors whose interests in the Shares are set out above and the Offeror whose interest in the Shares is set out in sub-paragraph (b) of this paragraph 4 of Appendix III below) had interests in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position

Name of Shareholder	**Capacity**	**Number of issued Shares held**	**Percentage of total number of issued Shares as at the Latest Practicable Date** *(%)*
Golden Prime *(Note 1)*	Beneficial owner	25,988,000	8.95
Lu Yinhuan *(Note 2)*	Beneficial owner	20,477,000	7.05

Notes:

1. As at the Latest Practicable Date, Golden Prime had 45 individual shareholders, including Mr. Lao Songsheng who was interested in approximately 34.6% of its issued share capital, Ms. Wang Yanfen who was interested in approximately 3.3% of its issued share capital, Mr. Wu Zhaohui who was interested in approximately 0.6% of its issued share capital, Mr. Chen Yijian who was interested in approximately 5.8% of its issued share capital, Ms. Lao Weiping who was interested in approximately 4.4% of its issued share capital and Ms. Zhang Bei who was interested in approximately 0.9% of its issued share capital. Each of the other shareholders was interested in less than 5.0% of its issued share capital.

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

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any interests or short positions in the Shares and underlying Shares which are required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

(b) As at the Latest Practicable Date, save as disclosed below, the Offeror did not own any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

Name of Shareholder	Capacity	Number of issued Shares held	Total interest in Shares	Percentage of total number of issued Shares (%)
CCOOP International Holdings Limited	Beneficial owner	162,092,600	162,092,600	55.80

(c) As at the Latest Practicable Date, none of the directors of the Offeror was interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(d) As at the Latest Practicable Date, none of the Concert Parties of the Offeror owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(e) As at the Latest Practicable Date, save for the Vendors, Shun Ao and the Guarantor which have jointly and severally irrevocably undertaken to the Offeror pursuant to the Irrevocable Undertaking that they will not accept the Offer in respect of the aggregate 38,880,000 Shares held by them (details of their respective shareholdings have been disclosed under the section headed "Information of the Group" in the "Letter from the Board"), no person who owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares had, prior to the Despatch Date, irrevocably committed themselves to accept or reject the Offer.

(f) As at the Latest Practicable Date, save for the Vendors, Shun Ao and the Guarantor which have jointly and severally irrevocably undertaken to the Offeror pursuant to the Irrevocable Undertaking that they will not accept the Offer in respect of the aggregate 38,880,000 Shares held by them (details of their respective shareholdings have been disclosed under the section headed "Information of the Group" in the "Letter from the Board"), no person with whom the Offeror or any of its Concert Parties had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(g) As at the Latest Practicable Date, none of the subsidiaries of the Company, pension funds of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of "associate" in the Takeovers Code but excluding any exempt principal trader, owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(h) As at the Latest Practicable Date, no fund managers (other than exempt fund managers) connected with the Company had managed any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares on a discretionary basis.

(i) As at the Latest Practicable Date, save for Mr. Lao Songsheng, an executive Director and Ms. Lao Weiping, a non-executive Director, none of the Directors held any beneficial shareholding in the Company which would otherwise entitle them to accept or reject the Offer. Mr. Lao Songsheng has irrevocably undertaken to the Offeror pursuant to the Irrevocable Undertaking that he will not accept the Offer in respect of the beneficial shareholdings of the Company held by him (details of his shareholdings has been disclosed above). Ms. Lao Weiping has expressed her intention that she will not accept the Offer in respect of the beneficial shareholdings of the Company held by her (details of her shareholdings has been disclosed above.)

(j) As at the Latest Practicable Date, save and except for certain borrowings or lendings by exempt persons under the Takeovers Code, none of the Offeror or its Concert Parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares, save for any borrowed Shares or any convertible securities, warrants, options or derivatives in respect of any Shares which had been either on-lent or sold.

(k) As at the Latest Practicable Date, none of the Company or the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares.

5. DISCLOSURE OF INTERESTS IN SHARES OF THE OFFEROR

(a) As at the Latest Practicable Date, neither the Company, nor any member of the Group, was interested in any shares of the Offeror or any warrants, options, convertible securities or derivatives in respect of any shares of the Offeror.

(b) As at the Latest Practicable Date, none of the Directors was interested within the meaning of Part XV of the SFO in any shares of the Offeror or any warrants, options, convertible securities or derivatives in respect of any shares of the Offeror.

6. DEALINGS IN SHARES

(a) During the Relevant Period, save for entering into the Sale and Purchase Agreement by Mr. Lao Songsheng as Guarantor, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options, or derivatives in respect of any Shares.

(b) During the Offer Period and up to the Latest Practicable Date, none of the subsidiaries of the Company, or pension funds of the Company or of a subsidiary of the Company or, any adviser to the Company as specified in class (2) of the definition of "associate" in the Takeovers Code but excluding exempt principal traders (except as otherwise indicated) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(c) During the Relevant Period, save for entering into the Sale and Purchase Agreement and excluding dealings on a non-discretionary basis by the associates of the Offeror, which are subject to private disclosure under the Takeovers Code, none of the Vendors, Shun Ao, the Guarantor, the Offeror, the directors of the Offeror or its Concert Parties had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares.

(d) During the Offer Period and up to the Latest Practicable Date, no fund managers connected with the Company (other than exempt fund managers) who managed funds on a discretionary basis had dealt for value in any Shares or any other convertible securities, warrants, options or derivatives in respect of any Shares.

7. DEALINGS IN SHARES OF THE OFFEROR

During the Relevant Period, neither the Company, any of its subsidiaries, nor any Directors had dealt for value in any shares of the Offeror or any other convertible securities, warrants, options or derivatives or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any shares of the Offeror.

8. SERVICE CONTRACTS

As at the Latest Practicable Date, the Company had entered into the following service agreements and letters of appointment with the Directors:

(a) the service agreement dated 19 August 2015 entered into between the Company and Mr. Lao Songsheng, pursuant to which Mr. Lao Songsheng was appointed as an executive Director for a period of three years commencing from 10 September 2015 to 9 September 2018 and was entitled to receive an annual remuneration of RMB360,000, and a discretionary year-end bonus as may be determined by the Board and other non-cash benefits;

(b) the service agreement dated 19 August 2015 entered into between the Company and Ms. Wang Yanfen, pursuant to which Ms. Wang Yanfen was appointed as an executive Director for a period of three years commencing from 10 September 2015 to 9 September 2018 and was entitled to receive an annual remuneration of RMB336,000, and a discretionary year-end bonus as may be determined by the Board and other non-cash benefits;

(c) the service agreement dated 19 August 2015 entered into between the Company and Mr. Wu Zhaohui, pursuant to which Mr. Wu Zhaohui was appointed as an executive Director for a period of three years commencing from 10 September 2015 to 9 September 2018 and was entitled to receive an annual remuneration of RMB300,000, and a discretionary year-end bonus as may be determined by the Board and other non-cash benefits;

(d) the letter of appointment dated 19 August 2015 entered into between the Company and Mr. Chen Yijian, pursuant to which Mr. Chen Yijian was appointed as an non-executive Director for a period of three years commencing from 19 August 2015 to 18 August 2018 and was not entitled to receive any director's fee;

(e) the letter of appointment dated 19 August 2015 entered into between the Company and Ms. Lao Weiping, pursuant to which Ms. Lao Weiping was appointed as an non-executive Director for a period of three years commencing from 19 August 2015 to 18 August 2018 and was not entitled to receive any director's fee;

(f) the letter of appointment dated 29 April 2016 entered into between the Company and Ms. Zhang Bei, pursuant to which Ms. Zhang Bei was appointed as an non-executive Director for a period of three years commencing from 29 April 2016 to 28 April 2019 and was not entitled to receive any director's fee, but shall be entitled to receive other discretionary benefits and such emolument as determined by the Board with reference to her qualifications, experience, duties and responsibilities with the Company, as well as the performance of the Company and the prevailing market conditions;

(g) the letter of appointment dated 19 August 2015 entered into between the Company and Mr. Guan Shiping, pursuant to which Mr. Guan Shiping was appointed as an independent non-executive Director for a period of three years commencing from 19 August 2015 to 18 August 2018 and was entitled to receive a director's fee of RMB120,000 per annum (or such higher remuneration as may be fixed by the Shareholders at the annual general meetings of the Company);

(h) the letter of appointment dated 19 August 2015 entered into between the Company and Mr. Sun Hong, pursuant to which Mr. Sun Hong was appointed as an independent non-executive Director for a period of three years commencing from 19 August 2015 to 18 August 2018 and was entitled to receive a director's fee of RMB120,000 per annum (or such higher remuneration as may be fixed by the Shareholders at the annual general meetings of the Company); and

(i) the letter of appointment dated 19 August 2015 entered into between the Company and Mr. Shin Yik Fabian, pursuant to which Mr. Shin Yik Fabian was appointed as an independent non-executive Director for a period of three years commencing from 19 August 2015 to 18 August 2018 and was entitled to receive a director's fee of RMB120,000 per annum (or such higher remuneration as may be fixed by the Shareholders at the annual general meetings of the Company).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which:

(i) (including both continuous and fixed term contracts) had been entered into or amended within six months before the commencement of the Offer Period;

(ii) was a continuous contract with a notice period of 12 months or more; or

(iii) was a fixed term contract with more than 12 months to run irrespective of the notice period.

9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claims of material importance is pending or threatened by or against the Company and any of its subsidiaries.

10. MATERIAL CONTRACTS

The following contracts (being the contracts not entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) have been entered into by the Company or any of its subsidiaries within the date two years before the commencement of the Offer Period up to and including the Latest Practicable Date, which are or maybe material:

(i) an equity interests transfer agreement dated 29 October 2014 and entered into between Foshan Shunde Lecong Supply and Marketing Group Limited (佛山市順德區樂從供銷集團有限公司) ("**Lecong Supply and Marketing Group**"), a company owned by Golden Prime Investment Holdings Limited (佛山市金源投資控股有限公司) as to 56.81% and Golden Prime Investment Holdings Limited is owned by Mr. Lao Songsheng as to approximately 33.981%, and Foshan Shunde Jincheng Commercial Trading Limited (佛山市順德區金程商貿有限公司) ("**Jincheng Commercial Trading**"), an indirectly wholly-owned subsidiary of the Company, whereby Lecong Supply and Marketing Group agreed to transfer to Jincheng Commercial Trading 100% equity interests in Foshan Shun Ke Long Commercial Limited (佛山市順客隆商業有限公司) ("**Foshan Shun Ke Long**"), formerly known as Foshan Shunde Lecong Supply and Marketing Group Shun Ke Long Shopping Mall Limited (佛山市順德區樂從供銷集團順客隆商場有限公司), at a consideration of RMB75,000,000, pursuant to which Foshan Shun Ke Long became directly owned by Jincheng Commercial Trading and an indirectly wholly-owned subsidiary of the Company;

(ii) a supplemental agreement dated 1 April 2015 and entered into between Lecong Supply and Marketing Group and Jincheng Commercial Trading to amend the consideration as set out in the equity interests transfer agreement dated 29 October 2014 (being item (i) above) to RMB56,200,000;

(iii) an asset and business transfer agreement dated 9 April 2015 and entered into between Foshan Shunde Shente Trading Limited (佛山市順德區深特貿易有限公司) ("**Foshan Shente**") and Foshan Shun Ke Long whereby Foshan Shente transferred to Foshan Shun Ke Long the assets and business of retail and distribution of rice, and the wholesale, retail and distribution of edible oil and sugar at a consideration of RMB8,530,510;

(iv) the cornerstone investment agreement dated 24 August 2015 entered into between the Company, Jiuding Saturn Limited and China Everbright Securities (HK) Limited pursuant to which Jiuding Saturn Limited has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be purchased with an aggregate of US$5.0 million;

(v) the cornerstone investment agreement dated 24 August 2015 entered into between the Company, Jiashili Limited and China Everbright Securities (HK) Limited pursuant to which Jiashili Limited has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be purchased with an aggregate of US$3.0 million;

(vi) the cornerstone investment agreement dated 24 August 2015 entered into between the Company, Wang Guangsha and China Everbright Securities (HK) Limited pursuant to which Wang Guangsha has agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 1,000 Shares) as may be purchased with an aggregate of HK$15.0 million;

(vii) a deed of indemnity dated 19 August 2015 executed by Mr. Lao Songsheng, Golden Prime, Ever Prosperous and Shun Ao (as indemnifiers) in favour of the Company (for itself and as trustee for each of its subsidiaries as at 19 August 2015);

(viii) an underwriting agreement dated 27 August 2015 entered into by, among others, the Company, Mr. Lao Songsheng, Golden Prime, Ever Prosperous, Shun Ao, China Everbright Capital Limited, China Everbright Securities (HK) Limited, BMI Securities Limited, Innovax Capital Limited and China Investment Securities International Brokerage Limited; and

(ix) a deed of non-competition entered into by Vendors, Shun Ao and the Guarantor and Ever Prosperous in favour of the Company on 23 January 2017, which became effective upon Completion.

Save as disclosed above, the Group had not entered into any material contract (being a contract not entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) after the date two years before the commencement of the Offer Period up to and including the Latest Practicable Date.

11. EXPERTS

The following are the qualifications of the experts who have been named in this Composite Document and/or given opinion or advice which are contained in this Composite Document:

Name	Qualification
Dakin Securities	a corporation licensed to carry on Type 1 (dealing in securities and Type 2 (dealing in futures contracts) regulated activities under the SFO
HKICM	a corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Dakin Capital	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
Lego Corporate Finance	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
BDO Limited	Certified Public Accountants

12. CONSENTS

(a) Dakin Securities has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and references to its name in the form and context in which they are included.

(b) HKICM has given and has not withdrawn its written consent to the issue of this Composite Document with references to its name in the form and context in which they are included.

(c) Dakin Capital has given and has not withdrawn its written consent to the issue of this Composite Document with references to its name in the form and context in which they are included.

(d) Lego Corporate Finance, the Independent Financial Adviser, has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter of advice and references to its name in the form and context in which they are included.

(e) BDO Limited has given and has not withdrawn its written consent to the issue of this Composite Document with references to its name in the form and context in which they are included.

13. MISCELLANEOUS

(a) As at the Latest Practicable Date, no arrangement was in place for any benefit (other than statutory compensation) to be given to any Directors as compensation for loss of office or otherwise in connection with the Offer.

(b) As at the Latest Practicable Date, there was no agreement or arrangement between any Directors and any other person which was conditional on or dependent upon the outcome of the Offer or is otherwise connected with the Offer.

(c) As at the Latest Practicable Date, there was no material contract entered into by the Offeror in which any Director has a material personal interest.

(d) As at the Latest Practicable Date, save for the Irrevocable Undertaking, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Offeror, or its Concert Parties, and any other person.

(e) As at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or any of the Company's associates by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code, and any other person.

(f) As at the Latest Practicable Date, save for the Sale and Purchase Agreement, the Irrevocable Undertaking and the arrangement disclosed under the section headed "Proposed change to the Board composition" set out in the Letter from Dakin Securities contained in this Composite Document, there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any of its Concert Parties, on the one hand, and any Directors, recent directors of the Company, Shareholders or recent shareholders of the Company, on the other hand, having any connection with or dependence upon or is otherwise connected with the Offer.

(g) The Shares acquired in the Offer will not be charged or pledged to any other persons; and unless otherwise required by the Listing Rules with regard to the public float requirements, the Offeror has no intention to transfer any such Shares acquired in the Offer.

(h) The Offeror is an indirectly wholly-owned subsidiary of CCOOP Group. The directors of the Offeror are He Jia Fu and Wang Fu Lin. The directors of CCOOP Group are Jiang Jie, Feng Guoguang, He Jia Fu, Han Wei, Chen Rijin, Bai Yongxiu and Wu Xiaoling.

(i) The registered address of the Offeror is Offshore Incorporations (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. The correspondence address of the Offeror is Floor 17, New HNA Building, 7 Guoxing Road, Haikou, Hainan Province, PRC (中國海南省海口市國興大道7號新海航大廈17層).

(j) The registered address of CCOOP Group is 103 Jiefang Road, Xi'an, Shaanxi, PRC (中國陝西省西安市解放路103號).

(k) The registered address of the Company is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY1-1112, Cayman Islands.

(l) The head office and principal place of business of the Company in Hong Kong is at Room 1007, 10th Floor, Sincere House, 83 Argyle Street, Kowloon, Hong Kong.

(m) The principal business address of Dakin Securities is Room 2701, Admiralty Centre, Tower 1, 18 Harcourt Road, Admiralty, Hong Kong.

(n) The principal business address of HKICM is at 23/F Arion Commercial Center, 2-12 Queen's Road West, Hong Kong and 26/F Three Pacific Place, 1 Queen's Road East, Admiralty, Hong Kong.

(o) The principal business address of Dakin Capital is Room 2701, Admiralty Centre, Tower 1, 18 Harcourt Road, Admiralty, Hong Kong.

(p) The principal business address of Lego Corporate Finance is Room 1601, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong.

(q) The Offer is unconditional in all respects; and, as such, there is no agreement or arrangement to which the Offeror is party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offer.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the SFC at http://www.sfc.hk; (ii) on the website of the Company at www.skl.com.cn; and (iii) (during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong)) (Hong Kong time) at the principal place of business of the Company in Hong Kong at Room 1007, 10th Floor, Sincere House, 83 Argyle Street, Kowloon, Hong Kong, from the date of this Composite Document up to the Closing Date:

(a) the memorandum of association and articles of association of the Company;

(b) the memorandum of association and articles of association of the Offeror;

(c) the annual reports of the Company for each of the years ended 31 December 2015 and 31 December 2016;

(d) the letter from Dakin Securities dated 19 May 2017, the text of which is set out on pages 7 to 15 of this Composite Document;

(e) the letter from the Board dated 19 May 2017 to the Offer Shareholders, the text of which is set out on pages 16 to 21 of this Composite Document;

(f) the letter from the Independent Board Committee dated 19 May 2017 to the Offer Shareholders, the text of which is set out on pages 22 to 23 of this Composite Document;

(g) the letter from the Independent Financial Adviser dated 19 May 2017 to the Independent Board Committee, the text of which is set out on pages 24 to 46 of this Composite Document;

(h) the material contracts referred to in paragraph 10 of this Appendix III;

(i) the written consents referred to in paragraph 12 of this Appendix III;

(j) the Irrevocable Undertaking; and

(k) the service contracts referred to in paragraph 8 of this Appendix III.