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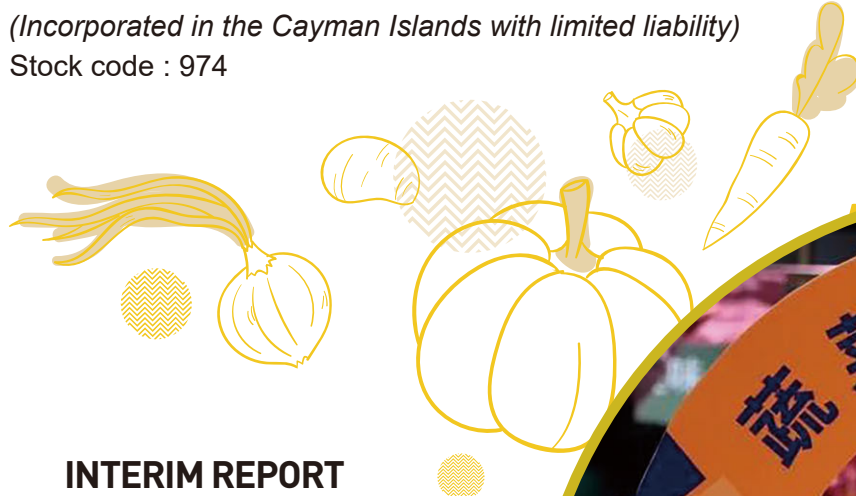
Simple kind life

中國順客隆控股有限公司

CHINA SHUN KE LONG HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code : 974



INTERIM REPORT
2022



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Shang Duoxu (*Chairman*)
Mr. Han Wei (*Chief Executive Officer*)

Non-Executive Director

Ms. Wang Hui

Independent Non-Executive Directors

Mr. Cheng Hok Kai Frederick
Mr. Wang Yilin
Mr. Zou Pingxue

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Wang Yilin (*Chairman*)
Mr. Zou Pingxue
Mr. Shang Duoxu

NOMINATION COMMITTEE

Mr. Shang Duoxu (*Chairman*)
Mr. Wang Yilin
Mr. Zou Pingxue

AUTHORISED REPRESENTATIVES

Mr. Han Wei
Mr. Qiu Minghao

COMPANY SECRETARY

Mr. Qiu Minghao

COMPANY'S WEBSITE

www.skl.com.cn

STOCK CODE

974

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Guangdong Province, The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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KY1-1205
Cayman Islands

PRINCIPAL BANKERS

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

AUDITOR

SHINEWING (HK) CPA Limited
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Causeway Bay, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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16 Harcourt Road, Hong Kong

HONG KONG LEGAL ADVISER

Iu, Lai & Li Solicitors & Notaries
Rooms 2201, 2201A & 2202
22nd Floor, Tower I, Admiralty Centre
No. 18 Harcourt Road, Admiralty
Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Six months ended 30 June | |
|---|-------|--------------------------|------------------------|
| | | 2022 | 2021 |
| | | RMB'000 | RMB'000 |
| | | (unaudited) | (unaudited) |
| | Notes | | |
| Revenue | 4 | 313,064 | 408,721 |
| Cost of inventories sold | | <u>(263,358)</u> | <u>(350,940)</u> |
| Gross profit | | 49,706 | 57,781 |
| Other operating income | 4 | 15,613 | 18,563 |
| Selling and distribution costs | | (67,003) | (68,173) |
| Administrative expenses | | (9,828) | (13,286) |
| Impairment loss recognised in respect of trade receivables | | <u>(17)</u> | <u>(954)</u> |
| Loss from operations | 5 | (11,529) | (6,069) |
| Finance costs | 6 | <u>(2,747)</u> | <u>(5,877)</u> |
| Loss before tax | | (14,276) | (11,946) |
| Income taxes expenses | 7 | <u>–</u> | <u>–</u> |
| Loss for the period | | (14,276) | (11,946) |
| Other comprehensive income, item that will not be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translation of financial statements from functional currency to presentation currency | | <u>810</u> | <u>272</u> |
| Loss and total comprehensive expense for the period | | <u><u>(13,466)</u></u> | <u><u>(11,674)</u></u> |
| (Loss) profit for the period attributable to: | | | |
| – Owners of the Company | | (14,297) | (11,861) |
| – Non-controlling interests | | <u>21</u> | <u>(85)</u> |
| | | <u><u>(14,276)</u></u> | <u><u>(11,946)</u></u> |
| Total comprehensive (expense) income for the period attributable to: | | | |
| – Owners of the Company | | (13,487) | (11,589) |
| – Non-controlling interests | | <u>21</u> | <u>(85)</u> |
| | | <u><u>(13,466)</u></u> | <u><u>(11,674)</u></u> |
| Loss per share – basic and diluted (RMB) | 9 | <u><u>(0.05)</u></u> | <u><u>(0.04)</u></u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---|-------|---|---|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 34,567 | 36,516 |
| Right-of-use assets | 11 | 95,988 | 110,756 |
| Investment properties | 10 | 9,188 | 9,351 |
| Deposits paid | | 7,530 | 14,310 |
| | | <u>147,273</u> | <u>170,933</u> |
| Current assets | | | |
| Inventories | | 94,078 | 107,783 |
| Trade and bills receivables | 12 | 25,359 | 24,692 |
| Deposits paid, prepayments and other receivables | | 71,338 | 74,192 |
| Amounts due from related companies | 14 | 643 | 642 |
| Cash and cash equivalents | | 50,401 | 103,343 |
| | | <u>241,819</u> | <u>310,652</u> |
| Current liabilities | | | |
| Trade payable | 13 | 77,333 | 79,838 |
| Deposits received, receipts in advance, accruals and other payables | | 30,661 | 28,036 |
| Lease liabilities | 11 | 24,264 | 38,169 |
| Contract liabilities | | 13,257 | 18,634 |
| Bank borrowings | 15 | 8,000 | 60,000 |
| Tax payable | | – | 25 |
| | | <u>153,515</u> | <u>224,702</u> |
| Total current liabilities | | | |
| | | <u>153,515</u> | <u>224,702</u> |
| Net current assets | | <u>88,304</u> | <u>85,950</u> |
| Total assets less current liabilities | | <u>235,577</u> | <u>256,883</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | 30 June 2022 | 31 December 2021 |
|---|--------------------------------|----------------------|
| | RMB'000 (unaudited) | RMB'000 (audited) |
| Non-current liability | | |
| Lease liabilities | 11 <u>48,195</u> | <u>56,035</u> |
| Net assets | <u>187,382</u> | <u>200,848</u> |
| CAPITAL AND RESERVES | | |
| Share capital | 16 <u>2,387</u> | 2,387 |
| Reserves | <u>183,877</u> | <u>197,364</u> |
| Equity attributable to owners of the Company | <u>186,264</u> | 199,751 |
| Non-controlling interests | <u>1,118</u> | <u>1,097</u> |
| Total equity | <u>187,382</u> | <u>200,848</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Equity attributable to owners of the Company | | | | | | | | | | | |
|---|--|----------------|-----------------|----------------|-----------------|-------------------|------------------------------|---------------------|-------------------|----------------|---------------------------|----------------|
| | Share capital | Share premium | Special reserve | Merger reserve | Capital reserve | Statutory reserve | Capital contribution reserve | Translation reserve | Retained earnings | Total | Non-controlling interests | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | (Note a) | (Note b) | (Note c) | (Note d) | (Note e) | | | | | |
| At 1 January 2022 (audited) | 2,387 | 169,904 | 84 | (6,200) | 200 | 15,768 | 873 | 4,538 | 12,197 | 199,751 | 1,097 | 200,848 |
| (Loss) profit for the period | - | - | - | - | - | - | - | - | (14,297) | (14,297) | 21 | (14,276) |
| Other comprehensive income for the period | | | | | | | | | | | | |
| Exchange differences arising on translation of financial statements from functional currency to presentation currency | - | - | - | - | - | - | - | 810 | - | 810 | - | 810 |
| Total comprehensive income (expense) for the period | - | - | - | - | - | - | - | 810 | (14,297) | (13,487) | 21 | (13,466) |
| At 30 June 2022 (unaudited) | <u>2,387</u> | <u>169,904</u> | <u>84</u> | <u>(6,200)</u> | <u>200</u> | <u>15,768</u> | <u>873</u> | <u>5,348</u> | <u>(2,100)</u> | <u>186,264</u> | <u>1,118</u> | <u>187,382</u> |
| At 1 January 2021 (audited) | 2,387 | 169,904 | 84 | (6,200) | 200 | 15,756 | 873 | 4,902 | 50,254 | 238,160 | 1,309 | 239,469 |
| Loss for the period | - | - | - | - | - | - | - | - | (11,861) | (11,861) | (85) | (11,946) |
| Other comprehensive income for the period | | | | | | | | | | | | |
| Exchange differences arising on translation of financial statements from functional currency to presentation currency | - | - | - | - | - | - | - | 272 | - | 272 | - | 272 |
| Total comprehensive income (expense) for the period | - | - | - | - | - | - | - | 272 | (11,861) | (11,589) | (85) | (11,674) |
| At 30 June 2021 (unaudited) | <u>2,387</u> | <u>169,904</u> | <u>84</u> | <u>(6,200)</u> | <u>200</u> | <u>15,756</u> | <u>873</u> | <u>5,174</u> | <u>38,393</u> | <u>226,571</u> | <u>1,224</u> | <u>227,795</u> |

Notes:

- 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.
- The merger reserve of the Group arose as a result of the reorganisation. As at 30 June 2022 and 2021, the balance of the merger reserve included the deemed distribution upon the acquisition of a subsidiary from the controlling shareholders as part of the reorganisation.
- Capital reserve represents the capital contribution from the previous shareholders to a subsidiary of the Group.
- In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.
- Capital contribution reserve of the Group represented the capital contribution upon acquisition of the net assets of a subsidiary pursuant to a group reorganisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Cash flows from operating activities | | |
| Net cash from operating activities | 27,981 | 10,171 |
| Investing activities | | |
| Interest received | 902 | 1,461 |
| Proceeds from disposals of property, plant and equipment | 47 | 257 |
| Proceeds from disposals of financial assets at fair value through profit or loss ("FVTPL") | – | 43,789 |
| Purchases of property, plant and equipment | (2,943) | (4,305) |
| Net cash (used in) from investing activities | (1,994) | 41,202 |
| Financing activities | | |
| Bank borrowings repaid | (52,000) | (108,000) |
| Repayment of capital element of lease liabilities | (26,335) | (18,557) |
| Interest paid on lease liabilities and bank borrowings | (2,818) | (5,877) |
| New bank borrowings raised | – | 108,000 |
| Government grants | 1,369 | 3,786 |
| Net cash used in financing activities | (79,784) | (20,648) |
| Net (decrease) increase in cash and cash equivalents | (53,797) | 30,725 |
| Cash and cash equivalents at 1 January | 103,343 | 103,970 |
| Effect of foreign exchange rate changes | 855 | 270 |
| Cash and cash equivalents at 30 June | 50,401 | 134,965 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

China Shun Ke Long Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 18 March 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s registered office is located at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, the Cayman Islands and its principal place of business in the PRC is located at Floor 3, Huale Building, No. 60 Hebin North Road, Lecong Town, Shunde District, Foshan, Guangdong Province, 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 Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the operation and management of retail stores and wholesales of goods in the PRC and Macau.

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

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is the functional currency of the principal subsidiaries of the Group where the primary economic environment is in the PRC. Other than the subsidiaries established in the PRC and Macau which functional currencies are RMB and Macau Pataca respectively, the functional currency of the Company and other subsidiaries is Hong Kong dollars (“HK\$”). All values are rounded to the nearest thousand (“RMB’000”) unless otherwise stated.

The condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs"), which include IFRSs, International Accounting Standards, amendments and interpretations issued by the IASB and the IFRS Interpretations Committee of the IASB.

| | |
|-----------------------|---|
| Amendments to IFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 |
| Amendments to IFRS 3 | Reference to the Conceptual Framework |
| Amendments to IAS 16 | Property, plant and Equipment: Proceeds before Intended Use |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to IFRSs | Annual Improvements to IFRSs 2018-2020 cycle |

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial performance and position for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker ("CODM"), being the chief executive of the Company, that are used to make strategic decisions. The Group has two reportable segments. The segments are managed separately as each business offers different services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION – CONTINUED

The management assesses the performance of the operating segments based on the measure of segment results which represents the net of revenue, cost of inventories sold, other operating income, selling and distribution costs, administrative expenses and finance costs directly attributable to each operating segment without allocation of certain other operating income and central administrative cost. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment revenue and results

For the six months ended 30 June 2022 (unaudited):

| | Retail outlet operation RMB'000 | Wholesale distribution RMB'000 | Inter-segment elimination RMB'000 | Total RMB'000 |
|-----------------------------------|---------------------------------------|--------------------------------------|---|------------------------|
| Revenue | | | | |
| From external customers | 265,676 | 47,388 | – | 313,064 |
| From inter-segment | 19,940 | 8,570 | (28,510) | – |
| Reportable segment revenue | <u>285,616</u> | <u>55,958</u> | <u>(28,510)</u> | <u>313,064</u> |
| Reportable segment loss | <u>(11,180)</u> | <u>(1,309)</u> | <u>–</u> | <u>(12,489)</u> |
| Other corporate income | | | | 23 |
| Other corporate expenses | | | | <u>(1,810)</u> |
| Loss before tax | | | | <u><u>(14,276)</u></u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION – CONTINUED

Segment revenue and results – Continued

For the six months ended 30 June 2021 (unaudited):

| | Retail outlet operation RMB'000 | Wholesale distribution RMB'000 | Inter-segment elimination RMB'000 | Total RMB'000 |
|-----------------------------------|---------------------------------------|--------------------------------------|---|------------------------|
| Revenue | | | | |
| From external customers | 335,552 | 73,169 | – | 408,721 |
| From inter-segment | 27,571 | 8,760 | (36,331) | – |
| Reportable segment revenue | <u>363,123</u> | <u>81,929</u> | <u>(36,331)</u> | <u>408,721</u> |
| Reportable segment loss | <u>(9,322)</u> | <u>(998)</u> | <u>–</u> | <u>(10,320)</u> |
| Other corporate income | | | | 11 |
| Other corporate expenses | | | | <u>(1,637)</u> |
| Loss before tax | | | | <u><u>(11,946)</u></u> |

Inter-segment sales are charged at prevailing market rates.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. OPERATING SEGMENT INFORMATION – CONTINUED

Geographic information

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

| | Revenue from external customers | | Non-current assets | |
|-----------------------------|---------------------------------|----------------|--------------------|----------------|
| | Six months ended 30 June | | At 30 June | At 31 December |
| | 2022 | 2021 | 2022 | 2021 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) | (unaudited) | (audited) |
| The PRC (place of domicile) | 310,971 | 398,934 | 139,619 | 156,602 |
| Macau | 2,093 | 9,787 | 106 | – |
| Hong Kong | – | – | 18 | 21 |
| | <u>313,064</u> | <u>408,721</u> | <u>139,743</u> | <u>156,623</u> |

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

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

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

The Group's revenue from external customers is derived from the PRC and Macau. No single customer of the Group contributed 10% or more to the Group's revenue for the six months ended 30 June 2022 and 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

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

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Revenue from contracts with customers within the scope of IFRS 15 | | |
| – Sales of goods | | |
| General retail sales under retail outlet operation | 170,079 | 317,959 |
| Bulk sales under retail outlet operation | 82,346 | 6,801 |
| General wholesales under wholesale distribution | 47,388 | 73,169 |
| – Services rendered | | |
| Commission from concessionaire sales under retail outlet operation | 5,179 | 768 |
| | 304,992 | 398,697 |
| Revenue from other sources | | |
| Rental income from subleasing certain retail areas under retail outlet operation | | |
| – Lease payments that are fixed | 8,072 | 10,024 |
| | 313,064 | 408,721 |
| | 313,064 | 408,721 |

Disaggregation of revenue from contracts with customers by timing of recognition

| | Six months ended 30 June | |
|--------------------------------------|--------------------------------|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Timing of revenue recognition | | |
| At a point of time | 304,992 | 398,697 |
| | 304,992 | 398,697 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

4. REVENUE AND OTHER OPERATING INCOME – CONTINUED

(b) Other operating income

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

| | Six months ended 30 June | |
|--|--------------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Gain on lease termination | 175 | 265 |
| Government grants | 1,369 | 3,786 |
| Interest income on bank deposits | 432 | 672 |
| Interest income from financial assets at FVTPL | – | 289 |
| Promotion income from suppliers | 7,864 | 8,337 |
| Net rental income from investment properties | 1,339 | 1,293 |
| Others | 4,434 | 3,921 |
| | <u>15,613</u> | <u>18,563</u> |

5. LOSS FROM OPERATIONS

The Group's loss from operations was arrived at after charging:

| | Six months ended 30 June | |
|---|--------------------------|---------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Depreciation of property, plant and equipment | 4,579 | 5,276 |
| Depreciation of investment properties | 163 | 163 |
| Depreciation of right-of-use assets | 19,533 | 19,903 |
| Employee benefits expenses (including directors' remuneration): | | |
| – Wages and salaries | 30,065 | 29,688 |
| – Pension scheme contributions | 4,870 | 4,543 |
| – Other benefits | 635 | 775 |
| | <u>35,570</u> | <u>35,006</u> |
| Loss on disposals of property, plant and equipment | 273 | – |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. FINANCE COSTS

| | Six months ended 30 June | |
|-------------------|--------------------------|--------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Interest on: | | |
| Bank borrowings | 749 | 2,853 |
| Lease liabilities | 1,998 | 3,024 |
| | <u>2,747</u> | <u>5,877</u> |

7. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|-----------------------|--------------------------|-------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Current – the PRC | | |
| Charge for the period | <u>-</u> | <u>-</u> |

The Group is not subject to any income tax under the jurisdiction of the Cayman Islands and the British Virgin Islands for the six months ended 30 June 2022 and 2021.

No provision for Hong Kong Profits Tax has been provided as the Group has no estimated assessable profits arising in Hong Kong for the six months ended 30 June 2022 and 2021.

The Group's subsidiaries in the PRC are subject to Enterprise Income Tax at the rate of 25% based on the estimated assessable profits for the six months ended 30 June 2022 and 2021.

From 1 January 2021 to 31 December 2022, under relevant PRC Enterprise Income Tax Law, for PRC enterprises that qualifies for small enterprises, annual taxable income below RMB3 million and thin-profit enterprises with an annual taxable income of RMB1 million or less are applicable to the effective tax rate of 2.5%. Where their annual taxable income exceeds RMB1 million but does not exceed RMB3 million, the RMB1 million portion will be subject to an effective tax rate of 5%, whereas the excess portion will be subject to the effective tax rate of 10%. According to the most recent Announcement No. 13 [2022] issued by the Ministry of Finance and the State Taxation Administration, from 1 January 2022 to 31 December 2024, small enterprises with low profit will be subject to the effective tax rate of 5% for the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million. Certain of the Group's subsidiaries were qualified for the six months ended 30 June 2022 and 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE – CONTINUED

The Law of the PRC on Enterprise Income Tax allows enterprises to apply for the certificates of “High and New Technology Enterprise” (“HNTE”) which entitles the qualified companies to a preferential income tax rate of 15%. 廣東省順客隆商業連鎖有限公司, a PRC subsidiary of the Group, has been qualified as a HNTE in 2019 and its income tax rate is 15% for the six months ended 30 June 2022 and 2021.

The Group’s subsidiaries in Macau are subject to Complementary Tax at rate of 12% based on estimated assessable profits for the six months ended 30 June 2022 and 2021. During the six months ended 30 June 2022 and 2021, no Macau Complementary Income Tax has been provided as there were no assessable profits generated.

8. DIVIDEND

No dividend was paid or proposed for the six months ended 30 June 2022 (six months ended 30 June 2021: nil), nor has any dividend been proposed since the end of the reporting period (2021: nil).

9. LOSS PER SHARE

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

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Loss | | |
| Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share | <u>(14,297)</u> | <u>(11,861)</u> |

| | Six months ended 30 June | |
|--|--------------------------|--------------------|
| | 2022 | 2021 |
| | Shares | Shares |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic loss per share | <u>290,457,000</u> | <u>290,457,000</u> |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

10. CAPITAL EXPENDITURES

| | Property, plant and equipment RMB'000 | Investment properties RMB'000 |
|---|--|-------------------------------------|
| Opening carrying amount as at 1 January 2022 (audited) | 36,516 | 9,351 |
| Additions | 2,943 | – |
| Disposals | (320) | – |
| Depreciation/amortisation (Note 5) | (4,579) | (163) |
| Exchange adjustment | 7 | – |
| | <hr/> | <hr/> |
| Carrying amounts as at 30 June 2022 (unaudited) | <u>34,567</u> | <u>9,188</u> |
| Opening carrying amount as at 1 January 2021 (audited) | 39,946 | 9,678 |
| Additions | 4,305 | – |
| Disposals | (157) | – |
| Depreciation/amortisation (Note 5) | (5,276) | (163) |
| Exchange adjustment | (8) | – |
| | <hr/> | <hr/> |
| Carrying amounts as at 30 June 2021 (unaudited) | <u>38,810</u> | <u>9,515</u> |

Assets with carrying amounts of RMB320,000 were disposed of by the Group during the six months ended 30 June 2022, resulting in a net loss on disposal of RMB273,000 (30 June 2021: gain of RMB100,000).

As at 30 June 2022 and 31 December 2021, certain buildings with carrying amounts of RMB11,635,000 and RMB11,852,000 respectively have been pledged to the bank for banking facilities granted to the Group (Note 15).

As at 30 June 2022 and 31 December 2021, certain investment properties with carrying amounts of RMB9,188,000 and RMB9,351,000 respectively have been pledged to the bank for banking facilities granted to the Group (Note 15).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. LEASES

(i) Right-of-use assets

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---------------------------------------|---|---|
| Other properties leased for own use | 73,548 | 87,880 |
| Ownership interests on leasehold land | 22,440 | 22,876 |
| | <u>95,988</u> | <u>110,756</u> |

As at 30 June 2022, right-of-use assets of RMB22,440,000 (31 December 2021: RMB22,876,000) represents land use rights locating in the PRC.

As at 30 June 2022, certain ownership interests on leasehold land with carrying amounts of approximately RMB20,355,000 (31 December 2021: RMB20,729,000) have been pledged to the bank for banking facilities granted to the Group (Note 15).

The Group has lease arrangements for retail outlets, warehouses and office premises. The lease terms are generally ranged from thirteen months to nineteen years at fixed rentals. The Group has also entered into short-term leases arrangements in respect of retail outlets, warehouses and office premises. One of the properties leased contains variable lease payment terms that are linked to sales generated from the relevant leased retail outlet and with minimum lease payment terms. During the six months ended 30 June 2022 and 2021, no expenses related to variable lease payments of the lease were recognised into profit or loss.

Additions to the right-of-use assets for the six months ended 30 June 2022 amounted to RMB16,093,000 (six months ended 30 June 2021: RMB18,787,000), due to new leases of retail outlets, warehouse and office premises and renewal of existing leases.

During the six months ended 30 June 2022 and 2021, the Group has subleased part of the rented retail outlets. The Group has classified the sublease as operating leases. During the six months ended 30 June 2022 and 2021, the Group recognised rental income from subleasing right-of-use assets of RMB8,072,000 (six months ended 30 June 2021: RMB10,024,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. LEASES – CONTINUED

(ii) Lease liabilities

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---|---|---|
| Current | 24,264 | 38,169 |
| Non-current | 48,195 | 56,035 |
| | <u>72,459</u> | <u>94,204</u> |
| | <u>72,459</u> | <u>94,204</u> |
| Analysed into payable | | |
| Within one year | 24,264 | 38,169 |
| After one year but within two years | 20,965 | 21,452 |
| After two years but within five years | 24,791 | 31,971 |
| After five years | 2,439 | 2,612 |
| | <u>72,459</u> | <u>94,204</u> |
| | <u>72,459</u> | <u>94,204</u> |
| Less: amount due for settlement within 12 months (shown under current liabilities) | <u>(24,264)</u> | <u>(38,169)</u> |
| Amount due for settlement after 12 months | <u>48,195</u> | <u>56,035</u> |
| | <u>48,195</u> | <u>56,035</u> |

During the six months ended 30 June 2022, the Group entered into new leases of retail outlets and renewed existing leases of RMB16,093,000 (six months ended 30 June 2021: RMB18,787,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

11. LEASES – CONTINUED

(iii) Amounts recognised in profit or loss

| | 30 June 2022 RMB'000 (unaudited) | 30 June 2021 RMB'000 (unaudited) |
|---|---|---|
| Depreciation of right-of-use assets by class of underlying asset: | | |
| Other properties leased for own use | 19,097 | 19,467 |
| Ownership interests in leasehold land | 436 | 436 |
| | <u>19,533</u> | <u>19,903</u> |
| Gain on lease termination | 175 | 265 |
| Interest expenses on lease liabilities | 1,998 | 3,024 |
| Expense relating to short-term leases | 322 | 3,633 |
| | <u><u>322</u></u> | <u><u>3,633</u></u> |

(iv) Others

During the six months ended 30 June 2022, the total cash outflow for leases amount to RMB28,655,000 (six months ended 30 June 2021: RMB25,214,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

12. TRADE AND BILLS RECEIVABLES

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|---|---|---|
| Trade receivables | 26,497 | 25,554 |
| Less: allowance for impairment of trade receivables | (1,312) | (1,295) |
| | 25,185 | 24,259 |
| Bills receivables | 174 | 433 |
| | 25,359 | 24,692 |

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

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|-----------------|---|---|
| Within 30 days | 11,584 | 11,532 |
| 31 to 60 days | 6,230 | 8,427 |
| 61 to 180 days | 5,356 | 2,932 |
| 181 to 365 days | 1,365 | 699 |
| Over 1 year | 650 | 669 |
| | 25,185 | 24,259 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

13. TRADE PAYABLES

The Group normally obtains credit terms of 0 to 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:

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|--------------------|---|---|
| Current to 30 days | 22,146 | 28,683 |
| 31 to 60 days | 13,551 | 23,654 |
| 61 to 180 days | 26,329 | 12,148 |
| 181 to 365 days | 7,617 | 8,557 |
| Over 1 year | 7,690 | 6,796 |
| | <u>77,333</u> | <u>79,838</u> |

14. AMOUNTS DUE FROM RELATED COMPANIES

As at 30 June 2022 and 31 December 2021, the amounts due from related companies are trade-related, unsecured, interest-free and repayable within 3 months based on invoice date. All of the amounts at the end of the respective reporting periods, based on the invoice date, are within 30 days. The carrying amounts approximate to their fair values.

15. BANK BORROWINGS

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|-----------------------------|---|---|
| Secured bank borrowings | <u>8,000</u> | <u>60,000</u> |
| Carrying amount repayable:* | | |
| Within one year | <u>8,000</u> | <u>60,000</u> |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

15. BANK BORROWINGS – CONTINUED

As at 30 June 2022 and 31 December 2021, the bank borrowings were denominated in RMB, bore interest at fixed rate of 4.90% (2021: 4.90%) per annum.

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

- (i) the pledge of certain buildings of the Group with carrying amounts of RMB11,635,000 and RMB11,852,000 as at 30 June 2022 and 31 December 2021 respectively (Note 10);
- (ii) the pledge of certain right-of-use assets of the Group with carrying amounts of RMB20,355,000 and RMB20,729,000 as at 30 June 2022 and 31 December 2021 respectively (Note 11);
- (iii) the pledge of certain investment properties of the Group with carrying amounts of RMB9,188,000 and RMB9,351,000 as at 30 June 2022 and 31 December 2021 respectively (Note 10).

16. SHARE CAPITAL

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|--|---|---|
| Authorised: 2,000,000,000 ordinary shares of HK\$0.01 each | <u>15,826</u> | <u>15,826</u> |
| Issued and fully paid: 290,457,000 ordinary shares of HK\$0.01 each | <u>2,387</u> | <u>2,387</u> |

17. OPERATING LEASE ARRANGEMENTS

The Group as a lessor

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

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

| | 30 June 2022 RMB'000 (unaudited) | 31 December 2021 RMB'000 (audited) |
|-----------------|---|---|
| Within one year | <u>15,066</u> | <u>17,649</u> |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

18. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB16,093,000 and RMB16,093,000 respectively, in respect of lease arrangements for retail outlets (six months ended 30 June 2021: RMB18,787,000 and RMB18,787,000 respectively).

During the six months ended 30 June 2022, the Group had non-cash reductions to right-of-use assets and lease liabilities of RMB11,328,000 (six months ended 30 June 2021: RMB2,316,000) and RMB11,503,000 (six months ended 30 June 2021: RMB2,581,000) respectively, in respect of early termination of leases.

19. RELATED PARTY TRANSACTIONS

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

| Related party relationship | Nature of transaction | Six months ended 30 June | |
|-------------------------------------|---------------------------------------|--------------------------------|--------------------------------|
| | | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Related companies (<i>Note a</i>) | Sale of goods (<i>Note a</i>) | 62 | 1,261 |
| | Rental expense paid (<i>Note b</i>) | — | 276 |
| | | 62 | 1,537 |

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

- (b) During the year ended 31 December 2020, the Company entered into a one-year lease in respect of other office premises from a fellow subsidiary of the Group's holding company. The amount of rent payable by the Company under the lease was HK\$55,000 (equivalent to RMB47,779) per month. During the six months ended 30 June 2021, the Group has made lease payment of RMB276,000 (2022: nil) to the fellow subsidiary of the Group's holding company, where the lease is accounted for as a short-term lease.

- (ii) Compensation of key management personnel of the Group, including directors' remuneration, is as follows:

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2022 RMB'000 (unaudited) | 2021 RMB'000 (unaudited) |
| Salaries, allowances and benefits in kind | 1,256 | 1,049 |
| Pension scheme contributions | 92 | 105 |
| | 1,348 | 1,154 |

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company, and the Group is a supermarket chain store operator with geographical focus in Guangdong province of the People's Republic of China (the "PRC"). During the six months ended 30 June 2022 (the "First Half" or the "Period"), the Group maintained both retail and wholesale distribution channels. The Group's focus on the suburban and rural areas of the PRC made it different from other major players in the market.

Retail Outlets

During the Period, the Group opened 1 retail outlet. As at 30 June 2022, the Group had a total of 69 retail outlets, namely 68 retail outlets in Guangdong province of the PRC and 1 retail outlets in the Macau Special Administrative Region of the PRC ("Macau") respectively.

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

| | For the Period/year ended | |
|-------------------------------------|---------------------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| At the beginning of the Period/year | 68 | 71 |
| Additions | 1 | 1 |
| Reductions | — | (4) |
| | <hr/> | <hr/> |
| At the end of the Period/year | 69 | 68 |

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 30 June 2022:

| Location | Number of retail outlets as at | |
|-----------------------------|--------------------------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| Foshan | 52 | 51 |
| Zhaoqing | 7 | 7 |
| Zhuhai | 5 | 5 |
| Guangzhou | 3 | 3 |
| Shenzhen | 1 | 1 |
| | <hr/> | <hr/> |
| Guangdong Province, the PRC | 68 | 67 |
| Macau | 1 | 1 |
| | <hr/> | <hr/> |
| Total | 69 | 68 |

MANAGEMENT DISCUSSION AND ANALYSIS

General Wholesale

During the Period, the Group managed to keep all exclusive distribution rights it gained before. The Group maintained exclusive distribution rights for 23 brands in Foshan and Zhaoqing. The exact coverage of the exclusive distribution rights varied among those 23 brands. Instead of developing the size of general wholesale customer base, the Group put more emphasis on gaining more sub-distributors rather than retailers as the Group's customers.

Franchise Operation

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

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

| | For the Period/year ended | |
|-------------------------------------|---------------------------|---------------------|
| | 30 June 2022 | 31 December 2021 |
| At the beginning of the Period/year | 625 | 633 |
| Reductions | (12) | (8) |
| At the end of the Period/year | <u>613</u> | <u>625</u> |

RECENT DEVELOPMENT AND OUTLOOK

During the post-COVID-19 era, the consumption habits and business models of the retail sector have changed significantly. Online channels have penetrated into all walks of life and become a standard configuration for retail companies. At the same time, the emergence of community group buying has impacted brick-and-mortar retailers. Under fierce competition, the traditional supermarket sector has to change its operating model to actively explore breakthroughs and adapt to market changes. The key is to undertake transformation and upgrade in direction of being more professional and specialized. The advantage of the traditional supermarket sector is that they have offline outlets close to customers. What they need to do is to highlight fresh food operation and in-person experience, so that the store is not only a place for selling goods, but also a "third space" in people's lives. Meanwhile, the Group proactively expanded online platforms to integrate online and offline sales.

Due to the overall sluggish environment of the retail sector, the Group saw a decline in financial results in the First Half, with revenue of approximately RMB313,064,000, representing a decrease of approximately RMB95,657,000 or 23.4% as compared to the same period last year. The decrease in revenue was mainly attributed to the impact of new retail forms, such as online shopping, and the COVID-19 pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

In face of such a severe situation, the Group prudentially responded and decisively took the following major measures to minimise the decline in results: (i) established the model outlets of “Shun Ke Long Fresh Hub” and its profitability model, and opened 12 stores, highlighting the growth point in results of fresh good; (ii) continuously upgraded and renovated stores of limited profitability in order to effectively increase sales; (iii) used direct procurement to effectively reduce procurement costs; (iv) adopted emerging sales methods such as live streaming to effectively promote online sales and cater to consumption habits while keeping abreast of market trends; (v) by strengthening cooperation with suppliers, accurately grasped the sales methods and market trends of some bulk commodities and daily necessities, which effectively boosted the gross profit margin; and (vi) introduced a number of incentives, trainings and performance goals to improve employees’ performance in an all-around way and their overall quality.

Despite the current complicated and rigorous operating environment of the retail sector, the Group will continue to focus on the supermarket chain business, expand the size of regional outlets, and explore the consumption potential in Foshan, Zhaoqing, and Zhuhai. Grasping the development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area, it will develop into an influential leading retailer in the area. Through reform, transformation, innovation and improvement, the Group will adhere to the marketing strategy of “retail + wholesale + bulk trade + online and offline integration + community marketing”. Based on brick-and-mortar retail, the Group will prioritise “new retail” and develop an omni-channel sales approach covering online and offline, in order to actively expand innovative businesses and stabilise revenue. In addition to continuing to take the above measures, the Group will also perform the following tasks in the second half of 2022: (i) develop a new business model of “Shun Ke Long Club Warehouse Store” that provides members with high quality, cost-effective, and differentiated goods and exclusive benefits to increase consumers’ stickiness, brand loyalty and confidence; (ii) develop wholesale business regarding sauces and beverages and gradually increase regional dealer brands with better profits, striving to become the largest first-level agent in Shunde District; (iii) follow the local government’s boosting measures and launch provincial or base poverty alleviation project to enhance the social impact of the Group in response to the central government’s rural revitalisation strategy; (iv) continuously upgrade and renovate stores, and adjust the category structure to further optimise the store environment and shopping experience; (v) continuously develop “Shun Ke Long Fresh Hub” to promote franchised stores during the year, making them an extension of business format of “Shun Ke Long Fresh Hub”; (vi) continue to expand online platforms, develop the Group’s own e-commerce platform “SKL Select” and open Tik Tok account and WeChat Video account for uninterrupted live streaming, so as to achieve a combination of online and offline sales; and (vii) pay great attention to hot and promotional windows and activities, such as several e-commerce shopping festivals and events of Middle Autumn Day, 21% off year-end promotions, and Members Day on Tuesdays.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the Period, the revenue of the Group was approximately RMB313,064,000, representing a decrease of approximately RMB95,657,000 or 23.4% comparing with the same period in 2021. The decrease in revenue was mainly due to the impact of new retail forms, such as online shopping, and the COVID-19 pandemic.

For the Period, the Group's revenue from retail outlets operation was approximately RMB265,676,000, representing a decrease of approximately RMB69,876,000 or 20.82% comparing with the same period in 2021. The decrease in this revenue was mainly due to online shopping and the COVID-19 pandemic. In addition, the Group saw a decline in the revenue from meat reserves and some group buying projects.

For the Period, the Group's revenue from wholesale distribution operation was approximately RMB47,388,000, representing a drop of approximately RMB25,781,000 or 35.23% comparing with the same period in 2021. The decrease was mainly due to the reduction of distribution regions and distribution brands by wholesale companies, which were impacted by the weak local markets such as catering. Moreover, due to the COVID-19 situation abroad, the Group suspended the bulk wholesale business during the Period.

Gross Profit Margin

For the Period and the same period in 2021, the Group's gross profit margins were approximately 15.9% and approximately 14.1% respectively. The figure for the Period rose by approximately 1.8% year on year.

Other Operating Income

For the Period, the Group's other operating income was approximately RMB15,613,000, representing a decrease of approximately RMB2,950,000 or 15.89% comparing with the same period in 2021. The decrease was mainly due to the decline in government grants.

Selling and Distribution Costs

For the Period, the Group's selling and distribution costs were approximately RMB67,003,000, representing a decrease of approximately RMB1,170,000 or 1.72% comparing with the same period in 2021. The decrease was mainly due to the decline in rental fees, utilities and other expenses because of a year-on-year drop of 2 retail outlets.

Administrative Expenses

For the Period, the Group's administrative expenses were approximately RMB9,828,000, representing a decrease of approximately RMB3,458,000 or 26.03% comparing with the same period in 2021. The decrease was mainly due to the decline in rental fees, promotion fees and office fees.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

For the Period, the Group's finance costs were approximately RMB2,747,000, representing a decrease of approximately RMB3,130,000 or 53.26% comparing with the same period in 2021. The decrease was mainly due to the drop in interest expenses on short-term borrowings.

Income Tax Expense

During the Period, the Group's income tax expense was nil, flat with the same period in 2021. As operating companies did not make profits during the Period, there is no need to pay corporate income tax.

Net Loss

During the Period, the Group's net loss attributable to the owners was approximately RMB14,297,000, representing an increase of approximately RMB2,436,000 or 20.54% comparing with the same period in 2021. The increase in loss was mainly due to the decrease in gross profit as a result of a decline in sales.

Total Comprehensive Expense

For the Period, the Group's total comprehensive expense attributable to the owners was approximately RMB13,487,000, representing an increase of approximately RMB1,898,000 or 16.38% comparing with the same period in 2021. The increase was mainly due to the decrease in gross profit as a result of a decline in sales.

Capital Expenditures

The Group's capital expenditure requirements mainly relate to additions of its property, plant and equipment for the opening of new retail outlets and renovation of existing retail outlets. The Group spent approximately RMB2,943,000 on property, plant and equipment during the Period.

Use of Proceeds

The shares of the Company (the "Shares") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 10 September 2015 through an offering of Shares (the "Global Offering"). For the details of the Global Offering, please refer to the prospectus issued by the Company (the "Prospectus") on 28 August 2015. The net proceeds from the Global Offering, after deducting underwriting fees and related expenses, amounted to approximately HK\$188,600,000 (equivalent to approximately RMB155,000,000), was intended to be applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

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

| | Original allocation of net proceeds | | Revised allocation of net proceeds | | Utilisation as at 30 June 2022 | | Remaining balance of net proceeds as at 30 June 2022 | |
|---|-------------------------------------|-------------------|------------------------------------|-------------------|--------------------------------|-------------------|--|-------------------|
| | equivalent RMB million | % of net proceeds | equivalent RMB million | % of net proceeds | equivalent RMB million | % of net proceeds | equivalent RMB million | % of net proceeds |
| | | | | | | | | |
| Opening of new retail outlets | 116.9 | 75.4% | 74.4 | 48.0% | 74.4 | 48.0% | 0 | 0% |
| Upgrading existing retail outlets | - | 0.0% | 14.6 | 9.4% | 14.6 | 9.4% | 0 | 0% |
| Repayment of bank borrowings | - | 0.0% | 27.9 | 18.0% | 27.9 | 18.0% | 0 | 0% |
| Information systems upgrades | 11.2 | 7.2% | 11.2 | 7.2% | 11.2 | 7.2% | 0 | 0% |
| Upgrading and expanding the existing two distribution centres | 13.3 | 8.6% | 13.3 | 8.6% | 0 | 0% | 13.3 | 8.6% |
| General working capital | 13.6 | 8.8% | 13.6 | 8.8% | 13.6 | 8.8% | 0 | 0% |
| Total | 155.0 | 100.0% | 155.0 | 100.0% | 141.7 | 91.4% | 13.3 | 8.6% |

Liquidity and Financial Resources

As at 30 June 2022, the Group had cash and cash equivalents of approximately RMB50,401,000 (31 December 2021: approximately RMB103,343,000), out of which approximately RMB43,091,000 was denominated in RMB and approximately RMB7,310,000 was denominated in HK\$ or MOP.

As at 30 June 2022, the Group had net current assets of approximately RMB88,304,000 (31 December 2021: approximately RMB85,950,000) and net assets of approximately RMB187,382,000 (31 December 2021: approximately RMB200,848,000). As at 30 June 2022, the Group had unutilised banking facilities of approximately RMB100,000,000 (31 December 2021: RMB48,000,000).

As at 30 June 2022, trade receivables and deposits paid, prepayments and other receivables were RMB104,227,000 (31 December 2021: approximately RMB113,194,000). The decrease of RMB8,967,000 or 7.92% in trade receivables and deposits paid, prepayments and other receivables were mainly due to (i) a decline in prepayments as a result of a decrease in brands and businesses distributed by wholesale companies; and (ii) recovery of the margin for some completed cooperation projects and the security deposit for tender projects.

MANAGEMENT DISCUSSION AND ANALYSIS

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

On 21 October 2019, the Board announced that the Company, through its subsidiary, Guangdong Province Shun Ke Long Commerce Limited* 廣東省順客隆商業連鎖有限公司 (“Guangdong SKL”) began to subscribe for up to RMB60 million of wealth management product from Shunde Rural Commercial Bank with expected annualised return rate of 2.80% to 3.00%. As at 30 June 2022, Guangdong SKL did not hold any of the wealth management product.

Significant Investments

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

Material Acquisitions and Disposals

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

Indebtedness and Pledge of Assets

As at 30 June 2022, the Group had bank borrowings approximately RMB8,000,000 (31 December 2021: approximately RMB60,000,000) secured by:

- (i) the pledge of certain buildings of the Group with carrying amounts of approximately RMB11,635,000 (31 December 2021: approximately RMB11,852,000);
- (ii) the pledge of certain right-of-use assets of the Group with carrying amounts of approximately RMB20,355,000 (31 December 2021: approximately RMB20,729,000); and
- (iii) the pledge of certain investment properties of the Group with carrying amounts of approximately RMB9,188,000 (31 December 2021: approximately RMB9,351,000).

All those bank borrowings were repayable within a year. The interests of those loans were at fixed rate of 4.9% per annum (31 December 2021: at fixed rate of 4.9% per annum).

Gearing Ratio

As at 30 June 2022, the Group’s gearing ratio (the gearing ratio is equivalent to total debt divided by total equity) was approximately 4.27% (31 December 2021: 29.9%).

* For identification only

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Currency Exposure

Majorities of the Group's assets, liabilities and cash flows were denominated in RMB and the management of the Company viewed that the change in exchange rate for RMB against foreign currencies did not have significant impact on the Group's financial position nor performance. During the Period, the Group did not engage in any hedging activities and the Group had no intention to carry out any hedging activities in the near future. The management of the Group will continue to closely monitor the foreign currency market and consider carrying out hedging activities when necessary.

Contingent Liabilities

As at 30 June 2022, the Group did not provide any guarantee for any third party and did not have any significant contingent liabilities.

Employees

The Group had a total of 1,132 employees as at 30 June 2022, of which 1,128 employees worked in the Mainland of the PRC and 4 employees worked in Hong Kong and Macau. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training to staff and bonuses based upon staff performance and profit of the Group. During the Period, the Group had not caused any significant impact on its operation due to labour disputes nor had it experienced any difficulty in the recruitment of experienced staff. The Group maintains a good relationship with its employees.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at the 30 June 2022, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the ordinary shares of the associated corporations

| Name of Directors | Name of associated corporation(s) | Capacity/ Nature of interests | Number of shares held | Approximate percentage of the total number of issued shares of the associated corporation(s) |
|-------------------|--------------------------------------|----------------------------------|-----------------------|--|
| Mr. Shang Duoxu | CCOOP Group Co., Ltd (<i>Note</i>) | Beneficial owner | 243,000 | 0.00% |
| Mr. Han Wei | CCOOP Group Co., Ltd (<i>Note</i>) | Beneficial owner | 248,087 | 0.00% |
| Ms. Wang Hui | CCOOP Group Co., Ltd (<i>Note</i>) | Beneficial owner | 215,812 | 0.00% |

Note: CCOOP Group Co., Ltd is an indirect controlling shareholder holding approximately 70.42% of the issued shares of the Company.

Save as the above, as at 30 June 2022, none of the Directors and the chief executive of the Company nor their respective associates had any interests or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

OTHER INFORMATION

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

As at 30 June 2022, so far as was known to the Directors of the Company, the interests or short position of persons, other than the Directors or the chief executive of the Company, in the Shares and underlying shares of the Company which would be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept under section 336 of the SFO were as follows:

| Name of Substantial Shareholders | Capacity | Number of Shares (long position) | Approximate percentage of shareholding |
|--|--------------------------------------|-------------------------------------|--|
| Everbright Xinglong Trust Co., Ltd. (光大興隴信託有限責任公司) (Note 1) | Trustee | 204,558,317 (Note 5) | 70.42% |
| CITIC Trust Corporation Ltd. (中信信託有限責任公司) (Note 1) | Trustee | 204,558,317 (Note 5) | 70.42% |
| HNA Group Bankruptcy Reorganisation Specialised Service Trust (海航集團破產重組專項服務信託) (Note 2) | Interest of a controlled corporation | 204,558,317 (Note 5) | 70.42% |
| Hainan HNA No.2 Trust Management Service Co., Ltd. (海南海航二號信託管理服務有限公司) (Note 3) | Interest of a controlled corporation | 204,558,317 (Note 5) | 70.42% |
| CCOOP Group Co., Ltd. (供銷大集團股份有限公司) (Note 3) | Interest of a controlled corporation | 204,558,317 (Note 5) | 70.42% |
| Hainan Gongxiao Daji Holding Ltd. (海南供銷大集控股有限公司) (Note 4) | Interest of a controlled corporation | 204,558,317 (Note 5) | 70.42% |
| Hainan Gongxiao Daji Supply Chain Network Technology Ltd. (海南供銷大集供銷鏈網絡科技有限公司) (Note 4) | Interest of a controlled corporation | 204,558,317 (Note 5) | 70.42% |
| Green Industrial (HK) Holding Co., Limited (綠色實業(香港)有限公司) (Note 4) | Interest of a controlled corporation | 204,558,317 (Note 5) | 70.42% |
| CCOOP International Holdings Limited (供銷大集團國際控股有限公司) (Note 4) | Beneficial owner | 204,558,317 | 70.42% |
| Infini Capital Management | Beneficial owner | 27,600,000 | 9.50% |
| Golden Prime Holdings Limited | Beneficial owner | 25,988,000 | 8.95% |

Notes:

- HNA Group Bankruptcy Reorganisation Specialised Service Trust ("Specialised Service Trust") is held by Everbright Xinglong Trust Co., Ltd. and CITIC Trust Corporation Ltd. as the trustees.
- Specialised Service Trust holds 100% equity interests in Hainan HNA No. 2 Trust Management Service Co., Ltd. ("HNA No. 2 Trust Management").
- HNA No. 2 Trust Management, through 11 wholly-owned subsidiaries, holds 14.67% equity interests in CCOOP Group Co., Ltd. ("CCOOP Group").
- CCOOP Group holds 100% equity interests in Hainan Gongxiao Daji Holding Ltd ("Hainan Gongxiao Daji Holding"), which in turn holds 100% equity interests in Hainan Gongxiao Daji Supply Chain Network Technology Ltd. ("Hainan Gongxiao Daji"). Hainan Gongxiao Daji holds 100% equity interests in Green Industrial (HK) Holding Co., Limited, which in turn holds 100% equity interests in CCOOP International Holdings Limited ("CCOOP International").
- These parties were deemed to have interests in 204,558,317 Shares by virtue of their equity interests in CCOOP International.

Shareholders are advised to refer the Company's announcements dated 31 January 2021, 4 February 2021, 10 February 2021, 25 October 2021, 1 November 2021, 28 April 2022 and 18 May 2022 for matters relating to the Company's relevant controlling shareholders and substantial shareholders.

OTHER INFORMATION

SHARE OPTION SCHEME

The shareholders of the Company approved a share option scheme on 19 August 2015 for the purposes of, among others, motivating the management and employees to optimize their performance efficiency for the benefit of the Group. No option has been granted by the end of the Period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code for the Period. All Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the prescribed public float under the Listing Rules up to the date of this interim report.

CHANGE IN INFORMATION OF DIRECTORS

The change in biographical details of the Directors subsequent to the publication of the Company's 2021 annual report is set out below:

Mr. Han Wei has become an International Certified Public Accountant (ICPA) since March 2022.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. The Board is of the view that throughout the Period, the Company has complied with all the code provisions as set out in the CG Code except for the following deviation:

Under the code provision D.2.5, the Group should have an internal audit function. However, due to the size of the Group and for cost effectiveness consideration, the Group currently does not have an internal audit function. Instead, the Group engages an external independent consultant to perform a review on the internal control and the risk management systems annually. The Board considers that it is more cost and result-effective to engage an external independent consultant instead of establishing an internal audit team. The results of the review are reported to the audit committee of the Company (the "Audit Committee"), and measures and procedures are seriously considered by the Audit Committee after taking into account of the findings and recommendations of the independent consultant. The Group continues to review the need for an internal audit function annually.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant events requiring disclosure that has taken place subsequent to 30 June 2022 and up to the date of this interim report.



OTHER INFORMATION

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and the code provision D.3 of the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management systems of our Group; to oversee the audit process and the relationship with external auditor; to review arrangements enabling employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company; and to perform other duties and responsibilities as assigned by our Board. The Group's condensed consolidated financial statements for the six months ended 30 June 2022 were unaudited, but have been reviewed by the Audit Committee.

As at the date of this interim report, Mr. Cheng Hok Kai Frederick, Mr. Wang Yilin and Mr. Zou Pingxue are members of the Audit Committee. All of them are independent non-executive Directors. Mr. Cheng Hok Kai Frederick is the chairman of the Audit Committee.

By order of the Board
China Shun Ke Long Holdings Limited
Shang Duoxu
Chairman and Executive Director

Hong Kong, 13 September 2022

As at the date of this interim report, the executive Directors are Mr. Shang Duoxu and Mr. Han Wei; the non-executive Director is Ms. Wang Hui; and the independent non-executive Directors are Mr. Cheng Hok Kai Frederick, Mr. Wang Yilin and Mr. Zou Pingxue.