



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 2016



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. LAO Songsheng (*Chairman*)
Ms. WANG Yanfen (*Chief Executive Officer*)
Mr. WU Zhaohui

Non-Executive Directors

Mr. CHEN Yijian
Ms. LAO Weiping
Ms. Zhang Bei (appointed on 29 April 2016)

Independent Non-Executive Directors

Mr. SUN Hong
Mr. SHIN Yick Fabian
Mr. GUAN Shiping

AUDIT COMMITTEE

Mr. SHIN Yick Fabian (*Chairman*)
Mr. GUAN Shiping
Ms. LAO Weiping

REMUNERATION COMMITTEE

Mr. SUN Hong (*Chairman*)
Mr. GUAN Shiping
Mr. CHEN Yijian

NOMINATION COMMITTEE

Mr. LAO Songsheng (*Chairman*)
Mr. GUAN Shiping
Mr. SUN Hong

AUTHORISED REPRESENTATIVES

Ms. WANG Yanfen
Mr. CHONG Yuk Fai (appointed on 29 July 2016)
Mr. FAN Chi Yuen Charles (resigned on 29 July 2016)

COMPANY SECRETARY

Mr. CHONG Yuk Fai (appointed on 29 July 2016)
Mr. FAN Chi Yuen Charles (resigned on 29 July 2016)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Floor 4, Willow House
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KY1-1112
Cayman Islands

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Guangdong Province 528315
The PRC

PLACE OF BUSINESS IN HONG KONG

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Kowloon, Hong Kong

COMPLIANCE ADVISER

Innovax Capital Limited
Room 2002, 20/F,
Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

AUDITOR

BDO Limited
Floor 25, Wing On Centre
111 Connaught Road Central
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

COMPANY'S WEBSITE

www.skl.com.cn

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of China Shun Ke Long Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 23 which comprise the condensed consolidated statement of financial position of China Shun Ke Long Holdings Limited and its subsidiaries as of 30 June 2016 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. This report is made solely to you, as a body, in accordance with agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

BDO Limited

Certified Public Accountants

Lee Ka Leung, Daniel

Practising Certificate Number P01220

25th Floor, Wing On Centre,
111, Connaught Road Central
Hong Kong

Hong Kong, 29 August 2016



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2016	2015
Notes		RMB' 000	RMB' 000
		(unaudited)	(unaudited)
Revenue	4a	459,726	506,387
Cost of inventories sold		(382,662)	(407,850)
Gross profit		77,064	98,537
Other operating income	4b	30,187	23,548
Selling and distribution costs		(70,745)	(72,421)
Administrative expenses		(14,508)	(20,254)
Profit from operations	5	21,998	29,410
Finance costs	6	(2,947)	(2,891)
Profit before income tax expense		19,051	26,519
Income tax expense	7	(6,326)	(7,012)
Profit for the period		12,725	19,507
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		3,045	2
Total comprehensive income for the period		15,770	19,509
Profit for the period attributable to:			
– Owners of the Company		12,664	19,454
– Non-controlling interests		61	53
		12,725	19,507
Total comprehensive income for the period attributable to:			
– Owners of the Company		15,709	19,456
– Non-controlling interests		61	53
		15,770	19,509
Earnings per share – basic and diluted (RMB cents)	9	4.36	9.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2016 RMB' 000 (unaudited)	At 31 December 2015 RMB' 000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	72,635	75,496
Prepaid land lease	10	34,416	34,922
Investment properties	10	4,300	4,348
Deposits paid and prepayments		5,895	6,424
Goodwill	10	2,768	2,694
Total non-current assets		120,014	123,884
Current assets			
Inventories		120,285	140,321
Trade receivables	11	34,518	36,463
Deposits paid, prepayments and other receivables		87,773	78,256
Amounts due from related companies	13	1,777	2,687
Cash and cash equivalents		175,581	200,599
Total current assets		419,934	458,326
Total assets		539,948	582,210
Current liabilities			
Trade payables	12	126,746	143,448
Deposits received, receipts in advance, accruals and other payables		64,325	42,014
Amounts due to related companies	13	1,541	12,965
Bank borrowings	14	104,000	52,000
Income tax payable		1,763	989
Total current liabilities		298,375	251,416
Net current assets		121,559	206,910
Total assets less current liabilities		241,573	330,794

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
	Notes		
Non-current liabilities			
Bank borrowings	14	—	80,000
Total non-current liabilities		—	80,000
Net assets		241,573	250,794
EQUITY			
Share capital	15	2,387	2,387
Reserves		238,547	247,829
Equity attributable to owners of the Company		240,934	250,216
Non-controlling interests		639	578
Total equity		241,573	250,794

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company											
	Share capital RMB' 000	Share premium RMB' 000	Special reserve RMB' 000 (note a)	Merger reserve RMB' 000 (note b)	Capital reserve RMB' 000 (note c)	Statutory reserve RMB' 000 (note d)	Capital contribution reserve RMB' 000 (note e)	Translation reserve RMB' 000	Retained earnings RMB' 000	Total RMB' 000	Non-controlling interests RMB' 000	Total RMB' 000
At 1 January 2016 (audited)	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 of foreign operations	—	—	—	—	—	—	—	3,045	—	3,045	—	3,045
Profit for the period	—	—	—	—	—	—	—	—	12,664	12,664	61	12,725
Total comprehensive income for the period	—	—	—	—	—	—	—	3,045	12,664	15,709	61	15,770
Final dividend paid	—	(24,991)	—	—	—	—	—	—	—	(24,991)	—	(24,991)
At 30 June 2016 (unaudited)	2,387	169,904	84	(6,200)	200	9,568	873	5,210	58,908	240,934	639	241,573
At 1 January 2015 (audited)	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 of foreign operations	—	—	—	—	—	—	—	2	—	2	—	2
Profit for the period	—	—	—	—	—	—	—	—	19,454	19,454	53	19,507
Total comprehensive income for the period	—	—	—	—	—	—	—	2	19,454	19,456	53	19,509
Repurchase and issuance of shares	(70)	70	—	—	—	—	—	—	—	—	—	—
Transfer to statutory reserve	—	—	—	—	—	9,841	—	—	(9,841)	—	—	—
At 30 June 2015 (unaudited)	—	29,589	84	(6,200)	200	16,805	873	(296)	48,630	89,685	438	90,123

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

- (a) Special reserve represents the investment cost of a subsidiary which has been carved out of the Group as part of the reorganisation and the proceeds from disposal of that subsidiary.
- (b) The merger reserve of the Group arose as a result of the reorganisation. The balance of the merger reserve includes the distribution upon the acquisition of a subsidiary from the controlling shareholder as part of the reorganisation.
- (c) Capital reserve represents the capital contribution from the previous shareholders to a subsidiary of the Group.
- (d) In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.
- (e) Capital contribution reserve of the Group represented the consideration paid by the Group to acquire the net assets of a subsidiary in excess of their carrying amounts.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2016 RMB' 000 (unaudited)	2015 RMB' 000 (unaudited)
Net cash from operating activities	8,969	31,612
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,321)	(22,770)
Proceeds from sale of property, plant and equipment	15	—
Interest received	1,156	164
Net cash used in investing activities	(6,150)	(22,606)
Cash flows from financing activities		
Proceeds from bank borrowings	24,000	80,000
Repayment of bank borrowings	(52,000)	(12,000)
Interest paid	(2,947)	(2,891)
Decrease in balance with a related company	—	2,418
Share offer expenses paid	—	(1,304)
Distribution arising from the reorganisation	—	(36,000)
Net cash (used in)/generated from financing activities	(30,947)	30,223
Net (decrease)/increase in cash and cash equivalents	(28,128)	39,229
Cash and cash equivalents at 1 January	200,599	25,761
Effect of exchange rate changes on cash and cash equivalents	3,110	12
Cash and cash equivalents at 30 June	175,581	65,002

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

(a) Corporate information

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

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in the operation and management of retail stores and wholesale of goods in the People’s Republic of China (the “PRC”) and Macau.

(b) Basis of preparation

The interim financial information of the Company and its subsidiaries (collectively known as the “Group”) for the six months ended 30 June 2016 (the “Period”) has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “IASB”) and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The accounting policies applied are consistent with those of the Company’s annual consolidated financial statements for the year ended 31 December 2015.

The interim financial information are unaudited, but have been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current interim period, the Group has applied, for the first time, a number of new or revised IFRSs issued by the IASB. The application of the new and revised IFRSs in the current period has no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

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

IFRS 9 (2014)	Financial Instruments ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
IFRS 15	Revenue from Contracts with Customers ¹
IFRS 16	Lease ²

1 Effective for annual periods beginning on or after 1 January 2018

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

3 No mandatory effective date yet determined but it is available for immediate adoption

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

2. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) – *continued*

The Group has already commenced an assessment of related impact of adopting the above new, revised or amended standards and interpretations to the Group. The Group is not yet in a position to state whether substantial changes to the Group’s accounting policies and presentation of the condensed consolidated financial statements will be resulted.

3. SEGMENT INFORMATION

The executive directors have identified the Group’s operating segments as follows. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

For the six months ended 30 June 2016 (unaudited):

	Retail outlet operation RMB’ 000	Wholesale distribution RMB’ 000	Inter-segment elimination RMB’ 000	Total RMB’ 000
From external customers	330,165	129,561	—	459,726
From inter-segment	23,108	33,711	(56,819)	—
Reportable segment revenue	353,273	163,272	(56,819)	459,726
Reportable segment profit	18,660	2,133	—	20,793
Finance costs	2,947	—	—	2,947
Interest income	194	68	—	262
Reportable segment assets	462,874	76,508	—	539,382
Additions to non-current segment assets during the period	7,204	117	—	7,321
Reportable segment liabilities	266,570	6,666	—	273,236

For the six months ended 30 June 2015 (unaudited):

Revenue				
From external customers	375,931	130,456	—	506,387
From inter-segment	28,253	3,750	(32,003)	—
Reportable segment revenue	404,184	134,206	(32,003)	506,387
Reportable segment profit	21,784	6,149	—	27,933
Finance costs	2,891	—	—	2,891
Interest income	155	—	—	155
Reportable segment assets	346,803	62,999	—	409,802
Additions to non-current segment assets during the period	22,512	258	—	22,770
Reportable segment liabilities	309,837	4,925	—	314,762

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

3. SEGMENT INFORMATION – *continued*

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the Financial Information as follows:

	Six months ended 30 June	
	2016 RMB' 000 (unaudited)	2015 RMB' 000 (unaudited)
Reportable segment revenue	459,726	506,387
Group revenue	459,726	506,387
Reportable segment profit	20,793	27,933
Other corporate income	2	9
Other corporate expenses	(1,744)	(1,423)
Profit before income tax expense	19,051	26,519
Reportable segment assets	539,382	409,802
Other corporate assets (note)	566	2,607
Group's assets	539,948	412,409
Reportable segment liabilities	273,236	314,762
Outstanding purchase consideration for the acquisition of a subsidiary from shareholder pursuant to the reorganisation	—	7,200
Final dividend payable	24,991	—
Other corporate liabilities	148	324
Group's liabilities	298,375	322,286

Note: Other corporate assets represented prepayments and cash and cash equivalents.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

3. SEGMENT INFORMATION – *continued*

The Group's revenues 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
	2016 RMB' 000 (unaudited)	2015 RMB' 000 (unaudited)	2016 RMB' 000 (unaudited)
The PRC (domicile)	445,156	486,659	113,709
Macau	14,570	19,728	410
	<u>459,726</u>	<u>506,387</u>	<u>114,119</u>

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.

The Group did not have any single customer contributed more than 10% of the Group's revenue during the six months ended 30 June 2015 and 2016.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

4. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

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

	Six months ended 30 June	
	2016	2015
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Retail outlet operation		
General retail sales	278,942	282,822
Bulk sales	34,693	70,927
Rental income from leasing shop premises	16,164	20,055
Commission from concessionaire sales	366	2,127
Wholesale distribution		
General wholesales	122,109	115,655
Franchisees	7,452	14,801
	<u>459,726</u>	<u>506,387</u>

(b) Other operating income

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

	Six months ended 30 June	
	2016	2015
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Government grants	5,722	1,261
Promotion income from suppliers	19,565	18,363
Interest income	1,156	164
Others	3,744	3,760
	<u>30,187</u>	<u>23,548</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

5. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging:

	Six months ended 30 June	
	2016 RMB' 000 (unaudited)	2015 RMB' 000 (unaudited)
Cost of inventories sold	382,662	407,850
Depreciation of property, plant and equipment	8,408	6,255
Depreciation of investment properties	48	48
Amortisation of prepaid land lease payments	506	524
Employee benefits expenses (including directors' remuneration):		
– Wages and salaries	24,571	27,464
– Pension scheme contributions	4,119	4,484
– Other benefits	1,075	1,587
	<u>29,765</u>	<u>33,535</u>
Listing expenses	—	4,190
Operating lease charges in respect of land and buildings	19,842	20,388
Obsolete inventories written-off	275	748
Loss on disposal of property, plant and equipment	<u>1,495</u>	<u>830</u>

6. FINANCE COSTS

Interest charged on bank borrowings:

	Six months ended 30 June	
	2016 RMB' 000 (unaudited)	2015 RMB' 000 (unaudited)
Interest charged on bank borrowings:	<u>2,947</u>	<u>2,891</u>



NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 RMB' 000 (unaudited)	2015 RMB' 000 (unaudited)
Current – Macau		
Charge for the period	—	47
Current – the PRC		
Charge for the period	6,326	6,965
Total tax charge for the period	<u>6,326</u>	<u>7,012</u>

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the period (six months ended 30 June 2015: Nil).

No provision for Hong Kong profits tax has been provided as the Group has no estimated assessable profit arising in Hong Kong during the period (six months ended 30 June 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 profit during the period (six months ended 30 June 2015: 25%).

The Group's subsidiaries in Macau were subject to Complementary Tax at rate of 12% based on estimated assessable profit during the period (six months ended 30 June 2015: 12%).

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to equity holders of the Company for the six months ended 30 June 2016 is based on the following data:

	Six months ended 30 June	
	2016 RMB' 000 (unaudited)	2015 RMB' 000 (unaudited)
Profit attributable to equity holders of the Company	<u>12,664</u>	<u>19,454</u>

	Six months ended 30 June	
	2016 Shares	2015 Shares
Number of shares	<u>290,457,000</u>	<u>214,857,000</u>

The number of ordinary shares for the purpose of calculating basis earnings per share has been retrospectively adjusted for the capitalization issue as if the shares had been in issue throughout both periods.

The diluted earnings per share for respective periods are same as the basic earnings per share as there are no dilutive potential shares.



NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

10. CAPITAL EXPENDITURES

	Property, plant and equipment RMB' 000	Prepaid land lease RMB' 000	Investment properties RMB' 000	Goodwill RMB' 000
Opening carrying amount as at 1 January 2016 (audited)	75,496	34,922	4,348	2,694
Additions	7,321	—	—	—
Disposals	(1,785)	—	—	—
Depreciation/amortization (note 5)	(8,408)	(506)	(48)	—
Exchange adjustment	11	—	—	74
Closing carrying amount as at 30 June 2016 (unaudited)	<u>72,635</u>	<u>34,416</u>	<u>4,300</u>	<u>2,768</u>
Opening carrying amount as at 1 January 2015 (audited)	49,213	35,934	4,444	2,554
Additions	22,770	—	—	—
Disposals	(830)	—	—	—
Depreciation/amortization (note 5)	(6,255)	(524)	(48)	—
Exchange adjustment	(3)	—	—	(10)
Closing carrying amount as at 30 June 2015 (unaudited)	<u>64,895</u>	<u>35,410</u>	<u>4,396</u>	<u>2,544</u>

As at 30 June 2016 and 31 December 2015, certain leasehold buildings with net carrying amount of approximately RMB15,848,000 and RMB16,024,000 were pledged to the bank for banking facilities granted to the Group (Note 14).

As at 30 June 2016 and 31 December 2015, certain prepaid land lease with net carrying amount of approximately RMB31,526,000 and RMB31,918,000 were pledged to the bank for banking facilities granted to the Group (Note 14).

As at 30 June 2016 and 31 December 2015, certain investment properties with net carrying amount of approximately RMB2,530,000 and RMB2,558,000 were pledged to the bank for banking facilities granted to the Group (Note 14).

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

11. TRADE RECEIVABLES

The average credit terms offered to these customers or tenants are generally for a period of 0–270 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:

	30 June 2016 RMB' 000 (unaudited)	31 December 2015 RMB' 000 (audited)
Within 30 days	20,766	15,037
31 to 60 days	6,458	4,647
61 to 180 days	5,600	11,762
181 to 365 days	746	3,049
Over 1 year	948	1,968
	<u>34,518</u>	<u>36,463</u>

12. 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:

	30 June 2016 RMB' 000 (unaudited)	31 December 2015 RMB' 000 (audited)
Current to 30 days	34,799	47,289
31 to 60 days	23,231	28,234
61 to 180 days	54,267	54,313
181 to 365 days	12,655	11,790
Over 1 year	1,794	1,822
	<u>126,746</u>	<u>143,448</u>



NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

13. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

As at 30 June 2016 and 31 December 2015, amounts due from/(to) related companies are unsecured, interest free and repayable on demand.

14. BANK BORROWINGS

	30 June 2016 RMB' 000 (unaudited)	31 December 2015 RMB' 000 (audited)
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
	<u>104,000</u>	<u>132,000</u>

As at 30 June 2016 and 31 December 2015, the bank borrowings are denominated in RMB, repayable within one to two years and bear interest at fixed rate and the floating rate ranging from 4.4% to 5.5% 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 RMB15,848,000 and RMB16,024,000 as at 30 June 2016 and 31 December 2015 respectively (Note 10);
- (ii) the pledge of certain prepaid land lease of the Group with net carrying amount of approximately RMB31,526,000 and RMB31,918,000 as at 30 June 2016 and 31 December 2015 respectively (Note 10);
- (iii) the pledge of certain investment properties of the Group with net carrying amount of approximately RMB2,530,000 and RMB2,558,000 as at 30 June 2016 and 31 December 2015 respectively (Note 10);

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

15. SHARE CAPITAL

Share capital represents the Company's issued share capital after elimination of the Company's investments in subsidiaries.

Company

	30 June 2016 RMB' 000 (unaudited)	31 December 2015 RMB' 000 (audited)
Authorised: 2,000,000,000 shares of HK\$0.01 each	<u>15,826</u>	<u>15,826</u>
Issued and fully paid: 290,457,000 shares of HK\$0.01 each	<u>2,387</u>	<u>2,387</u>

16. 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 15 years.

As at 30 June 2016 and 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 RMB' 000 (unaudited)	31 December 2015 RMB' 000 (audited)
Within one year	13,261	18,853
Later than one year and not later than five years	11,699	19,555
Later than five years	<u>1,230</u>	<u>1,568</u>
	<u>26,190</u>	<u>39,976</u>



NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

16. OPERATING LEASE ARRANGEMENTS – *continued*

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 30 June 2016 and 31 December 2015, the Group had total future minimum lease receipts under non-cancellable operating leases falling due as follows:

	30 June 2016 RMB' 000 (unaudited)	31 December 2015 RMB' 000 (audited)
Within one year	<u>11,602</u>	<u>14,207</u>

17. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of each of the reporting period:

	30 June 2016 RMB' 000 (unaudited)	31 December 2015 RMB' 000 (audited)
Contracted, but not provided for, in respect of acquisition of property, plant and equipment	<u>624</u>	<u>2,054</u>

18. RELATED PARTY TRANSACTIONS

(i) In addition to the transactions detailed elsewhere in the Interim Condensed Financial Statements, the Group had the following material transactions with related parties during the periods:

Related party relationship	Nature of transaction	Note	Six months ended 30 June	
			2016 RMB' 000 (unaudited)	2015 RMB' 000 (unaudited)
Related companies	Sale of goods	(b)	1,125	4,394
	Purchase of goods	(c)	23,689	32,731
	Rental Income received		215	383
	Rental expense paid	(d)	5,080	5,649
Carved-out subsidiary	Sale of goods		—	5
	Purchase of goods		—	7

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

18. RELATED PARTY TRANSACTIONS – *continued*

- (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). Certain subsidiaries of the Group operating in the PRC entered into contracts with Lecong Supply and Marketing Group Limited and its subsidiaries for sales 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 30 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 30 days.
- (d) The Group entered into lease agreements with Lecong Supply and Marketing Group Limited and its subsidiaries with respect to 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 to market rent. The credit period for leasing of properties from related companies is within 30 days.
- (ii) Compensation of key management personnel of the Group, including directors' remuneration, is as follows:

	Six months ended 30 June	
	2016	2015
	RMB' 000	RMB' 000
	(unaudited)	(unaudited)
Salaries, allowances and benefits in kind	431	181
Pension scheme contributions	27	9
	<u>458</u>	<u>190</u>

19. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Interim Condensed Financial Statements were approved and authorized for issue by the board of directors of the Company on 29 August 2016.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China Shun Ke Long Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) is an investment holding company and the Group is a supermarket chain store operator with geographical focus on Guangdong province of the People’s Republic of China (the “PRC”). During the six months ended 30 June 2016 (the “Period”), the Group maintained both retail and wholesale distribution channels. The Group’s focus on the suburban and rural areas makes it different from other major players in the market.

Retail Outlets

During the Period, the Group opened 7 retail outlets and closed 6 retail outlets. As at 30 June 2016, the Group had a total of 86 retail outlets, 84 retail outlets in Guangdong province of the PRC and 2 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 2016	31 December 2015
At the beginning of the Period/year	85	85
Additions	7	12
Reductions	(6)	(12)
At the end of the Period/year	<u>86</u>	<u>85</u>

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 30 June 2016:

Location	Number of retail outlets as at	
	30 June 2016	31 December 2015
The PRC		
Foshan	62	59
Zhaoqing	13	14
Zhuhai	7	8
Guangzhou	1	1
Yunfu	1	1
	<u>84</u>	<u>83</u>
Macau	2	2
Total	<u>86</u>	<u>85</u>

MANAGEMENT DISCUSSION AND ANALYSIS

General Wholesale

During the Period, the Group managed to keep all sole and exclusive distribution rights it gained before. The Group maintained sole and exclusive distribution rights for 14 brands covering Foshan, Jiangmen and Zhaoqing. The exact coverage of the Group's sole and exclusive distribution rights varied among those 14 brands.

Franchise Operation

The Group has a franchise scheme opened for application from interested parties to franchise retail outlets under the “Ledi (樂的)” 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.

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 2016	31 December 2015
At the beginning of the Period/year	33	26
Additions	354	9
Reductions	(2)	(2)
At the end of the Period/year	<u>385</u>	<u>33</u>

The sharp increase in the number of franchise outlets is mainly due to improvement of corporate image as a result of successful listing of the Company and more and more corporate customers are willing to join the franchise scheme.

Online Supermarket

The Group operates its own online supermarket and has installed 49 “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 Group also sells goods through several independent third parties e-commerce platforms including “Hellojou”, 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.

The Group also provides various advisory services to Hengli Limited since March 2016 including but not limited to looking for new vendors for “Hellojou” e-commerce platform and franchisees for its retail outlets.

The online supermarket contributes parts of the overall revenue of retail outlet operation.

RECENT DEVELOPMENT

To cope with the evolution of local consumption, the Group has renovated the retail outlets and magnify product mix so as to enhance the pleasant shopping experience for customers. Implementation of the aforesaid measures has improved the operating level of the sale by the main retail outlets, stabilized customer flow of the retail outlet, and increased the frequency of purchase by customers.



MANAGEMENT DISCUSSION AND ANALYSIS

For those new retail outlets opened during the Period, the Group applied the new brand “Shiweixian”, which is targeted to sell the fresh fruits and meats at competitive price and differentiates itself from traditional market with one-stop purchase experience. Shiweixian operates the outlet with highly clean and hygienic area of 100 sq.m to 200 sq.m in small towns. As most of the fresh fruits and meats are sourced in bulk from local reputable suppliers, Shiweixian is able to deliver safe and quality food to customers at very competitive price.

Some of the retail outlets opened in recent years recorded an operating loss, dragging down net profit for the Period. The Group has taken immediate measures such as making adjustments to the structure of those retail outlets and compressing operating costs in order to reduce loss.

OUTLOOK AND PROSPECT

The Group expects that the second half of the year will still be challenging with the slowing economic growth of the PRC. Coupled with the challenges arising from e-commerce, retail industry remains under tremendous pressure. Therefore, the Group has started to make strategic adjustments in regards to expansion, marketing, purchasing, products mix and distribution. It will take time for these efforts to work out. The Group will continue to push for the development of its e-commerce business and will fully explore the synergies between retail outlets and its e-commerce platform “Hellogou” to further develop O2O programs and improve revenue growth.

To enhance the competitiveness of our retail outlets, the Group will also increase its investment in the renovation of the existing outlets. The Group will continue to improve its staff training program and monitoring procedures so as to improve the efficiency of our operation and the shopping environment of our retail outlets.

FINANCIAL REVIEW

Revenue

For the Period, the revenue of the Group was approximately RMB459.7 million, representing a decrease of approximately RMB46.7 million or 9.2% when compared with the same period in 2015.

For the Period, the Group’s revenue from retail outlet operation was approximately RMB330.2 million, representing a drop of approximately RMB45.8 million or 12.2% when compared with the same period in 2015. The drop was mainly caused by the continued easing of the economy and intensified competition from online retailers.

For the Period, the Group’s revenue from wholesale distribution operation was approximately RMB129.6 million, representing a drop of approximately RMB0.9 million or 0.7% when compared with the same period in 2015.

Gross Profit Margin

For the Period and the same period in 2015, the Group’s gross profit margins were 16.8% and 19.5%, respectively. The decrease was mainly due to significant decrease in bulk sales of retail outlets and drop in rented income from leasing shop premises.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Operating Income

For the Period, the Group's other operating income was approximately RMB30.2 million, representing an increase of approximately RMB6.6 million or 28.2% when compared with the same period in 2015. The increase was mainly due to increased promotion income from supplies as a result of expanded retail outlet network and increased government grants.

Selling and Distribution Costs

For the Period, the Group's selling and distribution costs were approximately RMB70.7 million, representing a decrease of approximately RMB1.7 million or 2.3% when compared with the same period in 2015. The decrease was mainly due to successful implementation of cost control management since early 2016.

Administrative Expenses

For the Period, the Group's administrative expenses were approximately RMB14.5 million, representing a decrease of approximately RMB5.7 million or 28.4% when compared with the same period in 2015. The decrease was mainly due to exclusion of one-off listing expenses of RMB4.2 million incurred in the same period in 2015.

Finance Costs

For the Period, the Group's finance costs were approximately RMB2.9 million, representing a slight increase of approximately RMB56,000 when compared with the same period in 2015.

Total Comprehensive Income

For the Period, the Group's total comprehensive income attributable to the shareholders of the Company (the "Shareholders") were approximately RMB15.8 million, representing a decrease of approximately RMB3.7 million or 19.2% when compared with the same period in 2015. The decrease was mainly due to further slowdown of the economy of PRC and consequential negative impact on the consumer sentiment, which led to a drop of revenue and profit of the Period.

Capital Expenditure

The Group's capital expenditure requirements mainly relate to additions of its property, plant and equipments for the opening of new retail outlets and renovation of existing retail outlets. The Group spent RMB7.3 million on property, plant and equipments during the Period.



MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds

The Shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 September 2015 through a global offering. The net proceeds from the global offering, after deducting underwriting fees and related expenses, amounted to approximately HK\$188.6 million (equivalent to approximately RMB155.0 million) which is intended to be applied in the manner as set out in the section headed “Future Plans and Use of Proceeds” of the prospectus dated 28 August 2015. The table below sets forth a summary of the utilisation of the net proceeds:

Intended Use	Percentage allocated (%)	Amount allocated (RMB'000)	Amount used by 30 June 2016 (RMB'000)
Opening of new outlets	75.4%	116.9	5.7
Information systems upgrades	7.2%	11.2	3.2
Upgrading and expanding the existing two distribution centres	8.6%	13.3	1.1
General working capital	8.8%	13.6	13.6
Total	100.0	155.0	23.6

The unused net proceeds are placed in licensed financial institutions as short-term deposits.

Liquidity and Financial Resources

As at 30 June 2016, the Group had cash and cash equivalents of RMB175.6 million (as at 31 December 2015: RMB200.6 million), out of which RMB113.1 million was denominated in RMB and RMB62.5 million was denominated in HK\$ or MOP.

As at 30 June 2016, the Group had net current assets of RMB121.6 million (as at 31 December 2015: net current assets of RMB206.9 million).

As at 30 June 2016, the Group had net assets of RMB241.6 million (as at 31 December 2015: RMB250.8 million).

As at 30 June 2016, the Group had unutilized banking facilities of RMB40 million. (as at 31 December 2015: RMB12.0 million).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Indebtedness and Pledge of Assets

As at 30 June 2016, the Group had bank borrowings denominated in RMB of RMB104.0 million (as at 31 December 2015: RMB132.0 million) secured by:

- (i) the pledge of certain leasehold buildings of the Group with net carrying amount of RMB15.8 million (as at 31 December 2015: RMB16.0 million);
- (ii) the pledge of certain prepaid land lease of the Group with net carrying amount of RMB31.5 million (as at 31 December 2015: RMB31.9 million);
- (iii) the pledge of certain investment properties of the Group with net carrying amount of RMB2.5 million (as at 31 December 2015: RMB2.6 million).

All those bank borrowings were repayable within a year. The interests of those loans were reflected as floating rate basis in the loan contracts and were fixed ranging from 4.4% to 5.5% by reference to the applicable rates when the loans were drawn down.

Gearing Ratio

As at 30 June 2016, the Group had a net cash position as the amount of cash and cash equivalent exceeded the amount of interest bearing debts.

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 has 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 2016, 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 982 employees as at 30 June 2016, of which 959 employees worked in PRC and 23 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 provides bonuses based upon staff performance and profits of the Group.

During the Period, the Group had not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor had it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.



OTHER INFORMATION

INTERIM DIVIDEND

The board (the “Board”) of directors (the “Directors”) 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 30 June 2016, the interests and short positions of the Directors and the chief executive of the Company in the shares (the “Shares”), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) were as follows:

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Lao Songsheng	Interest of controlled corporations	119,698,460 (long position) (note 1)	41.2%
Lao Weiping	Beneficial owner	1,000 (long position)	0.0003%
Chen Yijian	Interest of spouse	1,000 (long position) (note 2)	0.0003%

Notes:

1. Out of these 119,698,460 Shares, 12,892,000 Shares were beneficially owned by Shun Ao Holdings Limited (“Shun Ao”) and 106,806,460 Shares were beneficially owned by Golden Prime Holdings Limited (“Golden Prime”). Shun Ao is a company incorporated in the British Virgin Islands (the “BVI”) and its entire issued share capital is owned by Ever Prosperous Holdings Limited (“Ever Prosperous”). Ever Prosperous is a company incorporated in the BVI and its entire issued share capital is owned by Mr. Lao Songsheng. Mr. Lao Songsheng is interested in approximately 34.6% of the issued share capital of Golden Prime. Accordingly, Mr. Lao Songsheng is 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.

OTHER INFORMATION

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

As at 30 June 2016, the interests or short position of persons, other than the Directors or the chief executive of the Company, in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Golden Prime (note 1)	Beneficial owner	106,806,460 (long position)	36.8%
Xing Nong Holdings Limited (note 2)	Beneficial owner	55,208,173 (long position)	19.0%
Jian Nong Holdings Limited (note 3)	Beneficial owner	25,985,367 (long position)	8.9%

Notes:

1. As at 30 June 2016, Golden Prime had 45 individual shareholders, of whom Mr. Lao Songsheng was interested in approximately 34.6% of its issued share capital, Ms. Wang Yanfen was interested in approximately 3.3% of its issued share capital, Mr. Wu Zhaohui was interested in approximately 0.6% of its issued share capital, Mr. Chen Yijian was interested in approximately 5.8% of its issued share capital, Ms. Lao Weiping was interested in approximately 4.4% of its issued share capital and Ms. Zhang Bei 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. Xing Nong Holdings Limited ("Xing Nong") is a company incorporated in the BVI. As at 30 June 2016, Xing Nong had 397 individual shareholders, of whom Mr. Lao Songsheng 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.
3. Jian Nong Holdings Limited ("Jian Nong") is a company incorporated in the BVI. As at 30 June 2016, Jian Nong had 317 individual shareholders, of whom Mr. Lao Songsheng 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.

SHARE OPTION SCHEME

The Shareholders 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. Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Period.



OTHER INFORMATION

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.

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.

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

Mr. Shin Yick Fabian, an independent non-executive Director, is the chairman of the Audit Committee and Mr. Guan Shiping, an independent non-executive Director, and Ms. Lao Weiping, a non-executive Director, are members of the Audit Committee.

The interim financial information is unaudited, but has been reviewed by the auditor of the Company. The audit committee has discussed with the auditor of the Company about the accounting principles and standards adopted by the Company and its subsidiaries and the internal control and financial reporting matters related to the preparation of the unaudited condensed financial statements for the Period, and has reviewed the unaudited financial results of the Group for the Period.

PUBLICATION OF UNAUDITED INTERIM REPORT

This interim report is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.skl.com.cn.

By order of the Board
China Shun Ke Long Holdings Limited
Lao Songsheng
Chairman and Executive Director

Hong Kong, 29 August 2016