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CHINA SHUN KE LONG HOLDINGS LIMITED

中國順客隆控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 974)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

The board (the “**Board**”) of directors (the “**Directors**”) of China Shun Ke Long Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2017. The unaudited consolidated results have been reviewed by the auditors, BDO Limited and the audit committee of the Company (the “**Audit Committee**”).

FINANCIAL HIGHLIGHTS			
	For the six months ended 30 June		
	2017	2016	
	RMB'000	RMB'000	%
Revenue	519,954	459,726	+13.1%
Gross profit	76,926	77,064	-0.2%
Profit for the period	8,901	12,725	-30.1%
	At	At	
	30 June	31 December	
	2017	2016	
	RMB'000	RMB'000	%
Total assets	513,568	539,456	-4.8%
Total liabilities	249,209	283,690	-12.2%
The number of retail outlets	66	75	-12.0%
The number of franchise outlets	438	418	+4.8%

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 30 June	
		2017 <i>RMB'000</i> (unaudited)	2016 <i>RMB'000</i> (unaudited)
Revenue	5a	519,954	459,726
Cost of inventories sold		<u>(443,028)</u>	<u>(382,662)</u>
Gross profit		76,926	77,064
Other operating income	5b	17,095	30,187
Selling and distribution costs		<u>(61,283)</u>	<u>(70,745)</u>
Administrative expenses		<u>(18,690)</u>	<u>(14,508)</u>
Profit from operations	6	14,048	21,998
Finance costs	7	<u>(2,271)</u>	<u>(2,947)</u>
Profit before income tax expense		11,777	19,051
Income tax expense	8	<u>(2,876)</u>	<u>(6,326)</u>
Profit for the period		8,901	12,725
Other comprehensive income, that may be reclassified subsequently to profit or loss:			
Exchange differences on translating to presentation currency		<u>(308)</u>	<u>3,045</u>
Total comprehensive income for the period		<u>8,593</u>	<u>15,770</u>
Profit for the period attributable to:			
– Owners of the Company		8,828	12,664
– Non-controlling interests		<u>73</u>	<u>61</u>
		<u>8,901</u>	<u>12,725</u>
Total comprehensive income for the period attributable to:			
– Owners of the Company		8,520	15,709
– Non-controlling interests		<u>73</u>	<u>61</u>
		<u>8,593</u>	<u>15,770</u>
Earnings per share – basic and diluted (<i>RMB cents</i>)	10	<u>3.04</u>	<u>4.36</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2017 <i>RMB'000</i> (unaudited)	At 31 December 2016 <i>RMB'000</i> (audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	63,255	63,777
Prepaid land lease	11	33,404	33,910
Investment properties	11	4,203	4,251
Deposits paid and prepayments		5,824	5,713
Goodwill	11	2,949	3,043
		109,635	110,694
Total non-current assets			
Current assets			
Inventories		118,833	126,664
Trade receivables	12	93,619	53,947
Deposits paid, prepayments and other receivables		83,600	94,140
Amounts due from related companies	14	1,981	2,084
Cash and cash equivalents		105,900	151,927
		403,933	428,762
Total current assets			
		513,568	539,456
Total assets			
Current liabilities			
Trade payables	13	112,818	134,072
Deposits received, receipts in advance, accruals and other payables		40,789	43,084
Amounts due to related companies	14	2,966	2,154
Bank borrowings	15	92,000	104,000
Income tax payable		636	380
		249,209	283,690
Total current liabilities			
		154,724	145,072
Net current assets			
		264,359	255,766
Total assets less current liabilities			
		264,359	255,766
Net assets			
		264,359	255,766

		At 30 June 2017 <i>RMB'000</i> (unaudited)	At 31 December 2016 <i>RMB'000</i> (audited)
EQUITY			
Share capital	<i>16</i>	2,387	2,387
Reserves		260,593	252,073
		<hr/>	<hr/>
Equity attributable to owners of the Company		262,980	254,460
Non-controlling interests		1,379	1,306
		<hr/>	<hr/>
Total equity		264,359	255,766
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Merger reserve	Capital reserve	Capital			Retained earnings	Total	Non- controlling interests	Total
						Statutory reserve	contribution reserve	Translation reserve				
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
At 1 January 2017 (audited)	2,387	169,904	84	(6,200)	200	11,217	873	7,003	68,992	254,460	1,306	255,766
Comprehensive income												
Exchange differences arising on translation to presentation currency	-	-	-	-	-	-	-	(308)	-	(308)	-	(308)
Profit for the period	-	-	-	-	-	-	-	-	8,828	8,828	73	8,901
Total comprehensive income for the period	-	-	-	-	-	-	-	(308)	8,828	8,520	73	8,593
At 30 June 2017 (unaudited)	2,387	169,904	84	(6,200)	200	11,217	873	6,695	77,820	262,980	1,379	264,359
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 to presentation currency	-	-	-	-	-	-	-	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

- (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 deemed 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 represents 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	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Net cash (used in)/generated from operating activities	<u>(25,382)</u>	<u>8,969</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,602)	(7,321)
Proceeds from sale of property, plant and equipment	1,616	15
Interest received	<u>870</u>	<u>1,156</u>
Net cash used in investing activities	<u>(6,116)</u>	<u>(6,150)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	92,000	24,000
Repayment of bank borrowings	(104,000)	(52,000)
Interest paid	<u>(2,271)</u>	<u>(2,947)</u>
Net cash used in financing activities	<u>(14,271)</u>	<u>(30,947)</u>
Net decrease in cash and cash equivalents	(45,769)	(28,128)
Cash and cash equivalents at 1 January	151,927	200,599
Effect of exchange rate changes on cash and cash equivalents	<u>(258)</u>	<u>3,110</u>
Cash and cash equivalents at 30 June	<u>105,900</u>	<u>175,581</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The Company 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 PRC and Macau.

Prior to completion of the sale and purchase agreement on 12 May 2017, Shun Ao Holdings Limited, Golden Prime Holdings Limited, Xing Nong Holdings Limited and Jian Nong Holdings Limited (together the “**Vendors**”), held 55.8% in aggregate of the entire issued share capital of the Company. The Vendors were companies incorporated in the British Virgin Islands and Mr. Lao Songsheng (“**Mr. Lao**”), a Chairman and executive Director of the Company until 10 June 2017, was interested in approximately 100%, 34.6%, 7.4% and 17.2% of issued share capital of Shun Ao Holdings Limited, Golden Prime Holdings Limited, Xing Nong Holdings Limited and Jian Nong Holdings Limited respectively. The Vendors disposed of their 162,092,600 shares in aggregate, representing 55.8% of the entire issued share capital of the Company to CCOOP International Holdings Limited, which is a company incorporated in the Cayman Islands and an indirectly wholly-owned subsidiary of CCOOP Group Co., Ltd (供銷大集集團股份有限公司).

In the opinion of the Directors of the Company, the holding company of the Company is CCOOP Group Co., Ltd, the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 000564).

(b) Basis of preparation

These condensed consolidated interim financial statements of the Company and its subsidiaries (collectively known as the “**Group**”) for the six months ended 30 June 2017 (the “**Period**”) have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”), issued by the International Accounting Standards Board (the “**IASB**”) and the applicable disclosure provision of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated interim financial statements were authorised for issue on 25 August 2017.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2016 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017. Details of any changes in accounting policies are set out in note 2.

These condensed consolidated interim financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial information prepared in accordance with International Financial Reporting Standards (the “IFRSs”) and should be read in conjunction with the 2016 consolidated financial statements.

The condensed consolidated interim financial statements 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. CHANGE IN INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Amendments to IAS 7, Disclosure Initiative
- Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle, Disclosure of Interests in Other Entities

Amendments to IAS 7, Disclosure Initiative

Amendments to IAS 7 requires an entity to provide disclosures that enable users of financial information to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosures to be provided in the Group’s annual financial information. The Group is not required to provide the additional disclosures in these condensed consolidated interim financial statements.

Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situation. The amendments clarify that an entity, when assessing whether taxable profit will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Amendments to IFRS 12, Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements of IFRS 12, other than for those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

None of the above amendments that are effective for the first time for periods beginning on or after 1 January 2017 have a material effect on these condensed consolidated interim financial statements. The Group has not applied any new IFRSs or amendments that is not yet effective for the current accounting period.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2016 annual financial statements.

4. SEGMENT INFORMATION

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

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

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

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

For the six months ended 30 June 2017 (unaudited):

	Retail outlet operation <i>RMB'000</i>	Wholesale distribution <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue				
From external customers	298,490	221,464	–	519,954
From inter-segment	29,231	37,671	(66,902)	–
Reportable segment revenue	<u>327,721</u>	<u>259,135</u>	<u>(66,902)</u>	<u>519,954</u>
Reportable segment profit	<u>11,036</u>	<u>1,820</u>	<u>–</u>	<u>12,856</u>
Finance costs	2,271	–	–	2,271
Interest income	695	65	–	760
Reportable segment assets	<u>363,896</u>	<u>111,111</u>	<u>–</u>	<u>475,007</u>
Additions to non-current segment assets during the period	8,546	56	–	8,602
Reportable segment liabilities	<u>238,964</u>	<u>9,936</u>	<u>–</u>	<u>248,900</u>

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

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

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the condensed consolidated interim financial statements as follows:

	Six months ended 30 June	
	2017 <i>RMB'000</i> (unaudited)	2016 <i>RMB'000</i> (unaudited)
Reportable segment revenue	<u>519,954</u>	<u>459,726</u>
Group revenue	<u>519,954</u>	<u>459,726</u>
Reportable segment profit	12,856	20,793
Other corporate income	110	2
Other corporate expenses	<u>(1,189)</u>	<u>(1,744)</u>
Profit before income tax expense	<u>11,777</u>	<u>19,051</u>
Reportable segment assets	475,007	539,382
Other corporate assets (<i>Note</i>)	<u>38,561</u>	<u>566</u>
Group's assets	<u>513,568</u>	<u>539,948</u>
Reportable segment liabilities	248,900	273,236
Final dividend payable	–	24,991
Other corporate liabilities (<i>Note</i>)	<u>309</u>	<u>148</u>
Group's liabilities	<u>249,209</u>	<u>298,375</u>

Note: Other corporate assets represented cash and cash equivalents and prepayments. Other corporate liabilities represented other payables relating to central administration cost.

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
	2017	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)
The PRC (domicile)	499,445	445,156	104,032
Macau	20,509	14,570	324
	<u>519,954</u>	<u>459,726</u>	<u>104,356</u>

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

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

The Group had a single wholesale distribution customer contributing more than 12% of the Group's revenue during the Period. There was no single customer that contributed to 10% or more of the Group's revenue for the six months ended 30 June 2016.

5. 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	
	2017 <i>RMB'000</i> (unaudited)	2016 <i>RMB'000</i> (unaudited)
Retail outlet operation		
General retail sales	263,174	278,942
Bulk sales	20,661	34,693
Rental income from leasing shop premises	14,358	16,164
Commission from concessionaire sales	297	366
Wholesale distribution		
General wholesales	211,191	122,109
Franchisees	10,273	7,452
	<u>519,954</u>	<u>459,726</u>

(b) Other operating income

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

	Six months ended 30 June	
	2017 <i>RMB'000</i> (unaudited)	2016 <i>RMB'000</i> (unaudited)
Government grants	2,314	5,722
Promotion income from suppliers	10,647	19,565
Interest income	870	1,156
Others	3,264	3,744
	<u>17,095</u>	<u>30,187</u>

6. PROFIT FROM OPERATIONS

The Group's profit from operations was arrived at after charging/(crediting):

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories sold	443,028	382,662
Depreciation of property, plant and equipment	6,439	8,408
Depreciation of investment properties	48	48
Amortisation of prepaid land lease payments	506	506
Employee benefits expenses (including directors' remuneration):		
– Wages and salaries	28,855	24,571
– Pension scheme contributions	4,262	4,119
– Other benefits	818	1,075
	33,935	29,765
Operating lease charges in respect of land and buildings	17,364	19,842
Obsolete inventories written-off	34	275
(Gain)/loss on disposal of property, plant and equipment	(11)	1,495

7. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest charged on bank borrowings	2,271	2,947

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current – the PRC		
Charge for the period	<u>2,876</u>	<u>6,326</u>
Total tax charge for the period	<u>2,876</u>	<u>6,326</u>

The Group was not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the Period (six months ended 30 June 2016: Nil).

No provision for Hong Kong profits tax had been provided as the Group had no estimated assessable profit arising in Hong Kong during the Period (six months ended 30 June 2016: Nil).

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 2016: 12%).

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 2016: 25%). A subsidiary of the Group in the PRC was granted as "High Technology Enterprise" by the local tax authority, and subject to a reduced preferential Enterprise Income Tax rate of 15% for the Period.

9. DIVIDEND

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

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to equity holders of the Company for the Period is based on the following data:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit attributable to equity holders of the Company	<u>8,828</u>	<u>12,664</u>

	Six months ended 30 June	
	2017	2016
	Shares	Shares
Number of shares	<u>290,457,000</u>	<u>290,457,000</u>

The diluted earnings per share for respective periods are same as the basic earnings per share as there are no dilutive shares during both periods or at the end of reporting periods.

11. CAPITAL EXPENDITURES

	Property, plant and equipment	Prepaid land lease	Investment properties	Goodwill
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening carrying amount as at				
1 January 2017 (audited)	63,777	33,910	4,251	3,043
Additions	8,602	–	–	–
Disposals	(2,685)	–	–	–
Depreciation/amortization (<i>note 6</i>)	(6,439)	(506)	(48)	–
Exchange adjustment	–	–	–	(94)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing carrying amount as at				
30 June 2017 (unaudited)	<u>63,255</u>	<u>33,404</u>	<u>4,203</u>	<u>2,949</u>
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 (<i>note 6</i>)	(8,408)	(506)	(48)	–
Exchange adjustment	11	–	–	74
	<hr/>	<hr/>	<hr/>	<hr/>
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>

As at 30 June 2017 and 31 December 2016, certain leasehold buildings with net carrying amount of approximately RMB13,159,000 and RMB14,096,000 were pledged to the bank for banking facilities granted to the Group (note 15).

As at 30 June 2017 and 31 December 2016, certain prepaid land lease with net carrying amount of approximately RMB27,084,000 and RMB29,313,000 were pledged to the bank for banking facilities granted to the Group (note 15).

As at 30 June 2017 and 31 December 2016, certain investment properties with net carrying amount of approximately RMB2,473,000 and RMB2,501,000 were pledged to the bank for banking facilities granted to the Group (note 15).

12. TRADE RECEIVABLES

The average credit terms offered to these customers or tenants are generally for a period of 0–180 days from the invoice date.

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

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within 30 days	20,215	20,614
31 to 60 days	7,670	8,743
61 to 180 days	48,296	22,512
181 to 365 days	16,586	1,118
Over 1 year	852	960
	<u>93,619</u>	<u>53,947</u>

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 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Current to 30 days	30,078	54,192
31 to 60 days	23,408	24,481
61 to 180 days	43,299	45,047
181 to 365 days	14,815	8,486
Over 1 year	1,218	1,866
	<u>112,818</u>	<u>134,072</u>

14. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

As at 30 June 2017 and 31 December 2016, amounts due from/(to) related companies are unsecured, interest free and repayable on demand.

15. BANK BORROWINGS

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Secured		
– bank borrowings due for repayment within one year	<u>92,000</u>	<u>104,000</u>

As at 30 June 2017 and 31 December 2016, the bank borrowings were denominated in RMB, repayable within one year and interest-bearing at fixed rate and the floating rate ranging from 4.7% to 5.5% and 4.4% 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 RMB13,159,000 and RMB14,096,000 as at 30 June 2017 and 31 December 2016 respectively (note 11);
- (ii) the pledge of certain prepaid land lease of the Group with net carrying amount of approximately RMB27,084,000 and RMB29,313,000 as at 30 June 2017 and 31 December 2016 respectively (note 11);
- (iii) the pledge of certain investment properties of the Group with net carrying amount of approximately RMB2,473,000 and RMB2,501,000 as at 30 June 2017 and 31 December 2016 respectively (note 11).

16. SHARE CAPITAL

Company

	30 June 2017 RMB'000 (unaudited)	31 December 2016 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>

17. 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 18 years.

As at 30 June 2017 and 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within one year	14,508	10,885
Later than one year and not later than five years	7,606	13,118
Later than five years	<u>617</u>	<u>6,257</u>
	<u>22,731</u>	<u>30,260</u>

As lessor

The Group sub-leases out certain areas inside their retail outlets. The leases are negotiated for terms ranging from 1 to 9 years. None of the leases includes contingent rentals.

As at 30 June 2017 and 31 December 2016, the Group had total future minimum lease receipts under non-cancellable operating leases falling due as follows:

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Within one year	<u>12,088</u>	<u>10,857</u>

18. CAPITAL COMMITMENTS

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

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Contracted, but not provided for, in respect of acquisition of property, plant and equipment	<u>–</u>	<u>716</u>

19. RELATED PARTY TRANSACTIONS

- (i) In addition to the transactions detailed elsewhere in the condensed consolidated interim 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	
			2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Related companies	Sale of goods	(b)	2,778	1,125
	Purchase of goods	(c)	11,686	23,689
	Rental Income received		145	215
	Rental expense paid	(d)	3,923	5,080

- (a) The non-executive Director of the Company, Mr. Lao, is a beneficial shareholder of Lecong Supply and Marketing Group Limited. 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. Mr. Lao was re-designated as a non-executive Director from an executive Director and resigned as the Chairman of the Company effective on 10 June 2017. As Mr. Lao is still a key management personal of the Group during the Period, these entities continue to be related companies to the Group.

- (b) The consideration of sale transactions are based on 1) historical transaction prices and amount; 2) prevailing market prices; and 3) discount rate offered to bulk purchase customers. The credit period for sales to related parties is within 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	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Salaries, allowances and benefits in kind	708	431
Pension scheme contributions	33	27
	<u>741</u>	<u>458</u>

20. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors of the Company on 25 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China Shun Ke Long Holdings Limited 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 2017 (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 2 retail outlets and closed 11 retail outlets. As at 30 June 2017, the Group had a total of 66 retail outlets, 63 retail outlets in Guangdong province of the PRC and 3 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 2017	31 December 2016
At the beginning of the Period/year	75	85
Additions	2	12
Reductions	(11)	(22)
At the end of the Period/year	<u>66</u>	<u>75</u>

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 30 June 2017:

Location	Number of retail outlets as at	
	30 June 2017	31 December 2016
Foshan	46	59
Zhaoqing	10	7
Zhuhai	5	5
Guangzhou	1	1
Yunfu	1	1
	63	73
Macau	3	2
Total	66	75

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)”. 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 2017	31 December 2016
At the beginning of the Period/year	418	33
Additions	24	388
Reductions	(4)	(3)
At the end of the Period/year	438	418

RECENT DEVELOPMENT

Upon completion of the offer (the “**Offer**”, details of which can be referred to the joint announcement issued by CCOOP International Holdings Limited and the Company dated 23 January 2017 and the composite offer and response document jointly issued by CCOOP International Holdings Limited, CCOOP Group Co., Ltd. and the Company dated 19 May 2017), CCOOP Group Co., Ltd had become the controlling shareholder of the Company. CCOOP Group Co., Ltd is a large department store-based retail business enterprise group in Xi’an, Shaanxi Province. It is a member of “National Trade Chamber of Large Department Store Retailers”, leading commercial enterprise in the northwest region. New directors had been appointed to the Board with effect from 10 June 2017.

CCOOP Group Co., Ltd intends to provide funds, personnel, technology and other resources to support the Group’s investment in and development of new projects, and enhance revenue, asset value and market publicity to a higher level, including by actively seeking potential business investment and development projects in the PRC and overseas.

OUTLOOK AND PROSPECT

The Group expects that the second half of the year 2017 will still be challenging, but with a better sign of improvement in consumer sentiments. Coupled with the challenges arising from e-commerce and slowdown of the economy, retail industry remains under tremendous pressure. Therefore, the Group has started to make strategic adjustments in regard to expansion, marketing, purchasing, products mix and distribution since the last quarter of the year 2016 and these efforts have been working out gradually.

To enhance the competitiveness of our retail outlets, the Group has completed its investment in the renovation of the existing retail outlets and the customer visits have been increased. The Group will also 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 RMB520.0 million, representing an increase of approximately RMB60.2 million or 13.1% when compared with the same period in 2016. The revenue growth trend was mainly due to the fact that the drop in retail outlet operation was mitigated by the sharp increase in wholesale distribution during the Period.

For the Period, the Group's revenue from retail outlet operation was approximately RMB298.5 million, representing a drop of approximately RMB31.7 million or 9.6% when compared with the same period in 2016. 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 RMB221.5 million, representing an increase of approximately RMB91.9 million or 70.9% when compared with the same period in 2016. The increase was mainly due to an increase in the amount of per transaction by corporate customers during the Period.

Gross Profit Margin

For the Period and the same period in 2016, the Group's gross profit margins were 14.8% and 16.8%, respectively. The decrease was mainly due to a decrease in revenue of retail outlets and the contribution by wholesale distribution to the total gross profit was proportionally increased and it dragged down the gross profit margin.

Other Operating Income

For the Period, the Group's other operating income was approximately RMB17.1 million, representing a decrease of approximately RMB13.1 million or 43.4% when compared with the same period in 2016. The decrease was mainly due to reduction in government grants and promotion income from suppliers during the Period.

Selling and Distribution Costs

For the Period, the Group's selling and distribution costs were approximately RMB61.3 million, representing a decrease of approximately RMB9.5 million or 13.4% when compared with the same period in 2016. The decrease was mainly due to a reduction in the number of retail outlets during the Period.

Administrative Expenses

For the Period, the Group's administrative expenses were approximately RMB18.7 million, representing an increase of approximately RMB4.2 million or 28.8% when compared with the same period in 2016. The increase was mainly due to professional fees incurred in the Offer.

Finance Costs

For the Period, the Group's finance costs were approximately RMB2.3 million, representing a decrease of approximately RMB0.7 million or 22.9% when compared with the same period in 2016. The decrease was mainly due to reduction in bank borrowings during the Period.

Income Tax Expenses

During the Period, the Group's income tax expenses were approximately RMB2.9 million, representing an effective tax rate of 24.4%.

Net Profit

During the Period, the Group's net profit attributable to the shareholders was approximately RMB8.9 million, representing a decrease of approximately RMB3.8 million or 30.1% when compared with the same period in 2016. The decrease was mainly due to the continuous easing of the economy and intensified competition from online retailers.

Total Comprehensive Income

For the Period, the Group's total comprehensive income attributable to the shareholders were approximately RMB8.6 million, representing a decrease of approximately RMB7.2 million or 45.5% when compared with the same period in 2016. The decrease was mainly due to drop in other operating income and steady appreciation of RMB during the Period, which caused depreciation of the foreign currencies held by the Company.

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 RMB8.6 million on property, plant and equipment during the Period.

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.

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

	Original allocation of net proceeds		Revised allocation of the net proceeds		Utilisation as at 30 June 2017		Remaining balance of net proceeds as at 30 June 2017	
	<i>RMB equivalent million</i>	<i>% of net proceeds</i>	<i>RMB equivalent million</i>	<i>% of net proceeds</i>	<i>RMB equivalent million</i>	<i>% of net proceeds</i>	<i>RMB equivalent million</i>	<i>% of net proceeds</i>
Opening of new outlets	116.9	75.4%	74.4	48.0%	20.5	13.2%	53.9	34.8%
Upgrading existing outlets	–	0.0%	14.6	9.4%	14.6	9.4%	–	0.0%
Repayment of bank borrowings	–	0.0%	27.9	18.0%	27.9	18.0%	–	0.0%
Information systems upgrades	11.2	7.2%	11.2	7.2%	5.4	3.5%	5.8	3.7%
Upgrading and expanding the existing two distribution centres	13.3	8.6%	13.3	8.6%	2.2	1.4%	11.1	7.2%
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%	84.2	54.3%	70.8	45.7%

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

Liquidity and Financial Resources

As at 30 June 2017, the Group had cash and cash equivalents of RMB105.9 million (as at 31 December 2016: RMB151.9 million), out of which RMB59.5 million was denominated in RMB and RMB46.4 million was denominated in HK\$ or MOP.

As at 30 June 2017, the Group had net current assets of RMB154.7 million (as at 31 December 2016: net current assets of RMB145.1 million) and had net assets of RMB264.4 million (as at 31 December 2016: RMB255.8 million). As at 30 June 2017, the Group had unutilized banking facilities of RMB51.0 million. (as at 31 December 2016: RMB91.0 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.

Indebtedness and Pledge of Assets

As at 30 June 2017, the Group had bank borrowings denominated in RMB92.0 million (as at 31 December 2016: RMB104.0 million) secured by:

- (i) the pledge of certain leasehold buildings of the Group with net carrying amount of RMB13.2 million (as at 31 December 2016: RMB14.1 million);
- (ii) the pledge of certain prepaid land lease of the Group with net carrying amount of RMB27.1 million (as at 31 December 2016: RMB29.3 million);
- (iii) the pledge of certain investment properties of the Group with net carrying amount of RMB2.5 million (as at 31 December 2016: RMB2.5 million).

All those bank borrowings were repayable within a year. The interests of those loans were reflected as fixed rate and floating rate in the loan contracts ranging from 4.7% to 5.5% per annum by reference to the applicable rates when the loans were drawn down.

Gearing Ratio

As at 30 June 2017, 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 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 2017, the Group did not provide any guarantee for any third party and did not have any significant contingent liabilities.

Employees

The Group had a total of 1,204 employees as at 30 June 2017, of which 1,175 employees worked in PRC and 29 worked in Hong Kong and Macau. Salaries of employees were maintained at a competitive level and were reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provided internal training to staff and provided 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 maintained a good relationship with its employees.

INTERIM DIVIDEND

The Board of 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.

SUFFICIENCY OF PUBLIC FLOAT

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

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, Mr. Han Wei, 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 and the Audit Committee.

PUBLICATION OF UNAUDITED INTERIM REPORT

The interim results announcement for the Period of the Company is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.skl.com.cn) respectively. The interim report 2017 will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
China Shun Ke Long Holdings Limited
He Jia Fu
Chairman and Executive Director

Hong Kong, 25 August 2017

As at the date of this announcement, the executive Directors are Mr. He Jia Fu, Mr. Li Zhongxu and Mr. Wu Limin; the non-executive Directors are Mr. Han Wei, Mr. Wang Fu Lin and Mr. Lao Songsheng; and the independent non-executive Directors are Mr. Guan Shiping, Mr. Sun Hong and Mr. Shin Yick Fabian.