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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 2023**

The board of directors (the “**Board**”, and the members of the Board, 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 2023. The unaudited consolidated results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2023 RMB'000	2022 RMB'000	%
Revenue	323,177	313,064	3.2%
Gross profit	46,064	49,706	-7.3%
Loss for the period	(12,751)	(14,276)	-10.7%
	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000	%
Total assets	350,396	389,819	-10.1%
Total liabilities	186,086	213,059	-12.7%

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
	<i>NOTES</i>	2023	2022
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	4	323,177	313,064
Cost of inventories sold		(277,113)	(263,358)
		<hr/>	<hr/>
Gross profit		46,064	49,706
Other operating income	4	13,360	15,613
Selling and distribution costs		(60,278)	(67,003)
Administrative expenses		(9,406)	(9,828)
Impairment loss recognised in respect of trade receivables		(460)	(17)
Reversal of impairment loss recognised in respect of other receivables		451	–
Finance costs	6	(2,478)	(2,747)
		<hr/>	<hr/>
Loss before tax	5	(12,747)	(14,276)
Income tax expenses	7	(4)	–
		<hr/>	<hr/>
Loss for the period		(12,751)	(14,276)
		<hr/>	<hr/>
Other comprehensive income, item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		301	810
		<hr/>	<hr/>
Loss and total comprehensive expense for the period		(12,450)	(13,466)
		<hr/>	<hr/>
(Loss) profit for the period attributable to:			
– Owners of the Company		(12,622)	(14,297)
– Non-controlling interests		(129)	21
		<hr/>	<hr/>
		(12,751)	(14,276)
		<hr/>	<hr/>
Total comprehensive (expense) income for the period attributable to:			
– Owners of the Company		(12,321)	(13,487)
– Non-controlling interests		(129)	21
		<hr/>	<hr/>
		(12,450)	(13,466)
		<hr/>	<hr/>
Loss per share – basic and diluted (<i>RMB</i>)	9	(0.04)	(0.05)
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

		30 June 2023	31 December 2022
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	29,581	31,305
Right-of-use assets	<i>11</i>	87,238	82,275
Investment properties	<i>10</i>	8,861	9,024
Deposits paid		7,843	9,982
		133,523	132,586
Current assets			
Inventories		85,801	111,837
Trade and bills receivables	<i>12</i>	36,854	28,744
Deposits paid, prepayments and other receivables		62,340	67,240
Amounts due from related companies	<i>14</i>	440	440
Cash and cash equivalents		31,438	48,972
		216,873	257,233
Current liabilities			
Trade payables	<i>13</i>	75,461	95,469
Deposits received, receipts in advance, accruals and other payables		23,120	28,644
Lease liabilities	<i>11</i>	24,896	23,008
Contract liabilities		16,619	17,832
Bank borrowings	<i>15</i>	8,000	8,000
Tax payable		24	23
Total current liabilities		148,120	172,976
Net current assets		68,753	84,257
Total assets less current liabilities		202,276	216,843

		30 June 2023	31 December 2022
	<i>NOTES</i>	RMB'000 (unaudited)	RMB'000 (audited)
Non-current liability			
Lease liabilities	<i>11</i>	<u>37,966</u>	<u>40,083</u>
Net assets		<u>164,310</u>	<u>176,760</u>
Capital and reserves			
Share capital	<i>16</i>	2,387	2,387
Reserves		<u>160,888</u>	<u>173,209</u>
Equity attributable to owners of the Company		163,275	175,596
Non-controlling interests		<u>1,035</u>	<u>1,164</u>
Total equity		<u>164,310</u>	<u>176,760</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Equity attributable to owners of the Company										Non-controlling Interests	Total	
	Share capital	Share premium	Special reserve	Merger reserve	Capital reserve	Statutory reserve	Capital contribution reserve	Translation reserve	Retained earnings	Total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note a)	(Note b)	(Note c)	(Note d)	(Note e)						
At 1 January 2023 (audited)	2,387	169,904	84	(6,200)	200	15,790	873	5,383	(12,825)	175,596	1,164	176,760	
Loss for the period	-	-	-	-	-	-	-	-	(12,622)	(12,622)	(129)	(12,751)	
Other comprehensive income for the period													
Exchange differences arising on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	-	301	-	301	-	301	
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	301	(12,622)	(12,321)	(129)	(12,450)	
At 30 June 2023 (unaudited)	2,387	169,904	84	(6,200)	200	15,790	873	5,684	(25,447)	163,275	1,035	164,310	
At 1 January 2022 (audited)	2,387	169,904	84	(6,200)	200	15,768	873	4,538	12,197	199,751	1,097	200,848	
(Loss) profit for the period	-	-	-	-	-	-	-	-	(14,297)	(14,297)	21	(14,276)	
Other comprehensive income for the period													
Exchange differences arising on translation of financial statements from functional currency to presentation currency	-	-	-	-	-	-	-	810	-	810	-	810	
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	810	(14,297)	(13,487)	21	(13,466)	
At 30 June 2022 (unaudited)	2,387	169,904	84	(6,200)	200	15,768	873	5,348	(2,100)	186,264	1,118	187,382	

Notes:

- (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. As at 30 June 2023 and 2022, the balance of the merger reserve included the deemed distribution upon the acquisition of a subsidiary from the controlling shareholders as part of the reorganisation.
- (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 People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.
- (e) Capital contribution reserve of the Group represented the capital contribution upon acquisition of the net assets of a subsidiary pursuant to a group reorganisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Net cash from operating activities	6,526	27,981
	<hr/>	<hr/>
Investing activities		
Interest received	192	902
Proceeds from disposals of property, plant and equipment	578	47
Purchases of property, plant and equipment	(2,185)	(2,943)
	<hr/>	<hr/>
Net cash used in investing activities	(1,415)	(1,994)
	<hr/>	<hr/>
Financing activities		
Bank borrowings repaid	–	(52,000)
Repayment of capital element of lease liabilities	(20,841)	(26,335)
Interest paid on lease liabilities and bank borrowings	(2,478)	(2,818)
Government grants	323	1,369
	<hr/>	<hr/>
Net cash used in financing activities	(22,996)	(79,784)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(17,885)	(53,797)
Cash and cash equivalents at 1 January	48,972	103,343
Effect of foreign exchange rate changes	351	855
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	31,438	50,401
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in the operation and management of retail stores and wholesales of goods in the PRC and Macau.

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

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

The condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022 except as described below.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“**IFRSs**”), which include IFRSs, International Accounting Standards, amendments and interpretations issued by the IASB and the IFRS Interpretations Committee of the IASB which are effective for the Group's financial year beginning 1 January 2023.

IFRS 17 and related amendments	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Return – Pillar Two Model Rules

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

3. OPERATING SEGMENT INFORMATION

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

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

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

Segment revenue and results

For the six months ended 30 June 2023 (unaudited):

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
From external customers	255,292	67,885	–	323,177
From inter-segment	<u>18,030</u>	<u>5,324</u>	<u>(23,354)</u>	<u>–</u>
Reportable segment revenue	<u>273,322</u>	<u>73,209</u>	<u>(23,354)</u>	<u>323,177</u>
Reportable segment loss	<u>(10,829)</u>	<u>(38)</u>	<u>–</u>	<u>(10,867)</u>
Other corporate income				46
Other corporate expenses				<u>(1,926)</u>
Loss before tax				<u><u>(12,747)</u></u>

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

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

Inter-segment sales are charged at prevailing market rates.

Geographic information

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

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		At 30 June	At 31 December
	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(audited)
The PRC (place of domicile)	323,177	310,971	125,622	122,589
Macau	–	2,093	47	–
Hong Kong	–	–	11	15
	323,177	313,064	125,680	122,604

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

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

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

The Group's revenue from external customers is derived from the PRC and Macau. No single customer of the Group contributed 10% or more to the Group's revenue for the six months ended 30 June 2023 and 2022.

4. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
– Sales of goods		
General retail sales under retail outlet operation	158,856	170,079
Bulk sales under retail outlet operation	94,088	82,346
General wholesales under wholesale distribution	62,561	47,388
– Services rendered		
Commission from concessionaire sales under retail outlet operation	2,374	5,179
	<u>317,879</u>	<u>304,992</u>
Revenue from other sources		
Rental income from subleasing certain retail areas under retail outlet operation		
– Lease payments that are fixed	5,298	8,072
	<u>323,177</u>	<u>313,064</u>

Disaggregation of revenue from contracts with customers by timing of recognition

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Timing of revenue recognition		
At a point of time	<u>317,879</u>	<u>304,992</u>

(b) **Other operating income**

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gain on lease termination	806	175
Gain on disposals of property, plant and equipment	387	–
Government grants	323	1,369
Interest income on bank deposits	192	432
Promotion income from suppliers	6,990	7,864
Net rental income from investment properties	1,313	1,339
Others	3,349	4,434
	13,360	15,613

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	3,721	4,579
Depreciation of investment properties	163	163
Depreciation of right-of-use assets	16,019	19,533
Employee benefits expenses (including directors' remuneration):		
– Wages and salaries	26,919	30,065
– Pension scheme contributions	4,365	4,870
– Other benefits	663	635
	31,947	35,570
Loss on disposals of property, plant and equipment	–	273

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	223	749
Lease liabilities	2,255	1,998
	<u>2,478</u>	<u>2,747</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current – the PRC		
Charge for the period	4	–

The Group is not subject to any income tax under the jurisdiction of the Cayman Islands and the British Virgin Islands for the six months ended 30 June 2023 and 2022.

No provision for Hong Kong Profits Tax has been provided as the Group has no estimated assessable profits arising in Hong Kong for the six months ended 30 June 2023 and 2022.

The Group's subsidiaries in the PRC are subject to Enterprise Income Tax at the rate of 25% based on the estimated assessable profits for the six months ended 30 June 2023 and 2022.

From 1 January 2021 to 31 December 2023, under relevant PRC Enterprise Income Tax Law, for PRC enterprises that qualifies for small enterprises, annual taxable income below RMB3 million and thin-profit enterprises with an annual taxable income of RMB1 million or less are applicable to the effective tax rate of 2.5%. Where their annual taxable income exceeds RMB1 million but does not exceed RMB3 million, the RMB1 million portion will be subject to an effective tax rate of 5%, whereas the excess portion will be subject to the effective tax rate of 10%. According to the most recent Announcement No. 13 [2022] issued by the Ministry of Finance and the State Taxation Administration, from 1 January 2022 to 31 December 2024, small enterprises with low profit will be subject to the effective tax rate of 5% for the portion of annual taxable income exceeding RMB1 million but not exceeding RMB3 million. Certain of the Group's subsidiaries were qualified for the six months ended 30 June 2023 and 2022.

The Law of the PRC on Enterprise Income Tax allows enterprises to apply for the certificates of “High and New Technology Enterprise” (“HNTTE”) which entitles the qualified companies to a preferential income tax rate of 15%. 廣東省順客隆商業連鎖有限公司, a PRC subsidiary of the Group, has been qualified as a HNTTE in 2019 and its income tax rate is 15% for the six months ended 30 June 2022. No qualification has been obtained as 廣東省順客隆商業連鎖有限公司 has not qualified as HNTTE for the six months ended 30 June 2023.

The Group's subsidiaries in Macau are subject to Complementary Tax at rate of 12% based on the estimated assessable profits for the six months ended 30 June 2023 and 2022. During the six months ended 30 June 2023 and 2022, no Macau Complementary Income Tax has been provided as there were no assessable profits generated.

8. DIVIDEND

No dividend was paid or proposed for the six months ended 30 June 2023 (six months ended 30 June 2022: nil), nor has any dividend been proposed since the end of the reporting period (2022: nil).

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(12,622)	(14,297)
	290,457,000	290,457,000
	290,457,000	290,457,000

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

10. CAPITAL EXPENDITURES

	Property, plant and equipment <i>RMB'000</i>	Investment properties <i>RMB'000</i>
Opening carrying amount as at 1 January 2023 (audited)	31,305	9,024
Additions	2,185	–
Disposals	(191)	–
Depreciation/amortisation (<i>Note 5</i>)	(3,721)	(163)
Exchange adjustment	3	–
	<hr/>	<hr/>
Carrying amounts as at 30 June 2023 (unaudited)	<u>29,581</u>	<u>8,861</u>
Opening carrying amount as at 1 January 2022 (audited)	36,516	9,351
Additions	2,943	–
Disposals	(320)	–
Depreciation/amortisation (<i>Note 5</i>)	(4,579)	(163)
Exchange adjustment	7	–
	<hr/>	<hr/>
Carrying amounts as at 30 June 2022 (unaudited)	<u>34,567</u>	<u>9,188</u>

Assets with carrying amounts of RMB191,000 (30 June 2022: RMB320,000) were disposed of by the Group during the six months ended 30 June 2023, resulting in a net gain on disposal of RMB387,000 (30 June 2022: loss of RMB273,000).

As at 30 June 2023 and 31 December 2022, certain buildings with carrying amounts of RMB12,720,000 and RMB10,480,000 respectively have been pledged to the bank for banking facilities granted to the Group (Note 15).

As at 30 June 2023 and 31 December 2022, certain investment properties with carrying amounts of RMB8,861,000 and RMB9,024,000 respectively have been pledged to the bank for banking facilities granted to the Group (Note 15).

11. LEASES

(i) Right-of-use assets

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Other properties leased for own use	65,670	60,271
Ownership interests on leasehold land	21,568	22,004
	87,238	82,275

As at 30 June 2023, right-of-use assets of RMB21,568,000 (31 December 2022: RMB22,004,000) represents land use rights locating in the PRC.

As at 30 June 2023, certain ownership interests on leasehold land with carrying amounts of approximately RMB18,807,000 (31 December 2022: RMB19,243,000) have been pledged to the bank for banking facilities granted to the Group (Note 15).

The Group has lease arrangements for retail outlets, warehouses and office premises. The lease terms are generally ranged from thirteen months to nineteen years at fixed rentals. The Group has also entered into short-term leases arrangements in respect of retail outlets, warehouses and office premises. One of the properties leased contains variable lease payment terms that are linked to sales generated from the relevant leased retail outlet and with minimum lease payment terms. During the six months ended 30 June 2023 and 2022, no expenses related to variable lease payments of the lease were recognised into profit or loss.

Additions to the right-of-use assets for the six months ended 30 June 2023 amounted to RMB40,062,000 (six months ended 30 June 2022: RMB16,093,000), due to new leases of retail outlets, warehouse and office premises and renewal of existing leases.

During the six months ended 30 June 2023 and 2022, the Group has subleased part of the rented retail outlets. The Group has classified the sublease as operating leases. During the six months ended 30 June 2023, the Group recognised rental income from subleasing right-of-use assets of RMB5,298,000 (six months ended 30 June 2022: RMB8,072,000).

(ii) Lease liabilities

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Current	24,896	23,008
Non-current	37,966	40,083
	62,862	63,091
	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Analysed into payable		
Within one year	24,896	23,008
After one year but within two years	20,717	15,266
After two years but within five years	17,249	22,545
After five years	–	2,272
	62,862	63,091
Less: amount due for settlement within 12 months (shown under current liabilities)	(24,896)	(23,008)
Amount due for settlement after 12 months	37,966	40,083

During the six months ended 30 June 2023, the Group entered into new leases of retail outlets and renewed existing leases of RMB40,062,000 (six months ended 30 June 2022: RMB16,093,000).

(iii) Amounts recognised in profit or loss

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Depreciation of right-of-use assets by class of underlying asset:		
Other properties leased for own use	16,019	36,844
Ownership interests in leasehold land	436	872
	16,455	37,716
Gain on lease termination	806	1,402
Interest expenses on lease liabilities	2,255	3,693
Expense relating to short-term leases	855	997

(iv) Others

During the six months ended 30 June 2023, the total cash outflow for leases amount to RMB23,096,000 (six months ended 30 June 2022: RMB28,655,000).

12. TRADE AND BILLS RECEIVABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade receivables	37,858	29,268
Less: allowance for impairment of trade receivables	(1,182)	(608)
	36,676	28,660
Bills receivables	178	84
	36,854	28,744

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Within 30 days	12,635	12,204
31 to 60 days	9,076	11,853
61 to 180 days	12,326	2,429
181 to 365 days	1,733	1,697
Over 1 year	906	477
	36,676	28,660

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 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Current to 30 days	21,169	37,504
31 to 60 days	11,966	30,275
61 to 180 days	23,851	14,250
181 to 365 days	8,949	5,274
Over 1 year	9,526	8,166
	<u>75,461</u>	<u>95,469</u>

14. AMOUNTS DUE FROM RELATED COMPANIES

As at 30 June 2023 and 31 December 2022, the amounts due from related companies are trade-related, unsecured, interest-free and repayable on demand. All of the amounts at the end of the respective reporting periods are over one year. Included in the carrying amounts due from related Companies as at 30 June 2023 is accumulated impairment loss of RMB202,000 (31 December 2022: RMB202,000).

15. BANK BORROWINGS

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Secured bank borrowings classified as current liabilities	<u>8,000</u>	<u>8,000</u>
Carrying amount of bank borrowings that contain in repayable on demand clause but repayable:*		
Within one year	<u>8,000</u>	<u>8,000</u>

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

As at 30 June 2023, the bank borrowings were denominated in RMB8,000,000 (2022: RMB8,000,000), bore interest at fixed rate of 4.90% (2022: 4.90%) per annum.

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

- (i) the pledge of certain buildings of the Group with carrying amounts of RMB12,720,000 and RMB10,480,000 as at 30 June 2023 and 31 December 2022 respectively (Note 10);
- (ii) the pledge of certain right-of-use assets of the Group with carrying amounts of RMB20,800,000 and RMB19,243,000 as at 30 June 2023 and 31 December 2022 respectively (Note 11);
- (iii) the pledge of certain investment properties of the Group with carrying amounts of RMB8,861,000 and RMB9,024,000 as at 30 June 2023 and 31 December 2022 respectively (Note 10).

16. SHARE CAPITAL

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Authorised:		
2,000,000,000 ordinary shares of HK\$0.01 each	<u>15,826</u>	<u>15,826</u>
Issued and fully paid:		
290,457,000 ordinary shares of HK\$0.01 each	<u>2,387</u>	<u>2,387</u>

17. OPERATING LEASE ARRANGEMENTS

The Group as a lessor

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

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

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Within one year	<u>11,538</u>	<u>17,565</u>

18. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB40,062,000 and RMB40,062,000 respectively, in respect of lease arrangements for retail outlets (six months ended 30 June 2022: RMB16,093,000 and RMB16,093,000 respectively).

During the six months ended 30 June 2023, the Group had non-cash reductions to right-of-use of assets and lease liabilities of RMB18,644,000 (six months ended 30 June 2022: RMB11,328,000) and RMB19,450,000 (six months ended 30 June 2022: RMB11,503,000) respectively, in respect of early termination of leases.

19. RELATED PARTY TRANSACTIONS

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

Related party relationship	Nature of transaction	Six months ended 30 June	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Related companies	Sale of goods (<i>Note a</i>)	<u>36</u>	<u>62</u>

Note:

- (a) The consideration of sale transactions are based on (i) historical transaction prices and amount; (ii) prevailing market prices; and (iii) discount rate offered to bulk purchase customers. The credit period for sales to related parties is within 90 days.
- (ii) Compensation of key management personnel of the Group, including directors' remuneration, is as follows:

	Six months ended 30 June	
	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Salaries, allowances and benefits in kind	1,205	1,256
Pension scheme contributions	<u>92</u>	<u>92</u>
	<u>1,297</u>	<u>1,348</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company, and the Group is a supermarket chain store operator with geographical focus in Guangdong province of the People's Republic of China (the "PRC"). During the six months ended 30 June 2023 (the "First Half" or the "Period"), the Group maintained both retail and wholesale distribution channels. The Group's focus on the suburban and rural areas of the PRC made it different from other major players in the market.

Retail Outlets

During the Period, the Group opened two retail outlets, and closed or converted to franchise six retail outlets. As at 30 June 2023, the Group had a total of sixty three retail outlets, namely sixty two retail outlets in Guangdong province of the PRC and one retail outlet in the Macau Special Administrative Region ("Macau") of the PRC, respectively.

The following table sets forth the changes in the number of retail outlets of the Group during the year ended 31 December 2022 (the "FY2022") and during the Period:

	For the Period/Year ended	
	30 June 2023	31 December 2022
At the beginning of the Period/Year	67	68
Additions	2	1
Reductions	(6)	(2)
At the end of the Period/Year	<u>63</u>	<u>67</u>

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 31 December 2022 and 30 June 2023:

Location	Number of retail outlets as at	
	30 June 2023	31 December 2022
Foshan	49	51
Zhaoqing	6	7
Zhuhai	4	5
Guangzhou	2	2
Shenzhen	1	1
	<hr/>	<hr/>
Guangdong Province, the PRC	62	66
Macau	1	1
	<hr/>	<hr/>
Total	63	67

General Wholesale

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

Franchise Operation

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

The following table sets forth the changes in the number of franchise outlets of the Group during the FY2022 and the Period:

	For the Period/Year ended	
	30 June 2023	31 December 2022
At the beginning of the Period/Year	823	625
Additions	68	198
Reductions	—	—
	<hr/>	<hr/>
At the end of the Period/Year	891	823

RECENT DEVELOPMENT AND OUTLOOK

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

Due to the overall sluggish environment of the retail sector, during the Period, the Group recorded revenue of approximately RMB323.2 million, representing an increase of approximately RMB10.1 million or 3.2% as compared to the same period last year. The increase in revenue was mainly attributable to the fact that the wholesale distribution business of the Group has increased dealership brands and expanded wholesale channels, resulting in a substantial year-on-year increase in wholesale revenue. The net loss attributable to owners of the Group for the Period was approximately RMB12.6 million, representing a decrease of approximately RMB1.7 million as compared to that for the same period last year. The decrease in the net loss attributable to owners of the Group was mainly attributable to the decrease in the costs of sales and distribution, administrative expenses, and financing costs, etc.

In face of such a severe situation, the Group prudentially responded and decisively took the following major measures during the Period to stabilise results: (i) continued to expand the model outlets of “Shun Ke Long Fresh Market” and its profitability model, and has opened fourteen stores, highlighting the growth point in results of fresh good; (ii) continuously upgraded and renovated stores of limited profitability in order to effectively increase sales and footfall; (iii) used direct procurement to effectively reduce procurement costs and increase the gross profit margin; (iv) adopted emerging sales methods such as live streaming to effectively promote online sales and cater to consumption habits while keeping abreast of market trends; and (v) introduced a number of incentives, trainings and performance goals to improve employees’ efficacy in an all-around way and their overall quality and performance.

Despite the current complicated and rigorous operating environment of the retail sector, the Group will continue to focus on the supermarket chain business, expand the size of regional outlets, and explore the consumption potential in Foshan, Zhaoqing and Zhuhai. Grasping the development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area, it will develop into an influential leading supermarket chain store operator in the area. Through reform, transformation, innovation and improvement, the Group will adhere to the marketing strategy of “retail + wholesale + bulk trade + online and offline integration + community marketing”. Based on brick-and-mortar retail, the Group will prioritise “new retail” and develop an omni-channel sales approach covering online and offline, in order to actively expand innovative businesses and stabilise revenue. In addition to continuing to take the above measures, the Group will also perform the following tasks in the second half of 2023: (i) leverage the supply and marketing chain and brand advantages, and export brand, commodity and management, striving to expand the number of franchised stores; (ii) continuously upgrade and renovate stores, and adjust the category structure to further optimise the store environment and shopping experience; (iii) streamline and digitalise the ordering system to improve the efficiency of the front and back offices; (iv) continuously develop “Shun Ke Long Fresh Hub” to promote franchised stores during the year, making them an extension of business format of “Shun Ke Long Fresh Hub”; (v) continue to expand online platforms, develop the Group’s own e-commerce platform “SKL Select” and open Tik Tok account and WeChat Video account for uninterrupted live streaming, so as to achieve a combination of online and offline sales; (vi) explore and expand international wholesale trade business by leveraging the Group’s complete upstream and downstream supply and marketing systems and distribution and warehousing conditions, and relying on the policy benefits of Hainan Free Trade Port and Guangdong-Hong Kong-Macao Greater Bay Area; and (vii) pay great attention to hot and promotional windows and activities, such as several e-commerce shopping festivals and events of Middle Autumn Day, National Day, 21% off year-end promotions, and Members Day on Tuesdays.

FINANCIAL REVIEW

Revenue

During the Period, the Group’s revenue amounted to approximately RMB323.2 million, representing an increase of approximately RMB10.1 million or 3.2% over the corresponding period in 2022. The increase in revenue was mainly attributable to the fact that the wholesale distribution business of the Group has increased dealership brands and expanded wholesale channels, resulting in a substantial year-on-year increase in wholesale revenue.

During the Period, the Group’s revenue from retail outlet business was approximately RMB255.3 million, representing a decrease of approximately RMB10.4 million or 3.9% as compared with the corresponding period in 2022. This decrease in revenue was primarily due to the closure of one outlet; conversion of five long-term loss-making outlets from self-operations to franchised operations; and the failure to consistently win bids for certain expiring bidding business.

During the Period, the Group's wholesale distribution business generated revenue of approximately RMB67.9 million, representing an increase of RMB20.5 million or 43.3% over the corresponding period in 2022. Such increase was mainly attributable to a substantial year-on-year increase in wholesale revenue with increased dealership brands and expanded wholesale channels.

Gross Profit Margin

During the Period and the corresponding period in 2022, the gross profit margin of the Group was approximately 14.3% and approximately 15.9% respectively, representing a decrease of approximately 1.6% to the Period from the previous period.

Other Operating Income

During the Period, the Group's other operating income amounted to approximately RMB13.4 million, representing a decrease of approximately RMB2.3 million, or 14.4%, as compared with the corresponding period in 2022, which was mainly due to decrease in government subsidies and decrease in promotional service fee income from suppliers.

Selling and Distribution Costs

During the Period, the Group's selling and distribution costs amounted to approximately RMB60.3 million, representing a decrease of approximately RMB6.7 million or 10% as compared with the corresponding period in 2022. The decrease was primarily attributable to a rational optimization of personnel, resulting in a reduction in labour costs, as well as the conversion of loss-making outlets into franchise outlets, leading to a decrease in leasing expenses.

Administrative Expenses

During the Period, the administrative expenses of the Group amounted to approximately RMB9.4 million, representing a decrease of approximately RMB0.4 million or 4.3% as compared with the corresponding period in 2022. The decrease was primarily attributable to a reduction in the labour costs of management personnel.

Finance Costs

During the Period, the Group's finance costs amounted to approximately RMB2.5 million, representing a decrease of approximately RMB0.3 million or 9.8% as compared with the corresponding period in 2022. The decrease was mainly attributable to the drop in interest expenses on short-term borrowings.

Income Tax Expense

During the Period, the Group's income tax expense amounted to approximately RMB4,000, representing an increase of approximately RMB4,000 as compared to the corresponding period in 2022, as the subsidiaries of the Company incurred profits during the Period and made prepayment of enterprise income tax to the local tax bureau.

Net Loss

During the Period, the net loss attributable to owners of the Group amounted to approximately RMB12.6 million, representing a decrease in loss of approximately RMB1.7 million or 11.7% as compared with the corresponding period in 2022. The decrease in loss was mainly attributable to lower costs such as selling and distribution costs, administrative expenses and finance costs.

Total Comprehensive Expense

During the Period, the total comprehensive expenses attributable to owners of the Group amounted to approximately RMB12.3 million, representing a decrease of approximately RMB1.2 million or 8.6% as compared with the corresponding period in 2022. The decrease was mainly due to lower costs such as selling and distribution costs, administrative expenses and finance costs.

Capital Expenditures

The Group's capital expenditure requirements mainly relate to additions of its property, plant and equipment for the opening of new retail outlets and renovation of existing retail outlets. The Group spent approximately RMB2.2 million on property, plant and equipment during the Period.

Use of Proceeds

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

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

	Original allocation of net proceeds		Revised allocation of net proceeds		Utilisation as at 30 June 2023		Remaining balance of net proceeds as at 30 June 2023	
	<i>Equivalent</i>		<i>Equivalent</i>		<i>Equivalent</i>		<i>Equivalent</i>	
	<i>RMB million</i>	<i>% of net proceeds</i>	<i>RMB million</i>	<i>% of net proceeds</i>	<i>RMB million</i>	<i>% of net proceeds</i>	<i>RMB million</i>	<i>% of net proceeds</i>
Opening of new retail outlets	116.9	75.4%	74.4	48.0%	74.4	48.0%	0	0%
Upgrading existing retail outlets	–	0.0%	14.6	9.4%	14.6	9.4%	0	0%
Repayment of bank borrowings	–	0.0%	27.9	18.0%	27.9	18.0%	0	0%
Information systems upgrades	11.2	7.2%	11.2	7.2%	11.2	7.2%	0	0%
Upgrading and expanding the existing two distribution centres	13.3	8.6%	13.3	8.6%	0.7	0.45%	12.6	8.13%
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%	142.4	91.87%	12.6	8.13%

Liquidity and Financial Resources

As at 30 June 2023, the Group had cash and cash equivalents of approximately RMB31.4 million (31 December 2022: approximately RMB49.0 million), out of which approximately RMB26.9 million was denominated in RMB and approximately RMB4.5 million was denominated in HK\$ or MOP.

As at 30 June 2023, the Group had net current assets of approximately RMB68.8 million (31 December 2022: approximately RMB84.3 million) and net assets of approximately RMB164.3 million (31 December 2022: approximately RMB176.8 million). As at 30 June 2023, the Group had unutilised banking facilities of RMB100.0 million (31 December 2022: RMB100.0 million).

As at 30 June 2023, trade receivables and deposits paid, prepayments and other receivables were approximately RMB99.2 million (31 December 2022: approximately RMB96.0 million). Trade receivables and deposits paid, prepayments and other receivables increased by approximately RMB3.2 million or 3.3%, which was mainly attributable to the increase in receivables from the government for pandemic prevention.

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

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 2023, the Group had bank borrowings of RMB8.0 million (31 December 2022: approximately RMB8.0 million) secured by:

- (i) the pledge of certain buildings of the Group with carrying amounts of approximately RMB12.7 million (31 December 2022: approximately RMB10.5 million);
- (ii) the pledge of certain right-of-use assets of the Group with carrying amounts of approximately RMB20.8 million (31 December 2022: approximately RMB19.2 million); and
- (iii) the pledge of certain investment properties of the Group with carrying amounts of approximately RMB8.9 million (31 December 2022: approximately RMB9.0 million).

All these bank loans were repaid within one year. The interests of those loans were at fixed rate of 4.9% per annum (31 December 2022: at fixed rate of 4.9% per annum).

Gearing ratio

As at 30 June 2023, the Group's gearing ratio (the gearing ratio is equivalent to total loans divided by total equity) was approximately 4.9% (31 December 2022: 4.5%).

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 monitor the foreign exchange market closely and will consider hedging activities when necessary.

Contingent Liabilities

As at 30 June 2023, 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 1,020 employees as at 30 June 2023, of which 1,010 employees worked in the Mainland of the PRC and 10 employees worked in Hong Kong and Macau. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides

internal training for staff and bonuses based upon staff performance and profit of the Group. During the Period, the Group had not caused any significant impact on its operation due to labour disputes nor had it experienced any difficulty in the recruitment of experienced staff. The Group maintains a good relationship with its employees.

OTHER INFORMATION

INTERIM DIVIDEND

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code for the Period. All Directors confirmed that they have complied with the required standards as set out in the Model Code throughout the Period.

SUFFICIENCY OF PUBLIC FLOAT

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

CHANGE IN INFORMATION OF DIRECTORS

Mr. Shang Duoxu ("**Mr. Shang**"), the Chairman and an executive Director of the Company; Mr. Han Wei ("**Mr. Han**"), an executive Director and the Chief Executive Officer of the Company; and Ms. Wang Hui ("**Ms. Wang**"), a non-executive Director of the Company, have respectively entered into a supplementary service agreement (the "**Supplementary Agreements**") with the Company with effective from 1 June 2023. Pursuant to the Supplementary Agreements, Mr. Shang, Mr. Han and Ms. Wang are entitled to an annual remuneration of HK\$324,000, HK\$180,000 and HK\$216,000 respectively. The remunerations of Mr. Shang, Mr. Han and Ms. Wang were determined by the Board with reference to their qualifications, experience, and the duties and responsibilities based on the recommendation of the remuneration committee of the Company.

Mr. Han has been appointed as chairman of Hainan Seaview International Plaza limited* (海南望海國際商業廣場有限公司), a subsidiary of CCOOP Group Co., Ltd.* which is a controlling shareholder of the Company, since April 2023.

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.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant events requiring disclosure that has taken place subsequent to 30 June 2023 and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and the code provision D.3 of the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management systems of our Group; overseeing the audit process and the relationship with external auditor; reviewing arrangements enabling employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company; and performing other duties and responsibilities as assigned by our Board. The Group's condensed consolidated financial statements for the six months ended 30 June 2023 were unaudited, but have been reviewed by the Audit Committee.

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

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

Hong Kong, 25 August 2023

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

* *For identification only*