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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the “Board”) of directors (the “Directors”) of China Shun Ke Long Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2016 with comparative figures in 2015 (the “Financial Statements”) as follows:

HIGHLIGHTS OF ANNUAL RESULTS			
	For the year ended 31 December		
	2016	2015	Change
	RMB'000	RMB'000	
Revenue	1,089,159	1,039,614	4.8%
Gross Profit	154,379	200,598	-23.0%
Profit from Operations	40,033	48,373	-17.2%
Profit for the Year	24,635	28,824	-14.5%
Profit Attributable to Equity Shareholders of the Company	24,397	28,631	-14.8%
Earnings Per Share (“EPS”) – Basic and Diluted ⁽¹⁾ (RMB)	RMB0.08	RMB0.12	
	As at 31 December		
	2016	2015	Change
	RMB'000	RMB'000	
Total Assets	539,456	582,210	-7.3%
Total Liabilities	283,690	331,416	-14.4%
Net Assets	255,766	250,794	2.0%
Net Financial Position ⁽²⁾	47,927	68,599	-30.1%
Current Ratio ⁽³⁾	1.51	1.82	

Notes:

- (1) The calculation of basic and diluted EPS for the years ended 31 December 2016 and 2015 is based on the weighted average number of 290,457,000 ordinary shares in issue during the year.
- (2) The balance of net financial position is calculated as the sum of cash and cash equivalents minus bank borrowings.
- (3) Current Ratio = Current Assets/Current Liabilities

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
Revenue	5a	1,089,159	1,039,614
Cost of inventories sold		(934,780)	(839,016)
Gross profit		154,379	200,598
Other operating income	5b	49,877	45,541
Selling and distribution costs		(130,437)	(152,904)
Administrative expenses		(33,786)	(44,862)
Finance costs	7	(5,559)	(7,268)
Profit before income tax expense	6	34,474	41,105
Income tax expense	8	(9,839)	(12,281)
Profit for the year		24,635	28,824
<i>Other comprehensive income, that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		4,838	2,463
Total comprehensive income for the year		29,473	31,287
Profit for the year attributable to:			
– Owners of the Company		24,397	28,631
– Non-controlling interests		238	193
		24,635	28,824
Total comprehensive income for the year attributable to:			
– Owners of the Company		29,235	31,094
– Non-controlling interests		238	193
		29,473	31,287
Earnings per share – basic and diluted (RMB)	9	0.08	0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	<i>Notes</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		63,777	75,496
Prepaid land lease		33,910	34,922
Investment properties		4,251	4,348
Deposits paid and prepayments		5,713	6,424
Goodwill		3,043	2,694
		<hr/>	<hr/>
Total non-current assets		110,694	123,884
Current assets			
Inventories		126,664	140,321
Trade receivables	<i>11</i>	53,947	36,463
Deposits paid, prepayments and other receivables		94,140	78,256
Amounts due from related companies		2,084	2,687
Cash and cash equivalents		151,927	200,599
		<hr/>	<hr/>
Total current assets		428,762	458,326
		<hr/>	<hr/>
Total assets		539,456	582,210
Current liabilities			
Trade payables	<i>12</i>	134,072	143,448
Deposits received, receipts in advance, accruals and other payables		43,084	42,014
Amounts due to related companies		2,154	12,965
Bank borrowings	<i>13</i>	104,000	52,000
Income tax payable		380	989
		<hr/>	<hr/>
Total current liabilities		283,690	251,416
		<hr/>	<hr/>
Net current assets		145,072	206,910
		<hr/>	<hr/>
Total assets less current liabilities		255,766	330,794
		<hr/>	<hr/>

	<i>Notes</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Non-current liabilities			
Bank borrowings	<i>13</i>	—	80,000
Total non-current liabilities		—	80,000
Total liabilities		283,690	331,416
NET ASSETS		255,766	250,794
EQUITY			
Share capital	<i>14</i>	2,387	2,387
Reserves		252,073	247,829
Equity attributable to owners of the Company		254,460	250,216
Non-controlling interests		1,306	578
Total equity		255,766	250,794

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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.

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

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

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

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

The adoption of these amendments has no material impact on the Group’s financial statements.

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

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

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

¹ Effective for annual periods beginning on or after 1 January 2017

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

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

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. OPERATING SEGMENT INFORMATION

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

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

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

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Inter-segment elimination RMB'000	Total RMB'000
For the year ended 31 December 2016:				
Revenue				
From external customers	690,213	398,946	–	1,089,159
From inter-segment	50,078	87,277	(137,355)	–
Reportable segment revenue	<u>740,291</u>	<u>486,223</u>	<u>(137,355)</u>	<u>1,089,159</u>
Reportable segment profit	<u>24,950</u>	<u>8,642</u>		33,592
Other corporate income				2,913
Other corporate expenses				<u>(2,031)</u>
Profit before income tax				<u>34,474</u>
Depreciation of property, plant and equipment	12,707	309	–	13,016
Depreciation of investment properties	97	–	–	97
Amortisation of prepaid land lease payments	1,012	–	–	1,012
Interest income	222	4	–	226
Reportable segment assets	426,621	70,570	–	497,191
Additions to non-current segment assets during the year	19,824	407	–	20,231
Reportable segment liabilities	<u>272,632</u>	<u>9,594</u>	<u>–</u>	<u>282,226</u>

	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>
For the year ended 31 December 2015:				
Revenue				
From external customers	785,510	254,104	–	1,039,614
From inter-segment	<u>60,313</u>	<u>16,502</u>	<u>(76,815)</u>	<u>–</u>
Reportable segment revenue	<u>845,823</u>	<u>270,606</u>	<u>(76,815)</u>	<u>1,039,614</u>
Reportable segment profit	<u>35,216</u>	<u>10,693</u>		45,909
Other corporate income				207
Other corporate expenses				<u>(5,011)</u>
Profit before income tax				<u>41,105</u>
Depreciation of property, plant and equipment	12,996	384	–	13,380
Depreciation of investment properties	96	–	–	96
Amortisation of prepaid land lease payments	1,012	–	–	1,012
Interest income	315	10	–	325
Reportable segment assets	366,292	120,055	–	486,347
Additions to non-current segment assets during the year	42,128	673	–	42,801
Reportable segment liabilities	<u>325,950</u>	<u>4,145</u>	<u>–</u>	<u>330,095</u>

Reconciliation of reportable segment assets and liabilities:

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Reportable segment assets	497,191	486,347
Other corporate assets	42,265	95,863
	<hr/>	<hr/>
Group's assets	<u>539,456</u>	<u>582,210</u>
Reportable segment liabilities	282,226	330,095
Other corporate liabilities	1,464	1,321
	<hr/>	<hr/>
Group's liabilities	<u>283,690</u>	<u>331,416</u>

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	
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The PRC (domicile)	1,051,630	1,004,128	105,338	118,143
Macau	37,529	35,486	369	370
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>1,089,159</u>	<u>1,039,614</u>	<u>105,707</u>	<u>118,513</u>

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

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

Information about a major customer

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

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

5. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

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

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

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

(b) Other operating income

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

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

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

6. PROFIT BEFORE INCOME TAX EXPENSE

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

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

7. FINANCE COSTS

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Interest charged on bank borrowings	<u>5,559</u>	<u>7,268</u>

8. INCOME TAX EXPENSE

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

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

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

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

The amount of taxation in the consolidated statement of comprehensive income is as follows:

	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Current – Macau		
Charge for the year	132	79
Current – the PRC		
Charge for the year	<u>9,707</u>	<u>12,202</u>
Total tax charge for the year	<u>9,839</u>	<u>12,281</u>

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

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Earnings		
Profit attributable to equity holders of the Company	<u>24,397</u>	<u>28,631</u>
	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>290,457,000</u>	<u>238,022,041</u>

The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue as disclosed in note 14 as if the shares had been in issue since 1 January 2015.

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

10. DIVIDEND

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

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

11. TRADE RECEIVABLES

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

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

12. TRADE PAYABLES

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

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

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

13. BANK BORROWINGS

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

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

14. SHARE CAPITAL

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

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

- (a) The Company was incorporated in the Cayman Island on 18 March 2013 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each. On the same date, one share of US\$1.00 was allotted and issued at par to the initial subscriber. Pursuant to the written resolution passed on 22 April 2015, the authorised share capital was increased by HK\$20,000,000 by the creation of 2,000,000,000 shares.
- (b) Following the above creation of authorised share capital, the Company repurchased the 11,429 shares of US\$1.00 in issue at a price of US\$1.00 per share and following such repurchase, the 11,429 shares of US\$1.00 were cancelled.
- (c) Following the above repurchase, the authorised but unissued capital of the Company was diminished by the cancellation of the 50,000 unissued shares of US\$1.00 each in the capital of the Company.
- (d) In connection with the Company’s global offering completed on 10 September 2015 (“Global Offering”), the Company issued 71,620,000 shares of HK\$0.01 each at a price of HK\$2.88 per Share for a total subscription price (before related fees and expenses) of HK\$206,266,000. Dealings in the Shares on the Main Board of The Stock Exchange of Hong Kong Limited commenced on 10 September 2015.
- (e) Pursuant to a resolution in writing of all shareholders of the Company (the “Shareholders”) passed on 19 August 2015, 214,845,571 shares were allotted and issued and credited as fully paid at par to the Shareholders whose names appeared on the register of members of the Company on such date in proportion to their then existing respective shareholdings by way of capitalising a sum of approximately HK\$2,149,000 standing to the credit of the share premium account of the Company, immediately following the completion of the Global Offering. All the Shares allotted and issued pursuant to this resolution ranked *pari passu* in all respects with the then existing issued shares.
- (f) In connection with the exercise of the over-allotment option completed on 2 October 2015, the Company issued a total of 3,980,000 ordinary shares at a price of HK\$2.88 per share.

15. OPERATING LEASE ARRANGEMENTS

As lessee

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

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

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

As lessor

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

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within one year	<u>10,857</u>	<u>14,207</u>

16. CAPITAL COMMITMENTS

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

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Contracted, but not provided for, in respect of acquisition of property, plant and equipment	<u>716</u>	<u>2,054</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 year ended 31 December 2016 ("FY2016"), the Group maintained both retail and wholesale distribution channels. The Group's focus on the suburban and rural areas made it different from other major players in the market.

Retail Outlets

During the FY2016, the Group opened 12 retail outlets and closed 22 retail outlets. As at 31 December 2016, the Group had 73 retail outlets located in Guangdong province of the PRC and 2 retail outlets located 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 FY2016:

	For the year ended	
	31 December	
	2016	2015
At the beginning of the year	85	85
Additions	12	12
Reductions	(22)	(12)
	<hr/>	<hr/>
At the end of the year	75	85

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

Location	Number of retail outlets
Foshan	59
Zhaoqing	7
Zhuhai	5
Guangzhou	1
Yunfu	1
	<hr/>
The PRC	73
Macau	2
	<hr/>
Total	<u>75</u>

General Wholesale

During the FY2016, 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. Instead of developing the size of general wholesale customer base, the Group put more emphases on gaining more sub-distributors rather than retailers as the Group's customers.

Franchise Operation

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

The following table sets forth the changes in number of franchise outlets of the Group during the FY2016:

	For the year ended	
	31 December	
	2016	2015
At the beginning of the year	33	26
Additions	388	9
Reductions	(3)	(2)
	<hr/>	<hr/>
At the end of the year	<u>418</u>	<u>33</u>

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

Online Supermarket

The Group operates its own online supermarket and has installed 55 “All-in-one machine (一體機)” in its retail outlets to allow customers to shop online without the limitation of stock availabilities at the retail outlets.

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

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

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

RECENT DEVELOPMENT

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

For those new retail outlets opened during FY2016, the Group applied the new brand “Shiweixian”, which targets at selling fresh fruits and meats at competitive prices and differentiates itself from traditional market with one-stop purchase experience. Shiweixian operates the outlets with highly clean and hygienic area of 100 sq.m to 200 sq.m in small towns. As most of the fresh fruits and meats are sourced in bulk from local reputable suppliers, Shiweixian is able to deliver safe and quality food to customers at very competitive prices.

Some of the retail outlets opened in recent years recorded an operating loss, dragging down net profit for the FY2016. The Group has taken immediate measures such as making adjustments to the structure of those retail outlets and compressing operating costs in order to reduce loss.

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. In view of the recent slowdown in economic growth in the PRC, the Company has been slowing down the pace of opening new retail outlets and thus freeing up proceeds originally intended to be used for such purpose. As references are made to the announcement by the Company dated 24 October 2016, 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.

OUTLOOK AND PROSPECT

The Group expects that the year 2017 will still be challenging with the slowdown in economic growth of the PRC. Coupled with the challenges arising from e-commerce, retail industry remains under tremendous pressure. Therefore, the Group has started to make strategic adjustments in regard to expansion, marketing, purchasing, products mix and distribution. It will take time for these efforts to work out. The Group will continue to push for the development of its e-commerce business and will fully explore the synergies between retail outlets and its e-commerce platform “Hellogou” to further develop O2O programs and improve revenue growth.

To enhance the competitiveness of our retail outlets, the Group will increase its investment in the renovation of the existing retail outlets. 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 FY2016, the revenue of the Group was approximately RMB1,089.2 million, representing a moderate increase of approximately RMB50.0 million or 4.8% when compared with the year ended 31 December 2015 (“FY2015”). 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.

For the FY2016, the Group’s revenue from retail outlet operation was approximately RMB690.2 million, representing a decrease of approximately RMB95.3 million or 12.1% when compared with FY2015. The drop was mainly caused by the continued easing of the economy and intensified competition from online retailers.

For the FY2016, the Group’s revenue from wholesale distribution operation was approximately RMB399.0 million, representing an increase of approximately RMB144.9 million or 57.0% when compared with FY2015. The increase was mainly due to a tangible increase in the number of corporate customers and franchisees in the second half of FY2016.

Gross Profit Margin

For FY2016 and FY2015, the Group’s gross profit margins were 14.2% and 19.3%, respectively. The decrease was mainly due to the fact that the contribution by the wholesale distribution was proportionally increased and it dragged down the gross profit margin.

The following table sets forth the breakdowns of the revenue, cost of inventories sold and gross profit in respect of the two business segments of the Group for the FY2016:

	For the year ended	
	31 December	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Revenue		
Retail outlet operation	690.2	785.5
Wholesale distribution	399.0	254.1
	<hr/>	<hr/>
Total	1,089.2	1,039.6
Cost		
Retail outlet operation	551.2	600.0
Wholesale distribution	383.6	239.0
	<hr/>	<hr/>
Total	934.8	839.0
Gross profit		
Retail outlet operation	139.0	185.5
Wholesale distribution	15.4	15.1
	<hr/>	<hr/>
Total	154.4	200.6
Gross profit margin		
Retail outlet operation	20.1%	23.6%
Wholesale distribution	3.9%	5.9%
Overall	14.2%	19.3%

Other Operating Income

For the FY2016, the Group's other operating income was approximately RMB49.9 million, representing an increase of approximately RMB4.3 million or 9.5% when compared with FY2015. The increase was mainly due to the increase in government grants and interest income.

Selling and Distribution Costs

For the FY2016, the Group's selling and distribution costs were approximately RMB130.4 million, representing a decrease of approximately RMB22.5 million or 14.7% when compared with FY2015. The decrease was mainly due to successful implementation of cost control management since early 2016 and a reduction in the number of retail outlets during the year.

The following table sets forth the general breakdown of the selling and distribution costs for the FY2016:

	For the year ended	
	31 December	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Staff costs	52.5	66.5
Property expenses	58.1	68.7
Promotion expenses	2.6	3.6
Office expenses	2.4	2.0
Tax and surcharges	1.4	0.8
Inventory write-off	1.1	1.5
Transportation and packaging expenses	6.8	5.7
Others	5.5	4.1
Total	<u>130.4</u>	<u>152.9</u>

Administrative Expenses

For the FY2016, the Group's administrative expenses were approximately RMB33.8 million, representing a decrease of approximately RMB11.1 million or 24.7% when compared with FY2015. The decrease was mainly due to exclusion of one-off listing expenses of RMB10.0 million incurred in FY2015.

The following table sets forth the general breakdown of the administrative expenses for the FY2016:

	For the year ended	
	31 December	
	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Staff costs	10.4	11.2
Tax and surcharges	8.5	7.5
Property expenses	1.6	1.8
Promotion expenses	1.0	1.4
Office expenses	7.6	7.3
Listing expenses	–	10.0
Others	4.7	5.7
	<hr/>	<hr/>
Total	33.8	44.9
	<hr/>	<hr/>

Finance Costs

For the FY2016, the Group's finance costs were approximately RMB5.6 million, representing a decrease of approximately RMB1.7 million or 23.5% when compared with FY2015. The decrease was mainly due to the earlier repayment of bank borrowing of the Group.

Income Tax Expenses

For the FY2016, the Group's income tax expenses were approximately RMB9.8 million, representing an effective tax rate of 28.5%. The high effective tax rate was mainly caused by some of the expenses in relation to closure of retail outlets being not tax deductible.

Net Profit

For the FY2016, the Group's net profit attributable to the Shareholders was approximately RMB24.4 million, representing a decrease of approximately RMB4.2 million or 14.8% when compared with FY2015. The decrease was mainly due to the continuous easing of the economy and intensified competition from online retailers.

Total Comprehensive Income

For the FY2016, the Group's total comprehensive income attributable to the Shareholders was approximately RMB29.2 million, representing a decrease of approximately RMB1.9 million or 6.0% when compared with FY2015. The weakening of RMB against HK\$ led to an exchange gain on translating foreign operations of RMB4.8 million for the FY2016, which was reflected as other comprehensive income.

Capital Expenditure

The Group's capital expenditure requirements was mainly related to additions of its property, plant and equipment for the newly opened and existing retail outlets. For the FY2016, the Group spent RMB20.2 million on addition of its property, plant and equipment.

Liquidity and Financial Resources

As at 31 December 2016, the Group had cash and cash equivalents of RMB151.9 million (as at 31 December 2015: RMB200.6 million), out of which RMB105.7 million was denominated in RMB and RMB46.2 million was denominated in HK\$ or MOP.

As at 31 December 2016, the Group had net current assets of RMB145.1 million (as at 31 December 2015: RMB206.9 million) and net assets of RMB255.8 million (as at 31 December 2015: RMB250.8 million). As at 31 December 2016, the Group had unutilized banking facilities of RMB91.0 million (as at 31 December 2015: RMB12.0 million).

Significant Investments and Plans for Material Investments or Capital Assets

The Group did not hold any significant investments during the FY2016. Save for the business plan disclosed in the Prospectus and the announcement dated 24 October 2016, there was no other plan for material investments or capital assets as at 31 December 2016.

Material Acquisitions and Disposals

The Group did not carry out any material acquisition nor disposal of any subsidiary or associated company during the FY2016.

Indebtedness and Pledge of Assets

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

- (i) the pledge of certain leasehold buildings of the Group with net carrying amount of RMB14.1 million (as at 31 December 2015: RMB16.0 million);
- (ii) the pledge of certain prepaid land lease of the Group with net carrying amount of RMB29.3 million (as at 31 December 2015: RMB31.9 million); and
- (iii) the pledge of certain investment properties of the Group with net carrying amount of RMB2.5 million (as at 31 December 2015: RMB2.6 million).

All the bank borrowings were repayable within one year. The interests of those loans were reflected as floating rate basis in the loan contracts and were fixed ranging from 4.4% to 6.3% by making reference to the applicable rates when the loans were drawn down.

Key Financial Ratio

The following table sets forth the key financial ratios of the Group for the FY2016:

	As at/for the year ended	
	31 December	
	2016	2015
Debtor turnover days	15.1	19.8
Inventory turnover days	52.1	54.8
Creditor turnover days	54.2	61.9
Return on equity	9.6%	11.5%
Return on total assets	4.6%	5.0%
Interest coverage ratio	7.2x	6.7x
Gearing ratio	40.7%	52.6%
Net debt to equity ratio	Net cash	Net cash
Current ratio	1.5x	1.8x
Quick ratio	1.1x	1.3x

Foreign Currency Exposure

Majorities of the Group's assets, liabilities and cash flows were denominated in RMB and part of the Group Assets were denominated in HK\$. During the FY2016, the weakening of RMB against HK\$ had positive effect from translation as the reporting currency of the Group was RMB. Apart from that, 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 given that functional currencies of the Group was RMB. During the FY2016, the Group did not engage in any hedging activities and the Group has no intention to carry out any hedging activities in 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 31 December 2016, the Group did not provide any guarantee for any third party and did not have any significant contingent liabilities.

Employees

The Group had a total of 1,157 employees as at 31 December 2016, of which 1,128 employees worked in the PRC and 29 worked in Hong Kong and Macau. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training to staff and bonuses based upon staff performance and profits of the Group.

During the FY2016, the Group had not experienced any significant problem with its employees or disruption to its operations due to labour disputes nor had it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

LISTING

The Shares were successfully listed (the "Listing") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 September 2015 (the "Listing Date") 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. In the Global Offering, 75,600,000 Shares were issued at HK\$2.88 each and the total gross proceeds received amounted to HK\$217.7 million (equivalent to approximately RMB178.9 million).

USE OF PROCEEDS

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), 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 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 in the manner as stated below:

	Original		Revised		Utilization as		Remaining	
	allocation of		allocation of		at 31 December		balance of	
	net proceeds		the net proceeds		2016		net proceeds as	
	<i>RMB</i>	<i>% of net</i>	<i>RMB</i>	<i>% of net</i>	<i>RMB</i>	<i>% of net</i>	<i>RMB</i>	<i>% of net</i>
	<i>million</i>	<i>proceeds</i>	<i>million</i>	<i>proceeds</i>	<i>million</i>	<i>proceeds</i>	<i>million</i>	<i>proceeds</i>
Opening of new outlets	116.9	75.4%	74.4	48.0%	13.3	8.6%	61.1	39.4%
Upgrading existing outlets	–	0.0%	14.6	9.4%	10.1	6.5%	4.5	2.9%
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	<u>155.0</u>	<u>100.0%</u>	<u>155.0</u>	<u>100.0%</u>	<u>72.5</u>	<u>46.8%</u>	<u>82.5</u>	<u>53.2%</u>

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 between the Listing Date and 31 December 2016.

EVENTS AFTER THE REPORTING PERIOD

The Board noted that on 23 January 2017 (after trading hours), CCOOP International Holdings Limited (the "Offeror"), Golden Prime Holdings Limited, Xing Nong Holdings Limited, Jian Nong Holdings Limited (collectively, the "Vendors"), Mr. Lao Songsheng (our chairman and executive Director) and Shun Ao Holdings Limited entered into a conditional sale and purchase agreement, pursuant to which the Offeror has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell 162,092,600 Shares (approximately 55.80% of the issued share capital of the Company as at the date of this announcement). For further details of the aforesaid transaction, please refer to the announcement jointly issued by the Offeror and the Company dated 23 January 2017.

Except for the matters disclosed under the "Recent Development" section under the "Management Discussion and Analysis" of this announcement, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2016 and up to the date of this announcement.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Board is of the view that throughout the period between the Listing Date and 31 December 2016, the Company has complied with all the code provisions as set out in the CG Code.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) has reviewed the Financial Statements and has met with the auditor of the Company, BDO Limited. The Financial Statements have been agreed by the auditor of the Company.

The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company, risk management and internal control systems with senior management members of the Company.

DIVIDEND

The Board has resolved not to declare any final dividend for FY2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19 June 2017 to Thursday, 22 June 2017, both days inclusive, during which period no transfer of Shares will be effected.

In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 22 June 2017, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 16 June 2017.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and on the Company’s website at www.skl.com.cn. The annual report for the year ended 31 December 2016 of the Group containing all the information required by the Listing Rules will also be published on the same websites and dispatched to the shareholders of the Company in due course.

SCOPE OF WORK PERFORMED BY AUDITOR

The financial information has been reviewed by the Audit Committee and approved by the Board. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and the consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this announcement have been agreed by the Company's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary results announcement.

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

Hong Kong, 31 March 2017

As at the date of this announcement, the executive Directors are Mr. Lao Songsheng, Ms. Wang Yanfen and Mr. Wu Zhaohui; the non-executive Directors are Mr. Chen Yijian, Ms. Lao Weiping and Ms. Zhang Bei; and the independent non-executive Directors are Mr. Guan Shiping, Mr. Sun Hong and Mr. Shin Yick Fabian.