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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

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the section headed “Connected transactions” of the prospectus of the Company dated 28 August 2015 relating to, among others, the non-exempt continuing connected transactions contemplated under the Existing Agreements and the waiver granted by the Stock Exchange from strict compliances with the relevant requirements under Chapter 14A of the Listing Rules for the three years ended 31 December 2017. Each of the Existing Agreements has a current term due to expire on 31 December 2017, while each of them has an option of renewal for a term of three years.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

As the Group intends to continue carrying out the transactions contemplated under the Existing Agreements in the ordinary and usual course of business of the Group after 31 December 2017, the Company (for itself and on behalf of its subsidiaries) proposed to renew all the Existing Agreements with Lecong Supply and Marketing Group (for itself and on behalf of its subsidiaries) upon their expiration for a further term of three years commencing on 1 January 2018 on substantially the same terms as the Existing Agreements.

The proposed annual caps for the respective transactions contemplated under the Renewal Agreements for the years ending 31 December 2018, 2019 and 2020 are set out as follows:

	For the year ending 31 December		
	2018	2019	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
2018 Goods Purchase Renewal Agreement – purchase amount of products from the Lecong Group	48,000	56,000	63,000
2018 Goods Sales Renewal Agreement – sales amount of goods to the Lecong Group	9,000	10,000	11,000
2018 Master Leasing Renewal Agreement – rental to be paid by the Group to the Lecong Group	14,000	15,000	16,000

LISTING RULES IMPLICATIONS

As at the date of this announcement, approximately 56.81% interests of Lecong Supply and Marketing Group were held by Golden Prime Investment, and Mr. Lao held approximately 33.98% interests of Golden Prime Investment. Therefore, Lecong Supply and Marketing Group is a connected person of the Company, and the transactions contemplated under the Renewal Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

2018 Goods Sales Renewal Agreement and 2018 Master Leasing Renewal Agreement

As more than one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the transactions contemplated under each of the 2018 Goods Sales Renewal Agreement and 2018 Master Leasing Renewal Agreement are above 0.1% but less than 5%, each of these two agreements and the transactions contemplated thereunder (including the respective proposed annual caps) will be subject to report, annual review and announcement requirements but be exempted from independent shareholders' approval under Chapter 14A of the Listing Rules.

2018 Goods Purchase Renewal Agreement

As more than one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the transactions contemplated under the 2018 Goods Purchase Renewal Agreement are more than 5%, the 2018 Goods Purchase Renewal Agreement and the transactions contemplated thereunder (including the proposed annual caps) will be subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek approval from the Independent Shareholders for the 2018 Goods Purchase Renewal Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the EGM.

In view of Mr. Lao's interests in the Lecong Supply and Marketing Group, Mr. Lao and his associates will abstain from voting on the ordinary resolution in relation to the 2018 Goods Purchase Renewal Agreement and the transactions contemplated thereunder (including the proposed annual caps) to be proposed at the EGM.

An Independent Board Committee has been formed to advise the Independent Shareholders on the terms of the 2018 Goods Purchase Renewal Agreement and the transactions contemplated thereunder (including the proposed annual caps) for the three years ending 31 December 2020. TC Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A circular containing, among other things, the details of the 2018 Goods Purchase Renewal Agreement and the transactions contemplated thereunder (including the proposed annual caps), a letter of recommendation from the Independent Board Committee to the Independent Shareholders, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and a notice of the EGM will be despatched to the Shareholders on or about 30 November 2017.

Reference is made to the section headed "Connected transactions" of the prospectus of the Company dated 28 August 2015 relating to, among others, the non-exempt continuing connected transactions contemplated under the Existing Agreements and the waiver granted by the Stock Exchange from strict compliances with the relevant requirements under Chapter 14A of the Listing Rules for the three years ending 31 December 2017.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Each of the Existing Agreements has a current term due to expire on 31 December 2017, while each of them has an option of renewal for a term of three years.

As the Group intends to continue carrying out the transactions contemplated under the Existing Agreements in the ordinary and usual course of business of the Group after 31 December 2017, the Company (for itself and on behalf of its subsidiaries) proposed to renew all the Existing Agreements with Lecong Supply and Marketing Group (for itself and on behalf of its subsidiaries) upon their expiration for a further term of three years commencing on 1 January 2018 with substantially the same terms as the Existing Agreements.

2018 Goods Purchase Renewal Agreement

Major terms

The principal terms of the 2018 Goods Purchase Renewal Agreement are set forth below:

Parties : The Company (for itself and on behalf of its subsidiaries) and Lecong Supply and Marketing Group (for itself and on behalf of its subsidiaries).

Subject : The Lecong Group agrees to exclusively supply to the Group the fresh meat and other agricultural products the Lecong Group sourced from the farmers or other suppliers.

Specific terms of the transactions will be determined on a case-by-case basis and separate agreements will be entered into by the parties.

Term : A term of three years commencing from 1 January 2018 and expiring on 31 December 2020, and subject to the requirements of the relevant laws and regulations, with an option to renew for a further term of three years.

Pricing policies

The Group will enter into separate agreements with the Lecong Group for the purchase of the fresh meat and other agricultural products. The price of each individual sale and purchase agreement will be negotiated and agreed between the Group and the Lecong Group on an arm's length basis with reference to factors, including but not limited, the prevailing and historical market rates of the same or similar products, the prices of the same or similar products offered by the Lecong Group to independent third parties, and the discounts offered to bulk-purchase. Before the Group entering into any individual agreement with the Lecong

Group under the 2018 Goods Purchase Renewal Agreement, the Group shall check and ensure that the price of each individual agreement is fair and reasonable, and it is no less favourable to the Group than those available from independent third parties for the same or similar products.

Annual caps

The annual caps and actual value for the purchase amount of products from the Lecong Group for each of the years ended 31 December 2015 and 2016, for the year ending 31 December 2017 under the 2015 Goods Purchase Agreement and the proposed annual caps for the three years ending 31 December 2020 for the transactions contemplated under the 2018 Goods Purchase Renewal Agreement are as follows:

Annual caps and actual value under the 2015 Goods Purchase Agreement				Proposed annual caps under the 2018 Goods Purchase Renewal Agreement				
				Nine months ended 30 September	Year ending 31 December			
Year ended 31 December 2015		2016		2017 (note)	2017 (note)	Year ending 31 December		
Existing cap (RMB'000)	Actual value (RMB'000)	Existing cap (RMB'000)	Actual value (RMB'000)	Actual value (RMB'000)	Expected value (RMB'000)	2018 Proposed cap (RMB'000)	2019 Proposed cap (RMB'000)	2020 Proposed cap (RMB'000)
66,000	54,400	72,000	43,800	25,500	40,000	48,000	56,000	63,000

Note: The existing annual cap for transactions under the 2015 Goods Purchase Agreement for the year ending 31 December 2017 is RMB80.0 million.

The proposed annual caps for the three years ending 31 December 2020 are determined by reference to various factors, including but not limited to, (i) historical transaction amount; (ii) expected demand for our goods by our customers; (iii) the Group's expansion plan; and (iv) the expected increase in the wholesale prices.

2018 Goods Sales Renewal Agreement

Major terms

The principal terms of the 2018 Goods Sales Renewal Agreement are set forth below:

Parties : The Company (for itself and on behalf of its subsidiaries) and Lecong Supply and Marketing Group (for itself and on behalf of its subsidiaries).

Subject : The Group agrees to sell the goods, including daily consuming products, food products and stationery, to the Lecong Group for their internal consumption.

Specific terms of the transactions will be determined on a case-by-case basis and separate agreements will be entered into by the parties.

Term : A term of three years commencing from 1 January 2018 and expiring on 31 December 2020, and subject to the requirements of the relevant laws and regulations, with an option to renew for a further term of three years.

Pricing policies

The Group will enter into separate agreements with the Lecong Group for the sale of goods, including daily consuming products, food products and stationery. The price of each sales order under the 2018 Goods Sales Renewal Agreement will be negotiated between the Group and the Lecong Group on an arm's length basis with reference to the factors, including but not limited, the prevailing and historical market rates of the same or similar goods and the discounts offered to bulk-purchase, and determined on a cost-plus basis, representing all costs incurred in relation to the supply of the relevant goods, including direct costs such as merchandises costs, freight costs, operational costs and other indirect or common costs, plus a mark-up rate of not more than 15% of such costs. The Group will review and amend (if necessary) such mark-up rate periodically, and ensure that the price of each sales order under the 2018 Goods Sales Renewal Agreement shall be no less favourable to the Group than those offered to independent third parties for the same or similar goods.

Annual caps

The annual caps and actual value for the sales amount of products to the Lecong Group for each of the years ended 31 December 2015 and 2016, for the year ending 31 December 2017 under the 2015 Goods Sales Agreement and the proposed annual caps for the three years ending 31 December 2020 for the transactions contemplated under the 2018 Goods Sales Renewal Agreement are as follows:

Annual caps and actual value under the 2015 Goods Sales Agreement				Proposed annual caps under the 2018 Goods Sales Renewal Agreement				
				Nine months ended	Year ending			
				30 September	31 December			
Year ended 31 December				2017	2017	Year ending 31 December		
2015		2016		(note)	(note)	2018	2019	2020
Existing cap	Actual value	Existing cap	Actual value	Actual value	Expected value	Proposed cap	Proposed cap	Proposed cap
(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
8,800	8,800	10,000	4,800	5,800	9,000	9,000	10,000	11,000

Note: The existing annual cap for transactions under the 2015 Goods Sales Agreement for the year ending 31 December 2017 is RMB11.0 million.

The proposed annual caps for the sales amount of goods to the Lecong Group pursuant to the 2018 Goods Sales Renewal Agreement for the three years ending 31 December 2020 are determined by reference to various factors, including but not limited to, (i) historical transaction amount; (ii) expected demand for our goods; and (iii) the expected increase in the market prices of our goods.

2018 Master Leasing Renewal Agreement

Major terms

The principal terms of the 2018 Master Leasing Renewal Agreement are set forth below:

Parties : The Company (for itself and on behalf of its subsidiaries) and Lecong Supply and Marketing Group (for itself and on behalf of its subsidiaries).

Subject : The Group agrees to lease 22 properties from the Lecong Group for use as headquarters, outlets and logistics centres.

The parties will separately enter into a tenancy agreement in respect of each property.

Term : A term of three years commencing from 1 January 2018 and expiring on 31 December 2020, and subject to the requirements of the relevant laws and regulations, with an option to renew for a term of three years.

Rent

The rent of each tenancy agreement under the 2018 Master Leasing Renewal Agreement will be negotiated and agreed between the Group and the Lecong Group on an arm's length basis. Before entering into such tenancy agreement, the Group will obtain certain rental quotes from independent third parties in the market for similar propert(ies) with comparable conditions including but not limited to location, usable space, available facilities, quality and rental period, and check the historical rent and proposed rent offered by the Lecong Group against that offered by independent third parties for similar propert(ies) with comparable conditions in the market. The Group will ensure that the rent of each tenancy agreement under the 2018 Master Leasing Renewal Agreement shall be no less favourable to the Group than those offered by independent third parties for similar leasing propert(ies).

Annual caps

The annual caps and actual value for of the rentals paid to the Lecong Group for each of the years ended 31 December 2015 and 2016 and for the year ending 31 December 2017 under the 2015 Master Leasing Agreement, and the proposed annual caps for the three years ending 31 December 2020 for the transactions contemplated under the 2018 Master Leasing Renewal Agreement are as follows:

Annual caps and actual value under the 2015 Master Leasing Agreement						Proposed annual caps under the 2018 Master Leasing Renewal Agreement		
				Nine months ended 30 September	Year ending 31 December			
Year ended 31 December 2015		2016		2017 (note)	2017 (note)	Year ending 31 December		
Existing cap (RMB'000)	Actual value (RMB'000)	Existing cap (RMB'000)	Actual value (RMB'000)	Actual value (RMB'000)	Expected value (RMB'000)	Proposed cap (RMB'000)	Proposed cap (RMB'000)	Proposed cap (RMB'000)
12,900	9,600	15,000	8,400	6,200	9,600	14,000	15,000	16,000

Note: The existing annual cap for rentals payable under the 2015 Master Leasing Agreement for the year ending 31 December 2017 is RMB15.5 million.

The proposed annual caps for the rental to be paid by the Group pursuant to the 2018 Master Leasing Renewal Agreement for the three years ending 31 December 2020 are determined at arm's length and reflect the market rates.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Taking into the consideration of the fact that:

- (i) the Group is satisfied with the goods purchased from the Lecong Group in the past years, including the quality of products and delivery time, and intends to continue purchasing goods such as fresh meat and agricultural products from the Lecong Group for its operation;
- (ii) the Lecong Group is one of our bulk purchase corporate customers and it is expected that the Lecong Group will continue to purchase from the Group; and
- (iii) the Group intends to continue leasing the properties from the Lecong Group so as to avoid disturbances to the Group's business operation,

the Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the Independent Financial Adviser in respect of the 2018 Goods Purchase Renewal Agreement) are of the view that the terms of the 2018 Goods Purchase Renewal Agreement, the 2018 Goods Sale Renewal Agreement and the 2018 Master Leasing Renewal Agreement, and the respective transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, on normal commercial terms and in the ordinary and usual course of the business of the Group, and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL PROCEDURES

The Group has adopted the following internal control measures to ensure that the transactions contemplated under the Renewal Agreements will be conducted in accordance with the pricing policies and the terms of the Renewal Agreements, and in compliance with the Listing Rules: –

- (1) as to the transactions under the 2018 Goods Purchase Renewal Agreement, the Group shall obtain quotes regularly from other independent suppliers and compare the prices among all suppliers including the Lecong Group to ensure that such purchase prices are reasonable and comparable to the market after considering the factors including quality of goods and popularity among our customers;
- (2) before entering into a transaction under any of the Renewal Agreements, the Group shall check and ensure that such transaction will be conducted in accordance with the terms of the corresponding Renewal Agreement and the proposed annual caps will not be exceeded, and the relevant pricing shall be fair and reasonable adhering to the pricing policies;

- (3) the Board will continue to review the Group's internal control systems and their effectiveness periodically; and
- (4) the independent non-executive Directors shall, and the Group shall engage its external auditors to, conduct annual review on the continuing connected transactions and the proposed annual caps in accordance with the requirements of the Listing Rules.

LISTING RULES IMPLICATIONS

As at the date of this announcement, approximately 56.81% interests of Lecong Supply and Marketing Group were held by Golden Prime Investment, and Mr. Lao held approximately 33.98% interests of Golden Prime Investment. Therefore, Lecong Supply and Marketing Group is a connected person of the Company, and the transactions contemplated under the Renewal Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

2018 Goods Sales Renewal Agreement and 2018 Master Leasing Renewal Agreement

As more than one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the transactions contemplated under each of the 2018 Goods Sales Renewal Agreement and the 2018 Master Leasing Renewal Agreement are above 0.1% but less than 5%, each of these two agreements and the transactions contemplated thereunder (including the respective proposed annual caps) will be subject to report, annual review and announcement requirements but be exempted from independent shareholders' approval under Chapter 14A of the Listing Rules.

2018 Goods Purchase Renewal Agreement

As more than one of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the proposed annual caps for the transactions contemplated under the 2018 Goods Purchase Renewal Agreement are more than 5%, the 2018 Goods Purchase Renewal Agreement and the transactions contemplated thereunder (including the respective proposed annual caps) will be subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPROVAL BY INDEPENDENT SHAREHOLDERS

The Company will seek approval from the Independent Shareholders for the 2018 Goods Purchase Renewal Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the EGM.

In view of Mr. Lao's interests in the Lecong Supply and Marketing Group, Mr. Lao had abstained from voting on the relevant resolutions at the Board meeting in which the Renewal Agreements were considered, and Mr. Lao and his associates will abstain from voting on the ordinary resolution in relation to the 2018 Goods Purchase Renewal Agreement and the transactions contemplated thereunder (including the proposed annual caps) to be proposed at the EGM.

The Group had no other prior transactions with the Lecong Group and their respective associates which required aggregation with the Renewal Agreements under Rule 14A.81 of the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders on the terms of the 2018 Goods Purchase Renewal Agreement and the transactions contemplated thereunder (including the proposed annual caps) for the three years ending 31 December 2020. TC Capital has been appointed as the independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL INFORMATION

The Group is a supermarket chain store operator maintaining both retail and wholesale distribution channels with geographical focus in Guangdong province of the PRC.

Lecong Supply and Marketing Group is a company established in the PRC and is a holding company for a group of its subsidiaries which are engaged in various segments of businesses including agricultural business, tourism, jewellery, restaurant and catering services and property development. As at the date of this announcement, approximately 56.81% interests of Lecong Supply and Marketing Group were held by Golden Prime Investment, in which approximately 33.98% interests were held by Mr. Lao.

A circular containing, among other things, the details of the 2018 Goods Purchase Renewal Agreement and the transactions contemplated thereunder (including the proposed annual caps), a letter of recommendation from the Independent Board Committee to the Independent Shareholders, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and a notice of the EGM, will be despatched to the Shareholders on or about 30 November 2017.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“2015 Goods Purchase Agreement”	the master purchase agreement dated 5 August 2015 entered into between our Company (for itself and on behalf of its subsidiaries) and Lecong Supply and Marketing Group (for itself and on behalf of its subsidiaries) due to expire on 31 December 2017, with an option of renewal for a term of three years
“2015 Goods Sales Agreement”	the master goods sales agreement dated 5 August 2015 entered into between our Company (for itself and on behalf of its subsidiaries) and Lecong Supply and Marketing Group (for itself and on behalf of its subsidiaries) due to expire on 31 December 2017, with an option of renewal for a term of three years
“2015 Master Leasing Agreement”	the master leasing agreement dated 5 August 2015 entered into between our Company (for itself and on behalf of its subsidiaries) and Lecong Supply and Marketing Group (for itself and on behalf of its subsidiaries) due to expire on 31 December 2017, with an option of renewal for a term of three years
“2018 Goods Purchase Renewal Agreement”	the master goods purchase agreement to renew the 2015 Goods Purchase Agreement for a term of three years commencing on 1 January 2018 and to be entered into upon the approval of the Independent Shareholders, major terms of which are set out in the paragraph headed “Renewal of continuing connected transactions – 2018 Goods Purchase Renewal Agreement” of this announcement
“2018 Goods Sales Renewal Agreement”	the master goods sales agreement to renew the 2015 Goods Sales Agreement for a term of three years commencing on 1 January 2018 and to be entered into on or about 20 December 2017, major terms of which are set out in the paragraph headed “Renewal of continuing connected transactions – 2018 Goods Sales Renewal Agreement” of this announcement

“2018 Master Leasing Renewal Agreement”	the master leasing agreement to renew the 2015 Master Leasing Agreement for a term of three years commencing on 1 January 2018 and to be entered into on or about 20 December 2017, major terms of which are set out in the paragraph headed “Renewal of continuing connected transactions – 2018 Master Leasing Renewal Agreement “ of this announcement
“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	China Shun Ke Long Holdings Limited
“Directors”	the directors of the Company
“EGM”	the extraordinary meeting of the Company to be held on 20 December 2017
“Existing Agreements”	the 2015 Goods Purchase Agreement, 2015 Goods Sales Agreement and 2015 Master Leasing Agreement
“Golden Prime Investment”	Golden Prime Investment Holdings Limited (佛山市金源投資控股有限公司), a company established in the PRC on 25 December 2007 which is owned by Mr. Lao as to approximately 33.98%
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Guan Shiping, Mr. Sun Hong and Mr. Shin Yick Fabian
“Independent Shareholders”	Shareholders other than Mr. Lao
“Lecong Group”	Lecong Supply and Marketing Group and its subsidiaries
“Lecong Supply and Marketing Group”	Foshan Shunde Lecong Supply and Marketing Group Limited (佛山市順德區樂從供銷集團有限公司), a company established in the PRC and owned by Golden Prime Investment as to 56.81%

“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Lao”	Mr. Lao Songsheng, a non-executive Director
“Renewal Agreements”	the 2018 Goods Purchase Renewal Agreement, 2018 Goods Sales Renewal Agreement and 2018 Master Leasing Renewal Agreement
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TC Capital” or “Independent Financial Adviser”	TC Capital International Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“%”	per cent.

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

Hong Kong, 6 November 2017

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