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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 2015**

The board (the “Board”) of directors (the “Directors”) of China Shun Ke Long Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (together the “Group”) for the year ended 31 December 2015 with comparative figures in 2014 (the “Financial Statements”) were as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

|   | Notes | 2015<br><i>RMB'000</i> | 2014<br><i>RMB'000</i> |
|---|-------|------------------------|------------------------|
| Revenue   | 5a    | <b>1,039,614</b>       | 1,053,359              |
| Cost of inventories sold  |       | <b>(839,016)</b>       | (870,062)              |
| Gross profit  |       | <b>200,598</b>         | 183,297                |
| Other operating income  | 5b    | <b>45,541</b>          | 23,814                 |
| Selling and distribution costs  |       | <b>(152,904)</b>       | (133,298)              |
| Administrative expenses   |       | <b>(44,862)</b>        | (27,472)               |
| Finance costs   | 7     | <b>(7,268)</b>         | (4,210)                |
| Profit before income tax expense  | 6     | <b>41,105</b>          | 42,131                 |
| Income tax expense  | 8     | <b>(12,281)</b>        | (11,096)               |
| Profit for the year   |       | <b>28,824</b>          | 31,035                 |
| Other comprehensive income, that may be reclassified<br>subsequently to profit or loss: |       |                        |                        |
| Exchange differences on translating foreign operations                                  |       | <b>2,463</b>           | (300)                  |
| Total comprehensive income for the year   |       | <b>31,287</b>          | 30,735                 |
| Profit for the year attributable to:  |       |                        |                        |
| – Owners of the Company   |       | <b>28,631</b>          | 30,951                 |
| – Non-controlling interests   |       | <b>193</b>             | 84                     |
|   |       | <b>28,824</b>          | 31,035                 |
| Total comprehensive income for the year attributable to:                                |       |                        |                        |
| – Owners of the Company   |       | <b>31,094</b>          | 30,651                 |
| – Non-controlling interests   |       | <b>193</b>             | 84                     |
|   |       | <b>31,287</b>          | 30,735                 |
| Earnings per share – basic and diluted (RMB)  | 9     | <b>0.12</b>            | 0.14                   |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

|   | Notes | 2015<br><i>RMB'000</i> | 2014<br><i>RMB'000</i> |
|---|-------|------------------------|------------------------|
| <b>ASSETS AND LIABILITIES</b>                                       |       |                        |                        |
| <b>Non-current assets</b>   |       |                        |                        |
| Property, plant and equipment                                       |       | 75,496                 | 49,213                 |
| Prepaid land lease  |       | 34,922                 | 35,934                 |
| Investment properties   |       | 4,348                  | 4,444                  |
| Deposits paid and prepayments                                       |       | 6,424                  | 4,955                  |
| Goodwill  |       | 2,694                  | 2,554                  |
| <b>Total non-current assets</b>                                     |       | <b>123,884</b>         | 97,100                 |
| <b>Current assets</b>   |       |                        |                        |
| Inventories   |       | 140,321                | 111,509                |
| Trade receivables   | 11    | 36,463                 | 76,071                 |
| Deposits paid, prepayments and other receivables                    |       | 78,256                 | 68,614                 |
| Amounts due from related companies                                  |       | 2,687                  | 7,796                  |
| Amounts due from shareholders                                       |       | —                      | 61                     |
| Cash and cash equivalents   |       | 200,599                | 25,761                 |
| <b>Total current assets</b>   |       | <b>458,326</b>         | 289,812                |
| <b>Total assets</b>   |       | <b>582,210</b>         | 386,912                |
| <b>Current liabilities</b>  |       |                        |                        |
| Trade payables  | 12    | 143,448                | 141,068                |
| Deposits received, receipts in advance, accruals and other payables |       | 42,014                 | 55,584                 |
| Amounts due to related companies                                    |       | 12,965                 | 61,160                 |
| Bank borrowings   | 13    | 52,000                 | 57,000                 |
| Income tax payable  |       | 989                    | 1,486                  |
| <b>Total current liabilities</b>                                    |       | <b>251,416</b>         | 316,298                |
| <b>Net current assets/(liabilities)</b>                             |       | <b>206,910</b>         | (26,486)               |
| <b>Total assets less current liabilities</b>                        |       | <b>330,794</b>         | 70,614                 |

|   | Notes | 2015<br><i>RMB'000</i> | 2014<br><i>RMB'000</i> |
|---|-------|------------------------|------------------------|
| <b>Non-current liabilities</b>                      |       |                        |                        |
| Bank borrowings                                     | 13    | <u>80,000</u>          | <u>—</u>               |
| <b>Total non-current liabilities</b>                |       | <u>80,000</u>          | <u>—</u>               |
| <b>Total liabilities</b>                            |       | <u>331,416</u>         | <u>316,298</u>         |
| <b>NET ASSETS</b>                                   |       | <u><b>250,794</b></u>  | <u><b>70,614</b></u>   |
| <b>EQUITY</b>                                       |       |                        |                        |
| Share capital                                       | 14    | 2,387                  | 70                     |
| Reserves  |       | <u>247,829</u>         | <u>70,159</u>          |
| <b>Equity attributable to owners of the Company</b> |       | <b>250,216</b>         | 70,229                 |
| <b>Non-controlling interests</b>                    |       | <u>578</u>             | <u>385</u>             |
| <b>Total equity</b>                                 |       | <u><b>250,794</b></u>  | <u><b>70,614</b></u>   |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. THE REORGANISATION EXERCISE AND BASIS OF PRESENTATION

Pursuant to a reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the shares of the Company (the “Shares”) on the Main Board of The Stock Exchange of Hong Kong Limited (“Reorganisation”), the Company became the holding company of the companies now comprising the Group on 29 October 2014.

Details of the Reorganisation are set out in the section headed “History, Development and Reorganisation” in the prospectus of the Company dated 28 August 2015 (the “Prospectus”).

The Reorganisation upon completion is accounted for as reorganisation under common control using the principle of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements as set out in this report for the year ended 31 December 2014 have been prepared by adopting the merger basis of accounting. The consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2014 include the results and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the period of 2014, or since their respective dates of acquisition or incorporation/establishment, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2015 and 31 December 2014 have been prepared to present the state of affairs of the Group as if the current structure had been in existence at these dates or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period.

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

#### (a) Adoption of new/revised IFRSs – effective 1 January 2015

|                             |   |
|-----------------------------|---|
| IFRSs (Amendments)          | Annual Improvements 2010-2012 Cycle           |
| IFRSs (Amendments)          | Annual Improvements 2011-2013 Cycle           |
| Amendments to IAS 19 (2011) | Defined Benefit Plans: Employee Contributions |

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.

|                      |   |
|----------------------|---|
| IFRSs (Amendments)   | Annual Improvements 2012-2014 Cycle <sup>1</sup>            |
| Amendments to IAS 27 | Equity Method in Separate Financial Statements <sup>1</sup> |
| Amendments to IAS 7  | Disclosure Initiative <sup>2</sup>                          |
| IFRS 9 (2014)        | Financial Instruments <sup>3</sup>                          |
| IFRS 15              | Revenue from Contracts with Customers <sup>3</sup>          |
| IFRS 16              | Lease <sup>4</sup>  |

1 Effective for annual periods beginning on or after 1 January 2016

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

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

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

**(c) Impact of the Hong Kong Companies Ordinance, Cap. 622**

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new Hong Kong Companies Ordinance, Cap. 622. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements.

**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 Main Board of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

**(b) Basis of measurement**

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

**(c) Functional and presentation currency**

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

#### 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; and
- Wholesale distribution

|  | Retail Outlet<br>operation<br><i>RMB'000</i> | Wholesale<br>distribution<br><i>RMB'000</i> | Inter-segment<br>elimination<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|--|---|--|-------------------------|
| <b>For the year ended 31 December 2014:</b>                |  |   |  |                         |
| <b>Revenue</b>   |  |   |  |                         |
| From external customers                                    | 799,808                                      | 253,551                                     | —  | 1,053,359               |
| From inter-segment   | 48,053                                       | 8,625                                       | (56,678)                                       | —                       |
| <b>Reportable segment revenue</b>                          | <u>847,861</u>                               | <u>262,176</u>                              | <u>(56,678)</u>                                | <u>1,053,359</u>        |
| <b>Reportable segment profit</b>                           | <u>35,056</u>                                | <u>10,846</u>                               | <u>—</u>                                       | <u>45,902</u>           |
| Interest income  | 474  | 1   | —  | 475                     |
| Unallocated income   | —  | —   | —  | —                       |
| Unallocated expenses                                       | —  | —   | —  | —                       |
| <b>Reportable segment assets</b>                           | <u>338,557</u>                               | <u>47,681</u>                               | <u>—</u>                                       | <u>386,238</u>          |
| Additions to non-current segment<br>assets during the year | 20,059                                       | 786   | —  | 20,845                  |
| <b>Reportable segment liabilities</b>                      | <u>270,238</u>                               | <u>2,760</u>                                | <u>—</u>                                       | <u>272,998</u>          |

|  | Retail Outlet<br>operation<br><i>RMB'000</i> | Wholesale<br>distribution<br><i>RMB'000</i> | Inter-segment<br>elimination<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|--|--|---|--|-------------------------|
| <b>For the year ended 31 December 2015:</b>                |  |   |  |                         |
| <b>Revenue</b>   |  |   |  |                         |
| From external customers                                    | 785,510                                      | 254,104                                     | —  | 1,039,614               |
| From inter-segment   | 60,313                                       | 16,502                                      | (76,815)                                       | —                       |
| <b>Reportable segment revenue</b>                          | <b>845,823</b>                               | <b>270,606</b>                              | <b>(76,815)</b>                                | <b>1,039,614</b>        |
| <b>Reportable segment profit</b>                           | <b>42,484</b>                                | <b>10,693</b>                               | <b>—</b>                                       | <b>53,177</b>           |
| Interest income  | 315  | 10  | —  | 325                     |
| Unallocated income   | —  | —   | —  | —                       |
| Unallocated expenses                                       | —  | —   | —  | —                       |
| Income tax expense   | 9,764  | 2,517                                       | —  | 12,281                  |
| <b>Reportable segment assets</b>                           | <b>366,292</b>                               | <b>120,055</b>                              | <b>—</b>                                       | <b>486,347</b>          |
| Additions to non-current segment<br>assets during the year | 42,128                                       | 673   | —  | 42,801                  |
| <b>Reportable segment liabilities</b>                      | <b>325,950</b>                               | <b>4,145</b>                                | <b>—</b>                                       | <b>330,095</b>          |



Reconciliation of reportable segment revenues, profit or loss, assets and liabilities:

|   | <b>2015</b>      | 2014      |
|---|------------------|-----------|
|   | <b>RMB'000</b>   | RMB'000   |
| Reportable segment revenue  | <b>1,039,614</b> | 1,053,359 |
| Group revenue   | <b>1,039,614</b> | 1,053,359 |
| Reportable segment profit   | <b>53,177</b>    | 45,902    |
| Finance cost  | <b>(7,268)</b>   | (4,210)   |
| Other corporate income  | <b>207</b>       | 500       |
| Other corporate expenses  | <b>(5,011)</b>   | (61)      |
| Profit before income tax expense  | <b>41,105</b>    | 42,131    |
| Reportable segment assets   | <b>486,347</b>   | 386,238   |
| Other corporate assets  | <b>95,863</b>    | 674       |
| Group's assets  | <b>582,210</b>   | 386,912   |
| Reportable segment liabilities  | <b>330,095</b>   | 272,998   |
| Outstanding purchase consideration for the acquisition of<br>a subsidiary from shareholder pursuant to the Reorganisation | –                | 43,200    |
| Other corporate liabilities   | <b>1,321</b>     | 100       |
| Group's liabilities   | <b>331,416</b>   | 316,298   |

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

|                    | <b>Revenue from<br/>external customers</b> |           | <b>Non-current assets</b> |         |
|--------------------|--|-----------|---------------------------|---------|
|                    | <b>2015</b>                                | 2014      | <b>2015</b>               | 2014    |
|                    | <b>RMB'000</b>                             | RMB'000   | <b>RMB'000</b>            | RMB'000 |
| The PRC (domicile) | <b>1,004,128</b>                           | 1,033,756 | <b>118,143</b>            | 91,864  |
| Macau              | <b>35,486</b>                              | 19,603    | <b>370</b>                | 823     |
|                    | <b>1,039,614</b>                           | 1,053,359 | <b>118,513</b>            | 92,687  |

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.

There was no single customer that contributed to 10% or more of the Groups revenue for the years ended 31 December 2015 and 2014.

## 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:

|  | 2015<br><i>RMB'000</i> | 2014<br><i>RMB'000</i> |
|--|------------------------|------------------------|
| <b>Retail Outlet operation and sales</b> |                        |                        |
| General retail sales (Note)              | 630,358                | 615,872                |
| Bulk sales                               | 112,862                | 146,392                |
| Rental income from leasing shop premises | 39,878                 | 35,237                 |
| Commission from concessionaire sales     | 2,412                  | 2,307                  |
| <b>Wholesale distribution</b>            |                        |                        |
| General wholesales                       | 234,452                | 236,503                |
| Franchisees                              | 19,652                 | 17,048                 |
|  | <u>1,039,614</u>       | <u>1,053,359</u>       |

Note:

General sales include the compensation to reduced selling price of approximately RMB10,162,000 and RMB4,245,000 from the local government in the PRC which is classified as turnover during the years ended 31 December 2015 and 2014 respectively. In the opinion of the directors, it is directly related to the sale of daily necessities food and is related to the ordinary and usual course of the business of the Group. Accordingly, it is classified as turnover of the Group.

**(b) Other operating income**

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

|                                 | <b>2015</b>    | 2014           |
|---------------------------------|----------------|----------------|
|                                 | <b>RMB'000</b> | <b>RMB'000</b> |
| Government grants (Note)        | <b>2,194</b>   | 136            |
| Promotion income from suppliers | <b>34,856</b>  | 15,032         |
| Interest income                 | <b>515</b>     | 975            |
| Others                          | <b>7,976</b>   | 7,671          |
|                                 | <b>45,541</b>  | 23,814         |

Note:

Various local government grants have been granted to subsidiaries of the Group during the years ended 31 December 2015 and 2014. 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 is arrived at after charging/(crediting):

|  | <b>2015</b>    | 2014           |
|--|----------------|----------------|
|  | <b>RMB'000</b> | <b>RMB'000</b> |
| Cost of inventories sold                                 | <b>839,016</b> | 870,062        |
| Depreciation of property, plant and equipment            | <b>13,380</b>  | 9,183          |
| Depreciation of investment properties                    | <b>96</b>      | 102            |
| Amortisation of prepaid land lease payments              | <b>1,012</b>   | 1,011          |
| Net exchange gains                                       | <b>(725)</b>   | (47)           |
| Employee costs (excluding directors' remuneration):      |                |                |
| – Wages and salaries                                     | <b>53,957</b>  | 54,049         |
| – Pension scheme contributions                           | <b>9,255</b>   | 8,335          |
| – Other benefits   | <b>3,152</b>   | 2,599          |
|  | <b>66,364</b>  | 64,983         |
| Auditor's remuneration                                   | <b>927</b>     | 58             |
| Listing expenses   | <b>10,041</b>  | 1,508          |
| Operating lease charges in respect of land and buildings | <b>40,448</b>  | 36,537         |
| Obsolete inventories written-off                         | <b>1,463</b>   | 1,619          |
| Loss/(gain) on disposal of property, plant and equipment | <b>1,919</b>   | (8)            |

## 7. FINANCE COSTS

|  | <b>2015</b>           | 2014           |
|--|-----------------------|----------------|
|  | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| Interest charged on bank borrowings                        | <b>7,268</b>          | 4,074          |
| Interest charged on current account with a related company | —                     | 136            |
|  | <hr/>                 | <hr/>          |
|  | <b><u>7,268</u></b>   | <u>4,210</u>   |

## 8. INCOME TAX EXPENSE

The Group is not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands for the year ended 31 December 2015 (2014: Nil).

No provision for Hong Kong profits tax has been provided as the Group has no estimated assessable profit arising in Hong Kong for the year ended 31 December 2015 (2014: 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 2015 (2014: 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 2015 (2014: 12%).

The amount of taxation in the consolidated statement of comprehensive income represents:

|                               | <b>2015</b>           | 2014           |
|-------------------------------|-----------------------|----------------|
|                               | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| Current — Macau               |                       |                |
| Charge for the year           | <b>79</b>             | —              |
| Current — the PRC             |                       |                |
| Charge for the year           | <b>12,202</b>         | 11,096         |
|                               | <hr/>                 | <hr/>          |
| Total tax charge for the year | <b><u>12,281</u></b>  | <u>11,096</u>  |

The income tax expense for the year can be reconciled to the profit before income tax expense in the consolidated statement of comprehensive income as follows:

|  | <b>2015</b>           | 2014           |
|--|-----------------------|----------------|
|  | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| Profit before income tax expense   | <b>41,105</b>         | 42,131         |
| Tax on profit before income tax expense, calculated at the rates applicable to profit in the tax jurisdictions concerned | <b>10,283</b>         | 10,457         |
| Tax effect of expenses not deductible for tax purposes   | <b>1,323</b>          | 223            |
| Tax effect of revenue not taxable for tax purpose  | <b>(91)</b>           | (111)          |
| Utilisation of tax losses previously not recognised  | <b>(77)</b>           | (36)           |
| Tax effect of tax losses not recognised  | <b>953</b>            | 563            |
| Effect of tax exemptions granted to Macau subsidiaries   | <b>(110)</b>          | —              |
| Income tax expenses  | <b>12,281</b>         | 11,096         |

As at 31 December 2014 and 2015, no deferred tax liabilities have been recognised in respect of the temporary differences of approximately RMB27,186,000 and RMB36,962,000 associated with undistributed earnings of certain subsidiaries established and operating in the PRC because the Group is in a position to control the dividend policies of its subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2014 and 2015, the Group has estimated unused tax losses of approximately RMB2,172,000 and RMB3,831,000 which were available for offset against future profits and are subject to expiry period of five years. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams.

## 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:

|  | <b>2015</b>               | 2014               |
|--|---------------------------|--------------------|
|  | <b><i>RMB'000</i></b>     | <i>RMB'000</i>     |
| <b>Earnings</b>  |                           |                    |
| Profit attributable to equity holders of the Company                                   | <u><b>28,631</b></u>      | <u>30,951</u>      |
|  | <b>2015</b>               | 2014               |
| <b>Number of shares</b>  |                           |                    |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | <u><b>238,022,041</b></u> | <u>214,857,000</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 throughout both years.

The diluted earnings per share are the same as basic earnings per share as there are no dilutive potential shares for the years ended 31 December 2015 and 31 December 2014.

## 10. DIVIDEND

On 18 August 2015, the Group declared and paid an interim dividend in the aggregate amount of RMB18,800,000 to previous shareholder of a subsidiary. On 14 February 2014, the Group declared and paid an interim dividend in the aggregate amount of RMB18,800,000.

## 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 0–270 days from the invoice date. An aged analysis of the trade receivables at the end of the respective reporting periods, based on the invoice date, is as follows:

|                 | <b>2015</b>               | 2014               |
|-----------------|---------------------------|--------------------|
|                 | <b>RMB'000</b>            | RMB'000            |
| Within 30 days  | <b>15,037</b>             | 22,215             |
| 31 to 60 days   | <b>4,647</b>              | 10,308             |
| 61 to 180 days  | <b>11,762</b>             | 26,296             |
| 181 to 365 days | <b>3,049</b>              | 4,625              |
| Over 1 year     | <b>1,968</b>              | 12,627             |
|                 | <hr/> <b>36,463</b> <hr/> | <hr/> 76,071 <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:

|                    | <b>2015</b>                | 2014                |
|--------------------|----------------------------|---------------------|
|                    | <b>RMB'000</b>             | RMB'000             |
| Current to 30 days | <b>47,289</b>              | 53,170              |
| 31 to 60 days      | <b>28,234</b>              | 36,123              |
| 61 to 180 days     | <b>54,313</b>              | 42,991              |
| 181 to 365 days    | <b>11,790</b>              | 4,789               |
| Over 1 year        | <b>1,822</b>               | 3,995               |
|                    | <hr/> <b>143,448</b> <hr/> | <hr/> 141,068 <hr/> |

### 13. BANK BORROWINGS

|   | <b>2015</b>           | 2014           |
|---|-----------------------|----------------|
|   | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| Secured   |                       |                |
| – bank borrowings due for repayment within one year                     | <b>52,000</b>         | 57,000         |
| – bank borrowings due for repayment after one year but within two years | <b>80,000</b>         | —              |
|   | <b>132,000</b>        | 57,000         |

As at 31 December 2015 and 2014, the bank borrowings are denominated in RMB, repayable within two years and bear interest at fixed rate and the floating rate ranging from 5.0% to 6.3% and 7.2% to 7.3% per annum respectively.



## 14. SHARE CAPITAL

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

|  | 2015                          |                | 2014                          |                |
|--|-------------------------------|----------------|-------------------------------|----------------|
|  | <i>Number of<br/>share(s)</i> | <i>RMB'000</i> | <i>Number of<br/>share(s)</i> | <i>RMB'000</i> |
| <b>Authorised:</b>   |                               |                |                               |                |
| Ordinary shares of US\$1.00 each   |                               |                |                               |                |
| At 1 January   | 50,000                        | 305            | 50,000                        | 305            |
| Increase in authorised share capital of<br>HK\$0.01 each                       |                               |                |                               |                |
| (note a)   | 2,000,000,000                 | 15,826         | —                             | —              |
| Cancellation of unissued shares of US\$1.00<br>each (note c)                   | (50,000)                      | (305)          | —                             | —              |
|  | <u>2,000,000,000</u>          | <u>15,826</u>  | <u>50,000</u>                 | <u>305</u>     |
| Ordinary shares of HK\$0.01 each   |                               |                |                               |                |
| At 31 December   | <u>2,000,000,000</u>          | <u>15,826</u>  | <u>50,000</u>                 | <u>305</u>     |
| <b>Issued and fully paid:</b>  |                               |                |                               |                |
| Ordinary shares of US\$1.00 each   |                               |                |                               |                |
| At 1 January   | 11,429                        | 70             | 11,429                        | 70             |
| Repurchase of issued shares of US\$1.00 each<br>(note b)                       | (11,429)                      | (70)           | —                             | —              |
| Issue of share capital of HK\$0.01 each  | 11,429                        | —              | —                             | —              |
| Issuance of ordinary shares in connection<br>with the Global Offering (note d) | 71,620,000                    | 588            | —                             | —              |
| Share capitalisation (note e)  | 214,845,571                   | 1,766          | —                             | —              |
| Exercise of over-allotment option (note f)                                     | 3,980,000                     | 33             | —                             | —              |
|  | <u>290,457,000</u>            | <u>2,387</u>   | <u>11,429</u>                 | <u>70</u>      |
| Ordinary shares of HK\$0.01 each   |                               |                |                               |                |
| At 31 December   | <u>290,457,000</u>            | <u>2,387</u>   | <u>11,429</u>                 | <u>70</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 repurchases 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 is 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 15 years.

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

|   | <b>2015</b>           | 2014           |
|---|-----------------------|----------------|
|   | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| Within one year                                   | <b>18,853</b>         | 22,862         |
| Later than one year and not later than five years | <b>19,555</b>         | 15,493         |
| Later than five years                             | <b>1,568</b>          | 1,373          |
|   | <b><u>39,976</u></b>  | <u>39,728</u>  |

### 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 contingents rentals.

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

|                 | <b>2015</b>           | 2014           |
|-----------------|-----------------------|----------------|
|                 | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| Within one year | <b><u>14,207</u></b>  | <u>13,621</u>  |

## 16. CAPITAL COMMITMENTS

As at 31 December 2015, the Group had the following capital commitments:

|   | <b>2015</b>           | 2014           |
|---|-----------------------|----------------|
|   | <b><i>RMB'000</i></b> | <i>RMB'000</i> |
| Contracted, but not provided for, in respect of acquisition of property,<br>plant and equipment | <b><u>2,054</u></b>   | <u>2,657</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 2015 ("FY2015"), 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 FY2015, the Group opened 12 retail outlets and closed 12 retail outlets. As at 31 December 2015, the Group had 85 retail outlets located in Guangdong province of the PRC and the Macau Special Administrative Region of the PRC.

The following table sets forth the changes in the number of retail outlets of the Group during FY2015:

|                              | <b>For the year ended</b> |             |
|------------------------------|---------------------------|-------------|
|                              | <b>31 December</b>        |             |
|                              | <b>2015</b>               | 2014        |
| At the beginning of the year | <b>85</b>                 | 71          |
| Additions                    | <b>12</b>                 | 17          |
| Reductions                   | <b>12</b>                 | 3           |
|                              | <hr/>                     | <hr/>       |
| At the end of the year       | <b>85</b>                 | 85          |
|                              | <hr/> <hr/>               | <hr/> <hr/> |

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 31 December 2015:

| <b>Location</b> | <b>Number of<br/>retail outlets</b> |
|-----------------|-------------------------------------|
| Foshan          | 59                                  |
| Zhaoqing        | 14                                  |
| Zhuhai          | 8                                   |
| Guangzhou       | 1                                   |
| Yunfu           | 1                                   |
|                 | <hr/>                               |
| The PRC         | 83                                  |
| Macau           | 2                                   |
|                 | <hr/>                               |
| Total           | <u>85</u>                           |

### **Resumption of the Sales of the Other Transferred Products**

The Group ceased its sales of edible oils, rice and sugar (the “Other Transferred Products”) and its sales of tobacco products in late 2014 pursuant to the restrictions imposed on foreign-invested enterprise. At the same time, the relevant inventory was sold to Foshan Shunde Shente Trading Limited (“Foshan Shente”), an independent third party, and Foshan Shente took over the sales of the Other Transferred Products and tobacco products within the Group’s retail outlets as its concessionaire and its lessee, respectively. During the FY2015, the restriction on the Other Transferred Products was released. The Group purchased the inventory of the Other Transferred Products kept by Foshan Shente and resumed the sales of the Other Transferred Products from 10 April 2015. As at 31 December 2015, Foshan Shente remained as the Group’s lessee and operated the sales of the tobacco products.

Among those new retail outlets opened during the FY2015, the Group applied a new brand “Shiweixian (食為鮮)” to two particular new retail outlets opened in late 2015, which focused on fresh food in order to differentiate it from ordinary supermarkets.

### **General Wholesale**

During the FY2015, 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 from interested parties to franchise retail outlets under the “Ledi (樂的)” brand. 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 FY2015:

|                              | For the year ended |           |
|------------------------------|--------------------|-----------|
|                              | 31 December        |           |
|                              | 2015               | 2014      |
| At the beginning of the year | 26                 | 30        |
| Additions                    | 9                  | 4         |
| Reductions                   | 2                  | 8         |
|                              | <hr/>              | <hr/>     |
| At the end of the year       | <u>33</u>          | <u>26</u> |

## Online Supermarket

Pursuant to the relaxation of the restriction imposed on foreign-invested enterprise, the Group started its online supermarket operation on 11 April 2015. During the FY2015, the Group sold goods through its own online supermarket and online shops on the e-commerce platforms of “Weixin (微信)” and “JD.com (京東)”.

During the FY2015, the Group installed 49 “All-in-one machine” in its retail outlets. The customers can purchase goods through the “All-in-one machine” and choose the retail outlet from which they would like to pick up the goods. Such O2O business model allows customers to buy items without limitations in respect of the inventory kept by the retail outlet they visit.

The newly added distribution channel contributed less than 1% to the overall revenue from retail outlet operation for the FY2015.

## RECENT DEVELOPMENT

In January 2016, the Group started to introduce its employees as promoters for its online shop on the e-commerce platform of “Weixin”. The employees can refer selected goods to their friends through the social networking platform of “Weixin”. The Group provides commissions to those employees who successfully refer customers under such arrangement as an incentive.

In March 2016, the Group entered into a co-operation agreement with 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”), by which the Group will sell goods through “Hellogou” e-commerce platform and its retail outlet in Foshan and provide various advisory services to Hengli Limited for a term of five years. Hengli Limited will charge the Group with a commission of 2% on those sales through “Hellogou” e-commerce platform and the Group will entitle to share 70% of the revenue of Hengli Limited for the advisory services provided by the Group to Hengli Limited.

Hengli Limited, a wholly-owned subsidiary of Foshan Shente, obtained approval from Guangzhou Custom Bureau (廣州海關) to operate cross-border online sale of goods and approval from Guangdong Telecommunication Management Bureau (廣東省通信管理局) to run value-added services online. Hengli Limited established “Hellogou”, an e-commerce platform in 2015 on which both the PRC vendors and vendors outside the PRC could sell goods to the PRC customers. For products provided by vendors outside the PRC, the customers have to bear the import duties for baggage and the postal articles (行李和郵遞物品進口稅) which, in general, has a lower rate as compared to total taxes and custom duties chargeable on imported goods. This makes cross-border online sale of goods more competitive in pricing.

Hengli Limited has also set up a retail outlet in Foshan selling imported goods and displaying samples of overseas products. Once the customers scan the “Quick Response Code” on the price tags of the samples of oversea products using their mobile phones, they will get access to the “Hellogou” e-commerce platform to complete the transaction online and the goods will be sent to the customers directly either from overseas or custom controlled warehouse. Hengli Limited also had set up counters in 10 retail outlets of the Group to promote its “Hellogou” e-commerce platform and displaying samples of overseas products.

The Group agreed to provide advisory services to Hengli Limited including to look for new vendors for “Hellogou” e-commerce platform and franchisees for its retail outlets, promote the “Hellogou” e-commerce platform and monitor the vendor mix and product mix of its “Hellogou” e-commerce platform.

The Group joined a joint global procurement platform formed by numbers of sizable retailers in the PRC in late 2015 and the Group had started to purchase imported goods through such platform in January 2016. The Group is satisfied with the quality and variety of goods available on joint global procurement platform and will continue to utilize such procurement channel.

## **OUTLOOK AND PROSPECT**

For the year ending 31 December 2016, the management of the Group expects there will not be substantial changes in the market which the Group focuses on and the economy of the PRC will continue to grow slowly. The Group will target to open more retail outlets mainly within different property estates under the new brand “Shiweixian”. The strategy to open retail outlets within property estates focusing on fresh food is set after making reference to the customers’ growing preference on convenience and the daily need for fresh food. Since the Group is well-recognized by local communities in Foshan, the Group will set Foshan as the Group’s primary location for opening new retail outlets in order to secure better chance of success.

The Group is also building an O2O system similar to that being used in the retail outlet of Hengli Limited and will apply such system in O’ city, the flagship shop in Foshan. The Group expects the system will be ready by mid-2016 and the customers will get access to “Hellogou” e-commerce platform by scanning the “Quick Response Code” on the price tags of the goods they select.

The Group will aim at developing its strengths in selling fresh foods, imported goods and snack foods in order to differentiate itself from ordinary supermarkets. To achieve such goal, the Group will put more emphases on sourcing so as to improve both variety and quality of the items the Group offers.

The Group will shift the emphases of the Group’s online supermarket towards fresh foods so as to facilitate the image building and reduce the overlapping of the goods offered by the Group through “Hellogou” e-commerce platform and the Group’s online supermarket.

## **FINANCIAL REVIEW**

### **Revenue**

For the FY2015, the revenue of the Group was approximately RMB1,039.6 million, representing a decrease of approximately RMB13.7 million or 1.3% when compared with the year ended 31 December 2014 (“FY2014”). The revenue growth trend was distorted by the cessation of the sales of the tobacco products which amounted to RMB65.8 million in the FY2014.

For the FY2015, the Group’s revenue from retail outlet operation was approximately RMB785.5 million, representing a decrease of approximately RMB14.3 million or 1.8% when compared with FY2014. The drop was mainly caused by the cessation of the sales of the tobacco products in late 2014. Given that there was rental income from Foshan Shente, the cessation of the sales of the tobacco products did not have any significant impact on the Group’s profit for the FY2015 overall.

For the FY2015, the Group’s revenue from wholesale distribution operation was approximately RMB254.1 million, representing an increase of approximately RMB0.6 million or 0.2% when compared with FY2014. There was no significant change in exclusive distributorship rights and the revenue from wholesale distribution operation remained relatively stable.



## **Gross Profit Margin**

For the FY2015 and FY2014, the Group's gross profit margins were 19.3% and 17.4%, respectively. The increase was mainly due to the combined effect of the cessation of the sales of the tobacco products and the inclusion of Foshan Shente as the Group's lessee since no cost was reflected as cost of inventories sold for rental income receivable from Foshan Shente. During the FY2015, the Group's revenue included compensation received from the local government in the PRC of RMB10.2 million (FY2014: RMB4.2 million) under the Agricultural Fair Value Shop Scheme. The larger amount of compensation recorded during the FY2015 also affected the gross profit margin positively.

## **Other Operating Income**

For the FY2015, the Group's other operating income was approximately RMB45.5 million, representing an increase of approximately RMB21.7 million or 91.2% when compared with FY2014. The increase was mainly due to increased promotion income from suppliers as a result of increased promotional requests from the Group's suppliers and expanded retail outlet networks.

## **Selling and Distribution Costs**

For the FY2015, the Group's selling and distribution costs were approximately RMB152.9 million, representing an increase of approximately RMB19.6 million or 14.7% when compared with FY2014. The increase was mainly due to increased staff cost and property expenses as a result of business expansion and regular salary adjustment.

## **Administrative Expenses**

For the FY2015, the Group's administrative expenses were approximately RMB44.9 million, representing an increase of approximately RMB17.4 million or 63.3% when compared with FY2014. The increase was mainly due to the inclusion of listing expenses of RMB10.0 million for the FY2015 and increased staff cost as a result of business expansion and regular salary adjustment.

## **Finance Costs**

For the FY2015, the Group's finance costs were approximately RMB7.3 million, representing an increase of approximately RMB3.1 million or 72.6% when compared with FY2014. The increase was mainly due to the increase in bank borrowing to finance the Group's business expansion and to improve liquidity.

## **Income Tax Expenses**

For the FY2015, the Group's income tax expenses were approximately RMB12.3 million, representing an effective tax rate of 29.9%. The high effective tax rate was mainly caused by the large sum of listing expenses being not tax deductible.

## **Net Profit**

For the FY2015, the Group's net profit attributable to the Shareholders was approximately RMB28.6 million, representing a decrease of approximately RMB2.3 million or 7.5% when compared with FY2014. The decrease was mainly due to the inclusion of listing expenses of RMB10.0 million for the FY2015.

## **Total Comprehensive Income**

For the FY2015, the Group's total comprehensive income attributable to the Shareholders was approximately RMB31.1 million, representing an increase of approximately RMB0.4 million or 1.4% when compared with FY2014. The weakening of RMB against HK\$ led to an exchange gain on translating foreign operations of RMB2.5 million for the FY2015, which was reflected as other comprehensive income.

## **Capital Expenditure**

The Group's capital expenditure requirements mainly relate to additions of its property, plant and equipment for the newly opened retail outlets. For the FY2015, the Group spent RMB42.8 million on property, plant and equipment.

## **Liquidity and Financial Resources**

As at 31 December 2015, the Group had cash and cash equivalents of RMB200.6 million (as at 31 December 2014: RMB25.8 million), out of which RMB42.3 million was denominated in RMB and RMB158.3 million was denominated in HK\$ or MOP.

As at 31 December 2015, the Group had net current assets of RMB206.9 million (as at 31 December 2014: net current liabilities of RMB26.5 million).

As at 31 December 2015, the Group had net assets of RMB250.8 million (as at 31 December 2014: RMB70.6 million). As at 31 December 2015, the Group had unutilized banking facilities of RMB12.0 million. (as at 31 December 2014: RMB80.0 million).

## Indebtedness and Pledge of Assets

As at 31 December 2015, the Group had bank borrowings denominated in RMB of RMB132.0 million (as at 31 December 2014: RMB57.0 million) secured by:

- (i) the pledge of certain leasehold buildings of the Group with net carrying amount of RMB16.0 million (as at 31 December 2014: RMB15.0 million);
- (ii) the pledge of certain prepaid land lease of the Group with net carrying amount of RMB31.9 million (as at 31 December 2014: RMB28.9 million);
- (iii) the pledge of certain investment properties of the Group with net carrying amount of RMB2.6 million (as at 31 December 2014: RMB2.6 million).

Out of the bank borrowings of RMB132.0 million, RMB52.0 million was repayable within one year and RMB80.0 million was repayable after one year but within two years. The interests of those loans were reflected as floating rate basis in the loan contracts and were fixed ranging from 5.0% 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 FY2015:

|                          | As at/for the year ended |       |
|--------------------------|--------------------------|-------|
|                          | 31 December              |       |
|                          | 2015                     | 2014  |
| Debtor turnover days     | 19.8                     | 19.8  |
| Inventory turnover days  | 54.8                     | 44.9  |
| Creditor turnover days   | 61.9                     | 56.8  |
| Return on equity         | 11.4%                    | 44.1% |
| Return on total assets   | 4.9%                     | 8.0%  |
| Interest coverage ratio  | 6.7x                     | 11.0x |
| Gearing ratio            | 52.6%                    | 80.7% |
| Net debt to equity ratio | Net cash                 | 44.2% |
| Current ratio            | 1.8x                     | 0.9x  |
| Quick ratio              | 1.3x                     | 0.6x  |

Debtor turnover days, inventory turnover days and creditor turnover days were calculated with reference to the average of the opening and closing balance of the trade receivables, inventories and trade payables respectively. The Group maintained relatively stable credit terms throughout FY2015 and FY2014. Also, there was no significant changes in the credit terms obtained from the Group's suppliers during the FY2015. The challenging environment in the FY2015 hindered the revenue growth and as a result the inventory level and inventory turnover day both went up.

With the net proceeds from the Global Offering of RMB155.0 million, the amounts of equity and total assets increased significantly leading to reductions in return on equity (calculated based on net profit and equity attributable to the owners of the Company) and return on total assets.

With the net proceeds from the Global Offering of RMB155.0 million, the gearing ratio (calculated based on interest bearing debts and total equity), current ratio and quick ratio were largely improved. Also, the Group had a net cash position as at 31 December 2015 as a result of the Global Offering.

### **Foreign Currency Exposure**

Majorities of the Group's assets, liabilities and cash flows were denominated in RMB and HK\$. During the FY2015, 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 the depreciation of RMB was moderate. During the FY2015, 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 2015, 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 1,184 employees as at 31 December 2015, of which 1,154 employees worked in the PRC and 30 worked in Hong Kong and Macau. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training to staff and provides bonuses based upon staff performance and profits of the Group.

During the FY2015, the Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

## OTHER MATTERS

### LISTING

The shares of the Company (the “Shares”) were successfully listed on The Stock Exchange of Hong Kong Limited 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) which is intended to be applied in the manner as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus. The table below sets forth a summary of the utilisation of the net proceeds:

| <b>Intended Use</b>  | <b>Percentage<br/>allocated<br/>(%)</b> | <b>Amount<br/>allocated<br/>(RMB million)</b> | <b>Amount<br/>used as at<br/>31 December<br/>2015<br/>(RMB million)</b> |
|--|---|---|---|
| Opening of new retail outlets                                    | 75.4                                    | 116.9   | 1.0   |
| Information systems upgrades                                     | 7.2                                     | 11.2  | 2.5   |
| Upgrading and expanding the existing<br>two distribution centres | 8.6                                     | 13.3  | 0.5   |
| General working capital  | 8.8                                     | 13.6  | 13.6  |
| <b>Total</b>   | <b>100.0</b>                            | <b>155.0</b>                                  | <b>17.6</b>   |

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

## **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 2015.

## **EVENTS AFTER THE REPORTING PERIOD**

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 2015 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 2015, 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 AND BOOK CLOSE**

The Directors have recommended a final dividend of 10.0 HK cents per Share for the year ended 31 December 2015 payable to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 24 June 2016. Subject to the passing of the relevant resolution at the forthcoming annual general meeting expected to be held on Friday, 17 June 2016, the final dividend will be paid on or around Friday, 8 July 2016.

The register of members of the Company will be closed from Thursday, 16 June 2016 to Friday, 17 June 2016 (both days inclusive), during which period no transfer of the Shares will be registered. In order to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 17 June 2016, all share 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 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 15 June 2016.

In addition, the register of members of the Company will be closed from Thursday, 23 June 2016 to Friday, 24 June 2016 (both days inclusive) for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend. In order to determine the identity of the Shareholders who are entitled to the proposed final dividend, all share 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 22/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 June 2016.

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

Hong Kong, 29 March 2016

*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 and Ms. Lao Weiping; and the independent non-executive Directors are Mr. Guan Shiping, Mr. Sun Hong and Mr. Shin Yick Fabian.*