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CHINA SHUN KE LONG HOLDINGS LIMITED

中國順客隆控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 974)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board of directors (the “**Board**”, and the members of the Board, the “**Directors**”) of China Shun Ke Long Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021. The unaudited consolidated results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2021	2020	
	RMB'000	RMB'000	%
Revenue	408,721	469,349	-12.9%
Gross profit	57,781	65,604	-11.9%
Loss for the period	(11,946)	(2,378)	402.4%
	At	At	
	30 June	31 December	
	2021	2020	
	RMB'000	RMB'000	%
Total assets	585,171	600,282	-2.5%
Total liabilities	357,376	360,813	-1.0%
The number of retail outlets	71	71	0.0%
The number of franchise outlets	633	633	0.0%

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Six months ended 30 June	
		2021 <i>RMB'000</i> (unaudited)	2020 <i>RMB'000</i> (unaudited)
Revenue	4	408,721	469,349
Cost of inventories sold		<u>(350,940)</u>	<u>(403,744)</u>
Gross profit		57,781	65,605
Other operating income	4	18,563	16,679
Selling and distribution costs		(68,173)	(64,789)
Administrative expenses		(13,286)	(14,372)
Impairment loss recognised in respect of trade receivables		<u>(954)</u>	<u>—</u>
(Loss) profit from operations	5	(6,069)	3,123
Finance costs	6	<u>(5,877)</u>	<u>(4,928)</u>
Loss before tax		(11,946)	(1,805)
Income tax expense	7	<u>—</u>	<u>(573)</u>
Loss for the period		(11,946)	(2,378)
Other comprehensive income, item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		<u>272</u>	<u>75</u>
Loss and total comprehensive expense for the period		<u>(11,674)</u>	<u>(2,303)</u>
Loss for the period attributable to:			
— Owners of the Company		(11,861)	(2,488)
— Non-controlling interests		<u>(85)</u>	<u>110</u>
		<u>(11,946)</u>	<u>(2,378)</u>
Total comprehensive expense for the period attributable to:			
— Owners of the Company		(11,589)	(2,413)
— Non-controlling interests		<u>(85)</u>	<u>110</u>
		<u>(11,674)</u>	<u>(2,303)</u>
Loss per share — basic and diluted (<i>RMB</i>)	9	<u>(0.04)</u>	<u>(0.01)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>10</i>	38,810	39,946
Right-of-use assets	<i>11</i>	121,068	124,500
Investment properties	<i>10</i>	9,515	9,678
Deposits paid		8,996	12,320
Goodwill	<i>10</i>	—	—
		178,389	186,444
Current assets			
Inventories		112,733	143,926
Trade and bills receivables	<i>12</i>	50,208	35,440
Deposits paid, prepayments and other receivables		108,439	86,808
Amounts due from related companies	<i>14</i>	437	194
Financial assets at fair value through profit or loss		—	43,500
Cash and cash equivalents		134,965	103,970
		406,782	413,838
Current liabilities			
Trade payables	<i>13</i>	104,068	102,800
Deposits received, receipts in advance, accruals and other payables		25,063	27,405
Lease liabilities	<i>11</i>	35,053	31,535
Contract liabilities		14,251	14,016
Bank borrowings	<i>15</i>	108,000	108,000
Tax payable		—	247
		286,435	284,003
Net current assets		120,347	129,835
Total assets less current liabilities		298,736	316,279

		At 30 June 2021 <i>RMB'000</i> (unaudited)	At 31 December 2020 <i>RMB'000</i> (audited)
Non-current liabilities			
Lease liabilities	<i>11</i>	<u>70,941</u>	<u>76,810</u>
Net assets		<u>227,795</u>	<u>239,469</u>
CAPITAL AND RESERVES			
Share capital	<i>16</i>	2,387	2,387
Reserves		<u>224,184</u>	<u>235,773</u>
Equity attributable to owners of the Company		226,571	238,160
Non-controlling interests		<u>1,224</u>	<u>1,309</u>
Total equity		<u>227,795</u>	<u>239,469</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company											
	Share capital	Share premium	Special reserve	Merger reserve	Capital reserve	Statutory reserve	Capital		Retained earnings	Total	Non- controlling interests	Total
							contribution reserve	Translation reserve				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note a)	(Note b)	(Note c)	(Note d)	(Note e)						
At 1 January 2021 (audited)	2,387	169,904	84	(6,200)	200	15,756	873	4,902	50,254	238,160	1,309	239,469
Loss for the period	—	—	—	—	—	—	—	—	(11,861)	(11,861)	(85)	(11,946)
Other comprehensive income for the period												
Exchange differences arising on translation of financial statements from functional currency to presentation currency	—	—	—	—	—	—	—	272	—	272	—	272
Total comprehensive income (expense) for the period	—	—	—	—	—	—	—	272	(11,861)	(11,589)	(85)	(11,674)
At 30 June 2021 (unaudited)	<u>2,387</u>	<u>169,904</u>	<u>84</u>	<u>(6,200)</u>	<u>200</u>	<u>15,756</u>	<u>873</u>	<u>5,174</u>	<u>38,393</u>	<u>226,571</u>	<u>1,224</u>	<u>227,795</u>
At 1 January 2020 (audited)	2,387	169,904	84	(6,200)	200	15,477	873	6,563	67,034	256,322	1,275	257,597
(Loss) profit for the period	—	—	—	—	—	—	—	—	(2,488)	(2,488)	110	(2,378)
Other comprehensive income for the period												
Exchange differences arising on translation of financial statements from functional currency to presentation currency	—	—	—	—	—	—	—	75	—	75	—	75
Total comprehensive income (expense) for the period	—	—	—	—	—	—	—	75	(2,488)	(2,413)	110	(2,303)
At 30 June 2020 (unaudited)	<u>2,387</u>	<u>169,904</u>	<u>84</u>	<u>(6,200)</u>	<u>200</u>	<u>15,477</u>	<u>873</u>	<u>6,638</u>	<u>64,546</u>	<u>253,909</u>	<u>1,385</u>	<u>255,294</u>

Notes:

- (a) Special reserve represents the investment cost of a subsidiary which has been carved out of the Group as part of the reorganisation and the proceeds from disposal of that subsidiary.
- (b) The merger reserve of the Group arose as a result of the reorganisation. As at 30 June 2021 and 2020, the balance of the merger reserve included the deemed distribution upon the acquisition of a subsidiary from the controlling shareholders as part of the reorganisation.
- (c) Capital reserve represents the capital contribution from the previous shareholders to a subsidiary of the Group.
- (d) In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.
- (e) Capital contribution reserve of the Group represented the capital contribution upon acquisition of the net assets of a subsidiary pursuant to a group reorganisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Cash flows from operating activities		
Net cash from (used in) operating activities	10,171	(20,022)
Investing activities		
Proceeds from disposals of financial assets at fair value through profit or loss (“FVTPL”)	43,789	60,458
Interest received	1,461	747
Proceeds from disposals of property, plant and equipment	257	9
Withdrawal of deposit with a bank	—	25,243
Purchases of property, plant and equipment	(4,305)	(1,426)
Purchases of financial assets at FVTPL	—	(63,500)
Net cash from investing activities	41,202	21,531
Financing activities		
Bank borrowings repaid	(108,000)	—
Repayment of capital element of lease liabilities	(18,557)	(13,756)
Interest paid on lease liabilities and bank borrowings	(5,877)	(4,928)
New bank borrowings raised	108,000	—
Government grants	3,786	2,436
Net cash used in financing activities	(20,648)	(16,248)
Net increase (decrease) in cash and cash equivalents	30,725	(14,739)
Cash and cash equivalents at 1 January	103,970	122,635
Effect of foreign exchange rate changes	270	75
Cash and cash equivalents at 30 June	134,965	107,971

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

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

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

The condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“**IFRSs**”), which include IFRSs, International Accounting Standards, amendments and interpretations issued by the IASB and the IFRS Interpretations Committee of the IASB.

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16

Interest Rate Benchmark Reform
— Phase 2

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

3. OPERATING SEGMENT INFORMATION

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

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

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

Segment revenue and results

For the six months ended 30 June 2021 (unaudited):

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
From external customers	335,552	73,169	—	408,721
From inter-segment	<u>27,571</u>	<u>8,760</u>	<u>(36,331)</u>	<u>—</u>
Reportable segment revenue	<u>363,123</u>	<u>81,929</u>	<u>(36,331)</u>	<u>408,721</u>
Reportable segment loss	<u>(9,322)</u>	<u>(998)</u>	<u>—</u>	<u>(10,320)</u>
Other corporate income				11
Other corporate expenses				<u>(1,637)</u>
Loss before tax				<u>(11,946)</u>

For the six months ended 30 June 2020 (unaudited):

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
From external customers	366,136	103,213	—	469,349
From inter-segment	<u>22,641</u>	<u>11,844</u>	<u>(34,485)</u>	<u>—</u>
Reportable segment revenue	<u>388,777</u>	<u>115,057</u>	<u>(34,485)</u>	<u>469,349</u>
Reportable segment profit (loss)	<u>604</u>	<u>(508)</u>	<u>—</u>	96
Other corporate income				239
Other corporate expenses				<u>(2,140)</u>
Loss before tax				<u>(1,805)</u>

Inter-segment sales are charged at prevailing market rates.

Geographic information

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

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		At 30 June	At 31 December
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(audited)
The PRC (place of domicile)	398,934	457,413	169,367	174,122
Macau	9,787	11,936	—	—
Hong Kong	—	—	26	2
	408,721	469,349	169,393	174,124

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

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

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

The Group's revenue from external customers is derived from the PRC and Macau. No single customer of the Group contributed 10% or more to the Group's revenue for the six months ended 30 June 2021 and 2020.

4. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

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

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
— Sales of goods		
General retail sales under retail outlet operation	317,959	354,839
Bulk sales under retail outlet operation	6,801	2,658
General wholesales under wholesale distribution	73,169	103,213
— Services rendered		
Commission from concessionaire sales under retail outlet operation	768	—
	<u>398,697</u>	<u>460,710</u>
Revenue from other sources		
Rental income from subleasing certain retail areas under retail outlet operation		
— Lease payments that are fixed	10,024	8,639
	<u>10,024</u>	<u>8,639</u>
	<u>408,721</u>	<u>469,349</u>

Disaggregation of revenue from contracts with customers by timing of recognition

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Timing of revenue recognition		
At a point of time	<u>398,697</u>	<u>460,710</u>

(b) Other operating income

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gain on lease termination	265	—
Government grants	3,786	2,436
Interest income on bank deposits	672	747
Interest income from financial assets at FVTPL	289	458
Promotion income from suppliers	8,337	10,474
Net rental income from investment properties	1,293	1,610
Others	3,921	954
	18,563	16,679

5. (LOSS) PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	5,276	5,789
Depreciation of investment properties	163	345
Depreciation of right-of-use assets	19,903	12,904
Employee benefits expenses (including directors' remuneration):		
— Wages and salaries	29,688	33,994
— Pension scheme contributions	4,543	1,454
— Other benefits	775	244
	35,006	35,692
Loss on disposals of property, plant and equipment	—	80

6. FINANCE COSTS

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest on:		
Bank borrowings	2,853	2,960
Lease liabilities	3,024	1,968
	<u>5,877</u>	<u>4,928</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Current — the PRC		
Charge for the period	<u>—</u>	<u>573</u>

The Group is not subject to any income tax under the jurisdiction of the Cayman Islands and the British Virgin Islands for the six months ended 30 June 2021 and 2020.

No provision for Hong Kong Profits Tax has been provided as the Group has no estimated assessable profits arising in Hong Kong for the six months ended 30 June 2021 and 2020.

The Group's subsidiaries in the PRC are subject to Enterprise Income Tax at the rate of 25% based on the estimated assessable profits for the six months ended 30 June 2021 and 2020.

From 1 January 2019 to 31 December 2021, under relevant PRC Enterprise Income Tax Law, for PRC enterprises that qualifies for small enterprises, annual taxable income below RMB3 million and thin-profit enterprises with an annual taxable income of RMB1 million or less are applicable to the effective tax rate of 5%. Where their annual taxable income exceeds RMB1 million but does not exceed RMB3 million, the RMB1 million portion will be subject to an effective tax rate of 5%, whereas the excess portion will be subject to the effective tax rate of 10%. Certain of the Group's subsidiaries were qualified for the six months ended 30 June 2021 and 2020.

The Law of the PRC on Enterprise Income Tax allows enterprises to apply for the certificates of "High and New Technology Enterprise" ("HNTTE") which entitles the qualified companies to a preferential income tax rate of 15%. 廣東省順客隆商業連鎖有限公司, a PRC subsidiary of the Group, has been qualified as a HNTTE in 2017 and its income tax rate is 15% for the six months ended 30 June 2021 and 2020.

The Group's subsidiaries in Macau are subject to Complementary Tax at rate of 12% based on estimated assessable profits for the six months ended 30 June 2021 and 2020. During the six months ended 30 June 2021 and 2020, no Macau Complementary Income Tax has been provided as there were no assessable profits generated.

8. DIVIDEND

No dividend was paid or proposed for the six months ended 30 June 2021 (six months ended 30 June 2020: nil), nor has any dividend been proposed since the end of the reporting period (2020: nil).

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(11,861)	(2,488)
	Six months ended 30 June	
	2021	2020
	Shares	Shares
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	290,457,000	290,457,000

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

10. CAPITAL EXPENDITURES

	Property, plant and equipment <i>RMB'000</i>	Investment properties <i>RMB'000</i>	Goodwill <i>RMB'000</i>
Opening carrying amount as at 1 January 2021 (audited)	39,946	9,678	—
Additions	4,305	—	—
Disposals	(157)	—	—
Depreciation/amortisation (<i>Note 5</i>)	(5,276)	(163)	—
Exchange adjustment	(8)	—	—
	<hr/>	<hr/>	<hr/>
Carrying amounts as at 30 June 2021 (unaudited)	38,810	9,515	—
	<hr/>	<hr/>	<hr/>
Opening carrying amount as at 1 January 2020 (audited)	44,506	10,005	—
Additions	1,426	—	—
Disposals	(89)	—	—
Depreciation/amortisation (<i>Note 5</i>)	(5,789)	(345)	—
Exchange adjustment	11	—	—
	<hr/>	<hr/>	<hr/>
Carrying amounts as at 30 June 2020 (unaudited)	40,065	9,660	—
	<hr/>	<hr/>	<hr/>

Assets with carrying amounts of RMB157,000 were disposed of by the Group during the six months ended 30 June 2021, resulting in a net gain on disposal of RMB100,000 (30 June 2020: loss of RMB80,000).

As at 30 June 2021 and 31 December 2020, certain buildings with carrying amounts of RMB11,208,000 and RMB11,388,000 respectively have been pledged to the bank for banking facilities granted to the Group (Note 15).

As at 30 June 2021 and 31 December 2020, certain investment properties with carrying amounts of RMB9,271,000 and RMB9,424,000 respectively have been pledged to the bank for banking facilities granted to the Group (Note 15).

11. LEASES

(i) Right-of-use assets

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Other properties leased for own use	97,756	100,752
Ownership interests on leasehold land	23,312	23,748
	<u>121,068</u>	<u>124,500</u>

At 30 June 2021, right-of-use assets of RMB23,312,000 (31 December 2020: RMB23,748,000) represents land use rights locating in the PRC.

As at 30 June 2021, certain ownership interests on leasehold land with carrying amounts of approximately RMB18,734,000 (31 December 2020: RMB19,008,000) have been pledged to the bank for banking facilities granted to the Group (Note 15).

The Group has lease arrangements for retail outlets, warehouses and office premises. The lease terms are generally ranged from thirteen months to nineteen years at fixed rentals. The Group has also entered into short-term leases arrangements in respect of retail outlets, warehouses and office premises. One of the properties leased contains variable lease payment terms that are linked to sales generated from the relevant leased retail outlet and with minimum lease payment terms. During the six months ended 30 June 2021 and 2020, no expenses related to variable lease payments of the lease were recognised into profit or loss.

Additions to the right-of-use assets for the six months ended 30 June 2021 amounted to RMB18,787,000 (six months ended 30 June 2020: RMB4,868,000), due to new leases of retail outlets, warehouse and office premises and renewal of existing leases.

During the six months ended 30 June 2021 and 2020, the Group has subleased part of the rented retail outlets. The Group has classified the sublease as operating leases. During the six months ended 30 June 2021 and 2020, the Group recognised rental income from subleasing right-of-use assets of RMB10,024,000 (six months ended 30 June 2020: RMB8,639,000).

(ii) Lease liabilities

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Non-current	70,941	76,810
Current	35,053	31,535
	105,994	108,345
	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Analysed into payable		
Within one year	35,053	31,535
After one year but within two years	30,363	29,880
After two years but within five years	37,618	42,051
After five years	2,960	4,879
	105,994	108,345
Less: amount due for settlement within 12 months (shown under current liabilities)	(35,053)	(31,535)
Amount due for settlement after 12 months	70,941	76,810

During the six months ended 30 June 2021, the Group entered into new leases of retail outlets and renewed existing leases of RMB18,787,000 (six months ended 30 June 2020: RMB4,868,000).

(iii) Amounts recognised in profit or loss

	30 June 2021 RMB'000 (unaudited)	30 June 2020 RMB'000 (unaudited)
Depreciation of right-of-use assets by class of underlying asset:		
Other properties leased for own use	19,467	12,576
Ownership interests in leasehold land	436	328
	19,903	12,904
Gain on lease termination	265	—
Interest expenses on lease liabilities	3,024	1,968
Expense relating to short-term leases	3,633	8,499

(iv) Others

During the six months ended 30 June 2021, the total cash outflow for leases amount to RMB25,214,000 (six months ended 30 June 2020: RMB24,223,000).

12. TRADE AND BILLS RECEIVABLES

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Trade receivables	51,617	36,620
Less: allowance for impairment of trade receivables	<u>(2,455)</u>	<u>(1,501)</u>
	49,162	35,119
Bills receivables	<u>1,046</u>	<u>321</u>
	<u>50,208</u>	<u>35,440</u>

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within 30 days	18,758	18,894
31 to 60 days	17,643	5,649
61 to 180 days	10,146	7,053
181 to 365 days	1,502	2,849
Over 1 year	<u>1,113</u>	<u>674</u>
	<u>49,162</u>	<u>35,119</u>

13. TRADE PAYABLES

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

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Current to 30 days	31,917	35,455
31 to 60 days	18,383	19,425
61 to 180 days	30,951	32,631
181 to 365 days	9,884	7,182
Over 1 year	<u>12,933</u>	<u>8,107</u>
	<u>104,068</u>	<u>102,800</u>

14. AMOUNTS DUE FROM RELATED COMPANIES

As at 30 June 2021 and 31 December 2020, the amounts due from related companies are trade-related, unsecured, interest-free and repayable within 3 months based on invoice date. All of the amounts at the end of the respective reporting periods, based on the invoice date, are within 30 days. The carrying amounts approximate to their fair values.

15. BANK BORROWINGS

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Secured bank borrowings	<u>108,000</u>	<u>108,000</u>
Carrying amount repayable:*		
Within one year	<u>108,000</u>	<u>108,000</u>

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

As at 30 June 2021 and 31 December 2020, the bank borrowings were denominated in RMB, bore interest at fixed rate of 5.23% (2020: 5.23%) per annum.

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

- (i) the pledge of certain buildings of the Group with carrying amounts of RMB11,208,000 and RMB11,388,000 as at 30 June 2021 and 31 December 2020 respectively (Note 10);
- (ii) the pledge of certain right-of-use assets of the Group with carrying amounts of RMB18,734,000 and RMB19,008,000 as at 30 June 2021 and 31 December 2020 respectively (Note 11);
- (iii) the pledge of certain investment properties of the Group with carrying amounts of RMB9,271,000 and RMB9,424,000 as at 30 June 2021 and 31 December 2020 respectively (Note 10).

16. SHARE CAPITAL

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Authorised: 2,000,000,000 ordinary shares of HK\$0.01 each	<u>15,826</u>	<u>15,826</u>
Issued and fully paid: 290,457,000 ordinary shares of HK\$0.01 each	<u>2,387</u>	<u>2,387</u>

17. OPERATING LEASE ARRANGEMENTS

The Group as a lessor

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

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

	30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)
Within one year	19,029	17,231

18. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB18,787,000 and RMB18,787,000 respectively, in respect of lease arrangements for retail outlets (six months ended 30 June 2020: RMB4,868,000 and RMB4,868,000 respectively).

During the six months ended 30 June 2021, the Group had non-cash reductions to right-of-use assets and lease liabilities of RMB2,316,000 (six months ended 30 June 2020: nil) and RMB2,581,000 (six months ended 30 June 2020: nil) respectively, in respect of early termination of leases.

19. FAIR VALUE

The financial assets stated at FVTPL are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial assets stated at FVTPL is determined (in particular, the valuation techniques and inputs used).

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
		30 June 2021 RMB'000 (unaudited)	31 December 2020 RMB'000 (audited)				
Wealth management product	Level 2	—	43,500	Present value quoted by the relevant bank	N/A	N/A	N/A

During the current period, there were no transfers between levels of fair value hierarchy.

The directors of the Company consider that the carrying amounts of other current financial assets and financial liabilities recorded at amortised cost using the effective interest rate method in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

20. RELATED PARTY TRANSACTIONS

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

Related party relationship	Nature of transaction	Six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Related companies (<i>Note a</i>)	Sale of goods (<i>Note a</i>)	1,261	—
	Rental expense paid (<i>Note b</i>)	276	482

Notes:

- (a) The consideration of sale transactions are based on (i) historical transaction prices and amount; (ii) prevailing market prices; and (iii) discount rate offered to bulk purchase customers. The credit period for sales to related parties is within 90 days.
- (b) During the year ended 31 December 2019, the Company entered into a one-year lease in respect of other office premises from a fellow subsidiary of the Group's holding company. The amount of rent payable by the Company under the lease was HK\$88,000 (equivalent to RMB76,446 (2019: RMB77,968)) per month. During the six months ended 30 June 2020, the Group has made lease payment of RMB482,000 (2021: nil) to the fellow subsidiary of the Group's holding company, where the lease is accounted for as a short-term lease.

During the year ended 31 December 2020, the Company entered into a one-year lease in respect of other office premises from a fellow subsidiary of the Group's holding company. The amount of rent payable by the Company under the lease was HK\$55,000 (equivalent to RMB47,779) per month. During the six months ended 30 June 2021, the Group has made lease payment of RMB276,000 (2020: nil) to the fellow subsidiary of the Group's holding company, where the lease is accounted for as a short-term lease.

- (ii) Compensation of key management personnel of the Group, including directors' remuneration, is as follows:

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Salaries, allowances and benefits in kind	1,049	3,962
Pension scheme contributions	105	46
	<u>1,154</u>	<u>4,008</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

China Shun Ke Long Holdings Limited (the “**Company**”, collectively referred to as the “**Group**” with its subsidiaries) 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 period ended 30 June 2021 (“**the First Half**” or the “**Period**”), the Group maintained both retail and wholesale distribution channels. The Group’s focus on the suburban and rural areas of the PRC made it different from other major players in the market.

Retail Outlets

During the Period, the Group opened 1 retail outlet and closed 1 retail outlet. As at 30 June 2021, the Group had a total of 71 retail outlets, 69 retail outlets in Guangdong province of the PRC and 2 retail outlets in the Macau Special Administrative Region of the PRC (“**Macau**”) respectively.

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

	For the Period/year ended	
	30 June 2021	31 December 2020
At the beginning of the Period/year	71	70
Additions	1	5
Reductions	(1)	(4)
	<hr/>	<hr/>
At the end of the Period/year	71	71
	<hr/>	<hr/>

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 30 June 2021:

Location	Number of retail outlets as at	
	30 June 2021	31 December 2020
Foshan	53	53
Zhaoqing	7	7
Zhuhai	5	5
Guangzhou	3	3
Shenzhen	1	1
	<hr/>	<hr/>
Guangdong province of the PRC	69	69
Macau	2	2
	<hr/>	<hr/>
Total	71	71
	<hr/>	<hr/>

General Wholesale

During the Period, the Group managed to keep all sole and exclusive distribution rights it gained before. The Group maintained sole and exclusive distribution rights for 26 brands covering Foshan, Jiangmen and Zhaoqing. The exact coverage of the sole and exclusive distribution rights varied among those 26 brands. Instead of developing the size of general wholesale customer base, the Group put more emphasis on gaining more sub-distributors rather than retailers as the Group's customers.

Franchise Operation

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

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

	For the Period/year ended	
	30 June 2021	31 December 2020
At the beginning of the Period/year	633	670
Reductions	—	(37)
	<hr/>	<hr/>
At the end of the Period/year	633	633
	<hr/>	<hr/>

RECENT DEVELOPMENT AND OUTLOOK

2021 may be a watershed in the retail sector due to the coronavirus disease pandemic (the “COVID-19”), which has eased in the PRC. During the post-COVID-19 period, the consumption habits and business development of the retail sector have undergone significant changes. Online channels have penetrated into all walks of life and become the standard for retail companies. At the same time, the emergence of community group buying has impacted retail store operators. In the First Half, the overall brick-and-mortar retail sector experienced a decline both in the volume of customers and sales. Some of small companies with unstable foundations were swept away by this wave, sounding a wake-up call for retail companies. As the overall market has become more chaotic, our country has tightened online supervision, and the entire sector has calmed down accordingly.

With such fierce competition, the traditional supermarket sector must change its business model, and actively and quickly look for breakthroughs to adapt to market changes. The key is to develop itself, focus on the upgrading and change of business, and develop in a more professional and refined way. The advantage of brick-and-mortar retail companies is that we have offline outlets that are close to customers. What we need to do is to place more emphasis on fresh food management and customer’s shopping experience, so that the store is not only a place for selling goods, but also a “third space” in our lives. While paying attention to fresh food, we should also concurrently engage in wholesale and retail, and actively expand online platforms to integrate online and offline sales.

Due to the overall sluggish environment of the retail sector in the First Half, the Group’s results also fluctuated. Operating revenue decreased by 12.92% and net loss increased by 402.4% comparing with the same period last year. The decrease in operating revenue and the increase in net loss were mainly attributed to (i) a year-on-year decline of approximately RMB30.584 million in the Group’s retail sales impacted by online shopping, community group buying and other new retail formats, and a decrease in the demand for anti-pandemic supplies because of the easing of the COVID-19; (ii) a year-on-year decrease of RMB 30.04 million in the Group’s wholesale distribution revenue due to the closure of the catering industry during the COVID-19 epidemic, the reduction of distribution brands in some regional companies, and the impact on bulk wholesale fruit sales among the overseas markets because of the COVID-19 epidemic; and (iii) a year-on-year increase of approximately RMB2.9 million in the leasing charges of the Group’s retail stores.

The Group responded prudentially and decisively took the following major measures in the First Half to slow down the decline in results: (i) in order to keep up with market trends, the Group continued to effectively promote online sales by using new sales ways such as live commerce, resulting in a year-on-year increase of approximately 210% in online sales; (ii) successfully established demonstration stores of “Shun Ke Long Fresh Hub” and such profit business model effectively improved the results of 7 “Shun Ke Long Fresh Hub”, therefore, the Group will consider the development of franchised stores of “Shun Ke Long Fresh Hub”, making them an extension of business model of “Shun Ke Long Fresh Hub”, so that all franchisees can achieve business profits; (iii) the upgrading and renovation of 9 brick-and-mortar stores were completed in the First Half, and the sales of these stores increased by more than 10%; (iv) by strengthening cooperation with suppliers, the Group accurately grasped the sales methods and market trends of some commodities and daily necessities such as tobacco and alcohol, so that the gross profit margin of those commodities effectively increased by about 2%; (v) 12 new vegetable and fruit bases were newly developed, and the direct procurement method from bases effectively reduced the procurement costs. Approximately 30% of the single product purchase cost of vegetables dropped by over 5%; and (vi) the Group established the “Yu Bang Hang Parity Wholesale and Retail Outlets” to develop wholesale and retail parity stores and realise the integration of wholesale and retail, and explore a reproducible profit model of Yubang Hang wholesale and retail cheap stores, which were expected to become a new business model that contributed to the development of the Group.

Despite the current complex operating environment of the retail sector, the Group will continue to develop into an influential leading retailer in the Pearl River Delta region, and continue to explore the consumption potential in Foshan, Zhaoqing, and Zhuhai, while exploring new markets outside Guangdong province, such as Hainan province that has favourable policies. Through reform transformation and innovation improvement, the Group will adhere to the marketing strategy of “retail + wholesale + bulk trade + online and offline integration + community marketing”, which is based on brick-and-mortar retail and with online and offline omnichannel sales as the development direction, in order to stabilize revenue. In addition to continuing to take the above measures, the Group will also conduct the following tasks in the second half of 2021: (i) the Group will continue to pay attention to projects with government subsidies and actively stabilize revenue; (ii) the Group will follow the local government’s boosting measures and launch projects in relation to poverty alleviation provinces and bases through exclusive distribution to increase revenue and enhance the reputation for the Group in response to the central government’s rural revitalization strategy; (iii) the Group will continuously carry out the practical training and assessment work for “Shun Ke Long Fresh Hub” staff to build an echelon of fresh food talents and store managers, so as to consolidate the business development of “Shun Ke Long Fresh Hub”; (iv) the Group will continue to expand online platforms, and successively develop and launch the Group’s own source code mini programs to achieve a combination of online and offline sales; and (v) the Group will pay great attention to the hot and promotional sales nodes and activities in the second half of 2021, including e-commerce shopping festivals such as Double Eleven and Double Twelfth, as well as offline promotional activities such as Mid-Autumn Festival and 21% off year-end promotions.

FINANCIAL REVIEW

Revenue

For the Period, the revenue of the Group was approximately RMB408,721,000, representing a decrease of approximately RMB60,628,000 or 12.92% when compared with the same period in 2020. The decrease in revenue was mainly due to the impact of new retail forms such as online shopping and community group purchase, and the reduction in demand for anti epidemic materials which resulted from the easing of the COVID-19 pandemic.

For the Period, the Group's revenue from retail outlets operation was approximately RMB335,552,000, representing a decrease of approximately RMB30,584,000 or 8.35% when compared with the same period in 2020. The decrease was mainly due to the impact of new retail forms such as online shopping and community group purchase, and the reduction in demand for anti epidemic materials which resulted from the easing of the COVID-19 pandemic.

For the Period, the Group's revenue from wholesale distribution operation was approximately RMB73,169,000, representing a drop of approximately RMB30,044,000 or 29.11% when compared with the same period in 2020. The decrease was mainly due to the suspension of the catering industry and the reduction of distribution brands by some regional companies during the pandemic. In addition, the COVID-19 pandemic situation abroad also affected the bulk sales of fruit.

Gross Profit Margin

For the Period and the same period in 2020, the Group's gross profit margins were approximately 14.1% and approximately 14.0% respectively, basically same in both periods.

Other Operating Income

For the Period, the Group's other operating income was approximately RMB18,563,000, representing an increase of approximately RMB1,884,000 or 11.3% when compared with the same period in 2020. The increase was mainly due to the increase in government grants and the increase in concessionaire.

Selling and Distribution Costs

For the Period, the Group's selling and distribution costs were approximately RMB68,173,000, representing an increase of approximately RMB3,384,000 or 5.22% when compared with the same period in 2020. The increase was mainly due to the increase in rental of rental outlets and contributions on pension scheme.

Administrative Expenses

For the Period, the Group's administrative expenses were approximately RMB13,286,000, representing a decrease of approximately RMB1,086,000 or 7.56% when compared with the same period in 2020. The decrease was mainly due to the decrease in staff costs and office fees.

Finance Costs

For the Period, the Group's finance costs were approximately RMB5,877,000, representing an increase of approximately RMB949,000 or 19.26% when compared with the same period in 2020. The increase was mainly due to the increase in finance costs resulting from lease liabilities.

Income Tax Expense

During the Period, the Group's income tax expense was nil, representing a decrease of approximately RMB573,000 or 100% comparing with the same period in 2020. The significant decrease was due to the fact that the operating companies have no estimated assessable profits during the Period and thus no need to pay corporate income tax.

Net Loss

During the Period, the Group's net loss attributable to the owners was approximately RMB11,861,000, representing a increase of approximately 377% when compared with the same period in 2020. The loss was mainly due to decrease in gross profit as a result of decrease in sales.

Total Comprehensive Expense

For the Period, the Group's total comprehensive expense attributable to the owners were approximately RMB11,589,000, representing an increase of approximately 380% when compared with the same period in 2020. The loss was mainly due to decrease in gross profit as a result of decrease in sales.

Capital Expenditures

The Group's capital expenditure requirements mainly relate to additions of its property, plant and equipment for the opening of new retail outlet and renovation of existing retail outlets. The Group spent approximately RMB4,305,000 on property, plant and equipment during the Period.

Use of Proceeds

The shares of the Company (the “**Shares**”) were successfully listed (the “**Listing**”) on the Main Board of 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. The net proceeds from the Global Offering, after deducting underwriting fees and related expenses, amounted to approximately HK\$188,600,000 (equivalent to approximately RMB155,000,000), was intended to be applied in the manner as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

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

	Original allocation of net proceeds		Revised allocation of net proceeds		Utilisation as at 30 June 2021		Remaining balance of net proceeds as at 30 June 2021	
	<i>equivalent RMB million</i>	<i>% of net proceeds</i>	<i>equivalent RMB million</i>	<i>% of net proceeds</i>	<i>equivalent RMB million</i>	<i>% of net proceeds</i>	<i>equivalent RMB million</i>	<i>% of net proceeds</i>
Opening of new retail outlets	116.9	75.4%	74.4	48.0%	41.86	27.0%	32.54	21.0%
Upgrading existing retail outlets	–	0.0%	14.6	9.4%	14.6	9.4%	0	0%
Repayment of bank borrowings	–	0.0%	27.9	18.0%	27.9	18.0%	0	0%
Information systems upgrades	11.2	7.2%	11.2	7.2%	11.2	7.2%	0	0%
Upgrading and expanding the existing two distribution centres	13.3	8.6%	13.3	8.6%	4.0	2.6%	9.3	6.0%
General working capital	13.6	8.8%	13.6	8.8%	13.6	8.8%	0	0%
Total	155.0	100.0%	155.0	100.0%	113.16	73.0%	41.84	27.0%

Liquidity and Financial Resources

As at 30 June 2021, the Group had cash and cash equivalents of approximately RMB134,965,000 (31 December 2020: approximately RMB103,970,000), out of which approximately RMB124,064,000 was denominated in RMB and approximately RMB10,901,000 was denominated in HK\$ or MOP.

As at 30 June 2021, the Group had net current assets of approximately RMB120,347,000 (31 December 2020: approximately RMB129,835,000) and net assets of approximately RMB227,795,000 (31 December 2020: approximately RMB239,469,000). As at 30 June 2021, the Group did not have unutilised banking facilities (31 December 2020: nil).

As at 30 June 2021, trade receivables and deposits paid, prepayments and other receivables were RMB167,643,000 (31 December 2020: approximately RMB134,568,000). The increase of RMB33,075,000 or 24.58% in trade receivables and deposits paid, prepayments and other receivables were mainly due to (i) longer credit terms granted by the Group to some new low-credit-risk customers who are state-owned companies, banks or the government; (ii) prepaid rental by the Group in order to be eligible for the rental reduction; and (iii) pre-purchase of more people's livelihood food such as frozen meat and fruit for strategy sales, which attributed to the increase in deposits, prepayments and other receivables.

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

On 21 October 2019, the Board announced that the Company, through its subsidiary, Guangdong Province Shun Ke Long Commerce Limited* 廣東省順客隆商業連鎖有限公司 (“**Guangdong SKL**”) began to subscribe for up to RMB60 million of wealth management product from Shunde Rural Commercial Bank with expected annualised return rate of 2.80% to 3.00%. As at 30 June 2021, Guangdong SKL did not hold any of the wealth management product.

Significant Investments

The Group did not hold any significant investments during the Period.

Material Acquisitions and Disposals

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

Indebtedness and Pledge of Assets

As at 30 June 2021, the Group had bank borrowings approximately RMB108,000,000 (as at 31 December 2020: approximately RMB108,000,000) secured by:

- (i) the pledge of certain buildings of the Group with carrying amounts of approximately RMB11,208,000 (31 December 2020: approximately RMB11,388,000);
- (ii) the pledge of certain right-of-use assets of the Group with carrying amounts of approximately RMB18,734,000 (31 December 2020: approximately RMB19,008,000); and
- (iii) the pledge of certain investment properties of the Group with carrying amounts of approximately RMB9,271,000 (31 December 2020: approximately RMB9,424,000).

All those bank borrowings were repayable within a year. The interests of those loans were at fixed rate of 5.23% per annum (31 December 2020: at fixed rate of 5.23% per annum).

Gearing Ratio

As of 30 June 2021, the Group's gearing ratio (the gearing ratio is equivalent to total debt divided by total equity) was approximately 47.4% (31 December 2020: 45.1%).

Foreign Currency Exposure

Majorities of the Group's assets, liabilities and cash flows were denominated in RMB and the management of the Company viewed that the change in exchange rate for RMB against foreign currencies did not have significant impact on the Group's financial position nor performance. During the Period, the Group did not engage in any hedging activities and the Group had no intention to carry out any hedging activities in the near future. The management of the Group will continue to closely monitor the foreign currency market and consider carrying out hedging activities when necessary.

Contingent Liabilities

As at 30 June 2021, 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 1,270 employees as at 30 June 2021, of which 1,238 employees worked in the PRC and 32 worked in Hong Kong and Macau. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training to staff and bonuses based upon staff performance and profit of the Group. During the Period, the Group had not caused any significant impact on its operation due to labour disputes nor had it experienced any difficulty in the recruitment of experienced staff. The Group maintains a good relationship with its employees.

INTERIM DIVIDEND

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Period.

SUFFICIENCY OF PUBLIC FLOAT

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

CHANGE IN INFORMATION OF DIRECTORS

The change in biographical details of the Directors subsequent to the publication of the Company's 2020 annual report is set out below:

- (i) Mr. Han Wei ("**Mr. Han**") has ceased to be the executive director of Feihang Yuanchuang Investment Co., Ltd* (飛航遠創投資有限公司) with effective from July 2017. Mr. Han has been appointed as deputy chairman of CCOOP Group Co., Ltd* (供銷大集集團股份有限公司) with effective from April 2021; and
- (ii) Mr. Wang Fu Lin has been appointed as supervisor of CCOOP Group Co., Ltd* (供銷大集集團股份有限公司) with effective from May 2021.

* For identification only

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. The Board is of the view that throughout the Period, the Company has complied with all the code provisions as set out in the CG Code.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules and paragraph C.3 of the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control procedures and risk management systems of our Group, to oversee the audit process and the relationship with external auditor, to review arrangements enabling employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company and to perform other duties and responsibilities as assigned by our Board. The Group's condensed consolidated financial statements for the six months ended 30 June 2021 were unaudited, but have been reviewed by the Audit Committee.

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

By order of the Board
China Shun Ke Long Holdings Limited
Du Xiaoping
Chairman and Executive Director

Hong Kong, 26 August 2021

As at the date of this announcement, the executive Directors are Mr. Du Xiaoping and Mr. Han Wei; the non-executive Director is Mr. Wang Fu Lin; and the independent non-executive Directors are Mr. Cheng Hok Kai Frederick, Mr. Wang Yilin and Mr. Zou Pingxue.