

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of China Shun Ke Long Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 28 August 2015 (the “**Prospectus**”) in relation to the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited. Reference is also made to the annual report of the Group for the year ended 31 December 2015 and the interim report of the Group for the six months ended 30 June 2016. Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as defined in the Prospectus.

The net proceeds from the Global Offering, after deducting the underwriting fees and commissions and other fees and expenses in relation to the Global Offering, was approximately HK\$188.6 million (equivalent to approximately RMB155.0 million). As disclosed in the Prospectus, the net proceeds were originally intended to be used by the Company in the following manner:

- (i) approximately 75.4%, or HK\$142.2 million (equivalent to approximately RMB116.9 million), is expected to be used to open 35 to 50 new supermarkets mainly in the third and fourth-tier cities in Guangdong province from the Listing Date to the first half of 2018, with an average gross floor area per supermarket of around 2,000 sq.m.;
- (ii) approximately 7.2%, or HK\$13.6 million (equivalent to approximately RMB11.2 million), is expected to be used for our information technology upgrades including enhancement to our existing information infrastructure to process and analyse big data, future upgrades of our O2O server system, and installation of interactive display panels and terminals in our Retail Outlets;

- (iii) approximately 8.6%, or HK\$16.2 million (equivalent to approximately RMB13.3 million), is expected to be used for upgrading and expanding the existing two distribution centres in Foshan and Zhaoqing, whereby such expansion is expected to be completed in two phases in the first half of 2016 and the second half of 2017, respectively; and
- (iv) approximately 8.8%, or HK\$16.6 million (equivalent to approximately RMB13.6 million), is expected to be used to fund our working capital and general corporate purposes which include the purchase costs of our products for sale.

As of the date of this announcement, the Group had used approximately HK\$8.5 million (equivalent to approximately RMB7.0 million) for opening of new outlets, approximately HK\$4.7 million (equivalent to approximately RMB3.9 million) for information systems upgrades, approximately HK\$1.9 million (equivalent to approximately RMB1.5 million) for upgrading and expanding the two existing distribution centres and approximately HK\$16.6 million (equivalent to approximately RMB13.6 million) for general working capital. As such, the unutilized net proceeds from the Global Offering amount to approximately HK\$156.9 million (equivalent to approximately RMB129.0 million).

CHANGE IN USE OF PROCEEDS

For reasons stated below, the Board has resolved to change the use of net proceeds in the manner as set out below:

	Original allocation of net proceeds			Utilisation as at the date of this announcement			Remaining balance of net proceeds as at the date of this announcement			Revised allocation of the net proceeds		
	RMB			RMB			RMB			RMB		
	HK\$ million	equivalent million	% of net proceeds	HK\$ million	equivalent million	% of net proceeds	HK\$ million	equivalent million	% of net proceeds	HK\$ million	equivalent million	% of net proceeds
Opening of new outlets	142.2	116.9	75.4%	8.5	7.0	4.5%	133.7	109.9	70.9%	90.5	74.4	48.0%
Upgrading existing outlets	-	-	0.0%	-	-	0.0%	-	-	0.0%	17.7	14.6	9.4%
Repayment of bank borrowings	-	-	0.0%	-	-	0.0%	-	-	0.0%	34.0	27.9	18.0%
Information systems upgrades	13.6	11.2	7.2%	4.7	3.9	2.5%	8.9	7.3	4.7%	13.6	11.2	7.2%
Upgrading and expanding the existing two distribution centres	16.2	13.3	8.6%	1.9	1.5	1.0%	14.3	11.8	7.6%	16.2	13.3	8.6%
General working capital	16.6	13.6	8.8%	16.6	13.6	8.8%	-	-	0.0%	16.6	13.6	8.8%
Total	188.6	155.0	100.0%	31.7	26.0	16.8%	156.9	129.0	83.2%	188.6	155.0	100.0%

REASONS FOR CHANGE IN USE OF PROCEEDS

The Board constantly evaluates the prospect of the retail market and condition of the PRC's economic condition to determine the most efficient and effective method to deploy the Group's resources. The Board considers that if the net proceeds were still allocated as the original manner stipulated in the Prospectus, it would not be cost effective and at the best interest of the Company and its shareholders. In view of the recent slowdown in economic growth in the PRC, the Company has been slowing down the pace of opening of new outlets and thus freeing up proceeds originally intended to be used in this development. With a view to better use the net proceeds from the Global Offering, the Company has decided to re-allocate majority of the utilized proceeds to upgrade the existing outlets to enhance the Group's competitiveness as one of the major market players in Guangdong province and repay the bank borrowings to reduce the Group's finance costs in the manner as stated above.

The Board confirms that there are no material changes in the principal business of the Group as set out in the Prospectus and considers that the aforesaid change in the use of the net proceeds from the Global Offering is in the best interest of the Company and its shareholders as a whole.

Note: For exchange rate conversions throughout this announcement, unless otherwise specified, translations of HK\$ into RMB and RMB into HK\$ in this announcement are based on the approximate rate of HK\$1.00:RMB0.822 (for the purpose of illustration only).

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

Hong Kong, 24 October 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, Ms. Lao Weiping and Ms. Zhang Bei; and the independent non-executive Directors are Mr. Guan Shiping, Mr. Sun Hong and Mr. Shin Yick Fabian.