顺客隆

Simple kind life

中國順客隆控股有限公司

CHINA SHUN KE LONG HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code : 974

Interim Report

2019

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Sun Kin Ho Steven *(Chairman)*
Mr. Mung Hon Ting Jackie *(Chief Executive Officer)*
Mr. Han Wei *(Chief Financial Officer)*

Non-Executive Director
Mr. Wang Fu Lin

Independent Non-Executive Directors
Mr. Chong Kin Ho
Mr. Tung Chia Hung Michael
Mr. Chen Cheng Lien

AUDIT COMMITTEE
Mr. Chong Kin Ho *(Chairman)*
Mr. Tung Chia Hung Michael
Mr. Chen Cheng Lien

REMUNERATION COMMITTEE
Mr. Tung Chia Hung Michael *(Chairman)*
Mr. Mung Hon Ting Jackie
Mr. Chen Cheng Lien

NOMINATION COMMITTEE
Mr. Sun Kin Ho Steven *(Chairman)*
Mr. Tung Chia Hung Michael
Mr. Chen Cheng Lien

AUTHORISED REPRESENTATIVES
Mr. Mung Hon Ting Jackie
Mr. Tam Sze Kin

COMPANY SECRETARY
Mr. Tam Sze Kin

COMPANY'S WEBSITE
www.skl.com.cn

STOCK CODE
974

PRINCIPAL PLACE OF BUSINESS IN THE PRC
Floor 3, Huale Building
No. 60 Hebin North Road
Lecong Town Shunde District, Foshan
Guangdong Province 528315, The PRC

PLACE OF BUSINESS IN HONG KONG
Suites 06-12
33/F., Shui On Centre
Nos 6–8 Harbour Road
Wan Chai, Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS
Vistra (Cayman) Limited
P.O. Box 31119
Grand Pavilion
Hibiscus Way
802 West Bay Road
Grand Cayman
KY1-1205
Cayman Islands

PRINCIPAL BANKERS
Agricultural Bank of China Limited Shunde Lecong sub-branch
Guangdong Shunde Rural Commercial Bank Company Limited Lecong sub-branch
China Construction Bank Corporation, Shunde Huabin Sub-branch
China Everbright Bank Hong Kong Branch

AUDITOR
SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Six months ended 30 June 2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue	5a	**455,535**	470,067
Cost of inventories sold		**(387,478)**	(396,257)
Gross profit		**68,057**	73,810
Other operating income	5b	**16,630**	15,669
Selling and distribution costs		**(64,906)**	(60,145)
Administrative expenses		**(16,258)**	(16,550)
Profit from operations	6	**3,523**	12,784
Finance costs	7	**(6,290)**	(2,428)
(Loss)/profit before income tax expense		**(2,767)**	10,356
Income tax expense	8	**(1,106)**	(2,434)
(Loss)/profit for the period		**(3,873)**	7,922
Other comprehensive income/(expense), item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operation		**108**	435
Total comprehensive (loss)/income for the period		**(3,765)**	8,357
(Loss)/profit for the period attributable to:			
– Owners of the Company		**(3,417)**	7,776
– Non-controlling interests		**(456)**	146
		(3,873)	7,922
Total comprehensive (loss)/income for the period attributable to:			
– Owners of the Company		**(3,309)**	8,211
– Non-controlling interests		**(456)**	146
		(3,765)	8,357
(Loss)/earnings per share – basic and diluted (RMB cents)	10	**(1.18)**	2.68

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**46,560**	50,452
Prepaid land lease	11	**30,717**	31,166
Investment properties	11	**3,717**	4,122
Right-of-use assets	2	**99,151**	—
Deposits paid and prepayments		**8,177**	9,293
Goodwill	11	**2,907**	2,897
Total non-current assets		**191,229**	97,930
Current assets			
Inventories		**113,229**	121,656
Trade receivables	12	**34,003**	24,456
Deposits paid, prepayments and other receivables		**139,019**	115,942
Amounts due from related companies	14	**2,113**	913
Financial assets at fair value through profit or loss		**20,000**	20,000
Deposit with a bank		**29,472**	40,000
Cash and cash equivalents		**106,707**	121,723
Total current assets		**444,543**	444,690
Total assets		**635,772**	542,620
Current liabilities			
Trade payables	13	**106,259**	112,327
Deposits received, receipts in advance, accruals and other payables		**59,226**	32,903
Contract liabilities		**14,000**	10,278
Amounts due to related companies	14	**517**	—
Bank borrowings	15	**108,000**	108,000
Tax payable		**393**	1,224
Total current liabilities		**288,395**	264,732
Net current assets		**156,148**	179,958
Total assets less current liabilities		**347,377**	277,888

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Non-current liabilities			
Lease liabilities		75,079	—
Total non-current liabilities		75,079	—
Net assets		272,298	277,888
EQUITY			
Share capital	16	2,387	2,387
Reserves		268,651	273,785
Equity attributable to owners of the Company		271,038	276,172
Non-controlling interests		1,260	1,716
Total equity		272,298	277,888

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 *(Note a)*	Merger reserve RMB'000 *(Note b)*	Capital reserve RMB'000 *(Note c)*	Statutory reserve RMB'000 *(Note d)*	Capital contribution reserve RMB'000 *(Note e)*	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2018 (audited)	**2,387**	**169,904**	**84**	**(6,200)**	**200**	**15,156**	**873**	**5,787**	**87,981**	**276,172**	**1,716**	**277,888**
Impact on initial application of IFRS 16 *(Note 2)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,825)**	**(1,825)**	**–**	**(1,825)**
At 1 January 2019 (restated) (unaudited)	**2,387**	**169,904**	**84**	**(6,200)**	**200**	**15,156**	**873**	**5,787**	**86,156**	**274,347**	**1,716**	**276,063**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,417)**	**(3,417)**	**(456)**	**(3,873)**
Other comprehensive income for the period												
Exchange differences arising on translation of financial statements of foreign operation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**108**	**–**	**108**	**–**	**108**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**108**	**(3,417)**	**(3,309)**	**(456)**	**(3,765)**
At 30 June 2019 (unaudited)	**2,387**	**169,904**	**84**	**(6,200)**	**200**	**15,156**	**873**	**5,895**	**82,739**	**271,038**	**1,260**	**272,298**
At 1 January 2018 (audited)	2,387	169,904	84	(6,200)	200	13,491	873	3,417	78,399	262,555	1,561	264,116
Profit for the period	–	–	–	–	–	–	–	–	7,776	7,776	146	7,922
Other comprehensive income for the period												
Exchange differences arising on translation of financial statements of foreign operation	–	–	–	–	–	–	–	435	–	435	–	435
Total comprehensive income for the period	–	–	–	–	–	–	–	435	7,776	8,211	146	8,357
At 30 June 2018 (unaudited)	2,387	169,904	84	(6,200)	200	13,491	873	3,852	86,175	270,766	1,707	272,473

Notes:

(a) Special reserve represents the investment cost of a subsidiary which has been carved out of the Group (as defined below) 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. The balance of the merger reserve includes the deemed distribution upon the acquisition of a subsidiary from the controlling shareholder 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 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 represents the consideration paid by the Group to acquire the net assets of a subsidiary in excess of their carrying amounts.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Net cash used in operating activities	**(7,495)**	(42,824)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,279)**	(2,632)
Proceeds from sale of property, plant and equipment	**360**	626
Interest received	**580**	356
Net cash used in investing activities	**(1,339)**	(1,650)
Cash flows from financing activities		
Interest paid	**(6,290)**	(2,434)
Net cash used in financing activities	**(6,290)**	(2,434)
Net decrease in cash and cash equivalents	**(15,124)**	(46,908)
Cash and cash equivalents at 1 January	**121,723**	164,512
Effect of exchange rate changes on cash and cash equivalents	**108**	339
Cash and cash equivalents at 30 June	**106,707**	117,943

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

(a) Corporate information

China Shun Ke Long Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in Cayman Islands on 18 March 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road Grand Cayman, KY1-1205, Cayman Islands and its principal place of business in the People's Republic of China (the "PRC") is located at Floor 3, Huale Building, No.60 Hebin North Road, Lecong Town, Shunde District, Foshan, Guangdong Province 528315, the PRC.

The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) 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 principal activity of the Company is investment holding. The Company and its subsidiaries (collectively the "Group") are principally engaged in the operation and management of retail stores and wholesale 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 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 "Directors"), the holding company of the Company is CCOOP Group, the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 000564).

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

(b) Basis of preparation

These condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 (the "Period") have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These condensed consolidated interim financial statements were authorised for issue on 29 August 2019.

1. CORPORATE INFORMATION AND BASIS OF PREPARATION – CONTINUED

(b) Basis of preparation – continued

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. Details of any changes in accounting policies are set out in Note 2.

These condensed consolidated interim financial statements are presented in RMB, unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial information prepared in accordance with International Financial Reporting Standards (the "IFRSs") and should be read in conjunction with the 2018 consolidated financial statements.

The condensed consolidated interim financial statements were unaudited, but have been reviewed by the Audit Committee, which comprises three independent non-executive Directors.

2. CHANGE IN INTERNATIONAL FINANCIAL REPORTING STANDARDS

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's unaudited condensed consolidated financial statements:

IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
IAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures
IFRS (Amendments)	Annual Improvements to IFRSs 2015–2017 Cycle
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation
IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. CHANGE IN INTERNATIONAL FINANCIAL REPORTING STANDARDS — CONTINUED

Impacts and changes in accounting policies of application of IFRS 16

Lease

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.09%.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	2019 **RMB'000**
Operating lease commitments disclosed as at 31 December 2018 (audited)	**100,603**
Discounted using the lessee's incremental borrowing rate of at the date of initial application (unaudited)	**119,677**
Lease liability recognised as at 1 January 2019	**119,677**

The associated right-of-use assets for retail outlets and distribution centres leases were measured on a retrospective basis as if the new rules had always been applied. Other right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating lease, the Group recognised RMB119,677,000 of right-of-use assets as at 1 January 2019.

Impacts for the period

In relation to those leases under IFRS 16, the Group has recognised depreciation and interest expense, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised RMB17,344,000 and RMB3,405,000 of depreciation expense on right-of-use assets and interest expense on lease liabilities respectively.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 **RMB'000** **(unaudited)**	1 January 2019 RMB'000 (unaudited)
Retail outlets and distribution centres	**99,151**	119,677
Total right-of-use assets	**99,151**	119,677

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2018 annual financial statements, except those affected by the implementation of the new and amendments to IFRSs.

4. SEGMENT INFORMATION

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

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

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

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. Central administrative cost is not allocated to the operating segments as it is not included in the measure of the segment results that are used by the chief operating decision-maker for assessment of segment performance.

For the six months ended 30 June 2019 (unaudited):

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
From external customers	329,413	126,122	–	455,535
From inter-segment	28,871	11,324	(40,195)	–
Reportable segment revenue	358,284	137,446	(40,195)	455,535
Reportable segment loss	(1,374)	(224)	–	(1,598)
Finance costs	5,940	350	–	6,290
Interest income	576	4	–	580
Reportable segment assets	490,645	113,448	–	604,093
Additions to non-current segment assets during the period	2,455	203	–	2,658
Reportable segment liabilities	354,158	8,559	–	362,717

4. SEGMENT INFORMATION — CONTINUED

For the six months ended 30 June 2018 (unaudited):

	Retail outlet operation RMB'000	Wholesale distribution RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Revenue				
From external customers	285,991	184,076	—	470,067
From inter-segment	14,016	35,222	(49,238)	—
Reportable segment revenue	300,007	219,298	(49,238)	470,067
Reportable segment profit	9,750	1,620	—	11,370
Finance costs	2,428	—	—	2,428
Interest income	302	7	—	309
Reportable segment assets	348,782	105,638	—	454,420
Additions to non-current segment assets during the period	2,540	92	—	2,632
Reportable segment liabilities	209,614	8,987	—	218,601

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the condensed consolidated interim financial statements as follows:

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Reportable segment revenue	**455,535**	470,067
Group revenue	**455,535**	470,067
Reportable segment (loss)/profit	**(1,598)**	11,370
Other corporate income	**322**	47
Other corporate expenses	**(1,491)**	(1,061)
(Loss)/profit before income tax expense	**(2,767)**	10,356
Reportable segment assets	**604,093**	454,420
Other corporate assets *(Note)*	**31,679**	38,155
Group's assets	**635,772**	492,575
Reportable segment liabilities	**362,717**	218,601
Other corporate liabilities *(Note)*	**757**	1,501
Group's liabilities	**363,474**	220,102

Note: Other corporate assets represented cash and cash equivalents and prepayments. Other corporate liabilities represented other payables relating to central administration cost.

4. SEGMENT INFORMATION — CONTINUED

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

	Revenue from external customers Six months ended 30 June		Non-current assets At 30 June
	2019	2018	**2019**
	RMB'000	RMB'000	**RMB'000**
	(unaudited)	(unaudited)	**(unaudited)**
The PRC (domicile)	**441,500**	446,461	**185,028**
Macau	**14,035**	23,606	**732**
	455,535	470,067	**185,760**

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

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

There was no single customer that contributed to 10% or more of the Group's revenue for the Period. There was no single customer that contributed to 10% or more of the Group's revenue for the six months ended 30 June 2018.

5. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Retail outlet operation		
General retail sales	**281,448**	251,537
Bulk sales	**35,369**	22,535
Rental income from leasing shop premises	**12,076**	11,455
Commission from concessionaire sales	**520**	464
Wholesale distribution		
General wholesales	**122,436**	175,036
Franchisees	**3,686**	9,040
	455,535	470,067

(b) Other operating income

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants	**1,560**	1,273
Promotion income from suppliers	**12,327**	10,178
Net rental income from investment properties	**946**	680
Interest income	**580**	356
Others	**1,217**	3,182
	16,630	15,669

6. PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories sold	**387,478**	396,257
Depreciation of property, plant and equipment	**6,258**	5,288
Depreciation of investment properties	**405**	192
Depreciation of right-of-use assets *(Note)*	**17,344**	—
Amortisation of prepaid land lease payments	**449**	843
Employee benefits expenses (including directors' remuneration):		
– Wages and salaries	**33,662**	26,985
– Pension scheme contributions	**2,860**	4,007
– Other benefits	**1,759**	787
	38,281	31,779
Operating lease charges in respect of land and buildings	**—**	18,925
Obsolete inventories written-off	**444**	56
Loss/(gain) on disposal of property, plant and equipment	**13**	20

Note: The Group has initially applied IFRS 16 at 1 January 2019. In applying IFRS 16, in relation to those leases that were classified as operating leases, the Group has recognised depreciation on right-of-use assets and interest expense on lease liabilities, instead of operating lease expense (see Note 2). During the six months ended 30 June 2019, in relation to those lease, the Group recognised RMB17,344,000 and RMB3,405,000 of depreciation expense on right-of-use assets and interest expense on lease liabilities respectively.

7. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest charged on bank borrowings	**2,885**	2,428
Interest on lease liabilities	**3,405**	—
	6,290	2,428

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current — the PRC		
Charge for the period	**1,106**	2,434
Total tax charge for the period	**1,106**	2,434

The Group was not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the Period (six months ended 30 June 2018: Nil).

No provision for Hong Kong profits tax had been provided as the Group had no estimated assessable profit arising in Hong Kong during the Period (six months ended 30 June 2018: Nil).

The Group's subsidiaries in Macau were subject to Complementary Tax at rate of 12% based on estimated assessable profit during the Period (six months ended 30 June 2018: 12%).

The Group's subsidiaries in the PRC were subject to Enterprise Income Tax at the rate of 25% based on the estimated assessable profit during the Period (six months ended 30 June 2018: 25%). A subsidiary of the Group in the PRC was granted as "New High Technology Enterprise" by the local tax authority, and subject to a reduced preferential Enterprise Income Tax rate of 15% for the Period.

9. DIVIDEND

The board of Directors (the "Board") does not recommend the payment of any interim dividend for the Period (six months ended 30 June 2018: Nil).

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to equity holders of the Company for each of the periods is based on the following data:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
(Loss)/profit attributable to equity holders of the Company	**(3,417)**	7,776

	Six months ended 30 June	
	2019	2018
	Shares	Shares
Number of shares	**290,457,000**	290,457,000

The diluted earnings per share for respective periods are same as the basic earnings per share as there are no dilutive shares during both periods or at the end of reporting periods.

11. CAPITAL EXPENDITURES

	Property, plant and equipment RMB'000	Prepaid land lease RMB'000	Investment properties RMB'000	Goodwill RMB'000
Opening carrying amount as at 1 January 2019 (audited)	**50,452**	**31,166**	**4,122**	**2,897**
Additions	**2,658**	**—**	**—**	**—**
Disposals	**(294)**	**—**	**—**	**—**
Depreciation/amortization *(Note 6)*	**(6,258)**	**(449)**	**(405)**	**—**
Exchange adjustment	**2**	**—**	**—**	**10**
Closing carrying amount as at 30 June 2019 (unaudited)	**46,560**	**30,717**	**3,717**	**2,907**
Opening carrying amount as at 1 January 2018 (audited)	52,451	32,224	4,245	2,761
Additions	2,632	—	—	—
Disposals	(560)	—	—	—
Depreciation/amortization *(Note 6)*	(5,288)	(843)	(192)	—
Exchange adjustment	—	—	—	32
Closing carrying amount as at 30 June 2018 (unaudited)	49,235	31,381	4,053	2,793

As at 30 June 2019 and 31 December 2018, certain leasehold buildings with net carrying amount of RMB9,151,000 and RMB9,708,000 respectively were pledged to the bank for banking facilities granted to the Group *(Note 15)*.

As at 30 June 2019 and 31 December 2018, certain prepaid land lease with net carrying amount of RMB24,453,000 and RMB25,812,000 respectively were pledged to the bank for banking facilities granted to the Group *(Note 15)*.

As at 30 June 2019 and 31 December 2018, certain investment properties with net carrying amount of RMB2,239,000 and RMB2,447,000 respectively were pledged to the bank for banking facilities granted to the Group *(Note 15)*.

12. TRADE RECEIVABLES

The average credit terms offered to these customers or tenants are generally for a period of 0–180 days from the invoice date.

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

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Within 30 days	**15,290**	12,711
31 to 60 days	**5,826**	3,521
61 to 180 days	**9,480**	5,020
181 to 365 days	**3,149**	372
Over 1 year	**258**	2,832
	34,003	24,456

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 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Current to 30 days	**33,551**	46,352
31 to 60 days	**43,026**	20,302
61 to 180 days	**13,541**	35,570
181 to 365 days	**11,252**	6,242
Over 1 year	**4,889**	3,861
	106,259	112,327

14. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

As at 30 June 2019 and 31 December 2018, amounts due from/(to) related companies were unsecured, interest free and repayable on demand.

15. BANK BORROWINGS

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Secured		
– bank borrowings due for repayment within one year	**108,000**	108,000

As at 30 June 2019 and 31 December 2018, both of the bank borrowings were denominated in RMB, repayable within one year and interest-bearing at the same fixed rate of 5.23% per annum.

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

(i) the pledge of certain leasehold buildings of the Group with net carrying amount of RMB9,151,000 and RMB9,708,000 as at 30 June 2019 and 31 December 2018 respectively *(Note 11)*;

(ii) the pledge of certain prepaid land lease of the Group with net carrying amount of RMB24,453,000 and RMB25,812,000 as at 30 June 2019 and 31 December 2018 respectively *(Note 11)*;

(iii) the pledge of certain investment properties of the Group with net carrying amount of RMB2,239,000 and RMB2,447,000 as at 30 June 2019 and 31 December 2018 respectively *(Note 11)*.

16. SHARE CAPITAL

Company

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Authorised:		
2,000,000,000 shares of HK$0.01 each	**15,826**	15,826
Issued and fully paid:		
290,457,000 shares of HK$0.01 each	**2,387**	2,387

17. OPERATING LEASE ARRANGEMENTS

As lessee

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

As at 30 June 2019 and 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Within one year	–	26,360
Later than one year and not later than five years	–	58,985
Later than five years	–	15,258
	–	100,603

Following the adoption of IFRS 16, the Group recognised lease liabilities for all leases. The impact is disclosed in Note 2 to the unaudited condensed consolidated interim financial statements.

17. OPERATING LEASE ARRANGEMENTS — CONTINUED

As lessor

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

As at 30 June 2019 and 31 December 2018, the Group had total future minimum lease receipts under non-cancellable operating leases falling due as follows:

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Within one year	24,152	19,558

18. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of each of the reporting period:

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Contracted, but not provided for, in respect of acquisition of property, plant and equipment	—	—

19. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
Related party relationship	**Nature of transaction**	**2019 RMB'000 (unaudited)**	2018 RMB'000 (unaudited)
Related companies *(Note a)*	Sale of goods *(Note b)*	**3,873**	1,686
	Purchase of goods *(Note c)*	**15,450**	5,787
	Rental income received	**106**	85
	Rental expense paid *(Note d)*	**5,327**	4,188

19. RELATED PARTY TRANSACTIONS — CONTINUED

(i) *– continued*

Notes:

(a) (i) Mr. Lao Songsheng ("Mr. Lao"), a former Director until 2 March 2018, is a beneficial shareholder of Foshan Shunde Lecong Supply and Marketing Group Limited (the "Lecong Supply and Marketing Group" and together with its subsidiaries, the "Lecong Group") and the Company. In the opinion of the Directors, Lecong Supply and Marketing Group was controlled by Mr. Lao during the Period and the corresponding period of last year. Certain subsidiaries of the Group operating in the PRC entered into contracts with Lecong Group for sale of goods, purchase of goods, leasing of properties to and from Lecong Group.

(ii) Hainan Gongxiao Daji Holding Limited (海南供銷大集控股有限公司) ("Hainan Gongxiao Daji"), a wholly-owned subsidiary of CCOOP Group which is the controlling shareholder of the Company and indirectly holds 70.42% of the shares of the Company. The Group sold goods to Hainan Gongxiao Daji under a master goods sales agreement entered into with CCOOP Group dated 8 June 2018.

(b) The consideration of sale transactions are based on (1) historical transaction prices and amount; (2) prevailing market prices; and (3) discount rate offered to bulk purchase customers. The credit period for sales to related parties is within 30 days.

(c) The consideration of purchase transactions are based on (1) historical transaction prices and amount; (2) prevailing comparable wholesale prices; and (3) discounts offered on bulk purchase. The credit period for purchases from related parties is within 30 days.

(d) The Group entered into lease agreements with the Lecong Supply and Marketing Group and its subsidiaries with respect to leasing of the properties for use as headquarter, retail outlets and warehouses. The terms of lease agreements are mutually agreed by the Group and the related companies with reference to market rent. The credit period for leasing of properties from related companies is within 30 days.

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries, allowances and benefits in kind	**2,435**	1,196
Pension scheme contributions	**270**	105
	2,705	1,301

20. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 29 August 2019.

BUSINESS REVIEW

The Company is an investment holding company and the Group is a supermarket chain store operator with geographical focus on Guangdong province of the PRC. During the Period, the Group maintained both retail and wholesale distribution channels. The Group's focus on the suburban and rural areas of the PRC makes it different from other major players in the market.

Retail Outlets

During the Period, the Group opened 3 retail outlets and closed 2 retail outlets. As at 30 June 2019, the Group had a total of 71 retail outlets, 68 retail outlets in Guangdong province of the PRC and 3 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 2019	31 December 2018
At the beginning of the Period/year	**70**	64
Additions	**3**	8
Reductions	**(2)**	(2)
At the end of the Period/year	**71**	70

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 30 June 2019:

Location	**Number of retail outlets as at**	
	30 June 2019	31 December 2018
Foshan	**53**	53
Zhaoqing	**7**	8
Zhuhai	**5**	5
Guangzhou	**3**	1
	68	67
Macau	**3**	3
Total	**71**	70

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 17 brands covering Foshan, Jiangmen and Zhaoqing. The exact coverage of the Group's sole and exclusive distribution rights varied among those 17 brands. Instead of developing the size of general wholesale customer base, the Group put more emphases on gaining more sub-distributors rather than retailers as the Group's customers.

Franchise Operation

The Group has a franchise scheme opened for application by interested parties to franchise retail outlets. 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 2019	31 December 2018
At the beginning of the Period/year	**482**	437
Additions	**7**	71
Reductions	**–**	(26)
At the end of the Period/year	**489**	482

RECENT DEVELOPMENT

During the Period, adverse factors such as the Sino-US trade war, fierce horizontal competition and the popularity of online purchase have continued to affect the financial performance of the Group. The Group has adopted a series of measures to reduce the negative effects of these factors to the minimum. On one hand, we continued to focus on the development of "Fresh + Kitchen + Home" and open community fresh food stores (including fresh meat, melon, fruit and seafood). On the other hand, we put emphasis on using e-commerce platforms to increase our sales channels. Our customers could easily purchase necessities without spending time and effort to search for our stores. In addition, the Group has set up a work group aiming at cost saving and revenue growth. The work group designed specific performance improvement plan for each individual outlet or supermarket with unsatisfactory sales performance, and actively negotiated with suppliers in order to reduce procurement costs and improve the product mix.

OUTLOOK AND PROSPECT

Looking into the near future, the competition from the online stores and other players in the industry is expected to remain intense. The negative impact of China-US trade war on our business is expected to continue. The Group will continue its strategy to transform retail outlets to community fresh food stores and focus on the development of O2O (online to offline) business. The cost reduction plan will go on as well. The Group will continue to monitor market changes and take swift actions accordingly. Taking a long-term view, the Group's prospects are still positive. The Group's business has been based in the 9+2 city agglomerations in Guangdong-Hong Kong-Macau Greater Bay Area with a deep market base. With the development of the Greater Bay Area, the Group will be able to make breakthroughs in development through the leap forward of the market and its own continuous reforms.

At the same time, the Group will continue to pay attention to different investment opportunities, identify appropriate businesses and projects for shareholders and increase shareholder returns.

FINANCIAL REVIEW

Revenue

For the Period, the revenue of the Group was approximately RMB455,535,000, representing a decrease of approximately RMB14,532,000 or 3.1% when compared with the same period in 2018. The decline in revenue was mainly due to a tangible decrease in revenue of wholesale distribution, caused by intensified competition from other online platforms and the slowdown in customers demand in the PRC.

For the Period, the Group's revenue from retail outlets operation was approximately RMB329,413,000, representing an increase of approximately RMB43,422,000 or 15.2% when compared with the same period in 2018. The increase was mainly attributable to the strengthening of promotion activities and the revenue contributed from the newly established retail outlets.

For the Period, the Group's revenue from wholesale distribution operation was approximately RMB126,122,000, representing a drop of approximately RMB57,954,000 or 31.5% when compared with the same period in 2018. The drop was mainly due to the slowdown in customers demand, resulting in a substantial decrease in the average purchase amounts by corporate customers.

Gross Profit Margin

For the Period and the same period in 2018, the Group's gross profit margins were approximately 14.9% and approximately 15.7% respectively. The decrease was mainly due to the intense competition from other players in the industry and online stores.

Other Operating Income

For the Period, the Group's other operating income was approximately RMB16,630,000, representing an increase of approximately RMB961,000 or 6.1% when compared with the same period in 2018. The increase was mainly due to an increase in promotion income from suppliers.

Selling and Distribution Costs

For the Period, the Group's selling and distribution costs were approximately RMB64,906,000, representing an increase of approximately RMB4,716,000 or 7.9% when compared with the same period in 2018. The increase was mainly due to the increase of marketing and promotional expenses.

Administrative Expenses

For the Period, the Group's administrative expenses were approximately RMB16,258,000, representing a decrease of approximately RMB292,000 or 1.8% when compared with the same period in 2018. The decrease was mainly due to the effective cost control on human resource management.

Finance Costs

For the Period, the Group's finance costs were approximately RMB6,290,000, representing an increase of approximately RMB3,862,000 or 159.1% when compared with the same period in 2018. The increase was mainly due to renewal of bank borrowings with higher interest rate and operating lease interest expense during the Period.

Income Tax Expenses

During the Period, the Group's income tax expenses were approximately RMB1,106,000, due to an under-provision of income tax expenses for the previous year.

Net Loss

During the Period, the Group's net loss attributable to the shareholders was approximately RMB3,873,000, representing a decrease of approximately 148.9% when compared with the same period in 2018. The decrease was mainly due to (i) the decrease in revenue due to the adverse market conditions on the retail and wholesale businesses; (ii) the increase in expenses on the fostering of newly established retail outlets; and (iii) the increase in business expansion costs such as rental and marketing expenses.

Total Comprehensive Loss

For the Period, the Group's total comprehensive loss attributable to the shareholders were approximately RMB3,765,000 million, representing a decrease of approximately 145.1% when compared with the same period in 2018. The decrease was mainly due to decline in gross profit, resulting in a decrease in net profit.

Capital Expenditure

The Group's capital expenditure requirements mainly relate to additions of its property, plant and equipments for the opening of new retail outlet and renovation of existing retail outlets. The Group spent approximately RMB2,658,000 on property, plant and equipment during the Period.

Use of Proceeds

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 at the best interests of the Company and its Shareholders. In view of the recent slowdown in economic growth in the PRC, the Company has been slowing down the pace of opening new 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 the net proceeds		Utilisation as at 30 June 2019		Remaining balance of net proceeds as at 30 June 2019	
	RMB equivalent million	% of net proceeds	RMB equivalent million	% of net proceeds	RMB equivalent million	% of net proceeds	RMB equivalent million	% of net proceeds
Opening of new retail outlets	116,900	75.4%	74,400	48.0%	37,800	34.5%	36,600	13.5%
Upgrading existing retail outlets	–	0.0%	14,600	9.4%	14,600	9.4%	–	0.0%
Repayment of bank borrowings	–	0.0%	27,900	18.0%	27,900	18.0%	–	0.0%
Information systems upgrades	11,200	7.2%	11,200	7.2%	11,200	7.2%	–	0.0%
Upgrading and expanding the existing two distribution centres	13,300	8.6%	13,300	8.6%	4,400	4.0%	8,900	4.6%
General working capital	13,600	8.8%	13,600	8.8%	13,600	8.8%	–	0.0%
Total	155,000	100.0%	155,000	100.0%	109,500	81.9%	45,500	18.1%

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

Liquidity and Financial Resources

As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB106,707,000 (as at 31 December 2018: approximately RMB121,723,000), out of which approximately RMB72,537,000 was denominated in RMB and approximately RMB34,170,000 was denominated in HK$ or MOP.

As at 30 June 2019, the Group had net current assets of approximately RMB156,148,000 (as at 31 December 2018: approximately RMB179,958,000) and had net assets of approximately RMB272,298,000 (as at 31 December 2018: approximately RMB277,888,000). As at 30 June 2019, the Group did not have unutilized banking facilities (as at 31 December 2018: nil).

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 2019, the Group had bank borrowings denominated in approximately RMB108,000,000 (as at 31 December 2018: approximately RMB108,000,000) secured by:

(i) the pledge of certain leasehold buildings of the Group with net carrying amount of approximately RMB9,151,000 (as at 31 December 2018: approximately RMB9,708,000);

(ii) the pledge of certain prepaid land lease of the Group with net carrying amount of approximately RMB24,453,000 (as at 31 December 2018: approximately RMB25,812,000); and

(iii) the pledge of certain investment properties of the Group with net carrying amount of approximately RMB2,239,000 (as at 31 December 2018: approximately RMB2,447,000).

All those bank borrowings were repayable within a year. The interests of those loans were at fixed rate of 5.23% per annum (as at 31 December 2018: at fixed rate of 5.23% per annum).

Gearing Ratio

As at 30 June 2019, the Group had a net cash position as the amount of cash and cash equivalent, and deposit with a bank exceeded the amount of interest bearing debts.

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 2019, 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 1,373 employees as at 30 June 2019, of which 1,332 employees worked in PRC and 41 worked in Hong Kong and Macau. Salaries of employees were maintained at a competitive level and were reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provided internal training to staff and provided bonuses based upon staff performance and profits of the Group.

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

Termination of Connected Transactions

It has come to the attention of the Board that the following agreements (the "Agreements") were entered into without the knowledge of the Board as a whole:

	Agreement A	**Agreement B**
Agreement date:	1 January 2019	31 January 2019
Party A:	Foshan Shun Ke Long Commerce Company Limited (佛山市順客隆商業有限公司), a wholly-owned subsidiary of the Company	Foshan Shunde Mingjian Trading Company Limited (佛山市順德區名建貿易有限公司), a wholly-owned subsidiary of the Company
Party B:	Hainan Gongxiao Daji Holding Limited (海南供銷大集控股有限公司) ("Hainan Gongxiao Daji")	Hainan Gongxiao Daji
Subject matter:	A framework procurement agreement pursuant to which Party A shall purchase durians supplied by Party B	A framework procurement agreement pursuant to which Party A shall purchase sugar supplied by Party B
Contract amount:	RMB145,000,000	RMB100,000,000
Duration:	One year	One year
Payment terms:	Prepayment: Party A shall make an upfront payment of 30% of the contract amount	Prepayment: Party A shall make an upfront payment of 40% of the contract amount

Upon enquiry, the relevant staff members of Foshan Shun Ke Long Commerce Company Limited and Foshan Shunde Mingjian Trading Company Limited explained that the Agreements were entered into because they believed that Hainan Gongxiao Daji had better bargaining power to purchase the goods on better terms, and that in their view the Agreements were entered into on an arm's length basis.

In accordance with the terms of the Agreements, payments amounting to RMB43,500,000 and RMB40,000,000 were paid to Hainan Gongxiao Daji on 2 January 2019 and 2 February 2019 respectively.

On 6 May 2019, each of Foshan Shun Ke Long Commerce Company Limited and Foshan Shunde Mingjian Trading Company Limited entered into a termination agreement with Hainan Gongxiao Daji to terminate Agreement A and Agreement B respectively (together, the "Termination Agreements"). The full amount of prepayment was refunded to our Group on 7 May 2019. The Group has not purchased any goods from Hainan Gongxiao Daji under the Agreements.

Hainan Gongxiao Daji is a wholly-owned subsidiary of CCOOP Group which is the controlling shareholder of the Company. Therefore, Hainan Gongxiao Daji is a connected person of the Company, and transactions contemplated under the Agreements (the "Contemplated Transactions"), on an aggregated basis pursuant to Rule 14A.81 of the Listing Rules, would have been subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules. Since such requirements were not duly complied with, the Company was in breach of the applicable requirements under Chapter 14A of the Listing Rules.

The Board as a whole was not informed of the Contemplated Transactions or the termination thereof until it was so informed in August 2019 during a review exercise. The reason for failure to identify the Contemplated Transactions as connected transactions was that the staff members and the executive Director who were responsible for reviewing and approving the Contemplated Transactions failed to notify the Board as they mistakenly believed that because no actual purchase of goods had been conducted, the Contemplated Transactions would not be subject to the Listing Rules requirements.

The Board has taken some remedial actions to ensure that the Listing Rules are strictly complied. Reference should be made to the announcement of the Company dated 23 August 2019 for details.

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' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, none of the Directors, the chief executive of the Company nor their respective associates had any interests or short positions in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code to Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the interests or short position of persons, other than the Directors or the chief executive of the Company, in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Substantial Shareholders	Capacity	Number of Shares (long position)	Approximate percentage of shareholding
Cihang Sino-Western Cultural and Educational Exchange Foundation Limited *(Note)*	Interest of a controlled corporation	204,558,317	70.42%
Pan-American Aviation Holding Company *(Note)*	Interest of a controlled corporation	204,558,317	70.42%
Tang Dynasty Development Co., Ltd. *(Note)*	Interest of a controlled corporation	204,558,317	70.42%
Hainan Province Cihang Foundation *(Note)*	Interest of a controlled corporation	204,558,317	70.42%
Tang Dynasty Development (Yangpu) Company Limited *(Note)*	Interest of a controlled corporation	204,558,317	70.42%
Hainan Traffic Administration Holding Co., Ltd. *(Note)*	Interest of a controlled corporation	204,558,317	70.42%
HNA Group Co., Ltd. *(Note)*	Interest of a controlled corporation	204,558,317	70.42%
CCOOP Group Co., Ltd. *(Note)*	Interest of a controlled corporation	204,558,317	70.42%
Hainan Gongxiao Daji Holding Ltd. *(Note)*	Interest of a controlled corporation	204,558,317	70.42%
Hainan Gongxiao Daji Supply Chain Network Technology Ltd. *(Note)*	Interest of a controlled corporation	204,558,317	70.42%
Green Industrial (HK) Holding Co., Limited *(Note)*	Interest of a controlled corporation	204,558,317	70.42%
CCOOP International Holdings Limited	Beneficial owner	204,558,317	70.42%
Infini Capital Management	Beneficial owner	27,600,000	9.50%
Golden Prime Holdings Limited	Beneficial owner	25,988,000	8.95%

Note: These parties were deemed to have interests in 204,558,317 Shares by virtue of their equity interests in CCOOP International Holdings Limited.

SHARE OPTION SCHEME

The shareholders of the Company approved a share option scheme on 19 August 2015 for the purposes of, among others, motivating the management and employees to optimize their performance efficiency for the benefit of the Group. No option has been granted by the end of the Period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code. 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 interim report.

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, except as disclosed in the Company's announcement dated 23 August 2019 in relation to certain connected transactions and their subsequent termination, in each case involving internal control deficiencies which may result in the Company's non-compliance with Code 2.1 of the CG Code. Reference should be made to the announcement of the Company dated 23 August 2019 for details.

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.

Mr. Chong Kin Ho, Mr. Tung Chia Hung Michael and Mr. Chen Cheng Lien are members of the Audit Committee. All of them are independent non-executive Directors. Mr. Chong Kin Ho is the chairman of the Audit Committee.

The interim financial information was unaudited but has been reviewed by the Audit Committee.

PUBLICATION OF UNAUDITED INTERIM REPORT

The interim report is published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.skl.com.cn.

By order of the Board
China Shun Ke Long Holdings Limited
Sun Kin Ho Steven
Chairman and Executive Director

Hong Kong, 29 August 2019