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 2020

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors
Mr. Du Xiaoping *(Chairman)*
Mr. Han Wei *(Chief Executive Officer)*

Non-Executive Director
Mr. Wang Fu Lin

Independent Non-Executive Directors
Mr. Cheng Hok Kai Frederick
Mr. Wang Yilin
Mr. Zou Pingxue

AUDIT COMMITTEE

Mr. Cheng Hok Kai Frederick *(Chairman)*
Mr. Wang Yilin
Mr. Zou Pingxue

REMUNERATION COMMITTEE

Mr. Wang Yilin *(Chairman)*
Mr. Du Xiaoping
Mr. Zou Pingxue

NOMINATION COMMITTEE

Mr. Du Xiaoping *(Chairman)*
Mr. Wang Yilin
Mr. Zou Pingxue

AUTHORISED REPRESENTATIVES

Mr. Han Wei
Mr. Qiu Minghao

COMPANY SECRETARY

Mr. Qiu Minghao

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

Suite 4404–10, 44th Floor, One Island East,
18 Westlands Road, Taikoo Place,
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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 June 2020 RMB'000 (unaudited)	 2019 RMB'000 (unaudited)
Revenue	*5a*	469,349	455,535
Cost of inventories sold		(403,744)	(387,478)
Gross profit		65,605	68,057
Other operating income	*5b*	16,679	16,630
Selling and distribution costs		(64,789)	(64,906)
Administrative expenses		(14,372)	(16,258)
Profit from operations	*6*	3,123	3,523
Finance costs	*7*	(4,928)	(6,290)
Loss before income tax expense		(1,805)	(2,767)
Income tax expense	*8*	(573)	(1,106)
Loss for the period		(2,378)	(3,873)
Other comprehensive income, item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements from functional currency to presentation currency		75	108
Loss and total comprehensive loss for the period		(2,303)	(3,765)
(Loss) profit for the period attributable to:			
– Owners of the Company		(2,488)	(3,417)
– Non-controlling interests		110	(456)
		(2,378)	(3,873)
Loss and total comprehensive (loss) income for the period attributable to:			
– Owners of the Company		(2,413)	(3,309)
– Non-controlling interests		110	(456)
		(2,303)	(3,765)
Loss per share – basic and diluted (RMB cents)	*10*	(0.86)	(1.18)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*11*	40,065	44,506
Right-of-use assets	*12*	89,452	97,488
Investment properties	*11*	9,660	10,005
Deposits paid and prepayments		11,566	11,376
Total non-current assets		150,743	163,375
Current assets			
Inventories		131,737	130,848
Trade receivables	*13*	35,304	23,587
Deposits paid, prepayments and other receivables		129,129	108,280
Amounts due from related companies	*15*	2,867	3,195
Financial assets at fair value through profit or loss		23,500	20,000
Deposit with a bank		–	25,243
Cash and cash equivalents		107,971	122,635
Total current assets		430,508	433,788
Total assets		581,251	597,163
Current liabilities			
Trade payables	*14*	106,373	116,252
Deposits received, receipts in advance, accruals and other payables		29,307	26,870
Lease liabilities	*12*	18,524	17,675
Contract liabilities		13,684	13,107
Bank borrowings	*16*	108,000	–
Tax payable		367	190
Total current liabilities		276,255	174,094
Net current assets		154,253	259,694
Total assets less current liabilities		304,996	423,069

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Non-current liabilities			
Lease liabilities	*12*	49,702	57,472
Bank borrowings	*16*	–	108,000
Total non-current liabilities		49,702	165,472
Net assets		255,294	257,597
EQUITY			
Share capital	*17*	2,387	2,387
Reserves		251,522	253,935
Equity attributable to owners of the Company		253,909	256,322
Non-controlling interests		1,385	1,275
Total equity		255,294	257,597

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 2019 (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 (loss) for the period	–	–	–	–	–	–	–	75	(2,488)	(2,413)	110	(2,303)
At 30 June 2020 (unaudited)	2,387	169,904	84	(6,200)	200	15,477	873	6,638	64,546	253,909	1,385	255,294
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	–	–	–	–	–	–	–	–	(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 income (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

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	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Cash flows from operating activities		
Net cash used in operating activities	(17,586)	(7,495)
Investing activities		
Purchase of property, plant and equipment	(1,426)	(2,279)
Purchase of financial assets at FVTPL	(63,500)	–
Proceeds from disposal of financial assets at FVTPL	60,458	–
Withdrawal of deposit with a bank	25,243	–
Proceeds from sale of property, plant and equipment	9	360
Interest received	747	580
Net cash from (used in) investing activities	21,531	(1,339)
Financing activities		
Repayment of capital element of lease liabilities	(13,756)	–
Interest paid on lease liabilities and bank borrowings	(4,928)	(6,290)
Net cash used in financing activities	(18,684)	(6,290)
Net decrease in cash and cash equivalents	(14,739)	(15,124)
Cash and cash equivalents at 1 January	122,635	121,723
Effect of exchange rate changes on cash and cash equivalents	75	108
Cash and cash equivalents at 30 June	107,971	106,707

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 2020 (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 26 August 2020.

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 2019 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 2020. Details of any changes in accounting policies are set out in Note 2.

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 2019 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 2019 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. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)")

In the current interim period, the Group has applied, for its first time, the following new and amendments to IFRSs, which include IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of Group's unaudited condensed consolidated financial statements.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies and make retrospective adjustments as a result of adopting these standards.

		Effective for annual periods beginning on or after
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendments to IFRS 3	Definition of a Business	1 January 2020
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to IFRS16	Covid-19-related Rent Concessions	1 June 2020

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS(s)") – CONTINUED

New standards and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual Improvements to IFRS Standards 2018–2020		1 January 2022

The Group is assessing the full impact of the new standards, new interpretations and amendments to standards and interpretations.

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 2019 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, 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)

4. SEGMENT INFORMATION – CONTINUED

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.

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	22,641	11,844	(34,485)	–
Reportable segment revenue	388,777	115,057	(34,485)	469,349
Reportable segment profit (loss)	604	(508)	–	96
Finance costs	4,842	86	–	4,928
Interest income	503	6	–	509
Reportable segment assets	469,644	90,449	–	560,093
Additions to non-current segment assets during the period	1,424	2	–	1,426
Reportable segment liabilities	319,715	6,162	–	325,877

4. SEGMENT INFORMATION – CONTINUED

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

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	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Reportable segment revenue	469,349	455,535
Group revenue	469,349	455,535
Reportable segment profit (loss)	96	(1,598)
Other corporate income	239	322
Other corporate expenses	(2,140)	(1,491)
Loss before income tax expense	(1,805)	(2,767)
Reportable segment assets	560,093	604,093
Other corporate assets *(Note)*	21,158	31,679
Group's assets	581,251	635,772
Reportable segment liabilities	325,877	362,717
Other corporate liabilities *(Note)*	80	757
Group's liabilities	325,957	363,474

Note: Other corporate assets represented certain cash and cash equivalents and certain property, plants and equipment. Other corporate liabilities represented other payables relating to central administration costs.

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
	2020	2019	2020
	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)
The PRC (domicile)	457,413	441,500	139,177
Macau	11,936	14,035	–
	469,349	455,535	139,177

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 six months ended 30 June 2020 and 2019.

5. 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	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
– Sales of goods		
General retail sales under retail outlet operation	354,839	281,448
Bulk sales under retail outlet operation	2,658	35,369
General wholesales under wholesale distribution	103,213	122,436
Franchisees under wholesale distribution	–	3,686
– Services rendered		
Commission from concessionaire sales under retail outlet operation	–	520
	460,710	443,459
Revenue from other sources		
Rental income from subleasing certain retail areas under retail outlet operation	8,639	12,076
– Lease payments that are fixed	469,349	455,535

Disaggregation of revenue from contracts with customers by timing of recognition

	2020 RMB'000	2019 RMB'000
Timing of revenue recognition		
At a point of time	460,710	443,459

Transaction price allocated to the remaining performance obligations

As at 30 June 2020 and 2019, all the Group's remaining performance obligations for contracts with customers are for periods of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as at the end of both reporting periods.

5. REVENUE AND OTHER OPERATING INCOME – CONTINUED

(b) Other operating income

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants	**2,436**	1,560
Interest income on bank deposits	**747**	580
Interest income from financial assets at FVTPL	**458**	–
Promotion income from suppliers	**10,474**	12,327
Net rental income from investment properties	**1,610**	946
Others	**954**	1,217
	16,679	16,630

6. PROFIT FROM OPERATIONS

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**5,789**	6,258
Depreciation of investment properties	**345**	405
Depreciation of right-of-use assets (Note)	**12,904**	17,344
Amortisation of prepaid land lease payments	**–**	449
Employee benefits expenses (including directors' remuneration):		
– Wages and salaries	**33,994**	33,662
– Pension scheme contributions	**1,454**	2,860
– Other benefits	**244**	1,759
	35,692	38,281
Obsolete inventories written-off	**–**	444
Loss on disposal of property, plant and equipment	**34**	13

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. During the six months ended 30 June 2019, in relation to those lease, the Group recognised RMB17,344,000 and RMB3,405,000 (note 7) of depreciation expense on right-of-use assets and interest expense on lease liabilities respectively.

7. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest charged on bank borrowings	2,960	2,885
Interest on lease liabilities	1,968	3,405
	4,928	6,290

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current – the PRC		
Charge for the period	573	1,106

The Group is not subject to any income tax under the jurisdiction of the Cayman Islands and the British Virgin Islands (the "BVI") for the six months ended 30 June 2020 and 2019.

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 2020 and 2019.

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 2020 and 2019.

Pursuant to circular issued by Ministry of Finance and National Tax Bureau, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax treatment of 75% exemption of taxable income and application of income tax rate as 20% from 1 January 2019 to 31 December 2021. The Group's certain PRC subsidiaries were qualified during the six months ended 30 June 2020 and 2019.

The Law of the PRC on Enterprise Income Tax allows enterprises to apply for the certificates of "High and New Technology Enterprise" ("HNTE") which entitles the qualified companies to a preferential income tax rate of 15%. 佛山市順客隆商業有限公司, a PRC subsidiary of the Group, has been qualified as a HNTE in 2017 and its income tax rate is 15% for the six months ended 30 June 2020 and 2019.

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 2020 and 2019. During the six months ended 30 June 2020, no Macau Complementary Income Tax has been provided as there were no assessable profits generated (six months ended 30 June 2019: Provided at a rate 12% based on the estimated assessable profits).

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 2019: Nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss 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	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period attributable to equity holders of the Company for the purpose of basic and diluted loss per share	**(2,488)**	(3,417)

	Six months ended 30 June	
	2020	2019
	Shares	Shares
Number of shares		
Weighted average number of ordinary shares in issue	**290,457,000**	290,457,000

The diluted loss per share for respective periods are the same as basic loss per share as there are no potential ordinary shares outstanding 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 2020 (audited)	**44,506**	**–**	**10,005**	**–**
Additions	**1,426**	**–**	**–**	**–**
Disposals	**(89)**	**–**	**–**	**–**
Depreciation/amortization *(Note 6)*	**(5,789)**	**–**	**(345)**	**–**
Exchange adjustment	**11**	**–**	**–**	**–**
Carrying amount as at 30 June 2020 (unaudited)	**40,065**	**–**	**9,660**	**–**
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
Carrying amount as at 30 June 2019 (unaudited)	46,560	30,717	3,717	2,907

As at 30 June 2020 and 31 December 2019, certain buildings with carrying amount of RMB11,554,000 and RMB11,748,000 respectively were pledged to the bank for banking facilities granted to the Group (Note 16).

As at 30 June 2020 and 31 December 2019, certain investment properties with carrying amount of RMB9,474,000 and RMB9,731,000 respectively were pledged to the bank for banking facilities granted to the Group (Note 16).

12. LEASES

(i) Right-of-use assets

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Other properties leased for own use	65,160	72,868
Ownership interests in leasehold land	24,292	24,620
	89,452	97,488

At 30 June 2020, right-of-use assets of RMB24,292,000 (31 December 2019: RMB24,620,000) represents land use rights locating in the PRC.

As at 30 June 2020, certain ownership interests in leasehold land with carrying values of approximately RMB19,399,000 (31 December 2019: RMB19,555,000) have been pledged to the bank for banking facilities granted to the Group (Note 16).

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 2020, no expenses related to variable lease payments of the lease were recognised into profit or loss (For the year ended 31 December 2019: Nil).

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

During the year ended 31 December 2019, certain ownership interests in leasehold land with carrying values of RMB1,026,000 have been transferred to investment properties as those interests are held for rental income upon signing of an operating lease agreement with a third party in 2019.

During the year ended 31 December 2019, an impairment loss of RMB481,000 was recognised in the profit or loss which was allocated to the CGU of the Group's retail outlet operation in Macau.

During the six months ended 30 June 2020, the Group has subleased part of the rented retail outlets. The Group has classified the sublease as operating lease. During the six months ended 30 June 2020, the Group recognised rental income from subleasing right-of-use assets of RMB8,639,000 (six months ended 30 June 2019: RMB12,076,000).

12. LEASES – CONTINUED

(ii) Lease liabilities

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Non-current	49,702	57,472
Current	18,524	17,675
	68,226	75,147

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within one year	18,524	17,675
After one year but within two years	12,983	14,464
After two years but within five years	31,490	35,020
After five years	5,229	7,988
	68,226	75,147
Less: amount due for settlement within 12 months (shown under current liabilities)	(18,524)	(17,675)
Amount due for settlement after 12 months	49,702	57,472

(iii) Amounts recognised in profit or loss

	30 June 2020 RMB'000 (unaudited)	30 June 2019 RMB'000 (unaudited)
Depreciation of right-of-use assets by class of underlying asset:		
Other properties leased for own use	12,576	17,344
Ownership interests in leasehold land	328	449
	12,904	17,793
Interest expenses on lease liabilities	1,968	3,405
Expense relating to short-term leases and other leases with remaining lease term ended on or before	8,499	8,683

(iv) Others

During the six months ended 30 June 2020, the total cash outflow for leases amount to RMB22,256,000.

13. 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 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within 30 days	15,507	11,138
31 to 60 days	5,932	5,617
61 to 180 days	11,122	4,195
181 to 365 days	699	445
Over 1 year	2,044	2,192
	35,304	23,587

14. 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 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Current to 30 days	21,072	48,125
31 to 60 days	23,910	18,744
61 to 180 days	9,234	37,321
181 to 365 days	45,870	7,264
Over 1 year	6,287	4,798
	106,373	116,252

15. AMOUNTS DUE FROM RELATED COMPANIES

As at 30 June 2020 and 31 December 2019, amounts due from related companies were unsecured, interest free and repayable on demand.

16. BANK BORROWINGS

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Secured		
– bank borrowings due for repayment:		
within one year	108,000	–
more than one year but less than two years	–	108,000
	108,000	108,000

As at 30 June 2020 and 31 December 2019, both of the bank borrowings were denominated in RMB, bore interest at the fixed rate of 5.23% (2019: 5.46%) per annum.

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

(i) the pledge of certain buildings of the Group with carrying amount of RMB11,554,000 and RMB11,748,000 as at 30 June 2020 and 31 December 2019 respectively (Note 11);

(ii) the pledge of certain right-of-use assets of the Group with carrying amount of RMB19,399,000 and RMB19,555,000 as at 30 June 2020 and 31 December 2019 respectively (Note 12);

(iii) the pledge of certain investment properties of the Group with carrying amount of RMB9,474,000 and RMB9,731,000 as at 30 June 2020 and 31 December 2019 respectively (Note 11).

17. SHARE CAPITAL

Company

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each	15,826	15,826
Issued and fully paid:		
290,457,000 ordinary shares of HK$0.01 each	2,387	2,387

18. OPERATING LEASE ARRANGEMENTS

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 2020 and 31 December 2019, the Group had total future minimum lease receipts under non-cancellable operating leases falling due as follows:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within one year	23,009	20,059

19. CAPITAL COMMITMENTS

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

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Contracted, but not provided for, in respect of acquisition of property, plant and equipment	952	–

20. 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**	**2020 RMB'000 (unaudited)**	2019 RMB'000 (unaudited)
Related companies *(Note a)*	Sale of goods *(Notes a and d)*	–	5,432
	Purchase of goods *(Notes b and e)*	–	69
	Rental expense paid *(Notes c and e)*	482	319

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) The consideration of purchase transactions are based on (i) historical transaction prices and amount; (ii) prevailing comparable wholesale prices; and (iii) discounts offered on bulk purchase. The credit period for purchases from related parties is within 90 days.

(c) In 2017, the Company entered into a two-year lease in respect of office premises with a fellow subsidiary of the Group's holding company. The amount of rent payable by the Company under the lease was HK$60,000 (equivalent to RMB53,160) per month. At 1 January 2019, the lease was accounted for as a short-term lease. During the period ended 30 June 2019, the Company has made lease payment of RMB319,000 to the fellow subsidiary of the Group's holding company.

During the six months ended 30 June 2020, the Company entered into a lease in respect of other office premises with 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 RMB80,379) per month. The Group has made lease payment of approximately RMB482,000 to the fellow subsidiary of the Group's holding company, where the lease is accounted for as a short-term lease.

(d) The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the "Report of the Directors" section to the annual report.

(e) The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

20. RELATED PARTY TRANSACTIONS – CONTINUED

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

	Six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Salaries, allowances and benefits in kind	3,962	2,435
Pension scheme contributions	46	270
	4,008	2,705

21. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 26 August 2020.

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 2 retail outlets and closed 3 retail outlets. As at 30 June 2020, the Group had a total of 69 retail outlets, 67 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 2020	31 December 2019
At the beginning of the Period/year	70	70
Additions	2	7
Reductions	(3)	(7)
At the end of the Period/year	69	70

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 30 June 2020:

Location	Number of retail outlets as at	
	30 June 2020	31 December 2019
Foshan	52	52
Zhaoqing	7	7
Zhuhai	5	5
Guangzhou	3	4
Guangdong province of the PRC	67	68
Macau	2	2
Total	69	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 25 brands covering Foshan, Jiangmen and Zhaoqing. The exact coverage of the Group's sole and exclusive distribution rights varied among those 25 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 2020	31 December 2019
At the beginning of the Period/year	670	482
Additions	2	188
Reductions	(2)	–
At the end of the Period/year	670	670

RECENT DEVELOPMENT AND OUTLOOK

With the outbreak of the novel coronavirus epidemic (the "Epidemic") in early 2020, community consumers have changed their consumption needs and patterns, making community-based businesses full of challenges and uncertainties. During the Epidemic, all members of the Group stuck to their posts and worked together to prevent the epidemic. We strengthened epidemic prevention and supervision measures, guaranteed market supplies through multiple channels to help the government stabilize prices and ensure supplies, and provided surrounding villages, towns and communities with badly-needed epidemic prevention supplies. Our efforts had won recognition and affirmation from the government and many consumers. Thanks to careful, prudent operations, the Group's sales rose steadily and fast-moving consumer food products increased considerably year-on-year during the Epidemic, which helped facilitate operations. However, due to the Epidemic, foot traffic to various stores showed a downward trend to different degrees. Although the Epidemic has been contained after April, consumption recovery is still not satisfactory. The Group has adopted different marketing methods than before to stimulate consumers' desire to buy as much as possible. For example, we have strengthened promotions with FMCG brands to attract consumers and accelerated both online and offline sales to help offset the decline. Currently, the foot traffic and sales of physical supermarkets are expected to fluctuate for a while due to the possible recurrence of the Epidemic.

The Epidemic has resulted in many vacant shops and declining rents in the areas where the Group operates. Therefore, the Group proposed rent reductions and other measures to landlords based on different property conditions and these efforts have been paid off. The Group has also taken advantage of current low rentals to increase its stores, especially fresh food community stores. It opened two more stores in the first half of the year and will continue to expand in the second half of the year. As the business model of “Fresh Hubs” has been put in place and taken shape, the Group is expediting the improvement of their profit model to set a regional model and profit point in the community-based fresh food sector. On the other hand, the Group strictly controlled costs by opening up new sources of fresh produce, increasing the intensity and scope of direct sourcing of fresh produce, and stocking up on badly-needed and necessary supplies during the Epidemic, so as to increase its gross profit. Furthermore, the Group will clearly position its stores based on their distinct characteristics and confirm how to make improvement in the second half of the year to better adapt to the changing market competition environment and meet consumers’ needs, thereby further increasing its profit growth points.

The Epidemic has propelled the vigorous development of retail e-commerce, such as home delivery business, community-based group buying, and live commerce. This has allowed retailers to adopt more diversified marketing methods and consumer to shop through more channels and pushed physical retailers to accelerate their online operations. As such, this is an opportunity and a challenge for these physical retailers. In the first half of 2020, the Group reorganized its membership information, integrated online and offline members, and built a number of member application scenarios. Currently, the Group has been able to market to members via Ele.me, JD Daojia, Meituan, and Alipay. In the first half of 2020, the Group saw 4,000 new users from its WeChat subscription account, 110,000 new subscribers to its service account, and 50,000 new e-members. Ten more stores were able to offer home delivery business in the first half of the year, and now the total number is nearly 40. The Group will continue to develop its online businesses, for example, home delivery business, community-based group buying, and live commerce, in the second half of 2020. It will kickstart live commerce training and operations to make live commerce a leading online marketing tool in the second half of the year.

As for integrated wholesale business, the Group added a WeChat Mini Program for its online wholesale business to expand its customer base from wholesale customers to end business customers and reduced the number of levels within distribution channels through the model of “penetration into end customers through lower distribution channels” in the first half of 2020 to increase its gross profit margin. In the second half of the year, the Group will drive its Mini Program business through commodities distributed in its own regions and cooperation with merchants of other commodities to increase the number of products on its online shopping mall and develop new customers. The Group will transform itself into the “operator” of integrated wholesale business. The refined operation of channels and commodities will help improve customer experience and increase the number of purchases made by a single customer, thereby boosting sales. Owing to the increase in sales to a single customer, the distribution costs of a same outlet will also be reduced, thereby increasing the overall gross profit margin.

FINANCIAL REVIEW

Revenue

For the Period, the revenue of the Group was approximately RMB469,349,000, representing an increase of approximately RMB13,814,000 or 3.0% when compared with the same period in 2019. The increase in revenue was mainly due to an increase in revenue of retail sales, caused by increase in customers demand in the PRC.

For the Period, the Group's revenue from retail outlets operation was approximately RMB366,136,000, representing an increase of approximately RMB36,732,000 or 11.2% when compared with the same period in 2019. The increase was mainly attributable to the increase of demand of customer during the Epidemic and the revenue contributed from the newly established retail outlets.

For the Period, the Group's revenue from wholesale distribution operation was approximately RMB103,213,000, representing a drop of approximately RMB22,909,000 or 18.2% when compared with the same period in 2019. The drop was mainly due to the slowdown in customers demand by the reason of close of business during the Epidemic, which resulted in a substantial decrease by corporate customers.

Gross Profit Margin

For the Period and the same period in 2019, the Group's gross profit margins were approximately 14.0% and approximately 14.9% respectively. The decrease was mainly due to increase in sales discount offered during promotional activities.

Other Operating Income

For the Period, the Group's other operating income was approximately RMB16,679,000, representing an increase of approximately RMB49,000 or 0.3% when compared with the same period in 2019. The slight increase was mainly due to an increase in government grants.

Selling and Distribution Costs

For the Period, the Group's selling and distribution costs were approximately RMB64,789,000, representing a decrease of approximately RMB117,000 or 0.2% when compared with the same period in 2019. The decrease was mainly due to the decrease of operating costs of retail outlets.

Administrative Expenses

For the Period, the Group's administrative expenses were approximately RMB14,372,000, representing a decrease of approximately RMB1,886,000 or 11.6% when compared with the same period in 2019. The decrease was mainly due to reduce in staff cost by government allowance and policy.

Finance Costs

For the Period, the Group's finance costs were approximately RMB4,928,000, representing a decrease of approximately RMB1,362,000 or 21.7% when compared with the same period in 2019. The decrease was mainly due to lesser finance charge on lease liabilities during the Period.

Income Tax Expenses

During the Period, the Group's income tax expenses were approximately RMB573,000, representing a decrease of approximately RMB533,000 or 48.2% comparing with the same period in 2019, the significant decrease by the reason of recognised of under-provision of income tax expense with the same period in 2019.

Net Loss

During the Period, the Group's net loss attributable to the shareholders was approximately RMB2,488,000, representing a decrease of approximately 27.2% when compared with the same period in 2019. The decrease was mainly due to increase in sales of retail outlet and effective cost control in expenses.

Total Comprehensive Loss

For the Period, the Group's total comprehensive loss attributable to the shareholders were approximately RMB2,413,000 million, representing an decrease of approximately 27.1% when compared with the same period in 2019. The decrease was mainly due to increase in sales retail outlet and effective cost control in expenses, resulting in an increase 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 RMB1,426,000 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 Stock Exchange 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 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 2020		Remaining balance of net proceeds as at 30 June 2020	
	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	116.9	75.4%	74.4	48.0%	38.1	24.6%	36.3	23.4%
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%	3.9	2.5%	9.4	6.1%
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%	109.3	70.5%	45.7	29.5%

Liquidity and Financial Resources

As at 30 June 2020, the Group had cash and cash equivalents of approximately RMB107,971,000 (as at 31 December 2019: approximately RMB122,635,000), out of which approximately RMB85,771,000 was denominated in RMB and approximately RMB22,200,000 was denominated in HK$ or MOP.

As at 30 June 2020, the Group had net current assets of approximately RMB154,253,000 (as at 31 December 2019: approximately RMB259,694,000) and had net assets of approximately RMB255,294,000 (as at 31 December 2019: approximately RMB257,597,000). As at 30 June 2020, the Group did not have unutilized banking facilities (as at 31 December 2019: nil).

As at 30 June 2020, the total trade receivables and deposits paid, prepayments and other receivables were RMB164,433,000 (as at 31 December 2019: approximately RMB131,867,000). The increase of RMB32,566,000 or 24.7% 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 eligible for the rental reduction; and (iii) pre-order 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 the 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, Foshan City Shun Ke Long Commerce Limited ("Foshan SKL") began to subscribe for up to RMB60 million of wealth management product from Shunde Rural Commercial Bank with expected annualised return rate of 3.00% to 3.55%. As at 30 June 2020, Foshan SKL held RMB23,500,000 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 2020, the Group had bank borrowings denominated in approximately RMB108,000,000 (as at 31 December 2019: approximately RMB108,000,000) secured by:

(i) the pledge of certain buildings of the Group with carrying amount of approximately RMB11,554,000 (as at 31 December 2019: approximately RMB11,748,000);

(ii) the pledge of certain prepaid land lease of the Group with carrying amount of approximately RMB19,399,000 (as at 31 December 2019: approximately RMB19,555,000); and

(iii) the pledge of certain investment properties of the Group with carrying amount of approximately RMB9,474,000 (as at 31 December 2019: approximately RMB9,731,000).

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 2019: at fixed rate of 5.46% per annum).

Gearing Ratio

As of 30 June 2020, the Group's gearing ratio (the gearing ratio is equivalent to total debt divided by total assets as of the end of the period) was approximately 42.3% (as of 31 December 2019: 41.9%).

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 2020, 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 1,337 employees as at 30 June 2020, of which 1,287 employees worked in PRC and 50 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.

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 2020, 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 2020, so far as was known to the Directors of the Company, 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 which would be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO or were 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.

CHANGE IN INFORMATION OF DIRECTORS

The change in biographical details of the Directors subsequent to the publication of the Company's 2019 annual report is set out below:

(i) Mr. Sun Kin Ho Steven ("Mr. Sun") has resigned as the chairman of the Board (the "Chairman"), an executive Director, and an authorised representative under Rule 3.05 of the Listing Rules (an "Authorised Representative"), and ceased to be a member of the remuneration committee of the Company (the "Remuneration Committee") and the chairman of the nomination committee of the Company (the "Nomination Committee") with effect from 27 July 2020. As a result of Mr. Sun's resignation as an executive Director, the Company has terminated his office as the chief executive officer of the Company (the"CEO") with effect from 27 July 2020;

(ii) Mr. Chong Kin Ho ("Mr. Chong") has resigned as an independent non-executive Director, and ceased to be the chairman of the audit committee of the Company (the"Audit Committee") with effect from 27 July 2020;

(iii) Mr. Chen Cheng Lien ("Mr. Chen") has resigned as an independent non-executive Director, and ceased to be a member of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee with effect from 27 July 2020 and Mr. Chen has been appointed as an independent non-executive Director and member of each of the audit committee, remuneration committee and nomination committee of DL Holdings Group Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, stock code: 1709) with effect from 27 March 2020;

(iv) Mr. Tung Chia Hung Michael ("Mr. Tung") has resigned as an independent non-executive Director, and ceased to be a member of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee with effect from 27 July 2020;

(v) Mr. Han Wei ("Mr. Han"), an executive Director, has been appointed as the CEO and an Authorised Representative, and has resigned as the Chief Financial Officer to take up his new role as the CEO with effect from 27 July 2020, and has been pursuing an Executive MBA degree at Tsinghua University in China since 2018;

(vi) Mr. Du Xiaoping ("Mr. Du") has been appointed as the Chairman, an executive Director, a member of the Remuneration Committee and the chairman of the Nomination Committee with effect from 27 July 2020;

(vii) Mr. Cheng Hok Kai Frederick ("Mr. Cheng") has been appointed as an independent non-executive Director and the chairman of the Audit Committee with effect from 27 July 2020;

(viii) Mr. Zou Pingxue ("Mr. Zou") has been appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 5 August 2020; and

(ix) Mr. Wang Yilin ("Mr. Wang") has been appointed as an independent non-executive Director and a member of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee with effect from 5 August 2020.

Following the resignations of Mr. Chong, Mr. Chen and Mr. Tung and the appointment of Mr. Cheng from 27 July 2020, the Company has one independent non-executive Director on the Board, hence it fails to meet the following requirements of:

(i) including at least three independent non-executive directors on the Board, under Rule 3.10(1) of the Listing Rules;

(ii) appointing independent non-executive directors representing at least one-third of the Board, under Rule 3.10A of the Listing Rules;

(iii) establishing an Audit Committee comprising non-executive directors only, and with a minimum of three members and chaired by an independent non-executive director, under Rule 3.21 of the Listing Rules;

(iv) establishing a Remuneration Committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors, under Rule 3.25 of the Listing Rules; and

(v) establishing a Nomination Committee comprising a majority of independent non-executive directors, under code provision A.5.1 of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

Following the appointments of Mr. Zou and Mr. Wang from 5 August 2020, the Company has again fully complied with the requirements under Rules 3.10(1), 3.10(A), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code. 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 the following deviation:

Code Provision A.2.1

Code provision A.2.1 of the CG Code provides that the responsibilities between the Chairman and the CEO of an issuer should be segregated and should not be performed by the same individual.

Mr. Sun, who was also the Chairman, was appointed as the CEO by the Board on 27 September 2019. During the Period, Mr. Sun was both the Chairman and the CEO. The Board believes that vesting the roles of both the Chairman and the CEO in the same person can facilitate the execution of the Company's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of two executive Directors, one non-executive Director and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its Shareholders.

However, the Company has appointed Mr. Du as the Chairman and appointed Mr. Han as the CEO with effect from 27 July 2020, on which Mr. Sun has resigned as the Chairman and an executive Director and was terminated as the CEO. Therefore, the Company has complied with the code provision A.2.1 of the CG Code since 27 July 2020.

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 2020 have been reviewed by the Audit Committee.

As at the date of this interim report, 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 2020

As at the date of this interim report, 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.