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CHINA SHUN KE LONG HOLDINGS LIMITED
中國順客隆控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 974)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the "Board" and the members of the Board, the "Directors") of China Shun Ke Long Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 with comparative figures for the year ended 31 December 2019 as follows:

HIGHLIGHTS OF ANNUAL RESULTS

	For the year ended 31 December		
	2020	2019	**Change**
	RMB'000	*RMB'000*	
Revenue	**888,749**	945,221	-6.0%
Gross Profit	**125,817**	134,786	-6.7%
Loss from Operations	**(2,702)**	(5,945)	-54.6%
Loss for the Year	**(16,467)**	(20,559)	-19.9%
Loss Attributable to Equity Shareholders of the Company	**(16,501)**	(20,626)	-20.0%
Loss Per Share ("EPS") – Basic and Diluted[1] *(RMB)*	**RMB(0.06)**	RMB(0.07)	

	As at 31 December		
	2020	2019	**Change**
	RMB'000	*RMB'000*	
Total Assets	**600,282**	597,163	0.5%
Total Liabilities	**360,813**	339,566	6.3%
Net Assets	**239,469**	257,597	-7.0%
Net Financial Position[2]	**39,470**	59,878	-34.1%
Current Ratio[3]	**1.46**	2.49	

Notes:

(1) The calculation of basic and diluted EPS for the years ended 31 December 2020 and 2019 is based on the weighted average number of 290,457,000 ordinary shares in issue during the years.

(2) The balance of net financial position is calculated as the sum of cash and cash equivalents, deposit with a bank and financial assets at fair value through profit or loss minus bank borrowings.

(3) Current Ratio = Current Assets/Current Liabilities.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	5a	**888,749**	945,221
Cost of inventories sold		**(762,932)**	(810,435)
Gross profit		**125,817**	134,786
Other operating income	5b	**34,963**	37,721
Selling and distribution costs		**(127,334)**	(144,774)
Administrative expenses		**(36,148)**	(33,678)
Finance costs	6	**(11,483)**	(10,084)
Impairment loss recognised in respect of property, plant and equipment		**(559)**	(641)
Impairment loss recognised in respect of right-of-use assets		**–**	(481)
Impairment loss recognised in respect of goodwill		**–**	(2,958)
Impairment loss recognised in respect of trade receivables	11	**(1,501)**	–
Loss before tax	7	**(16,245)**	(20,109)
Income tax expense	8	**(222)**	(450)
Loss for the year		**(16,467)**	(20,559)
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		**(1,661)**	776
Loss and total comprehensive expense for the year		**(18,128)**	(19,783)
Loss for the year attributable to:			
Owners of the Company		**(16,501)**	(20,626)
Non-controlling interests		**34**	67
		(16,467)	(20,559)
Loss and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(18,162)**	(19,850)
Non-controlling interests		**34**	67
		(18,128)	(19,783)
Loss per share	9		
Basic (RMB)		**(0.06)**	(0.07)
Diluted (RMB)		**(0.06)**	(0.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**39,946**	44,506
Right-of-use assets		**124,500**	97,488
Investment properties		**9,678**	10,005
Deposits paid		**12,320**	11,376
Goodwill		**–**	–
		186,444	163,375
Current assets			
Inventories		**143,926**	130,848
Trade and bills receivables	*11*	**35,440**	23,587
Deposits paid, prepayments and other receivables		**86,808**	108,280
Amounts due from related companies		**194**	3,195
Financial assets at fair value through profit or loss		**43,500**	20,000
Deposit with a bank		**–**	25,243
Cash and cash equivalents		**103,970**	122,635
		413,838	433,788
Current liabilities			
Trade payables	*12*	**102,800**	116,252
Deposits received, receipts in advance, accruals and other payables		**27,405**	26,870
Lease liabilities		**31,535**	17,675
Contract liabilities		**14,016**	13,107
Bank borrowings	*13*	**108,000**	–
Tax payable		**247**	190
		284,003	174,094
Net current assets		**129,835**	259,694
Total assets less current liabilities		**316,279**	423,069

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Non-current liabilities			
Lease liabilities		**76,810**	57,472
Bank borrowings	*13*	**–**	108,000
		76,810	165,472
Net assets		**239,469**	257,597
Capital and reserves			
Share capital	*14*	**2,387**	2,387
Reserves		**235,773**	253,935
Equity attributable to owners of the Company		**238,160**	256,322
Non-controlling interests		**1,309**	1,275
Total equity		**239,469**	257,597

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL

China Shun Ke Long Holdings Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group") was incorporated as an exempted company with limited liability in the Cayman Islands on 18 March 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, the Cayman Islands and its principal place of business in the PRC is located at Floor 3, Huale Building, No.60 Hebin North Road, Lecong Town Shunde District, Foshan, Guangdong Province 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 on 26 May 2015. The ordinary shares of the Company (the "Shares") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 September 2015.

The Company is an investment holding Company and its subsidiaries 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 holding company of the Company is CCOOP Group, the shares of which are listed on the Shenzhen Stock Exchange.

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

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in International Financial Reporting Standards ("IFRSs") and the following amendments to IFRSs, which include IFRSs, International Accounting Standards ("IAS(s)"), amendments and interpretations issued by the International Accounting Standards Board (the "IASB") and the IFRS Interpretations Committee ("IFRIC") of the IASB which are effective for the Group's financial year beginning 1 January 2020:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Early application of Amendment to IFRS 16, *COVID-19 Related Rent Concessions*

The amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 as if the changes were not lease modifications. Forgiveness or waiver of lease payments is accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. During the current year, the COVID-19-related rent concessions recognised in the profit or loss amounted to RMB274,000. There is no impact on the opening balance of equity at 1 January 2020.

Amendments to IAS 1 and IAS 8, *Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The application of these amendments in the current year had no impact on the consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and related Amendments[5]
Amendments to IFRS 3	Reference to Conceptual Framework[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contacts – Cost of Fulfilling a Contract[3]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendment to IFRS 16	COVID-19 – Related Rent Concessions[4]
Amendment to IFRSs	Annual Improvements to IFRSs 2018–2020 cycle[3]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2023

The directors of the Company anticipate that, except as described below, the application of other new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

Amendments to IFRS 3, *Reference to the Conceptual Framework*

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of International Financial Report Interpretations Committee Interpretations ("IFRIC-Int") 21 Levies, the acquirer applies IFRIC Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

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

4. OPERATING SEGMENT INFORMATION

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

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

- Wholesale distribution (sales of fast consumable products and non-staple food)

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

Segment revenue and results

For the year ended 31 December 2020

	Retail outlet operation *RMB'000*	**Wholesale distribution** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*
REVENUE				
From external customers	**691,762**	**196,987**	**–**	**888,749**
From inter-segment	**45,006**	**21,026**	**(66,032)**	**–**
Reportable segment revenue	**736,768**	**218,013**	**(66,032)**	**888,749**
Reportable segment loss	**(4,925)**	**(639)**		**(5,564)**
Other corporate income				**569**
Other corporate expenses				**(11,250)**
Loss before tax				**(16,245)**

For the year ended 31 December 2019

	Retail outlet operation *RMB'000*	Wholesale distribution *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
REVENUE				
From external customers	664,450	280,771	–	945,221
From inter-segment	48,149	14,227	(62,376)	–
Reportable segment revenue	712,599	294,998	(62,376)	945,221
Reportable segment (loss) profit	(12,095)	464		(11,631)
Other corporate income				636
Other corporate expenses				(9,114)
Loss before tax				(20,109)

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

	2020	2019
	RMB'000	*RMB'000*
Retail outlet operation	**496,968**	406,541
Wholesale distribution	**89,098**	163,028
Total segment assets	**586,066**	569,569
Other corporate assets *(Note)*	**14,216**	27,594
Group's assets	**600,282**	597,163
Retail outlet operation	**349,569**	320,616
Wholesale distribution	**8,293**	16,885
Total segment liabilities	**357,862**	337,501
Other corporate liabilities *(Note)*	**2,951**	2,065
Group's liabilities	**360,813**	339,566

Note:

For the purpose of monitoring segment performances and allocating resources between segments:

– All assets are allocated to reportable and operating segments, other than certain cash and cash equivalents and certain property, plant and equipment.

– All liabilities are allocated to reportable and operating segments, other than other payables relating to central administrative costs.

Other segment information

	Retail outlet operation *RMB'000*	Wholesale distribution *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
For the year ended 31 December 2020				
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to property, plant and equipment	**7,701**	**137**	**–**	**7,838**
Addition to right-of-use assets	**68,563**	**–**	**–**	**68,563**
Depreciation of property, plant and equipment	**11,278**	**328**	**10**	**11,616**
Depreciation of investment properties	**327**	**–**	**–**	**327**
Depreciation of right-of-use assets	**36,268**	**1,845**	**–**	**38,113**
Gain on disposal of property, plant and equipment	**44**	**–**	**–**	**44**
Interest income on bank deposits	**843**	**14**	**244**	**1,101**
Interest income from financial assets at fair value through profit or loss ("FVTPL")	**895**	**–**	**–**	**895**
Impairment loss recognised in respect of property, plant and equipment	**559**	**–**	**–**	**559**
Impairment loss recognised in respect of trade receivables	**1,410**	**91**	**–**	**1,501**
Obsolete inventories written-off	**863**	**90**	**–**	**953**

	Retail outlet operation *RMB'000*	Wholesale distribution *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
For the year ended 31 December 2019				
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to property, plant and equipment	8,074	154	–	8,228
Addition to right-of-use assets	9,939	701	–	10,640
Depreciation of property, plant and equipment	11,981	264	12	12,257
Depreciation of investment properties	601	–	–	601
Depreciation of right-of-use assets	19,182	2,130	–	21,312
Gain on disposal of property, plant and equipment	36	–	–	36
Interest income on bank deposits	710	362	636	1,708
Interest income from financial assets at FVTPL	425	–	–	425
Impairment loss recognised in respect of goodwill	2,958	–	–	2,958
Impairment loss recognised in respect of property, plant and equipment	641	–	–	641
Impairment loss recognised in respect of right-of-use assets	481	–	–	481
Obsolete inventories written-off	1,536	138	–	1,674

Geographic Information

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

	Revenue from external customers		**Non-current assets**	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC (place of domicile)	**868,546**	916,917	**174,122**	151,987
Macau	**20,203**	28,304	**–**	–
Hong Kong	**–**	–	**2**	12
	888,749	945,221	**174,124**	151,999

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

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

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

The Group's revenue from external customers is derived from the PRC and Macau. No single customer of the Group contributed 10% or more to the Group's revenue for the years ended 31 December 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 year is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15		
– Sales of goods		
General retail sales under retail outlet operation *(Note)*	**656,438**	631,490
Bulk sales under retail outlet operation	**13,821**	8,526
General wholesales under wholesale distribution	**196,987**	280,771
– Services rendered		
Commission from concessionaire sales under retail outlet operation	**1,165**	1,270
	868,411	922,057
Revenue from other sources		
Rental income from subleasing certain retail areas under retail outlet operation		
– Lease payments that are fixed	**20,338**	23,164
	888,749	945,221

Note: General retail sales included the compensation for reduced selling prices of approximately RMB1,400,000 and RMB163,000 from the local government in the PRC which was classified as revenue during the years ended 31 December 2020 and 2019 respectively. In the opinion of the directors of the Company, it was directly related to the sales of daily necessities food and was related to the ordinary and usual course of the business of the Group. Accordingly, it was classified as revenue of the Group.

Disaggregation of revenue from contracts with customers by timing of recognition

	2020	2019
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point of time	**868,411**	922,057

Transaction price allocated to the remaining performance obligation for contracts with customers

As at 31 December 2020 and 2019, all of 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.

(b) Other operating income

	2020	2019
	RMB'000	*RMB'000*
Gain on deregistration of a subsidiary	**–**	2
Gain on disposal of property, plant and equipment	**44**	36
Government grants *(Note i)*	**3,591**	1,756
Interest income on bank deposits	**1,101**	1,708
Interest income from financial assets at FVTPL	**895**	425
Net exchange gains	**91**	25
Net rental income from investment properties *(Note ii)*		
Lease payments that are fixed	**2,233**	2,293
Promotion income from suppliers	**24,303**	26,590
Others	**2,705**	4,886
	34,963	37,721

Notes:

(i) Various local government grants were granted to the Group in respect of certain research projects during the years ended 31 December 2020 and 2019. During the year ended 31 December 2020, the Group recognised government grants of RMB519,000 in respect of COVID-19 related grants, of which RMB235,000 related to Employment Support Scheme provided by the Government of Hong Kong Special Administrative Region under the Anti-Epidemic Fund; RMB266,000 related to 百億抗疫援助基金 provided by the Government of Macao Special Administrative Region and RMB18,000 related to delayed resumption of work provided by the local government of the PRC. There were no unfulfilled conditions or contingencies attached to these government grants.

(ii) An analysis of the Group's net rental income is as follows:

	2020	2019
	RMB'000	*RMB'000*
Gross rental income	**2,333**	2,395
Less: Outgoing incurred for investment properties that generated rental income during the year	**(100)**	(102)
Net rental income	**2,233**	2,293

6. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings	**5,805**	5,882
Lease liabilities	**5,678**	4,202
	11,483	10,084

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging (crediting):

	2020	2019
	RMB'000	*RMB'000*
Depreciation of investment properties	**327**	601
Depreciation of property, plant and equipment	**11,616**	12,257
Depreciation of right-of-use assets	**38,113**	21,312
Employee benefits expenses (excluding directors' remuneration):		
– Wages and salaries	**60,173**	66,115
– Pension scheme contributions	**4,937**	7,432
– Contractual compensation for loss of office paid	**1,500**	–
– Other benefits	**758**	234
	67,368	73,781
Auditor's remuneration	**1,200**	1,250
COVID-19 related rent concessions *(Note a)*	**(274)**	–
Obsolete inventories written-off (included in administrative expenses)	**953**	1,674

Note:

(a) Due to the outbreak of COVID-19, the Group has received rent concessions from lessors including rent forgiveness. The Group has early adopted Amendment to IFRS 16 and applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification.

8. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2020	2019
	RMB'000	*RMB'000*
Current – Macau		
Under provision in prior year	**16**	9
Current – the PRC		
Under provision in prior year	**12**	197
Charge for the year	**194**	244
	222	450

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 years ended 31 December 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 years ended 31 December 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 years ended 31 December 2020 and 2019.

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

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%. 廣東省順客隆商業連鎖有限公司 (formerly known as 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 years ended 31 December 2020 and 2019.

The Group's subsidiaries in Macau are subject to Complementary Tax at a rate of 12% based on estimated assessable profits for the years ended 31 December 2020 and 2019. During the year ended 31 December 2020 and 2019, no Macau Complementary Income Tax has been provided as there were no assessable profits generated.

9. LOSS PER SHARE

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

	2020 *RMB'000*	2019 *RMB'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(16,501)**	(20,626)

	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**290,457,000**	290,457,000

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

10. DIVIDEND

The board of directors does not recommend the payment of final dividend for the years ended 31 December 2020 and 2019.

11. TRADE AND BILLS RECEIVABLES

	2020 *RMB'000*	2019 *RMB'000*
Trade receivables	**36,620**	23,587
Less: allowance for impairment of trade receivables	**(1,501)**	-
	35,119	23,587
Bills receivables	**321**	-
	35,440	23,587

As at 31 December 2020, the gross amount of trade and bills receivables arising from contracts with customers amounted to RMB34,023,000 (2019: RMB22,839,000).

All the bills receivables are aged within 60 days (2019: nil).

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

	2020 *RMB'000*	2019 *RMB'000*
Within 30 days	**18,894**	11,138
31 to 60 days	**5,649**	5,617
61 to 180 days	**7,053**	4,195
181 to 365 days	**2,849**	445
Over 1 year	**674**	2,192
	35,119	23,587

12. TRADE PAYABLES

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

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

	2020	2019
	RMB'000	*RMB'000*
Current to 30 days	**35,455**	48,125
31 to 60 days	**19,425**	18,744
61 to 180 days	**32,631**	37,321
181 to 365 days	**7,182**	7,264
Over 1 year	**8,107**	4,798
	102,800	116,252

13. BANK BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Secured bank borrowings	**108,000**	108,000
Less: Amounts classified as current liabilities	**(108,000)**	–
Amounts as non-current	**–**	108,000
Carrying amount repayable:*		
Within one year	**108,000**	–
More than one year but less than two years	**–**	108,000
	108,000	108,000

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

As at 31 December 2020 and 2019, the bank borrowings were denominated in RMB, bore interest at 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 values of approximately RMB11,388,000 and RMB11,748,000 as at 31 December 2020 and 2019 respectively;

(ii) the pledge of certain right-of-use assets of the Group with carrying values of approximately RMB19,008,000 and RMB19,555,000 as at 31 December 2020 and 2019 respectively;

(iii) the pledge of certain investment properties of the Group with carrying values of approximately RMB9,424,000 and RMB9,731,000 as at 31 December 2020 and 2019 respectively.

14. SHARE CAPITAL

	2020		2019	
	Number of shares	***RMB'000***	*Number of shares*	*RMB'000*
Ordinary share of HK$0.01 each				
Authorised:				
At 1 January and 31 December	**2,000,000,000**	**15,826**	2,000,000,000	15,826
Issued and fully paid:				
At 1 January and 31 December	**290,457,000**	**2,387**	290,457,000	2,387

15. OPERATING LEASE ARRANGEMENTS

The Group as a lessor

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

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

	2020	2019
	RMB'000	*RMB'000*
Within one year	**17,231**	20,059

BUSINESS REVIEW

The Company is an investment holding company and the Group is a supermarket chain store operator with geographical focus in Guangdong province of the People's Republic of China (the "PRC"). During the year ended 31 December 2020 (the "FY2020" or "the Year"), the Group maintained both retail and wholesale distribution channels. The Group's focus on the suburban and rural areas of the PRC made it different from other major players in the market.

Retail Outlets

During the FY2020, the Group opened 5 retail outlets and closed 4 retail outlets. As at 31 December 2020, the Group had 69 retail outlets located in Guangdong province of the PRC and 2 retail outlets located in the Macao Special Administrative Region ("Macau") of the PRC, respectively.

The following table sets forth the movements in the number of retail outlets of the Group during the FY2020 and the year ended 31 December 2019 (the "FY2019"):

	For the year ended 31 December	
	2020	2019
At the beginning of the year	**70**	70
Additions	**5**	7
Reductions	**(4)**	(7)
At the end of the year	**71**	70

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 31 December 2020:

Location	**Number of retail outlets**
Foshan	53
Zhaoqing	7
Zhuhai	5
Guangzhou	3
Shenzhen	1
The PRC	69
Macau	2
Total	71

General Wholesale

During the FY2020, the Group managed to keep all sole and exclusive distribution rights it gained prior to the FY2020. The Group maintained sole and exclusive distribution rights for 26 brands covering Foshan, Jiangmen and Zhaoqing. The exact coverage of the Group's sole and exclusive distribution rights varied among those 26 brands. Instead of developing the size of general wholesale customer base, the Group put more emphases on gaining more sub-distributors as the Group's customers rather than retailers.

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 movements in number of franchise outlets of the Group during the FY2020 and FY2019:

	For the year ended 31 December	
	2020	2019
At the beginning of the year	**670**	482
Additions	**–**	188
Reductions	**(37)**	–
At the end of the year	**633**	670

RECENT DEVELOPMENT AND OUTLOOK

2020 is very unusual year due to the outbreak of coronavirus disease ("COVID-19") pandemic in early 2020. As a result, huge impacts have been seen in the economy in the PRC and across the globe. Particularly, the retail sector, which is closely connected to people's daily lives, has the first taste of the impact. In the face of COVID-19, the Group, as an enterprise in the PRC focusing on business related to people's daily lives, the Group has developed the scheme and/or internal control regime in respect of the COVID-19 pandemic prevention and supervision to ensure the normal operation of the Group's 66 stores. Particularly, the Group bravely undertook its social responsibilities and followed the local governments' instructions on stabilising prices and ensuring supply of goods, which has been recognised by the public. With the joint efforts of the Group's management and employees, the Group achieved a positive operating and financial performance in the FY2020.

With the catalyst of network marketing and the COVID-19 pandemic, retail sector in the PRC is undergoing tremendous changes, which can be evidenced by the rapid growth of e-commerce platforms and the emergence of community group purchase. As such, the Group has actively adjusted and transformed its current business. Centering on the strategy of "adhering to the essence and seeking change while stabilising", it has improved its capabilities in products, services, accessibility, digitalisation and profitability.

1. In terms of products, the Group gradually improved the direct purchasing process and combined long-distance procurement with short-distance procurement to achieve the purpose of reducing procurement cost and enriching the variety of goods. In addition, the Group has improved the variety of the products on a regular and optimal basis, such as its core categories and cooperated with 26 fruit and vegetable bases to introduce the fresh food.

2. In terms of service capability, the Group initiated a three-year campaign of "Quality Year". The Group strived to change the store image. It established a complete closed-loop management system from training programme implementation to assessment adjustment as to improve service efficiency and quality.

3. In terms of accessibility, the Group utilised its self-run platform with other third party platforms. Priority was given to community marketing which attracted more online and offline traffic via its own platform called "SKL selected" mini programme, strengthened cooperation with Taoxianda, Ele.me, JD Home and other e-commerce platforms and improved its delivery capacity, so as to achieve online and offline integration.

4. In terms of digitalisation, the Group introduced and improved the price comparison system, continuous replenishment program and other systems to facilitate the transformation and upgrading its business model. Additionally, it sorted out the information of its members to integrate online and offline members. The Group built multiple member application scenarios through platforms, such as Ele.me, JD Home, Meituan and Alipay, and live-streaming marketing. With around 600,000 members, it has made remarkable results.

5. In terms of profitability, the Group introduced new stores called "Fresh Hubs" which mainly sell fresh food, to meet community needs precisely. Meanwhile, it actively expanded the wholesale business. The Group has won the bidding of some large projects, including an army life service station in Sansha and canteens of 17 schools in Shunde District.

With the above measures, the Group believes that there are undiscovered opportunities for development amid stability. However, there are uncertainties caused by the global environment. The Group, which remains a leading retailer in the Pearl River Delta region, will look for and seize business opportunities in other provinces, especially in the Hainan Free Trade Zone, in a bid to expand the business territory. Furthermore, the Group will continuously pay attention to different investment opportunities, identify appropriate businesses and projects for shareholders, and increase shareholder returns.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks identified by the Group. There may be other risks particularly, in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Fierce competition in Expanding Retail Outlets Network

Under fierce competition in retail industry, we have to face many competitors locally or from overseas. Our future growth and profitability depend in part on our ability to expand our business presence and network in the Greater Bay Area and to implement our expansion plan. Particularly, it is subject to the risks and uncertainties as to our ability to identify suitable sites for new retail outlets, availability of resources and funding for expansion plan, our ability to attract management talents, and our ability to obtain government approvals, etc. If we failed to implement to same, our results of operations may be adversely affected.

Change in Consumer Preferences

Consumer preferences in the PRC are changing at a rapid pace and are affected by many factors such as economic conditions, disposal income, government policies, family structure, trend, and many other factors. The success of our business depends on our ability to provide products which meets the customer demands. If we fail to accurately forecast and adjust our product mix in time to meet the consumer demands and preferences, our results of operations may be adversely affected.

Thin Profit Margin

As the Group is facing keen competition from other players of the supermarket industry and online retailers, and due to the increase in the operating costs, the profit margin has been squeezed and have a thin net profit margins. If there is any occurrence of unfavourable event such as the outbreak of infectious disease e.g., COVID-19, concern over safety of product, price advantage of our competitors etc., our volume of products sold, selling prices and/or costs of sales, may be adversely affected.

Competition from online retailing platform

Online retailing platform has been rising abruptly these years. Based on its inherent attributions such as efficiency, it has been threatening our retail outlets or slowing down our pace of expanding our retail outlets network before we establish our own robust online retailing channels. As such, this further the competition in this supermarket operation industry.

High staff turnover rate

The Group is mainly engaged in the supermarket business, which has a high demand for staff. Shortage of manpower or higher staff turnover rate may adversely affect our business, operating results and expansion plans. In recent years, the turnover rate of younger people working in our business has been on the rise.

FINANCIAL REVIEW

Revenue

For the FY2020, despite the impact of online e-commerce and the COVID-19 pandemic, the revenue of the Group was approximately RMB888.7 million, representing a decrease of approximately RMB56.5 million or 6% when comparing with revenue for the FY2019. The decrease in the revenue was mainly due to the decrease in turnover of wholesale distribution caused by the COVID-19 pandemic.

For the FY2020, the Group's revenue from retail outlet operation was approximately RMB691.7 million, representing an increase of approximately RMB27.3 million or 4.1% comparing with the FY2019. The increase was mainly due to the refinement of store management, improvement of operational standards and enhancement of customer service levels.

For the FY2020, the Group's revenue from wholesale distribution was approximately RMB197.0 million, representing a decrease of approximately RMB83.8 million or 29.8% comparing with the FY2019. The decrease was mainly due to (i) the termination of the Company's granulated sugar business due to the low gross profit margin of the business, and (ii) the decrease in sales orders for wholesale business due to the closure or suspension of operations of some of the Company's wholesale customers, especially those in the catering industry, as a result of Covid-19 epidemic in FY2020.

Gross Profit Margin

For the FY2020 and FY2019, the Group's gross profit margins were 14.2% and 14.3%, respectively. The slightly decline was mainly due to the increase in the sales discounts offered during promotional activities.

The following table sets forth the breakdowns of the revenue, cost of inventories sold and gross profit in respect of the two business segments of the Group for the FY2020 and FY2019:

	For the year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Revenue		
Retail outlet operation	**691.7**	664.4
Wholesale distribution	**197.0**	280.8
Total	**888.7**	945.2
Cost		
Retail outlet operation	**572.6**	542.6
Wholesale distribution	**190.3**	267.8
Total	**762.9**	810.4
Gross profit		
Retail outlet operation	**119.1**	121.8
Wholesale distribution	**6.7**	13.0
Total	**125.8**	134.8
Gross Profit Margin		
Retail outlet operation	**17.2%**	18.3%
Wholesale distribution	**3.4%**	4.6%
Overall	**14.2%**	14.3%

Other Operating Income

For the FY2020, the Group's other operating income was approximately RMB35.0 million, representing a decrease of approximately RMB2.7 million or 7.2% comparing with the FY2019. The decrease was mainly due to the drop in promotion income from suppliers.

Selling and Distribution Costs

For the FY2020, the Group's selling and distribution costs were approximately RMB127.3 million, representing a decrease of approximately RMB17.5 million or 12.1% comparing with the FY2019. The decrease was mainly due to the reduction and exemption of employees' social insurance fees as a result of the relevant PRC government's regulations.

Administrative Expenses

For the FY2020, the Group's administrative expenses were approximately RMB36.1 million, representing an increase of approximately RMB2.4 million or 7.1% comparing with the FY2019. The increase was mainly due to increase in the Directors' and senior management's remuneration and miscellaneous expenses of the Company.

Finance Costs

For the FY2020, the Group's finance costs were approximately RMB11.5 million representing an increase of approximately RMB1.4 million or 13.9% comparing with the FY2019. The increase was mainly due to increase in interest expense of lease liabilities.

Impairment losses recognised in goodwill, property, plant and equipment and right-of-use assets

In 2020, the management has performed an impairment assessment of property, plant and equipment and right-of-use assets of the Group. Accordingly, the Group's property, plant and equipment had been impaired by RMB0.56 million, and there was no impairment of right-of-use assets. The recoverable amount of the cash generating unit is determined based on a discounted pre-tax cash flow projections, prepared in accordance with the financial budgets approved by management covering a five-year period. The major reason for such impairment was due to the impact of the temporary suspension of store operations during the outbreak of COVID-19 pandemic in the Group's retail stores operated in Macau, which led to an pre-tax operating loss greatly.

Income Tax Expense

For the FY2020, the Group's income tax expense was approximately RMB0.2 million, representing a decrease of approximately RMB0.3 million or 60% comparing with the FY2019, reflecting the drop of the net profit before income tax expense of profitable stores for the Year.

Net Loss

For the FY2020, the Group's net loss attributable to shareholders was approximately RMB16.5 million, representing a decrease of approximately RMB4.1 million or 19.9% comparing with the FY2019, which was mainly due to the decrease in selling and distribution costs during the Year.

The Company stated that it was expected that the Group would record a net loss not more than RMB15,000,000 for the FY2020 in the positive profit alert announcement dated 5 February 2021 (the "Announcement"). The actual net loss is more than that in the Announcement mainly due to impairment loss recognised in respect of trade receivables of RMB1,501,000.

Total Comprehensive Expense

For the FY2020, the Group's total comprehensive expense attributable to the shareholders was approximately RMB18.2 million, representing an decrease of approximately RMB1.7 million or 8.5% comparing with FY2019. The appreciation of RMB against Hong Kong dollars resulted in an exchange loss of approximately RMB1.7 million on translation of the financial statements from the functional currency to the presentation currency in the FY2020, and the exchange losses were reflected as other comprehensive expense.

Capital Expenditure

The Group's capital expenditure requirements were mainly related to additions of its property, plant and equipment and right-of-use assets for the newly opened and existing retail outlets. For the FY2020 the Group spent approximately RMB7.8 million and RMB68.6 million on the acquisition of property, plant and equipment and the right to use assets, respectively.

Capital Commitments

As at 31 December 2020, the Group did not have any significant capital commitments (2019: nil).

Liquidity and Financial Resources

As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB104.0 million (2019: approximately RMB122.6 million), out of which approximately RMB88.3 million was denominated in RMB and approximately RMB15.7 million was denominated in HK$ or MOP.

As at 31 December 2020, the Group had net current assets of approximately RMB129.8 million (2019: approximately RMB259.7 million) and net assets of approximately RMB239.5 million (2019: approximately RMB257.6 million). As at 31 December 2020, the Group did not have unutilised banking facilities (2019: Nil).

On 21 October 2019, the Board announced that the Company, through its subsidiary, Guangdong Province Shun Ke Long Commerce Limited* (廣東省順客隆商業連鎖有限公司) ("Guangdong SKL" formerly known as Foshan Shun Ke Long Commerce Company Limited* (佛山市順客隆商業有限公司)) began to subscribe for up to RMB60 million of wealth management product from Shunde Rural Commercial Bank with expected annualised return rate of 2.8% to 3%. As at 31 December 2020, Guangdong SKL held RMB43.5 million of the wealth management product.

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.

Significant Investments and Plans for Material Investments or Capital Assets

The Group did not hold any significant investments during the FY2020.

Material Acquisitions and Disposals

The Group did not carry out any material acquisition nor disposal of any subsidiary during the FY2020.

Indebtedness and Pledge of Assets

As at 31 December 2020, the Group had bank borrowings denominated in RMB of approximately RMB108 million (2019: approximately RMB108 million) secured by:

(i) the pledge of certain buildings of the Group with carrying values of approximately RMB11.4 million as at 31 December 2020 (2019: approximately RMB11.7 million);

(ii) the pledge of certain right-of-use assets of the Group with carrying values of approximately RMB19.0 million as at 31 December 2020 (2019: approximately RMB19.6 million);

(iii) the pledge of certain investment properties of the Group with carrying values of approximately RMB9.4 million as at 31 December 2020 (2019: approximately RMB9.7 million).

All the bank borrowings were repayable within one year. The interests of those loans were fixed at 5.23% per annum (2019: at fixed rate of 5.46% per annum).

Key Financial Ratio

The following table sets forth the key financial ratios of the Group for the FY2020 and FY2019:

	As at 31 December For the year ended on that date	
	2020	2019
Debtor turnover days	**12.1**	9.3
Inventory turnover days	**65.7**	56.9
Creditor turnover days	**52.4**	51.5
Return on equity	**-6.9%**	-8.0%
Return on total assets	**-2.7%**	-3.4%
Total loans	**108.0**	108.0
Total equity	**239.5**	257.6
Gearing Ratio	**45.1%**	41.9%
Net debt to equity ratio	**Net cash**	Net cash
Current ratio	**1.5x**	2.5x
Quick ratio	**1.0x**	1.7x

Note: Gearing ratio is calculated as total loans divided by total equity.

Foreign Currency Exposure

Majorities of the Group's assets, liabilities and cash flows were denominated in RMB and part of the Group's assets were denominated in HK$. During the FY2020, the appreciation of RMB against HK$ had no impact from translation as the reporting currency of the Group was RMB. Apart from that, the management of the Company viewed that the change in exchange rate for RMB against foreign currencies did not have significant impact on the Group's financial position nor performance given that functional currencies of the Group was RMB. During the FY2020, the Group did not engage in any hedging activities and the Group has no intention to carry out any hedging activities in near future. The management of the Group will continue to closely monitor the foreign currency market and consider carrying out hedging activities when necessary.

Contingent Liabilities

As at 31 December 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 1,295 employees as at 31 December 2020, of which 1,249 employees worked in the PRC and 46 worked in Hong Kong and Macau. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training to staff and bonuses based upon staff performance and profits of the Group. During the FY2020, the Group had not experienced any significant disruption to its operations due to labour disputes nor had it experienced any difficulty in the recruitment of experienced staff. The Group maintains a good relationship with its employees.

LISTING

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. In the Global Offering, 75,600,000 Shares were issued at HK$2.88 each and the total gross proceeds received amounted to approximately HK$217.7 million (equivalent to approximately RMB178.9 million).

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and related expenses, amounted to approximately HK$188.6 million (equivalent to approximately RMB155.0 million), 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**		**Utilization as at 31 December 2020**		**Remaining balance of net proceeds as at 31 December 2020**	
	RMB million	*% of net proceeds*	*RMB million*	*% of net proceeds*	*RMB million*	*% of net proceeds*	*RMB million*	*% of net proceeds*
Opening of new retail outlets	116.9	75.4%	74.4	48.0%	40.8	26.3%	33.6	21.7%
Upgrading existing retail outlets	–	0.0%	14.6	9.4%	16.9	10.9%	–	0%
Repayment of bank borrowings	–	0.0%	27.9	18.0%	27.9	18.0%	–	0%
Information systems upgrades	11.2	7.2%	11.2	7.2%	11.7	7.5%	–	0%
Upgrading and expanding the existing two distribution centres	13.3	8.6%	13.3	8.6%	4.0	2.6%	9.3	6.0%
General working capital	13.6	8.8%	13.6	8.8%	13.6	8.8%	–	0%
Total	155.0	100.0%	155.0	100.0%	114.9	74.1%	42.9	27.7%

SIGNIFICANT EVENTS

The Board is not aware of any significant events requiring disclosure that has taken place subsequent to 31 December 2020 and up to the date of this announcement.

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 year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "Stock Exchange"). The Board is of the view that for the year ended 31 December 2020, the Company has complied with all the code provisions as set out in the CG Code, except for 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 Chief executive officer of an issuer should be segregated and should not be performed by the same individual.

Between 1 January 2020 to 27 July 2020, Mr. Sun Kin Ho Steven ("Mr. Sun") was both the chairman of the Board and Chief Executive Officer (the "CEO") of the Company. The Board believes that vesting the roles of both the chairman of the Board 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.

On 27 July 2020, Mr. Sun has resigned as the chairman of the Board and an executive Director and was terminated as the CEO. On the same day, the Board resolved to appoint Mr. Du Xiaoping as the chairman of the Board and Mr. Han Wei as the CEO. As such, the Company has complied with the code provision A.2.1 of the CG Code since 27 July 2020.

Code Provision A.5.1

With effect from 27 July 2020, Mr. Chong Kin Ho ("Mr. Chong") has resigned as an independent non-executive Director, and ceased to be the chairman of the audit committee (the "Audit Committee") of the Company; 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 (the" Remuneration Committee") and a member of the nomination committee (the" Nomination Committee") of the Company; 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; and Mr. Cheng Hok Kai Frederick ("Mr. Cheng") has been appointed as an independent non-executive Director and the chairman of the Audit Committee.

Following the resignations of Mr. Chong, Mr. Chen and Mr. Tung and the appointment of Mr. Cheng, 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 CG Code contained in Appendix 14 to the Listing Rules.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code for FY2020 and they all confirmed that they have fully complied with the required standard as set out in the Model Code.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters. The consolidated financial statements and final results of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee and have been audited by the Group's auditor, Messrs. SHINEWING (HK) CPA Limited. The Audit Committee is of the opinion that the financial statements complied with the applicable accounting standards and requirements, and that adequate disclosures have been made. For the FY2020, the Audit Committee considered the Group's risk management and internal control system as adequate and effective.

DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the FY2020.

ANNUAL GENERAL MEETING

An annual general meeting of the Company will be held on Tuesday, 8 June 2021, notice of which will be published and despatched to the shareholders as soon as practicable in accordance with the requirements of the Company's Articles of Association and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 3 June 2021 to Tuesday, 8 June 2021, both days inclusive, during which period no transfer of Shares will be effected.

In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 8 June 2021, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 2 June 2021.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and on the Company's website at www.skl.com.cn. The annual report for the year ended 31 December 2020 of the Group containing all the information required by the Listing Rules will also be published on the same websites and dispatched to the shareholders of the Company in due course.

SCOPE OF WORK PERFORMED BY AUDITOR

The financial information has been reviewed by the Audit Committee and approved by the Board. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this preliminary results announcement.

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

Hong Kong, 29 March 2021

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

* *For identification only*