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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board of directors (the "**Board**", and the members of the Board, the "**Directors**") of China Shun Ke Long Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024. The unaudited consolidated results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2024	2023	
	RMB'000	*RMB'000*	%
Revenue	**308,164**	323,177	-4.6%
Gross profit	**38,783**	46,064	-15.8%
Loss for the period	**(18,747)**	(12,751)	47.0%

	At 30 June 2024	At 31 December 2023	
	RMB'000	*RMB'000*	%
Total assets	**328,208**	365,506	-10.2%
Total liabilities	**196,273**	215,091	-8.7%

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended 30 June	
		2024	2023
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*4*	**308,164**	323,177
Cost of inventories sold		**(269,381)**	(277,113)
Gross profit		**38,783**	46,064
Other operating income	*4*	**8,589**	13,360
Selling and distribution costs		**(56,311)**	(60,278)
Administrative expenses		**(6,891)**	(9,406)
Impairment loss recognised in respect of trade receivables		**(583)**	(460)
Reversal of impairment loss recognised in respect of other receivables		**–**	451
Finance costs	*6*	**(2,264)**	(2,478)
Loss before tax	*5*	**(18,677)**	(12,747)
Income tax expenses	*7*	**(70)**	(4)
Loss for the period		**(18,747)**	(12,751)
Other comprehensive income, item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		**267**	301
Loss and total comprehensive expense for the period		**(18,480)**	(12,450)
Loss for the period attributable to:			
– Owners of the Company		**(18,596)**	(12,622)
– Non-controlling interests		**(151)**	(129)
		(18,747)	(12,751)
Total comprehensive expense for the period attributable to:			
– Owners of the Company		**(18,329)**	(12,321)
– Non-controlling interests		**(151)**	(129)
		(18,480)	(12,450)
Loss per share – basic and diluted (RMB)	*9*	**(0.06)**	(0.04)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

	NOTES	**30 June 2024** **RMB'000** **(unaudited)**	31 December 2023 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment	*10*	**29,092**	28,095
Right-of-use assets	*11*	**77,628**	87,204
Investment properties	*10*	**8,534**	8,697
Deposits paid		**6,102**	6,304
Deferred tax assets		**772**	772
		122,128	131,072
Current assets			
Inventories		**76,341**	77,762
Trade and bills receivables	*12*	**33,345**	36,971
Deposits paid, prepayments and other receivables		**71,000**	70,741
Amounts due from related companies	*14*	**276**	277
Cash and cash equivalents		**25,118**	48,683
		206,080	234,434
Current liabilities			
Trade payables	*13*	**69,544**	78,384
Deposits received, receipts in advance, accruals and other payables		**23,003**	25,900
Lease liabilities	*11*	**23,293**	24,336
Contract liabilities		**15,396**	13,622
Bank borrowings	*15*	**28,000**	28,000
Tax payable		**1**	23
Total current liabilities		**159,237**	170,265
Net current assets		**46,843**	64,169
Total assets less current liabilities		**168,971**	195,241

	NOTES	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Non-current liability			
Lease liabilities	*11*	**37,036**	44,826
Net assets		**131,935**	150,415
Capital and reserves			
Share capital	*16*	**2,387**	2,387
Reserves		**128,465**	146,794
Equity attributable to owners of the Company		**130,852**	149,181
Non-controlling interests		**1,083**	1,234
Total equity		**131,935**	150,415

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	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 1 January 2024 (audited)	**2,387**	**169,904**	**84**	**(6,200)**	**200**	**15,836**	**873**	**5,722**	**(39,625)**	**149,181**	**1,234**	**150,415**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(18,596)**	**(18,596)**	**(151)**	**(18,747)**
Other comprehensive income for the period												
Exchange differences arising on translation of financial statements from functional currency to presentation currency	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**267**	**–**	**267**	**–**	**267**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**267**	**(18,596)**	**(18,329)**	**(151)**	**(18,480)**
At 30 June 2024 (unaudited)	**2,387**	**169,904**	**84**	**(6,200)**	**200**	**15,836**	**873**	**5,989**	**(58,221)**	**130,852**	**1,083**	**131,935**
At 1 January 2023 (audited)	2,387	169,904	84	(6,200)	200	15,790	873	5,383	(12,825)	175,596	1,164	176,760
(Loss)/profit for the period	–	–	–	–	–	–	–	–	(12,622)	(12,622)	(129)	(12,751)
Other comprehensive income for the period												
Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	–	–	–	–	–	–	301	–	301	–	301
Total comprehensive income (expense) for the period	–	–	–	–	–	–	–	301	(12,622)	(12,321)	(129)	(12,450)
At 30 June 2023 (unaudited)	2,387	169,904	84	(6,200)	200	15,790	873	5,684	(25,447)	163,275	1,035	164,310

Notes:

(a) Special reserve represents the investment cost of a subsidiary which has been carved out of the Group as part of the reorganisation and the proceeds from disposal of that subsidiary.

(b) The merger reserve of the Group arose as a result of the reorganisation. As at 30 June 2024 and 2023, the balance of the merger reserve included the deemed distribution upon the acquisition of a subsidiary from the controlling shareholders as part of the reorganisation.

(c) Capital reserve represents the capital contribution from the previous shareholders to a subsidiary of the Group.

(d) In accordance with the Company Law of the People's Republic of China (the "**PRC**"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of each entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

(e) Capital contribution reserve of the Group represented the capital contribution upon acquisition of the net assets of a subsidiary pursuant to a group reorganisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cash flows (used in) from operating activities		
Net cash (used in) from operating activities	**(3,855)**	6,526
Investing activities		
Interest received	**130**	192
Proceeds from disposals of property, plant and equipment	**437**	578
Purchases of property, plant and equipment	**(4,916)**	(2,185)
Net cash used in investing activities	**(4,349)**	(1,415)
Financing activities		
Repayment of capital element of lease liabilities	**(13,377)**	(20,841)
Interest paid on lease liabilities and bank borrowings	**(2,264)**	(2,478)
Government grants	**8**	323
Net cash used in financing activities	**(15,633)**	(22,996)
Net decrease in cash and cash equivalents	**(23,837)**	(17,885)
Cash and cash equivalents at 1 January	**48,683**	48,972
Effect of foreign exchange rate changes	**272**	351
Cash and cash equivalents at 30 June	**25,118**	31,438

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

CCOOP International Holdings Limited, which is a company incorporated in the Cayman Islands and an indirectly wholly-owned subsidiary of CCOOP Group Co., Ltd.* (供銷大集集團股份有限公司) ("**CCOOP Group**"), a company incorporated in the PRC, holds 204,558,317 ordinary shares in aggregate, representing 70.42% of the entire issued share capital of the Company. To the best knowledge of the Directors, the controlling shareholder of the Company is CCOOP Group, the shares of which are listed on the Shenzhen Stock Exchange.

The controlling shareholder of CCOOP Group is Beijing Zhong He Nong Xin Enterprises Management Limited* (北京中合農信企業管理諮詢有限公司) and the actual controller of CCOOP Group is All China Federation of Supply and Marketing Cooperatives (中華全國供銷合作總社).

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

The condensed consolidated financial statements of the Group for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") and the applicable disclosure provisions of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023 except as described below.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("**IFRSs**"), which include IFRSs, International Accounting Standards, amendments and interpretations issued by the IASB and the IFRS Interpretations Committee of the IASB which are effective for the Group's financial year beginning 1 January 2024:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

Segment revenue and results

For the six months ended 30 June 2024 (unaudited):

	Retail outlet Operation *RMB'000*	**Wholesale distribution** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*
Revenue				
From external customers	**231,307**	**76,857**	**–**	**308,164**
From inter-segment	**12,986**	**4,894**	**(17,880)**	**–**
Reportable segment revenue	**244,293**	**81,751**	**(17,880)**	**308,164**
Reportable segment (loss) gain	**(16,839)**	**25**	**–**	**(16,814)**
Other corporate income				**9**
Other corporate expenses				**(1,872)**
Loss before tax				**(18,677)**

For the six months ended 30 June 2023 (unaudited):

	Retail outlet operation *RMB'000*	Wholesale Distribution *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Revenue				
From external customers	255,292	67,885	–	323,177
From inter-segment	18,030	5,324	(23,354)	–
Reportable segment revenue	273,322	73,209	(23,354)	323,177
Reportable segment loss	(10,829)	(38)	–	(10,867)
Other corporate income				46
Other corporate expenses				(1,926)
Loss before tax				(12,747)

Inter-segment sales are charged at prevailing market rates.

Geographic information

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

	Revenue from external customers		**Non-current assets**	
	Six months ended 30 June		**At 30 June**	At 31 December
	2024	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
The PRC (place of domicile)	**308,164**	323,177	**115,174**	123,818
Hong Kong	**–**	–	**80**	148
	308,164	323,177	**115,254**	123,966

Deposits paid and deferred tax assets 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. No single customer of the Group contributed 10% or more to the Group's revenue for the six months ended 30 June 2024 and 2023.

4. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
– Sales of goods		
General retail sales under retail outlet operation	**135,950**	158,856
Bulk sales under retail outlet operation	**84,856**	94,088
General wholesales under wholesale distribution	**76,857**	62,561
– Services rendered		
Commission from concessionaire sales under retail outlet operation	**6,292**	2,374
	303,955	317,879
Revenue from other sources		
Rental income from subleasing certain retail areas under retail outlet operation		
– Lease payments that are fixed	**4,209**	5,298
	308,164	323,177

Disaggregation of revenue from contracts with customers by timing of recognition

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Timing of revenue recognition		
At a point of time	**303,955**	317,879

(b) Other operating income

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Gain on lease termination *(Note)*	**183**	806
Gain on disposals of property, plant and equipment	**89**	387
Government grants	**8**	323
Interest income on bank deposits	**130**	192
Promotion income from suppliers	**5,299**	6,990
Net rental income from investment properties	**1,371**	1,313
Others	**1,509**	3,349
	8,589	13,360

Note:

During the period ended 30 June 2024, gain on early termination of a lease represented the net difference of approximately RMB183,000 comprising an approximately RMB6,637,000 decrease in right-of-use assets and an approximately RMB6,820,000 decrease in lease liabilities.

During the period ended 30 June 2023, gain on early termination of a lease represented the net difference of approximately RMB806,000 comprising an approximately RMB18,644,000 decrease in right-of-use assets and an approximately RMB19,450,000 decrease in lease liabilities.

5. LOSS BEFORE TAX

The Group's loss from operations was arrived at after charging:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**3,571**	3,721
Depreciation of investment properties	**163**	163
Depreciation of right-of-use assets	**14,303**	16,019
Employee benefits expenses (including directors' remuneration):		
– Wages and salaries	**25,172**	26,919
– Pension scheme contributions	**4,140**	4,365
– Other benefits	**534**	663
	29,846	31,947

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	**562**	223
Lease liabilities	**1,702**	2,255
	2,264	2,478

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current – the PRC		
Charge for the period	**70**	4

The Group is not subject to any income tax under the jurisdiction of the Cayman Islands and the British Virgin Islands for the six months ended 30 June 2024 and 2023.

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 2024 and 2023.

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 2024 and 2023.

From 1 January 2019 to 30 June 2024, 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, a PRC subsidiary of the Group, has been qualified as a HNTE in 2019 and its income tax rate is 15% for the six months ended 30 June 2023.

The Group's subsidiaries in Macau are subject to Complementary Tax at rate of 12% based on the estimated assessable profits for the six months ended 30 June 2024 and 2023. During the six months ended 30 June 2024 and 2023, no Macau Complementary Income Tax has been provided as there were no assessable profits generated.

8. DIVIDEND

No dividend was paid or proposed for the six months ended 30 June 2024 (six months ended 30 June 2023: nil), nor has any dividend been proposed since the end of the reporting period (2023: nil).

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**(18,596)**	(12,622)

	Six months ended 30 June	
	2024	2023
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**290,457,000**	290,457,000

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

10. CAPITAL EXPENDITURES

	Property, plant and equipment	**Investment properties**
	RMB'000	*RMB'000*
Opening carrying amount as at 1 January 2024 (audited)	**28,095**	**8,697**
Additions	**4,916**	**–**
Disposals	**(348)**	**–**
Depreciation/amortisation *(Note 5)*	**(3,571)**	**(163)**
Carrying amounts as at 30 June 2024 (unaudited)	**29,092**	**8,534**
Opening carrying amount as at 1 January 2023 (audited)	31,305	9,024
Additions	2,185	–
Disposals	(191)	–
Depreciation/amortisation *(Note 5)*	(3,721)	(163)
Exchange adjustment	3	–
Carrying amounts as at 30 June 2023 (unaudited)	29,581	8,861

Assets with carrying amounts of RMB348,000 (30 June 2023: RMB191,000) were disposed of by the Group during the six months ended 30 June 2024, resulting in a net gain on disposal of RMB89,000 (30 June 2023: gain of RMB387,000).

As at 30 June 2024 and 31 December 2023, certain buildings with carrying amounts of RMB10,768,000 and RMB10,985,000 respectively have been pledged to the bank for banking facilities granted to the Group (Note 15).

As at 30 June 2024 and 31 December 2023, certain investment properties with carrying amounts of RMB8,533,000 and RMB8,697,000 respectively have been pledged to the bank for banking facilities granted to the Group (Note 15).

11. LEASES

(i) Right-of-use assets

	30 June 2024 *RMB'000* (unaudited)	31 December 2023 *RMB'000* (audited)
Other properties leased for own use	**56,932**	66,072
Ownership interests on leasehold land	**20,696**	21,132
	77,628	87,204

As at 30 June 2024, right-of-use assets of RMB20,696,000 (31 December 2023: RMB21,132,000) represents land use rights locating in the PRC.

As at 30 June 2024, certain ownership interests on leasehold land with carrying amounts of approximately RMB18,859,000 (31 December 2023: RMB19,232,000) have been pledged to the bank for banking facilities granted to the Group (Note 15).

The Group has lease arrangements for retail outlets, warehouses and office premises. The lease terms are generally ranged from thirteen months to fourteen 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 2024 and 2023, no expenses related to variable lease payments of the lease were recognised into profit or loss.

Additions to the right-of-use assets for the six months ended 30 June 2024 amounted to RMB11,364,000 (six months ended 30 June 2023: RMB40,062,000), due to new leases of retail outlets, warehouse and office premises and renewal of existing leases.

During the six months ended 30 June 2024 and 2023, the Group has subleased part of the rented retail outlets. The Group has classified the sublease as operating leases. During the six months ended 30 June 2024, the Group recognised rental income from subleasing right-of-use assets of RMB4,209,000 (six months ended 30 June 2023: RMB5,298,000).

(ii) Lease liabilities

	30 June 2024 *RMB'000* (unaudited)	31 December 2023 *RMB'000* (audited)
Current	**23,293**	24,336
Non-current	**37,036**	44,826
	60,329	69,162

	30 June 2024 *RMB'000* (unaudited)	31 December 2023 *RMB'000* (audited)
Analysed into payable		
Within one year	**23,293**	24,336
After one year but within two years	**20,146**	24,366
After two years but within five years	**12,467**	18,149
After five years	**4,423**	2,311
	60,329	69,162
Less: amount due for settlement within 12 months (shown under current liabilities)	**(23,293)**	(24,336)
Amount due for settlement after 12 months	**37,036**	44,826

During the six months ended 30 June 2024, the Group entered into new leases of retail outlets and renewed existing leases of RMB11,364,000 (six months ended 30 June 2023: RMB40,062,000).

(iii) Amounts recognised in profit or loss

	30 June 2024 *RMB'000* (unaudited)	31 December 2023 *RMB'000* (audited)
Depreciation of right-of-use assets by class of underlying asset:		
Other properties leased for own use	**13,867**	30,395
Ownership interests in leasehold land	**436**	872
	14,303	31,267
Gain on lease termination *(Note 4)*	**183**	1,174
Interest expenses on lease liabilities	**1,702**	3,955
Expense relating to short-term leases	**2,216**	4,982

(iv) Others

During the six months ended 30 June 2024, the total cash outflow for leases amount to RMB17,295,000 (six months ended 30 June 2023: RMB23,096,000).

12. TRADE AND BILLS RECEIVABLES

	30 June 2024 *RMB'000* (unaudited)	31 December 2023 *RMB'000* (audited)
Trade receivables	**35,163**	37,975
Less: allowance for impairment of trade receivables	**(1,820)**	(1,237)
	33,343	36,738
Bills receivables	**2**	233
	33,345	36,971

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

	30 June 2024 *RMB'000* **(unaudited)**	31 December 2023 *RMB'000* (audited)
Within 30 days	**11,794**	17,833
31 to 60 days	**6,182**	8,086
61 to 180 days	**7,547**	1,575
181 to 365 days	**5,487**	8,503
Over 1 year	**2,333**	741
	33,343	36,738

13. TRADE PAYABLES

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

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

	30 June 2024 *RMB'000* **(unaudited)**	31 December 2023 *RMB'000* (audited)
Current to 30 days	**19,261**	34,168
31 to 60 days	**18,292**	15,128
61 to 180 days	**17,877**	12,113
181 to 365 days	**5,773**	8,506
Over 1 year	**8,341**	8,469
	69,544	78,384

14. AMOUNTS DUE FROM RELATED COMPANIES

As at 30 June 2024 and 31 December 2023, the amounts due from related companies are trade-related, unsecured, interest-free and repayable on demand.

As at 30 June 2024, approximately RMB4,000 and RMB272,000 of the amounts are within three months and over one year respectively.

As at 31 December 2023, approximately RMB5,000 and RMB272,000 of the amounts are within three months and over one year respectively.

Included in the carrying amounts due from related companies as at 30 June 2024 is accumulated impairment loss of RMB370,000 (31 December 2023: RMB370,000).

15. BANK BORROWINGS

	30 June 2024 *RMB'000* (unaudited)	31 December 2023 *RMB'000* (audited)
Secured bank borrowings classified as current liabilities	**28,000**	28,000
Carrying amount of bank borrowings that contain repayable on demand clause but repayable:*		
Within one year	**28,000**	28,000

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

As at 30 June 2024, the bank borrowings were denominated in RMB28,000,000 (2023: RMB28,000,000), bore interest at fixed rate of 3.95% (2023: 3.95%) per annum.

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

(i) the pledge of certain buildings of the Group with carrying amounts of RMB10,768,000 and RMB10,985,000 as at 30 June 2024 and 31 December 2023 respectively (Note 10);

(ii) the pledge of certain right-of-use assets of the Group with carrying amounts of RMB18,859,000 and RMB19,232,000 as at 30 June 2024 and 31 December 2023 respectively (Note 11);

(iii) the pledge of certain investment properties of the Group with carrying amounts of RMB8,533,000 and RMB8,697,000 as at 30 June 2024 and 31 December 2023 respectively (Note 10).

16. SHARE CAPITAL

	30 June 2024 *RMB'000* (unaudited)	31 December 2023 *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

17. OPERATING LEASE ARRANGEMENTS

The Group as a lessor

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

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

	30 June 2024 *RMB'000* (unaudited)	31 December 2023 *RMB'000* (audited)
Within one year	**12,036**	15,767

18. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB11,364,000 and RMB11,364,000 respectively, in respect of lease arrangements for retail outlets (six months ended 30 June 2023: RMB40,062,000 and RMB40,062,000 respectively).

During the six months ended 30 June 2024, the Group had non-cash reductions to right-of-use assets and lease liabilities of RMB6,637,000 (six months ended 30 June 2023: RMB18,644,000) and RMB6,820,000 (six months ended 30 June 2023: RMB19,450,000) respectively, in respect of early termination of leases.

19. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
Related party relationship	**Nature of transaction**	**2024**	2023
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Related companies	Sale of goods *(Note a)*	**4**	36
Related companies	Purchase of goods *(Note b)*	**17**	–

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 transaction are based on (i) historical transaction prices and amount; (ii) prevailing market prices; and (iii) discount rate offered from seller. The credit period for purchase from related parties are within 90 days.

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Salaries, allowances and benefits in kind	**1,305**	1,205
Pension scheme contributions	**97**	92
	1,402	1,297

MANAGEMENT DISCUSSION AND ANALYSIS

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 six months ended 30 June 2024 (the "**First Half**" or the "**Period**"), the Group maintained both retail and wholesale distribution channels.

Retail Outlets

During the Period, the Group opened 4 new retail outlets and closed or re-franchised 3 retail outlets. As at 30 June 2024, the Group had a total of 62 retail outlets, namely 61 retail outlets in Guangdong province of the PRC and 1 retail outlets in the Macau Special Administrative Region of the PRC ("**Macau**") respectively.

The following table sets out the changes in the number of retail outlets of the Group for the year ended 31 December 2023 (the "**FY2023**") and during the Period:

	For the Period/year ended	
	30 June 2024	31 December 2023
At the beginning of the Period/year	**61**	67
Additions	**4**	4
Reductions	**(3)**	(10)
At the end of the Period/year	**62**	61

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 31 December 2023 and 30 June 2024:

Location	**Number of retail outlets as at**	
	30 June 2024	31 December 2023
Foshan	**52**	49
Zhaoqing	**5**	6
Zhuhai	**2**	3
Guangzhou	**1**	1
Shenzhen	**1**	1
Guangzhou province of the PRC	**61**	60
Macau	**1**	1
Total	**62**	61

General Wholesale

During the Period, the Group managed to keep all exclusive distribution rights it gained before. The Group maintained sole and exclusive distribution rights for 24 brands covering Foshan, Jiangmen and Zhaoqing. The exact coverage of the sole and exclusive distribution rights varied among those 24 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 a part of its wholesale distribution revenue.

The following table sets forth the changes in the number of franchise outlets of the Group during the FY2023 and the Period:

	For the Period/year ended	
	30 June 2024	31 December 2023
At the beginning of the Period/year	**1,008**	823
Additions	**172**	185
At the end of the Period/year	**1,180**	1,008

RECENT DEVELOPMENTS AND OUTLOOK

In recent years, online channels have penetrated into all walks of life, becoming essential for retail businesses, meanwhile, community group buying has emerged, impacting brick-and-mortar retailers. From 2023 to 2024, as offline consumption scenarios recover, consumer vitality is expected to be further unleashed. However, consumer confidence remains weak, and both consumption capacity and willingness require further enhancement. The top priority for retail and consumer goods companies is now to efficiently manage operations centered around consumers, promoting sustained consumption among existing customers. Traditional supermarkets need to adapt their business models for breakthroughs promptly to align with market changes, focusing on upgrading and transitioning towards more professional and refined operations. They are beginning to emphasize internal capabilities, detailed management, supply chain integration, and continuous improvement of store fundamentals.

Faced with this challenging environment, the Group has responded calmly by implementing several key measures during the Period to stabilize performance: (i) establishing the Group's first "Supply and Marketing Discount Store" to enhance revenue with a new business model; (ii) closing unprofitable stores to cut losses and adjusting operations for profitable stores to stabilize income; (iii) continuing to expand "Shun Ke Long Fresh Market" stores and their profitability models, highlighting growth points in fresh produce; (iv) increasing "24-hour AI Smart Unmanned Stores" and integrating cloud monitoring functions in up to 27 existing stores to maximize operational hours; (v) keeping pace with market dynamics by developing the "Tiktok Hourly Delivery" service through new media channels and continuously expanding our proprietary e-commerce platforms "SKL Select" and "Yubanghang Mini Program", thereby enhancing sales through online-offline integration; (vi) expanding the coverage of branded agency business to effectively boost the scale of wholesale operations; (vii) improving operational conditions to reduce expenses by thoroughly reviewing all operational aspects; (viii) reforming the supply chain through direct factory supply, nationwide joint sourcing, and direct sourcing from production bases to reduce intermediary steps and increase gross profit margins; and (ix) adjusting and enhancing the operations management team and optimizing back-office departments, emphasizing core functions in procurement and operations.

In the current complex and challenging retail environment, the Group will continue to focus on the supermarket chain business through reform, transformation, and innovation. The Group will adhere to the sales model of "Retail + Wholesale + Franchise + Centralized Procurement and Sale + Online-offline Integration + Community Marketing", expanding regional network scale and tapping into the consumption potential in Guangzhou, Foshan, Zhaoqing, and other regions, so as to become an influential leading supermarket business in the Guangdong – Hong Kong – Macao Greater Bay Area. In addition, we aim to explore opportunities outside Guangdong Province and even in Hong Kong, leveraging favorable policies in areas like the Hainan Free Trade Port to expand our import-export business territory. Furthermore, we will proactively adjust the direction of its business development by leveraging the influence and resources of the All China Federation of Supply and Marketing Cooperatives, vigorously developing centralized procurement and sale business, and striving to become a leading national urban-rural circulation operator. We aim to facilitate the bidirectional flow of industrial and agricultural products, facilitating urban-rural integrated development.

Besides continuing the aforementioned measures, the Group will focus on the following efforts in the second half of 2024: (i) further optimizing the supply chain system to significantly reduce product costs and enhance market competitiveness; (ii) expanding the business models of "24-hour AI Smart Unmanned Stores" and "Shun Ke Long Fresh Market" vigorously through direct or franchised operations to increase profitability; (iii) developing new business operation models to achieve incremental growth, enhancing the performance of supply and marketing discount stores and centralized procurement and sale business, making them new highlights for the Group; (iv) continuing to upgrade and renovate existing stores and adjust category structures to further optimize the store environment and shopping experience, thereby increasing revenue; (v) strengthening marketing efforts on new media platforms like Tiktok and video accounts, expanding the presence on online platforms, and vigorously developing our proprietary e-commerce platforms "SKL Select" and "Yubanghang Mini Program" for online-offline integration; (vi) leveraging the Group's comprehensive up-and-down stream supply and sales system and distribution and warehousing capacities, and capitalizing on favorable conditions in the Hainan Free Trade Port and the Greater Bay Area, to explore and expand the scale of international operation; (vii) focusing on hot-selling events and promotional campaigns, such as various e-commerce shopping festivals, Mid-Autumn Festival, National Day, Year-End 21% Off Promotions, and Member Day on Tuesdays; and (viii) continuing to adjust operational processes, tightly controlling expenditures, and managing costs.

FINANCIAL REVIEW

Revenue

During the Period, the Group's revenue amounted to approximately RMB308.2 million, representing a decrease of approximately RMB15 million or 4.6% over the corresponding period in 2023. The decrease in revenue was mainly attributable to lower sales in retail outlets due to the market environment, as well as the reduced demand for group purchases from some customers.

During the Period, the Group's revenue from retail outlet business was approximately RMB231.3 million, representing a decrease of approximately RMB24 million or 9.4% as compared with the corresponding period in 2023. The decrease in revenue was mainly attributable to lower sales in stores due to the market environment and reduced demand for some group purchases.

During the Period, the Group's wholesale distribution business generated revenue of approximately RMB76.9 million, representing an increase of approximately RMB9 million or 13.3% over the corresponding period in 2023. The increase in revenue was mainly attributable to the increase in sales as a result of the increased market presence of some dealership brands and the increase in sales of some dealership brands.

Gross Profit Margin

During the Period and the corresponding period in 2023, the gross profit margin of the Group was approximately 12.6% and approximately 14.3% respectively, representing a decrease of approximately 1.7% to the Period from the previous period.

Other Operating Income

During the Period, the Group's other operating income amounted to approximately RMB8.6 million, representing a decrease of approximately RMB4.8 million, or 35.7%, as compared with the corresponding period in 2023, which was mainly due to decrease in promotional service fee income from suppliers and decrease in government subsidies.

Selling and Distribution Costs

During the Period, the Group's selling and distribution costs amounted to approximately RMB56.3 million, representing a decrease of approximately RMB4 million or 6.6% as compared with the corresponding period in 2023. The decrease was primarily attributed to a rational optimization of personnel, resulting in a reduction in labour costs, as well as the closure or relocation of outlets, leading to a decrease in leasing expenses.

Administrative Expenses

During the Period, the administrative expenses of the Group amounted to approximately RMB6.9 million, representing a decrease of approximately RMB2.5 million or 26.7% as compared with the corresponding period in 2023. The decrease was primarily due to a reduction in the labour costs of management personnel and the decrease in bank charges.

Finance Costs

During the Period, the Group's finance costs amounted to approximately RMB2.3 million, representing a decrease of approximately RMB0.2 million or 8.6% as compared with the corresponding period in 2023. The decrease was primarily due to a decrease in unrecognised finance costs on lease liabilities.

Income Tax Expense

During the Period, the Group's income tax expense amounted to approximately RMB70,000, representing an increase of approximately RMB66,000 as compared to the corresponding period in 2023. This is because one of the subsidiaries of the Company was ruled by the local tax bureau during the Period that it did not belong to the category of small and micro-profit enterprises in 2020 and was not entitled to the EIT incentives and made a retroactive payment of the portion of EIT for the year in respect of which it had already enjoyed the incentives.

Net Loss

During the Period, the net loss attributable to owners of the Company amounted to approximately RMB18.6 million, representing an increase in loss of approximately RMB6 million or 47.6% as compared with the corresponding period in 2023. The increase in net loss was mainly due to the decrease in gross profit as a result of a decline in sales, as well as the decrease in rental income, promotional service fee income from suppliers and income from government grants.

Total Comprehensive Expense

During the Period, the total comprehensive expenses attributable to owners of the Group amounted to approximately RMB18.3 million, representing an increase of approximately RMB6 million or 48.8% as compared with the corresponding period in 2023. The increase was mainly due to the decrease in gross profit as a result of a decline in sales, as well as the decrease in rental income, promotional service fee income from suppliers and income from government grants.

Capital Expenditures

The Group's capital expenditure requirements mainly relate to additions of its property, plant and equipment for the opening of new retail outlets and renovation of existing retail outlets. The Group spent approximately RMB4.9 million on property, plant and equipment during the Period.

Use of Proceeds

The net proceeds (after deducting underwriting fees and related expenses) from public offering of the shares of the Company (the "**Global Offering**") on 10 September 2015 amounted to approximately HK$188.6 million (equivalent to approximately RMB155.0 million). For the details of the Global Offering, please refer to the prospectus issued by the Company (the "**Prospectus**") on 28 August 2015.

On 24 October 2016, due to the slowdown in economic growth in the PRC, the Board resolved to re-allocate a portion of the unutilised net proceeds from "opening of new retail outlets" to "upgrading existing retail outlets" and "repayment of bank borrowings", so as to enhance the Group's competitiveness as one of the major market players in Guangdong province and reduce the Group's finance costs. For further details, please refer to the announcement of the Company dated 24 October 2016.

Up to 19 June 2024, other than the RMB12.5 million as described below, the net proceeds have been applied according to the disclosure in the Prospectus and the announcement of the Company 24 October 2016. On that day, the Board further resolved to change the use of the remaining RMB12.5 million unutilised net proceeds from "upgrading and expanding the existing two distribution centres" to "upgrading existing retail outlets", as the existing distribution centres adequately met market demand and upgrading existing retail outlets aligned with the Group's ongoing efforts to optimize the store environment and enhance the shopping experience. For further details, please refer to the announcement of the Company dated 19 June 2024.

An analysis of the utilisation of the net proceeds as at 30 June 2024 is set out below:

	Revised allocation of the net proceeds as disclosed in the announcement dated 19 June 2024 *RMB million*	**Utilisation up to 30 June 2024** *RMB million*	**Actual use of net proceeds during the Period** *RMB million*	**Remaining balance of net proceeds as at 30 June 2024** *RMB million*	**Expected timeline for utilising the remaining net proceeds**
Opening of new retail outlets	74.4	74.4	–	–	
Upgrading existing retail outlets	27.1	14.6	–	12.5	Expected to be utilised by 31 December 2026 *(Note)*
Repayment of bank borrowings	27.9	27.9	–	–	
Information systems upgrades	11.2	11.2	–	–	
Upgrading and expanding the existing two distribution centres	0.8	0.8	–	–	
General working capital	13.6	13.6	–	–	
Total	155.0	142.5	–	12.5	

Note: The Board expected that the unutilised balance will be used as disclosed in the announcement of the Company dated 19 June 2024. The expected timeline for utilising the net proceeds is based on the Group's existing business plans and subject to changes based on the business needs of the Group and market conditions.

Liquidity and Financial Resources

As at 30 June 2024, the Group had cash and cash equivalents of approximately RMB25.1 million (31 December 2023: approximately RMB48.7 million), out of which approximately RMB22.2 million was denominated in RMB and approximately RMB2.9 million was denominated in HK$ or MOP.

As at 30 June 2024, the Group had net current assets of approximately RMB46.8 million (31 December 2023: approximately RMB64.2 million) and net assets of approximately RMB131.9 million (31 December 2023: approximately RMB150.4 million). As at 30 June 2024, the Group had unutilised banking facilities of RMB62.0 million (31 December 2023: RMB62.0 million).

As at 30 June 2024, trade receivables and deposits paid, prepayments and other receivables were approximately RMB104.3 million (31 December 2023: approximately RMB107.7 million). Trade receivables and deposits paid, prepayments and other receivables decreased by approximately RMB3.4 million or 3.2%, which was mainly attributable to the recovery of receivables from customers for goods sold and the decrease in prepayments from suppliers.

In order to minimise credit risk, the management of the Group has assigned responsible staff to determine 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 credit default in respect of trade and other receivables is low and thus the identified impairment loss was immaterial.

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 2024, the Group had bank borrowings of RMB28.0 million (31 December 2023: approximately RMB28.0 million) secured by:

(i) the pledge of certain buildings of the Group with carrying amounts of approximately RMB10.8 million (31 December 2023: approximately RMB11 million);

(ii) the pledge of certain right-of-use assets of the Group with carrying amounts of approximately RMB18.9 million (31 December 2023: approximately RMB19.2 million);

(iii) the pledge of certain investment properties of the Group with carrying amounts of approximately RMB8.5 million (31 December 2023: approximately RMB8.7 million).

All these bank loans were repaid within one year. The interests of those loans were at fixed rate of 3.95% per annum (31 December 2023: at fixed rate of 3.95% per annum).

Gearing ratio

As at 30 June 2024, the Group's gearing ratio (the gearing ratio is equivalent to total loans divided by total equity) was approximately 21.2% (31 December 2023: 18.6%).

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 monitor the foreign exchange market closely and will consider hedging activities when necessary.

Contingent Liabilities

As at 30 June 2024, 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 904 employees as at 30 June 2024, of which 895 employees worked in the Chinese Mainland and 9 worked in Hong Kong. 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 for staff and bonuses based upon staff performance and profit of the Group. During the Period, the Group had not caused any significant impact on its operation due to labour disputes nor had it experienced any difficulty in the recruitment of experienced staff. The Group maintains a good relationship with its employees.

OTHER INFORMATION

INTERIM DIVIDEND

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 of 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 the Period. All Directors confirmed that they have complied with the required standards as set out in 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 for the Period and up to the date of this announcement.

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 C1 of the Listing Rules.

Non-compliance with Rules 3.10(1), 3.21, 3.25 and 3.27A of the Listing Rules

Following the resignation of Mr. Wang Yilin as an independent non-executive Director on 26 October 2023, the Company is not in compliance with (i) Rule 3.10(1) of the Listing Rules, which stipulates that the Board must include at least three independent non-executive directors; (ii) Rule 3.21 of the Listing Rules, which stipulates that the audit committee must comprise a minimum of three members; (iii) Rule 3.25 of the Listing Rules, which stipulates that the remuneration committee must be chaired by an independent non-executive director and comprise a majority of independent non-executive directors; and (iv) Rule 3.27A of the Listing Rules, which stipulates that the nomination committee must comprise a majority of independent non-executive directors.

To identify suitable candidate(s) to fill the vacancy and comply with the Listing Rules requirements, the Company had actively sought referrals of potential candidates from its Board, senior management, CCOOP Group Co., Ltd ("**CCOOP**") (the controlling shareholder of the Company) and Hainan HNA No.2 Trust Management Service Co., Ltd. (the then controlling shareholder of CCOOP). In addition, the Company broadened its search channels, including but not limited to various industrial associations, other regions within the People's Republic of China, and individuals with diverse backgrounds and talents.

Following the appointment of Mr. Gao Jingyuan as an independent non-executive Director on 27 March 2024, the number of independent non-executive Directors had satisfied the minimum number required under Rule 3.10(1) of the Listing Rules. The Company also met the requirements set out in Rules 3.21, 3.25 and 3.27A of the Listing Rules with regard to the composition of the audit committee, the remuneration committee and the nomination committee.

Save as those mentioned above, the Board is of the view that during the Period, the Company has complied with all the code provisions as set out in the CG Code.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant events requiring disclosure that has taken place subsequent to 30 June 2024 and up to the date of this announcement.

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 the code provision D.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; overseeing the audit process and the relationship with external auditor; reviewing arrangements enabling employees of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company; and performing other duties and responsibilities as assigned by our Board. The Group's condensed consolidated financial statements for the six months ended 30 June 2024 were unaudited, but have been reviewed by the Audit Committee.

As at the date of this announcement, Mr. Cheng Hok Kai Frederick, Mr. Gao Jingyuan and Mr. Ng Hoi 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
Wang Rengang
Chairman and Executive Director

Hong Kong, 22 August 2024

As at the date of this announcement, the executive directors are Mr. Wang Rengang and Ms. Wang Hui; the non-executive director is Ms. Du Jing; and the independent non-executive directors are Mr. Cheng Hok Kai Frederick, Mr. Gao Jingyuan and Mr. Ng Hoi.

* *For identification only*