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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)

TERMINATION OF CONNECTED TRANSACTIONS

It has come to the attention of the board of directors (the “**Board**”) of China Shun Ke Long Holdings Limited (the “**Company**”, together with its subsidiaries collectively referred to as the “**Group**”) that the following agreements (the “**Agreements**”) were entered into without the knowledge of the Board as a whole:

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

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

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

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

The relevant staff members of Foshan Shun Ke Long Commerce Company Limited and Foshan Shunde Mingjian Trading Company Limited explained that the Agreements were terminated because, among other things, the purchase price of the goods was unattractive. Hainan Gongxiao Daji agreed to pay Foshan Shun Ke Long Commerce Company Limited a penalty amounting to RMB550,000 for the termination of the Agreements.

LISTING RULES IMPLICATIONS

Hainan Gongxiao Daji is a wholly-owned subsidiary of CCOOP Group Co., Ltd. (供銷大集團股份有限公司) (“**CCOOP Group**”), a company established in the PRC on 5 December 1996 (listed on the Shenzhen Stock Exchange trading under the stock code 000564) which is the controlling shareholder of the Company and indirectly holds 70.42% of the shares of the Company as of the date of this announcement. Therefore, Hainan Gongxiao Daji is a connected person of the Company, and each of the transactions contemplated under the Agreements (the “**Contemplated Transactions**”) would have constituted a connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Accordingly, the Contemplated Transactions, on an aggregated basis pursuant to Rule 14A.81 of the Listing Rules, would have been subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules. Since such requirements were not duly complied with, the Company was in breach of the applicable requirements under Chapter 14A of the Listing Rules.

REASONS FOR FAILURE TO IDENTIFY THE CONTEMPLATED TRANSACTIONS

In accordance with the Group's policies, before payment can be made in respect of an expense in excess of RMB3,000,000, approval must be obtained from the relevant operating subsidiary's financial controller, deputy general manager, and general manager. In other words, the Group's policies do not contain specific requirements that the Board should be notified of such transactions. Nevertheless, if the Company's staff members responsible for approving a particular transaction become aware that a Listing Rules requirement has been triggered by the transaction, the Board would expect them to notify the Board.

The Board as a whole was not informed of the Contemplated Transactions or the termination thereof until it was so informed in August 2019 during a review exercise. During the aforesaid review exercise, the Board noted that Mr. Han Wei, an executive director of the Company, was aware of the Contemplated Transactions and their subsequent termination at the material times. According to Mr. Han, as well as the staff members who were responsible for reviewing and approving the Contemplated Transactions, they mistakenly believed that because no actual purchase of goods had been conducted at the time of entering into the Agreements up to the subsequent termination thereof, the Contemplated Transactions would not be subject to the Listing Rules requirements, and as a result thereof, they failed to notify the Board.

REMEDIAL ACTIONS

The Board has conducted a preliminary internal control review exercise and identified the following internal control deficiencies:

- Neither the Company nor any of its subsidiaries has in place any procurement policy or a system for vendors approval.
- The Company has not maintained a list of connected persons, and no system has been in place to ensure that all transactions with the Company's connected persons must be brought to the attention of the Board.
- As mentioned above, the Group's policies do not set out any transaction amount in excess of which the Board must be notified.

With a view to addressing the above internal control deficiencies and ensuring ongoing compliance with Chapter 14 and 14A of the Listing Rules, the Board will continue to review and revise the Company's existing policies and will formulate new policies where required as a matter of urgency, with the assistance of the Company's professional advisers if necessary. In particular, the policies will be amended to require that before entering into any transaction that may trigger an obligation under the Listing Rules, such transaction

shall be brought to the attention of the Board as soon as possible. The Board will make sure that the revised policies will be communicated to the relevant managers of the Company's subsidiaries.

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

Hong Kong, 23 August 2019

As at the date of this announcement, the executive Directors are Mr. Sun Kin Ho Steven, Mr. Mung Hon Ting Jackie and Mr. Han Wei; the non-executive Director is Mr. Wang Fu Lin; and the independent non-executive Directors are Mr. Chong Kin Ho, Mr. Tung Chia Hung Michael and Mr. Chen Cheng Lien.