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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 2019

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 (together the "Group") for the year ended 31 December 2019 with comparative figures for 2018 as follows:

HIGHLIGHTS OF ANNUAL RESULTS

	For the year ended 31 December		
	2019	2018	**Change**
	RMB'000	*RMB'000*	
Revenue	**945,221**	986,998	-4.2%
Gross Profit	**134,786**	143,274	-5.9%
(Loss) Profit from Operations	**(5,945)**	21,375	-127.8%
(Loss) Profit for the Year	**(20,559)**	11,402	-280.3%
(Loss) Profit Attributable to Equity Shareholders of the Company	**(20,626)**	11,247	-283.4%
(Loss) Earnings Per Share ("EPS") – Basic and Diluted [(1)] *(RMB)*	**RMB(0.07)**	RMB0.04	

	As at 31 December		
	2019	2018	**Change**
	RMB'000	*RMB'000*	
Total Assets	**597,163**	542,620	10.1%
Total Liabilities	**339,566**	264,732	28.3%
Net Assets	**257,597**	277,888	-7.3%
Net Financial Position [(2)]	**59,878**	73,723	-18.8%
Current Ratio [(3)]	**2.49**	1.68	

Notes:

(1) The calculation of basic and diluted EPS for the years ended 31 December 2019 and 2018 is based on the weighted average number of 290,457,000 ordinary shares in issue during the year.

(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 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	5a	**945,221**	986,998
Cost of inventories sold		**(810,435)**	(843,724)
Gross profit		**134,786**	143,274
Other operating income	5b	**37,721**	55,046
Selling and distribution costs		**(144,774)**	(142,174)
Administrative expenses		**(33,678)**	(34,771)
Finance costs	6	**(10,084)**	(4,835)
Impairment loss recognised in respect of goodwill		**(2,958)**	–
Impairment loss recognised in respect of property, plant and equipment		**(641)**	–
Impairment loss recognised in respect of right-of-use assets		**(481)**	–
(Loss) profit before tax	7	**(20,109)**	16,540
Income tax expense	8	**(450)**	(5,138)
(Loss) profit for the year		**(20,559)**	11,402
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		**776**	2,370
(Loss) profit and total comprehensive (expense) income for the year		**(19,783)**	13,772
(Loss) profit for the year attributable to:			
Owners of the Company		**(20,626)**	11,247
Non-controlling interests		**67**	155
		(20,559)	11,402
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(19,850)**	13,617
Non-controlling interests		**67**	155
		(19,783)	13,772
(Loss) earnings per share	9		
Basic (RMB)		**(0.07)**	0.04
Diluted (RMB)		**(0.07)**	0.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		**44,506**	50,452
Right-of-use assets		**97,488**	–
Prepaid land lease		**–**	31,166
Investment properties		**10,005**	4,122
Deposits paid		**11,376**	9,293
Goodwill		**–**	2,897
		163,375	97,930
Current assets			
Inventories		**130,848**	121,656
Trade receivables	*11*	**23,587**	24,456
Deposits paid, prepayments and other receivables		**108,280**	115,942
Amounts due from related companies		**3,195**	913
Financial assets at fair value through profit or loss		**20,000**	20,000
Deposit with a bank		**25,243**	40,000
Cash and cash equivalents		**122,635**	121,723
		433,788	444,690
Current liabilities			
Trade payables	*12*	**116,252**	112,327
Deposits received, receipts in advance, accruals and other payables		**26,870**	32,903
Contract liabilities		**13,107**	10,278
Lease liabilities		**17,675**	–
Bank borrowings	*13*	**–**	108,000
Tax payable		**190**	1,224
		174,094	264,732
Net current assets		**259,694**	179,958

	Notes	2019 RMB'000	2018 RMB'000
Total assets less current liabilities		**423,069**	277,888
Non-current liabilities			
Lease liabilities		**57,472**	–
Bank borrowings	*13*	**108,000**	–
		165,472	–
Net assets		**257,597**	277,888
Capital and reserves			
Share capital	*14*	**2,387**	2,387
Reserves		**253,935**	273,785
Equity attributable to owners of the Company		**256,322**	276,172
Non-controlling interests		**1,275**	1,716
Total equity		**257,597**	277,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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 Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, the Cayman Islands and its principal place of business in the People's Republic of China (the "PRC") is located at Floor 3, Huale Building, No.60 Hebin North Road, Lecong Town Shunde District, Foshan, Guangdong Province 528315, the PRC.

The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance 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 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 ordinary 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 its first time, the following new and amendments to IFRSs, which include IFRSs, International Accounting Standards ("IAS(s)"), amendments and interpretations ("Int(s)") issued by the International Accounting Standards Board (the "IASB") and the IFRS Interpretations Committee ("IFRIC") of the IASB.

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

The adoption of IFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

The application of other new and amendments to IFRSs in the current year has had no material effect on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

Impacts on adoption of IFRS 16 Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The Group has applied IFRS 16 *Leases* retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17 *Leases*.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group as lessee

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases* (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The average lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 ranged from 3.09% to 6.28%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group as lessor

The Group leases some of its properties. The accounting policies applicable to the Group as lessor remain substantially unchanged from those under IAS 17.

For sublease, under IAS 17, the head lease and sublease contracts were classified as operating leases. On transition to IFRS 16, the Group reassessed these sublease contracts by reference to the right-of-use assets arising from the head lease, instead of by reference to the underlying asset, and concluded that they are operating leases under IFRS 16. The head leases are recognised as right-of-use assets as they do not meet the definition of investment property.

The following table summaries the impact of transition to IFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 31 December 2018	Impact on adoption of IFRS 16	Carrying amount as restated at 1 January 2019
		RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets	*a–d*	–	109,667	109,667
Prepaid lease payments	*b*	31,166	(31,166)	–
Investment properties	*b*	4,122	4,866	8,988
Deposits paid, prepayments and other receivables	*c*	115,942	(1,208)	114,734
Deposits received, receipts in advance, accruals and other payables	*d*	(32,903)	4,776	(28,127)
Lease liabilities	*a*	–	(86,935)	(86,935)

Notes:

(a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liability of RMB86,935,000.

(b) Prepaid lease payments of RMB31,166,000 which represent the upfront payments for leasehold lands in the PRC as at 31 December 2018 were reclassified to right-of-use assets and investment properties of RMB26,300,000 and RMB4,866,000 respectively.

(c) Prepaid rental of RMB1,208,000 was adjusted to right-of-use assets on transition to IFRS 16.

(d) It represents the accrued lease liabilities for leases where the lessor has provided rent-free period, and was adjusted to right-of-use assets on transition to IFRS 16.

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. The total cash flows are unaffected.

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follows:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	100,603
Less: Short-term leases and other leases with remaining lease term ended on or before 31 December 2019	(893)
Discounted using the incremental borrowing rate at 1 January 2019	(12,775)
Lease liabilities recognised as at 1 January 2019	86,935
Analysed as	
Current portion	22,376
Non-current portion	64,559
	86,935

On the date of initial application of IFRS 16, the Group has also used the following practical expedients permitted by the standard, where applicable:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- reliance on assessments on whether leases are onerous by applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review.
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

New and revised 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[2]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2023
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for business combination and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2022

The Directors anticipate that, the application of new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

3. BASIS OF PREPARATION

(a) Statement of compliance

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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

(b) Basis of measurement

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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(c) Functional and presentation currency

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 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)**

For the year ended 31 December 2018

	Retail outlet operation *RMB'000*	Wholesale distribution *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
REVENUE				
From external customers	725,901	261,097	–	986,998
From inter-segment	60,501	3,876	(64,377)	–
Reportable segment revenue	786,402	264,973	(64,377)	986,998
Reportable segment profit	22,075	74		22,149
Other corporate income				529
Other corporate expenses				(6,138)
Profit before tax				16,540

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

	2019	2018
	RMB'000	*RMB'000*
Retail outlet operation	**406,541**	403,560
Wholesale distribution	**163,028**	103,076
Total segment assets	**569,569**	506,636
Other corporate assets *(Note)*	**27,594**	35,984
Group's assets	**597,163**	542,620
Retail outlet operation	**320,616**	251,568
Wholesale distribution	**16,885**	11,980
Total segment liabilities	**337,501**	263,548
Other corporate liabilities *(Note)*	**2,065**	1,184
Group's liabilities	**339,566**	264,732

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.

Upon application of IFRS 16, the Group's right-of-use assets and lease liabilities are now included in the measure of segment assets and segment liabilities respectively at 31 December 2019. Comparative information is not restated.

Other segment information

	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:				
Additions to property, plant and equipment	**8,074**	**154**	**–**	**8,228**
Additions 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**
Obsolete inventories written-off	**1,536**	**138**	**–**	**1,674**
Net gain on disposals of property, plant and equipment	**36**	**–**	**–**	**36**
Interest income on bank deposits	**710**	**362**	**636**	**1,708**
Interest income from financial assets at fair value through profit or loss ("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**

	Retail outlet operation *RMB'000*	Wholesale distribution *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
For the year ended 31 December 2018				
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to property, plant and equipment	14,024	267	–	14,291
Depreciation of property, plant and equipment	11,249	250	12	11,511
Depreciation of investment properties	123	–	–	123
Depreciation of prepaid land lease	1,058	–	–	1,058
Obsolete inventories written-off	1,137	80	–	1,217
Net loss on disposals of property, plant and equipment	47	–	–	47
Interest income on bank deposits	1,703	32	529	2,264

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	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC (place of domicile)	**916,917**	959,279	**151,987**	85,091
Macau	**28,304**	27,719	**–**	3,522
Hong Kong	**–**	–	**12**	24
	945,221	986,998	**151,999**	88,637

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.

Information about a major customer

	2019	2018
	RMB'000	*RMB'000*
Customer A*	**N/A****	128,467

* Revenue from wholesale distribution

** The corresponding revenue does not contribute over 10% of total revenue of the Group.

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:

	2019	2018
	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)*	**631,490**	590,203
Bulk sales under retail outlet operation	**8,526**	105,591
General wholesales under wholesale distribution	**280,771**	260,263
Franchisees under wholesale distribution	**–**	834
– Services rendered		
Commission from concessionaire sales under retail outlet operation	**1,270**	523
	922,057	957,414
Revenue from other sources		
Rental income from subleasing retail outlets under retail outlet operation		
– Lease payments that are fixed	**23,164**	29,584
	945,221	986,998

Note: General retail sales included the compensation for reduced selling prices of approximately RMB163,000 and RMB270,000 from the local government in the PRC which was classified as revenue during the years ended 31 December 2019 and 2018 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

	2019	2018
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point of time	**922,057**	957,414

Transaction price allocated to the remaining performance obligations

As at 31 December 2019 and 2018, all the Group's remaining performance obligations for contracts with customers are for periods of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as at the end of both reporting periods.

(b) Other operating income

	2019	2018
	RMB'000	*RMB'000*
Gain on deregistration of a subsidiary	**2**	–
Government grants *(Note i)*	**1,756**	1,433
Interest income on bank deposits	**1,708**	2,264
Interest income from financial assets at FVTPL	**425**	–
Net rental income from investment properties *(Note ii)*		
Lease payments that are fixed	**1,251**	1,452
Net gain on disposals of property, plant and equipment	**36**	–
Promotion income from suppliers	**24,420**	42,671
Others	**8,123**	7,226
	37,721	55,046

Notes:

(i) Various local government grants were granted to subsidiaries of the Group in respect of certain research projects during the years ended 31 December 2019 and 2018. 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:

	2019	2018
	RMB'000	*RMB'000*
Gross rental income	**1,353**	1,545
Less: Outgoing incurred for investment properties that generated rental income during the year	**(102)**	(93)
Net rental income	**1,251**	1,452

6. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings	**5,882**	4,835
Lease liabilities	**4,202**	–
	10,084	4,835

7. (LOSS) PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**12,257**	11,511
Depreciation of investment properties	**601**	123
Depreciation of right-of-use assets	**21,312**	–
Amortisation of prepaid land lease	**–**	1,058
Net exchange (gains) losses	**(25)**	19
Employee benefits expenses (excluding directors' remuneration):		
– Wages and salaries	**66,115**	69,454
– Pension scheme contributions	**7,432**	7,489
– Other benefits	**234**	801
	73,781	77,744
Auditor's remuneration	**1,250**	1,100
Operating lease charges in respect of land and buildings	**–**	42,567
Obsolete inventories written-off	**1,674**	1,217
Net loss on disposals of property, plant and equipment	**–**	47

8. INCOME TAX EXPENSE

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

	2019	2018
	RMB'000	*RMB'000*
Current – Macau		
Under provision in prior year	**9**	–
Charge for the year	**–**	36
Current – the PRC		
Under provision in prior year	**197**	975
Charge for the year	**244**	4,127
	450	5,138

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 2019 and 2018.

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 2019 and 2018.

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 2019 and 2018.

Pursuant to circular issued by Ministry of Finance and National Tax Bureau, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax treatment of 75% exemption of taxable income and application of income tax rate as 20% from 1 January 2019 to 31 December 2021 (50% exemption of taxable income and application of income tax rate as 20% from 1 January 2018 to 31 December 2018). The Group's certain PRC subsidiaries were qualified during the years ended 31 December 2019 and 2018.

The Law of the PRC on Enterprise Income Tax allows enterprises to apply for the certificates of "High and New Technology Enterprise" ("HNTE") which entitles the qualified companies to a preferential income tax rate of 15%. 佛山市順客隆商業有限公司, a PRC subsidiary of the Group, has been qualified as a HNTE in 2017 and its income tax rate is 15% for the years ended 31 December 2019 and 2018.

The Group's subsidiaries in Macau are subject to Complementary Tax at rate of 12% based on estimated assessable profits for the years ended 31 December 2019 and 2018. During the year ended 31 December 2019, no Macau Complementary Income Tax has been provided as there were no assessable profits generated (2018: Provided at a rate 12% based on the estimated assessable profits).

9. (LOSS) EARNINGS PER SHARE

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

	2019	2018
	RMB'000	*RMB'000*
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	**(20,626)**	11,247

	2019	2018
Number of shares		
Weighted average number of ordinary shares in issue	**290,457,000**	290,457,000

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

10. DIVIDEND

The Board does not recommend the payment of final dividend for the years ended 31 December 2019 and 2018.

11. TRADE RECEIVABLES

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 at the end of the respective reporting periods, based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 30 days	**11,138**	12,711
31 to 60 days	**5,617**	3,521
61 to 180 days	**4,195**	5,020
181 to 365 days	**445**	372
Over 1 year	**2,192**	2,832
	23,587	24,456

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:

	2019	2018
	RMB'000	*RMB'000*
Current to 30 days	**48,125**	46,352
31 to 60 days	**18,744**	20,302
61 to 180 days	**37,321**	35,570
181 to 365 days	**7,264**	6,242
Over 1 year	**4,798**	3,861
	116,252	112,327

13. BANK BORROWINGS

	2019	2018
	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 2019 and 2018, the bank borrowings were denominated in RMB, bore interest at fixed rate of 5.46% (2018: 5.23%) 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 RMB12,548,000 and RMB9,708,000 as at 31 December 2019 and 2018 respectively;

(ii) the pledge of certain right-of-use assets of the Group with carrying values of approximately RMB25,335,000 as at 31 December 2019;

(iii) the pledge of certain prepaid land lease of the Group with carrying values of approximately RMB25,812,000 as at 31 December 2018; and

(iv) the pledge of certain investment properties of the Group with carrying values of approximately RMB3,150,000 and RMB2,447,000 as at 31 December 2019 and 2018 respectively.

14. SHARE CAPITAL

	2019		2018	
	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 lessee

The Group leases certain of its office premises, retail outlets and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from 1 to 19 years. None of the lease includes contingent rentals.

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

	31/12/2018
	RMB'000
Within one year	26,360
Later than one year and not later than five years	58,985
Later than five years	15,258
	100,603

The Group is the lessee in respect of a number of properties which the leases were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies.

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:

	31/12/2019
	RMB'000
Within one year	**20,059**

As at 31 December 2018, the Group had contracted with tenants for the following future minimum lease payments:

	31/12/2018
	RMB'000
Within one year	19,558

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 PRC. During the year ended 31 December 2019 ("FY2019"), 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 FY2019, the Group opened 7 retail outlets and closed 7 retail outlets. As at 31 December 2019, the Group had 68 retail outlets located in Guangdong province of the PRC and 2 retail outlets located in the Macau 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 FY2019 and the year ended 31 December 2018 ("FY2018"):

	For the year ended 31 December	
	2019	2018
At the beginning of the year	**70**	64
Additions	**7**	8
Reductions	**(7)**	(2)
At the end of the year	**70**	70

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 31 December 2019:

Location	**Number of retail outlets**
Foshan	52
Zhaoqing	7
Zhuhai	5
Guangzhou	4
The PRC	68
Macau	2
Total	70

General Wholesale

During the FY2019, the Group managed to keep all sole and exclusive distribution rights it gained before. The Group maintained sole and exclusive distribution rights for 25 brands covering Foshan, Jiangmen and Zhaoqing. The exact coverage of the Group's sole and exclusive distribution rights varied among those 25 brands. Instead of developing the size of general wholesale customer base, the Group put more emphases on gaining more sub-distributors rather than retailers as the Group's customers.

Franchise Operation

The Group has a franchise scheme opened for application by interested parties to franchise retail outlets. The proceeds from selling goods to franchisees of the Group form part of its wholesale distribution revenue.

The following table sets forth the movements in number of franchise outlets of the Group during the FY2019 and FY2018:

	For the year ended 31 December	
	2019	2018
At the beginning of the year	**482**	437
Additions	**188**	71
Reductions	–	(26)
At the end of the year	**670**	482

RECENT DEVELOPMENT AND OUTLOOK

2020 is truly unprecedented as the 2019 Novel Coronavirus ("COVID-19") is negatively impacting the Chinese economy, causing uncertainties and challenges of all kinds in the retail industry. In the face of the COVID-19, the Group strengthened its infection prevention and supervision measures and complied with the local government's direction on stabilising prices and ensuring supply, which has been welcomed by society at large. At the height of the COVID-19, 66 stores continued in operation, and online business surged by approximately 300%. Based on the currently available information, the directors of the Company consider that the COVID-19 outbreak has not been had any material impact on the financial position of the Group. However, given the inherent unpredictable nature and development of COVID-19, the Group's business might be affected and the directors of the Company will closely monitor the overall situation and development of events in the regard.

China's retail industry is experiencing a digital transformation, and omnichannel sales are becoming standard in the industry. During these changes, the Group will adjust and transform all aspects of its current business, focusing on the overall layout of five strategic segments: fresh food management, community marketing, category management, incremental business, and incentives for major changes. These changes will help to create strength for the Group in merchandise, service, home delivery, digitalization, and profitability.

1. With regard to building strength in merchandises, the Group will establish and improve direct purchasing processes and standardise intermediate links in operations while reducing costs by combining long-distance and short-distance procurement. Better principles for merchandise selection will also be applied, and these will be regularly analysed and refined. Moreover, creating growth points for core categories, especially fresh food, will produce traffic, sales, and profit.

2. For service, the Group will focus on reinventing its store image. It will also improve service levels by instituting complete PDCA cycle management from training and implementation, to evaluation and adjustment, with clear rewards and penalties.

3. For home delivery, the Group will use cooperation between platforms, focus on community marketing, and produce an online-offline synergy with "Youzan Mall." The Group will simultaneously strengthen cooperation with e-commerce platforms such as "Taoxianda", "Eleme" and "JD Daojia" to promote the development of online O2O and B2B platforms, improve distribution capabilities, set up frontline warehouses and improve operations of logistics centers to achieve integration of online and offline businesses.

4. In terms of digitalisation, the Group paved the way for future transformation and upgrades to its business model by introducing and improving its price comparison system, automatic replenishment system, visual display management system, and mobile terminal management system (E-pass management).

5. In terms of building profitability, the Group will promote stores called "Fresh Hubs" that mainly sell fresh food. Establishing this profit model will serve as a foundation for Simple Kind Life to transform important business formats. In addition, the Group will also strengthen the development of its own brand, focusing on daily necessities, cotton fabrics, and paper products.

With the above measures, the Group believes that there are hidden opportunities for development when stabler times come. Meanwhile, there are uncertainties caused by the global environment. Additionally, the Group will continue to pay attention to different investment opportunities, identify appropriate businesses and projects for shareholders, and increase shareholder returns.

FINANCIAL REVIEW

Revenue

For the FY2019, despite weak consumer sentiment due to economic uncertainties, the revenue of the Group was approximately RMB945.2 million, representing a decrease of approximately RMB41.8 million or 4.2% when compared with revenue for FY2018. The decrease in the revenue was mainly driven by the declined sales in retail outlet operation.

For the FY2019, the Group's revenue from retail outlet operation was approximately RMB664.4 million, representing a decrease of approximately RMB61.5 million or 8.5% comparing with FY2018. The decrease was mainly driven by the decrease in sales of white sugar.

For the FY2019, the Group's revenue from wholesale distribution was approximately RMB280.8 million, representing an increase of approximately RMB19.7 million or 7.5% comparing with FY2018. The increase was mainly due to the fact that the sales of durian increased 90% more than last year by corporate customers.

Gross Profit Margin

For FY2019 and FY2018, the Group's gross profit margins were 14.3% and 14.5%, respectively. The slightly decline was mainly due to the increase in the sales discount 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 FY2019 and FY2018:

	For the year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Revenue		
Retail outlet operation	**664.4**	725.9
Wholesale distribution	**280.8**	261.1
Total	**945.2**	987.0
Cost		
Retail outlet operation	**542.6**	590.0
Wholesale distribution	**267.8**	253.7
Total	**810.4**	843.7
Gross profit		
Retail outlet operation	**121.8**	135.9
Wholesale distribution	**13.0**	7.4
Total	**134.8**	143.3
Gross profit margin		
Retail outlet operation	**18.3%**	18.7%
Wholesale distribution	**4.6%**	2.8%
Overall	**14.3%**	14.5%

Other Operating Income

For the FY2019, the Group's other operating income was approximately RMB37.7 million, representing a decrease of approximately RMB17.3 million comparing with FY2018. The decrease was mainly due to the drop in promotion income from suppliers.

Selling and Distribution Costs

For the FY2019, the Group's selling and distribution costs were approximately RMB144.8 million, representing an increase of approximately RMB2.6 million or 1.8% comparing with FY2018. The increase was mainly due to increase in sales promotion expenses and operating costs of retail outlets.

Administrative Expenses

For the FY2019, the Group's administrative expenses were approximately RMB33.7 million, representing a decrease of approximately RMB1.1 million or 3.2% comparing with FY2018, mainly due to decrease in other miscellaneous expenses.

Finance Costs

For the FY2019, the Group's finance costs were approximately RMB10.1 million, representing an increase of approximately RMB5.3 million or 110.4% comparing with FY2018. The increase was mainly due to the interest expense of lease liabilities upon adoption of IFRS 16.

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

In 2019, the management has performed an impairment assessment of goodwill and non-financial assets of the Group. Accordingly, the Group's goodwill, property, plant and equipment and right-of-use assets had been impaired by RMB3 million, RMB0.6 million and RMB0.5 million respectively. 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 Group's retail outlet operation in Macau was affected by sharp increase in rental expenses, which led to an pre-tax operating loss greatly.

Income Tax Expense

For the FY2019, the Group's income tax expense was approximately RMB0.5 million, representing a decrease of approximately RMB4.6 million or 90.2% comparing with FY2018, reflecting the drop of the net profit before income tax expense for the year.

Net (Loss) Profit

For the FY2019, the Group's net loss attributable to the shareholders was approximately RMB20.6 million, representing a drop of approximately RMB32.0 million or 280.7% comparing with FY2018, mainly due to decrease in gross profit, other operating income and the impairment losses on goodwill, property plant and equipment and right-of-use assets during the year.

Total Comprehensive (Expense) Income

For the FY2019, the Group's total comprehensive expense attributable to the shareholders was approximately RMB19.9 million, representing an decrease of approximately RMB33.5 million or 246.3% comparing with FY2018. The depreciation of RMB against HK$ led to an exchange gain on translating financial statements from functional currency to presentation currency of approximately RMB0.8 million for the FY2019, which was reflected in other comprehensive income.

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 FY2019, the Group spent approximately RMB8.2 million and RMB10.6 million on addition of its property, plant and equipment and right-of-use assets respectively.

Liquidity and Financial Resources

As at 31 December 2019, the Group had cash and cash equivalents of approximately RMB122.6 million (2018: approximately RMB121.7 million), out of which approximately RMB119.6 million was denominated in RMB and approximately RMB3.0 million was denominated in HK$ or MOP.

As at 31 December 2019, the Group had net current assets of approximately RMB259.7 million (2018: approximately RMB180.0 million) and net assets of approximately RMB257.6 million (2018: approximately RMB277.9 million). As at 31 December 2019, the Group did not have unutilised banking facilities (2018: Nil).

On 21 October 2019, the Board announced that the Company, through its subsidiary, Foshan City Shun Ke Long Commerce Limited ("Foshan SKL") began to subscribe for up to RMB60 million of wealth management product from Shunde Rural Commercial Bank with expected annualised return rate of 3.00% to 3.55%. As at 31 December 2019, Foshan SKL held RMB20 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 FY2019.

Material Acquisitions and Disposals

The Group did not carry out any material acquisition nor disposal of any subsidiary during the FY2019.

Indebtedness and Pledge of Assets

As at 31 December 2019, the Group had bank borrowings denominated in RMB of approximately RMB108 million (2018: approximately RMB108 million) secured by:

(i) the pledge of certain buildings of the Group with carrying values of approximately RMB12.5 million as at 31 December 2019 (2018: approximately RMB9.7 million);

(ii) the pledge of certain right-of-use assets of the Group with carrying values of approximately RMB25.3 million as at 31 December 2019;

(iii) the pledge of certain prepaid land lease of the Group with carrying values of approximately RMB25.8 million as at 31 December 2018; and

(iv) the pledge of certain investment properties of the Group with carrying values of approximately RMB3.2 million as at 31 December 2019 (2018: approximately RMB2.4 million).

All the bank borrowings were repayable within two years. The interests of those loans were fixed at 5.46% per annum (2018: at fixed rate of 5.23% per annum).

Key Financial Ratio

The following table sets forth the key financial ratios of the Group for the FY2019 and FY2018:

	As at/for the year ended 31 December	
	2019	2018
Debtor turnover days	**9.3**	11.8
Inventory turnover days	**56.9**	49.5
Creditor turnover days	**51.5**	48.1
Return on equity	**−8.0%**	4.1%
Return on total assets	**−3.4%**	2.1%
Gearing ratio	**41.9%**	38.9%
Net debt to equity ratio	**Net cash**	Net cash
Current ratio	**2.5x**	1.7x
Quick ratio	**1.7x**	1.2x

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$. During the FY2019, the drop of RMB against HK$ had negative effect 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 FY2019, 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 2019, the Group did not provide any guarantee for any third party and did not have any significant contingent liabilities.

Employees

The Group had a total of 1,308 employees as at 31 December 2019, of which 1,263 employees worked in the PRC and 45 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 FY2019, the Group had not experienced any significant problem with its employees or disruption to its operations due to labour disputes nor had it experienced any difficulty in the recruitment and retention of experienced staff. The Group 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 2019		Remaining balance of net proceeds as at 31 December 2019	
	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%	37.9	24.5%	36.5	23.5%
Upgrading existing retail outlets	–	0.0%	14.6	9.4%	14.6	9.4%	–	0.0%
Repayment of bank borrowings	–	0.0%	27.9	18.0%	27.9	18.0%	–	0.0%
Information systems upgrades	11.2	7.2%	11.2	7.2%	11.2	7.2%	–	0.0%
Upgrading and expanding the existing two distribution centres	13.3	8.6%	13.3	8.6%	3.9	2.5%	9.4	6.1%
General working capital	13.6	8.8%	13.6	8.8%	13.6	8.8%	–	0.0%
Total	155.0	100.0%	155.0	100.0%	109.1	70.4%	45.9	29.6%

SIGNIFICANT EVENT

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2019 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 2019.

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 Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Board is of the view that for the year ended 31 December 2019, 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.

However, Mr. Sun Kin Ho Steven, who was also the Chairman of the Board, was appointed as Chief Executive Officer by the Board on 27 September 2019, on which Mr. Mung Hon Ting Jackie was removed as Chief Executive Officer by the Board. The Board believes that vesting the roles of both the chairman of the Board and the Chief Executive Officer 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. Furthermore, the Board is actively searching for a suitable candidate to fill the position of Chief Executive Officer.

REVIEW BY THE AUDIT COMMITTEE

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 March 2019 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 FY2019, 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 FY2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 3 June 2020 to Monday, 8 June 2020, 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 Monday, 8 June 2020, 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 Tuesday, 2 June 2020.

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 2019 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 2019 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
Sun Kin Ho Steven
Chairman and Executive Director
and Chief Executive Officer

Hong Kong, 30 March 2020

As at the date of this announcement, the executive Directors are Mr. Sun Kin Ho Steven and Mr. Han Wei; the non-executive Directors 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.