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 2021

The board of directors (the "Board" and the members of the Board, the "Directors") of China Shun Ke Long Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2021 with comparative figures for the year ended 31 December 2020 as follows:

HIGHLIGHTS OF ANNUAL RESULTS

	For the year ended 31 December		
	2021	2020	**Change**
	RMB'000	*RMB'000*	
Revenue	**741,635**	888,749	-16.6%
Gross Profit	**107,843**	125,817	-14.3%
Loss from Operations	**(27,273)**	(2,702)	909.4%
Loss for the Year	**(38,257)**	(16,467)	132.3%
Loss Attributable to Equity Shareholders of the Company	**(38,045)**	(16,501)	130.6%
Loss Per Share ("EPS") – Basic and Diluted(1) *(RMB)*	**RMB(0.13)**	RMB(0.06)	

	As at 31 December		
	2021	2020	**Change**
	RMB'000	*RMB'000*	
Total Assets	**481,585**	600,282	-19.8%
Total Liabilities	**280,737**	360,813	-22.2%
Net Assets	**200,848**	239,469	-16.1%
Net Financial Position(2)	**43,343**	39,470	9.8%
Current Ratio(3)	**1.38**	1.46	

Notes:

(1) The calculation of basic and diluted EPS for the years ended 31 December 2021 and 2020 is based on the weighted average number of 290,457,000 ordinary shares in issue during the years.

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5a	**741,635**	888,749
Cost of inventories sold		**(633,792)**	(762,932)
Gross profit		**107,843**	125,817
Other operating income	5b	**30,664**	34,963
Selling and distribution costs		**(133,939)**	(127,334)
Administrative expenses		**(31,841)**	(36,148)
Finance costs	6	**(10,590)**	(11,483)
Impairment loss recognised in respect of property, plant and equipment		**(12)**	(559)
Impairment loss reversed (recognised) in respect of trade receivables		**206**	(1,501)
Loss before tax	7	**(37,669)**	(16,245)
Income tax expense	8	**(588)**	(222)
Loss for the year		**(38,257)**	(16,467)
Other comprehensive expense			
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		**(364)**	(1,661)
Loss and total comprehensive expense for the year		**(38,621)**	(18,128)
Loss for the year attributable to:			
Owners of the Company		**(38,045)**	(16,501)
Non-controlling interests		**(212)**	34
		(38,257)	(16,467)
Loss and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(38,409)**	(18,162)
Non-controlling interests		**(212)**	34
		(38,621)	(18,128)
Loss per share	9		
Basic (RMB)		**(0.13)**	(0.06)
Diluted (RMB)		**(0.13)**	(0.06)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		**36,516**	39,946
Right-of-use assets		**110,756**	124,500
Investment properties		**9,351**	9,678
Deposits paid		**14,310**	12,320
		170,933	186,444
Current assets			
Inventories		**107,783**	143,926
Trade and bills receivables	*11*	**24,692**	35,440
Deposits paid, prepayments and other receivables		**74,192**	86,808
Amounts due from related companies		**642**	194
Financial assets at fair value through profit or loss		**–**	43,500
Cash and cash equivalents		**103,343**	103,970
		310,652	413,838
Current liabilities			
Trade payables	*12*	**79,838**	102,800
Deposits received, receipts in advance, accruals and other payables		**28,036**	27,405
Lease liabilities		**38,169**	31,535
Contract liabilities		**18,634**	14,016
Bank borrowings	*13*	**60,000**	108,000
Tax payable		**25**	247
		224,702	284,003
Net current assets		**85,950**	129,835
Total assets less current liabilities		**256,883**	316,279

	Note	**2021**	2020
		RMB'000	*RMB'000*
Non-current liability			
Lease liabilities		**56,035**	76,810
		56,035	76,810
Net assets		**200,848**	239,469
Capital and reserves			
Share capital	*14*	**2,387**	2,387
Reserves		**197,364**	235,773
Equity attributable to owners of the Company		**199,751**	238,160
Non-controlling interests		**1,097**	1,309
Total equity		**200,848**	239,469

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL

China Shun Ke Long Holdings Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group") was incorporated as an exempted company with limited liability in the Cayman Islands on 18 March 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, the Cayman Islands and its principal place of business in the PRC is located at Floor 3, Huale Building, No.60 Hebin North Road, Lecong Town Shunde District, Foshan, Guangdong Province 528315, the PRC.

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

The Company is an investment holding company and its subsidiaries are principally engaged in the operation and management of retail stores and wholesale of goods in the PRC and Macau.

CCOOP International Holdings Limited, which is a company incorporated in the Cayman Islands and an indirectly wholly-owned subsidiary of CCOOP Group Co., Ltd. ("CCOOP Group"), a company incorporated in the PRC, holds 204,558,317 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 the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning 1 January 2021:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

New and amendments to IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts and related Amendments[3]
Amendments to IFRS 3	Reference to Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendment to IFRSs	Annual Improvements to IFRSs 2018–2020 cycle[2]
Initial Application of IFRS 17 and IFRS 9	Comparative Information (Amendment to IFRS 17)[3]

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

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

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments update a reference to IFRS 3 so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010). They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC-Int 21 Levies, the acquirer applies IFRIC-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in change in the classification of the Group's liabilities.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments to IAS 8 introduce the definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group currently applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group is still in the process of assessing the full impact of the application of the amendments.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the principal subsidiaries of the Group where the primary economic environment is in the PRC. Other than the subsidiaries established in the PRC and Macau which functional currencies are RMB and Macau Pataca ("MOP") 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.

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 2021

	Retail outlet operation *RMB'000*	**Wholesale distribution** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*
REVENUE				
From external customers	607,645	133,990	–	741,635
From inter-segment	52,797	12,260	(65,057)	–
Reportable segment revenue	660,442	146,250	(65,057)	741,635
Reportable segment loss	(29,173)	(5,129)		(34,302)
Other corporate loss				(52)
Other corporate expenses				(3,315)
Loss before tax				(37,669)

For the year ended 31 December 2020

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss from each segment without allocation of central administration costs, directors' salaries and finance costs. This is the measure reported to the CODM, being the chief executive of the Company for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

	2021	2020
	RMB'000	*RMB'000*
Retail outlet operation	**402,222**	496,968
Wholesale distribution	**69,707**	89,098
Total segment assets	**471,929**	586,066
Other corporate assets *(Note)*	**9,656**	14,216
Group's assets	**481,585**	600,282
Retail outlet operation	**275,586**	349,569
Wholesale distribution	**4,057**	8,293
Total segment liabilities	**279,643**	357,862
Other corporate liabilities *(Note)*	**1,094**	2,951
Group's liabilities	**280,737**	360,813

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 property, plant and equipment, certain right-of-use assets, certain deposit paid, prepayment and other receivables and certain cash and cash equivalents.

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

Other segment information

	Retail outlet operation *RMB'000*	**Wholesale distribution** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
For the year ended 31 December 2021				
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to property, plant and equipment	**9,215**	**29**	**25**	**9,269**
Addition to right-of-use assets	**32,642**	**1,080**	**848**	**34,570**
Depreciation of property, plant and equipment	**11,584**	**283**	**530**	**12,397**
Depreciation of investment properties	**327**	**–**	**–**	**327**
Depreciation of right-of-use assets	**38,031**	**2,059**	**212**	**40,302**
Obsolete inventories written off	**1,980**	**94**	**–**	**2,074**
Finance costs	**10,402**	**171**	**17**	**10,590**
Gain on disposal of property, plant and equipment	**(681)**	**–**	**–**	**(681)**
Interest income on bank deposits	**(1,615)**	**(56)**	**(18)**	**(1,689)**
Interest income from financial assets at FVTPL	**(289)**	**–**	**–**	**(289)**
Impairment loss recognised in respect of property, plant and equipment	**12**	**–**	**–**	**12**
Impairment losses (reversed) recognised in respect of trade receivables	**(528)**	**322**	**–**	**(206)**

	Retail outlet operation *RMB'000*	Wholesale distribution *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
For the year ended 31 December 2020				
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to property, plant and equipment	7,701	137	–	7,838
Addition to right-of-use assets	68,563	–	–	68,563
Depreciation of property, plant and equipment	11,278	328	10	11,616
Depreciation of investment properties	327	–	–	327
Depreciation of right-of-use assets	36,268	1,845	–	38,113
Obsolete inventories written off	863	90	–	953
Finance costs	11,353	130	–	11,483
Gain on disposal of property, plant and equipment	(44)	–	–	(44)
Interest income on bank deposits	(843)	(14)	(244)	(1,101)
Interest income from financial assets at FVTPL	(895)	–	–	(895)
Impairment loss recognised in respect of property, plant and equipment	559	–	–	559
Impairment loss recognised in respect of trade receivables	1,410	91	–	1,501

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:

	2021	2020
	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)*	**573,590**	656,438
Bulk sales under retail outlet operation	**11,903**	13,821
General wholesales under wholesale distribution	**133,990**	196,987
– Services rendered		
Commission from concessionaire sales under retail outlet operation	**2,511**	1,165
	721,994	868,411
Revenue from other sources		
Rental income from subleasing certain retail areas under retail outlet operation		
– Lease payments that are fixed	**19,641**	20,338
	741,635	888,749

Note: General retail sales included the compensation for reduced selling prices of approximately RMB1,471,000 and RMB1,400,000 from the local government in the PRC which was classified as revenue during the years ended 31 December 2021 and 2020 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

	2021	2020
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point of time	**721,994**	868,411

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

As at 31 December 2021 and 2020, all of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as at the end of both reporting periods.

(b) Other operating income

	2021	2020
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment	**681**	44
Government grants *(Note i)*	**2,443**	3,591
Interest income on bank deposits	**1,689**	1,101
Interest income from financial assets at FVTPL	**289**	895
Net exchange (losses) gains	**(63)**	91
Net rental income from investment properties *(Note ii)* lease payments that are fixed	**2,042**	2,233
Promotion income from suppliers	**19,295**	24,303
Gain on lease termination *(Note iii)*	**424**	286
Others	**3,864**	2,419
	30,664	34,963

Notes:

(i) Various local government grants were granted to the Group in respect of certain research projects during the years ended 31 December 2021 and 2020. During the year ended 31 December 2020, the Group recognised government grants of RMB519,000 in respect of COVID-19-related grants, of which RMB235,000 related to Employment Support Scheme provided by the Government of Hong Kong Special Administrative Region under the Anti-Epidemic Fund; RMB266,000 related to 百億抗疫援助基金 provided by the Government of Macao Special Administrative Region and RMB18,000 related to delayed resumption of work provided by the local government of the PRC. There were no unfulfilled conditions or contingencies attached to these government grants.

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

	2021	2020
	RMB'000	*RMB'000*
Gross rental income	**2,134**	2,333
Less: Outgoing incurred for investment properties that generated rental income during the year	**(92)**	(100)
Net rental income	**2,042**	2,233

(iii) During the year ended 31 December 2021, gain on early termination of a lease represented the net difference of approximately RMB424,000 comprising an approximately RMB8,012,000 decrease in right-of-use assets and an approximately RMB8,436,000 decrease in lease liabilities.

During the year ended 31 December 2020, gain on early termination of a lease represented the net difference of approximately RMB286,000 comprising an approximately RMB6,648,000 decrease in right-of-use assets and an approximately RMB6,934,000 decrease in lease liabilities.

6. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings	**5,006**	5,805
Lease liabilities	**5,584**	5,678
	10,590	11,483

7. LOSS BEFORE TAX

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

	2021	2020
	RMB'000	*RMB'000*
Depreciation of investment properties	**327**	327
Depreciation of property, plant and equipment	**12,397**	11,616
Depreciation of right-of-use assets	**40,302**	38,113
Employee benefits expenses (excluding directors' remuneration *(Note 9))*:		
– Salaries and other benefits	**61,446**	60,173
– Pension scheme contributions	**7,606**	4,937
– Contractual compensation for loss of office paid	**–**	1,500
– Other benefits	**597**	758
	69,649	67,368
Auditor's remuneration	**1,080**	1,200
COVID-19-related rent concessions *(Note a)*	**(2,147)**	(274)
Obsolete inventories written off (included in cost of inventories sold)	**2,074**	953

Note:

(a) Due to the outbreak of COVID-19, the Group has received rent concessions from lessors including rent forgiveness. During the year ended 31 December 2020, the Group has early adopted Amendment to IFRS 16, COVID-19-Related Rent Concessions and applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic was a lease modification.

8. INCOME TAX EXPENSE

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

	2021	2020
	RMB'000	*RMB'000*
Current – Macau		
Under-provision in prior year	**–**	16
Current – the PRC		
Under-provision in prior year	**564**	12
Charge for the year	**24**	194
	588	222

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 2021 and 2020.

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 2021 and 2020.

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 2021 and 2020.

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

The Law of the PRC on Enterprise Income Tax allows enterprises to apply for the certificates of "High and New Technology Enterprise" ("HNTE") which entitles the qualified companies to a preferential income tax rate of 15%. 廣東省順客隆商業連鎖有限公司, 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 2021 and 2020.

The Group's subsidiaries in Macau are subject to Complementary Tax at a rate of 12% based on estimated assessable profits for the years ended 31 December 2021 and 2020. During the year ended 31 December 2021 and 2020, no Macau Complementary Income Tax has been provided as there were no assessable profits generated.

9. LOSS PER SHARE

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

	2021 *RMB'000*	2020 *RMB'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(38,045)**	(16,501)

	2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**290,457,000**	290,457,000

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

10. DIVIDEND

The board of directors does not recommend the payment of final dividend for the years ended 31 December 2021 and 2020.

11. TRADE AND BILLS RECEIVABLES

	2021 *RMB'000*	2020 *RMB'000*
Trade receivables	**25,554**	36,620
Less: allowance for impairment of trade receivables	**(1,295)**	(1,501)
	24,259	35,119
Bills receivables	**433**	321
	24,692	35,440

As at 1 January 2020, trade receivables from contracts with customers amounted to RMB22,839,000. As at 31 December 2021, the gross amount of trade and bills receivables arising from contracts with customers amounted to RMB23,992,000 (2020: RMB34,023,000).

All the bills receivables are aged within 90 days (2020: within 60 days).

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:

	2021	2020
	RMB'000	*RMB'000*
Within 30 days	**11,532**	18,894
31 to 60 days	**8,427**	5,649
61 to 180 days	**2,932**	7,053
181 to 365 days	**699**	2,849
Over 1 year	**669**	674
	24,259	35,119

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:

	2021	2020
	RMB'000	*RMB'000*
Current to 30 days	**28,683**	35,455
31 to 60 days	**23,654**	19,425
61 to 180 days	**12,148**	32,631
181 to 365 days	**8,557**	7,182
Over 1 year	**6,796**	8,107
	79,838	102,800

13. BANK BORROWINGS

	2021	2020
	RMB'000	*RMB'000*
Secured bank borrowings repayable within one year	**60,000**	108,000

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

As at 31 December 2021, the bank borrowings were denominated in RMB, bore interest at fixed rate of 4.90% (2020: 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 RMB11,852,000 and RMB11,388,000 as at 31 December 2021 and 2020 respectively;

(ii) the pledge of certain right-of-use assets of the Group with carrying values of approximately RMB20,729,000 and RMB19,008,000 as at 31 December 2021 and 2020 respectively;

(iii) the pledge of certain investment properties of the Group with carrying values of approximately RMB9,351,000 and RMB9,424,000 as at 31 December 2021 and 2020 respectively.

14. SHARE CAPITAL

	2021		2020	
	Number of shares	***RMB'000***	*Number of shares*	*RMB'000*
Ordinary share of HK$0.01 each				
Authorised:				
At 1 January and 31 December	**2,000,000,000**	**15,826**	2,000,000,000	15,826
Issued and fully paid:				
At 1 January and 31 December	**290,457,000**	**2,387**	290,457,000	2,387

15. OPERATING LEASE ARRANGEMENTS

The Group as a lessor

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

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

	2021	2020
	RMB'000	*RMB'000*
Within one year	**17,649**	17,231

BUSINESS REVIEW

The Company is an investment holding company, and the Group is a supermarket chain store operator with geographical focus in Guangdong province of the People's Republic of China (the "PRC"). During the year ended 31 December 2021 (the "FY2021" or the "Year"), the Group maintained both retail and wholesale distribution channels. The Group's focus on the suburban and rural areas of the PRC made it different from other major players in the market.

Retail Outlets

During the FY2021, the Group opened one retail outlet and closed four retail outlets. As at 31 December 2021, the Group had sixty seven retail outlets located in Guangdong province of the PRC and one retail outlet located in the Macau Special Administrative Region ("Macau") of the PRC, respectively.

The following table sets forth the changes in the number of retail outlets of the Group during the FY2021 and the year ended 31 December 2020 (the "FY2020"):

	For the year ended 31 December	
	2021	2020
At the beginning of the Year	**71**	70
Additions	**1**	5
Reductions	**(4)**	(4)
At the end of the Year	**68**	71

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 31 December 2021:

Location	**Number of retail outlets**
Foshan	**51**
Zhaoqing	**7**
Zhuhai	**5**
Guangzhou	**3**
Shenzhen	**1**
The PRC	**67**
Macau	**1**
Total	**68**

General Wholesale

During the FY2021, the Group managed to keep all sole and exclusive distribution rights it gained prior to the FY2021. The Group maintained sole and exclusive distribution rights for twenty three brands covering Foshan, Jiangmen and Zhaoqing. The exact coverage of the Group's sole and exclusive distribution rights varied among those twenty three brands. Instead of developing the size of general wholesale customer base, the Group put more emphases on gaining more sub-distributors rather than retailers as the Group's customers.

Franchise Operation

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

The following table sets forth the changes in number of franchise outlets of the Group during the FY2021 and FY2020:

	For the year ended 31 December	
	2021	2020
At the beginning of the Year	**633**	670
Additions	**–**	–
Reductions	**(8)**	(37)
At the end of the Year	**625**	633

RECENT DEVELOPMENTS AND OUTLOOK

During the post-pandemic era, the consumer habits and business formats of the retail sector have changed significantly. Online channels have penetrated into all walks of life and become a standard configuration for retail companies. At the same time, the emergence of community group buy has impacted brick-and-mortar retailers. Under fierce competition, the traditional supermarket sector has to change its operating model to actively explore breakthroughs and adapt to market changes. The key is to undertake transformation and upgrade in direction of being more professional and specialized. The advantage of brick-and-mortar retail companies is that they have offline outlets close to customers. What they need to do is to highlight fresh produce operation and in-person experience, so that the store is not only a place for selling goods, but also a "third space" in people's lives. Meanwhile, the Group proactively expanded online platforms to integrate online and offline sales.

Due to the overall sluggish environment of the retail sector, the Group's results obviously declined. Operating revenue for FY2021 amounted to approximately RMB742 million, representing a decrease of RMB147 million as compared with FY2020. The decrease in operating revenue was mainly due to a decrease in turnover of wholesale distribution under the COVID-19 pandemic (the "COVID-19") and a drop in retail sales of supermarkets as a result of the impact from e-commerce.

In face of such a severe situation, the Group prudentially responded and decisively took the following major measures during FY2021 to minimise the decline in results: (i) established the model outlets of "Shun Ke Long Fresh Hub" and its profitability model and effectively improved the results of seven "Shun Ke Long Fresh Hubs"; (ii) renovated 12 physical stores, expecting an effective rise of sales; (iii) developed 15 vegetable and fruit bases and made purchases directly from the bases to reduce procurement costs effectively, resulting in a reduction of more than 5% in single item purchase costs for approximately 35% of vegetables; (iv) continued to rigorously promote online sales by using new sales approaches such as live-streaming marketing to keep up with market trends, resulting in a year-on-year increase of approximately 62% in online sales; (v) accurately grasped the sales methods and market trends of some commodities and daily necessities by strengthening cooperation with suppliers, so that the gross profit margin of those commodities increased by about 2%; (vi) introduced several incentives and delivered training to improve employees' performance in an all-around way and their overall quality; and (vii) established the "Yu Bang Hang Bargain Wholesale and Retail Outlets" to develop wholesale and retail bargain stores and achieve the integration of wholesale and retail, and explore a reproducible profitability model of Yubang Hang wholesale and retail bargain stores, which were expected to become a new business format that contributed to the development of the Group.

Despite the current complicated and rigorous operating environment of the retail sector, the Group will continue to develop into an influential leading retailer in the Pearl River Delta region, and continue to explore the consumption potential in Foshan, Zhaoqing, and Zhuhai, while exploring new markets outside Guangdong province, such as Hainan province that offers preferential policies, if appropriate. Through reform, transformation, innovation and improvement, the Group will adhere to the marketing strategy of "retail + wholesale + bulk trade + online and offline integration + community marketing", in order to stabilise revenue based on brick-and-mortar retail and with online and offline omnichannel sales as the development direction. In addition to continuing to take the above measures, the Group will also perform the following tasks in 2022: (i) develop a new business model of "Shun Ke Long Club Warehouse Store" that provides members with high quality, cost-effective, and differentiated goods and exclusive benefits to increase consumers' stickiness, brand loyalty and confidence; (ii) focus continuously on projects with government subsidies and actively stabilise revenue; (iii) follow the local government's boosting measures and launch provincial or base poverty alleviation projects, with exclusive distribution rights to increase revenue and enhance the reputation for the Group in response to the central government's rural revitalisation strategy; (iv) continuously develop stores called "Shun Ke Long Fresh Hubs" to promote franchised stores during the year, making them an extension of business format of "Shun Ke Long Fresh Hub"; (v) continue to expand online platforms, and develop the Group's own e-commerce platform "SKL Select" to achieve a combination of online and offline sales; and (vi) pay great attention to hot and promotional windows and activities in 2022, such as several e-commerce shopping festivals, and events, such as Labour Day, Middle Autumn Day, 21% off year-end promotions, and Members Day on Tuesdays.

KEY RISKS AND UNCERTAINTIES

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

Fierce competition in Expanding Retail Outlets Network

Under fierce competition in the retail industry, we are facing various local and foreign competitors. Our future growth and profitability depend in part on our ability to expand our business presence and network in the Greater Bay Area and to implement our expansion plan. Particularly, it is subject to the risks and uncertainties as to our ability to identify suitable sites for new retail outlets, availability of resources and funding for expansion plan, our ability to attract management talents, and our ability to obtain government approvals, among others. If we failed to implement the expansion plan, our results of operations may be adversely affected.

Change in Consumer Preferences

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

Thin Profit Margin

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

Competition from online retailing platform

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

High staff turnover rate

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

COVID-19

Due to the outbreak of the COVID-19 in early 2020, the Group spent every effort and strengthened measures to fight against the COVID-19 and ensure the normal operation of all stores. Suspension of outlets caused by the COVID-19 may result in a drop in the Group's revenue. the Group has introduced and developed online sale platforms to achieve a combination of online and offline sales in order to mitigate the impact of the COVID-19.

FINANCIAL REVIEW

Revenue

For the FY2021, due to the impact of online e-commerce and the COVID-19, the revenue of the Group was approximately RMB741.6 million, representing a decrease of approximately RMB147.1 million or 16.6% from the FY2020. The decrease in revenue was mainly due to a decrease in turnover of wholesale distribution caused by the COVID-19 and a drop in retail sales of supermarkets impacted by online e-commerce.

For the FY2021, the Group's revenue from retail outlets operation was approximately RMB607.6 million, representing a decrease of approximately RMB84.1 million or 12.2% from the FY2020. The decrease was mainly due to a decline in offline consumer demand impacted by online shopping, community group buying and other new retail forms.

For the FY2021, the Group's revenue from wholesale distribution operation was approximately RMB134.0 million, representing a drop of approximately RMB63.0 million or 32% from the FY2020. The drop was mainly due to the suspension of the catering industry and the reduction of distribution brands during the COVID-19. In addition, the COVID-19 situation abroad also affected the bulk sales of fruit.

Gross Profit Margin

For the FY2021 and the FY2020, the Group's gross profit margins were approximately 14.5% and approximately 14.2% respectively. The growth was mainly attribute to a rise in gross profit margin of fresh food in supermarkets resulted from finer management.

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 FY2021 and the FY2020:

	For the year ended 31 December	
	2021	2020
	RMB'000,000	*RMB'000,000*
Revenue		
Retail outlet operation	**607.6**	691.7
Wholesale distribution	**134.0**	197.0
Total	**741.6**	888.7
Cost		
Retail outlet operation	**505.7**	572.6
Wholesale distribution	**128.1**	190.3
Total	**633.8**	762.9
Gross profit		
Retail outlet operation	**101.9**	119.1
Wholesale distribution	**5.9**	6.7
Total	**107.8**	125.8
Gross profit margin		
Retail outlet operation	**16.8%**	17.2%
Wholesale distribution	**4.4%**	3.4%
Total	**14.5%**	14.2%

Other Operating Income

For the FY2021, the Group's other operating income was approximately RMB30.7 million, representing a decrease of approximately RMB4.3 million or 12.3% from the FY2020. The decrease was mainly due to the drop in promotion income from suppliers.

Selling and Distribution Costs

For the FY2021, the Group's selling and distribution costs were approximately RMB133.9 million, representing an increase of approximately RMB6.6 million or 5.2% from the FY2020. The increase was mainly due to a rise in labour costs, promotion fee and insurance fees.

Administrative Expenses

For the FY2021, the Group's administrative expenses were approximately RMB31.8 million, representing a decrease of approximately RMB4.3 million or 11.9% from the FY2020. The decrease was mainly due to a decline in payroll cost for staff.

Finance Costs

For the FY2021, the Group's finance costs were approximately RMB10.6 million, representing a decrease of approximately RMB0.9 million or 7.8% from the FY2020. The decrease was mainly due to lesser interest expense and lease liabilities.

Impairment Losses Recognised in Property, Plant and Equipment and Right-of-use Assets

In 2021, the management performed an impairment assessment of property, plant and equipment and right-of-use assets of the Group. Accordingly, the Group's property, plant and equipment had been impaired by RMB12,000, and there was no impairment of right-of-use assets. The recoverable amount of a cash generating unit is determined based on a discounted pre-tax cash flow projection, prepared in accordance with the financial budgets approved by management covering a five-year period. The major reason for such impairment was due to the impact of the temporary suspension of store operations during the outbreak of the COVID-19 in the Group's retail stores operated in Macau, which led to a surge in pre-tax operating loss.

Income Tax Expense

For the FY2021, the Group's income tax expense was approximately RMB0.6 million, representing an increase of approximately RMB0.4 million or 200.0% from the FY2020, which was mainly due to the one-time adjustment of corporate income tax payable in previous years.

Net Loss

For the FY2021, the Group's net loss attributable to the shareholders was approximately RMB38.0 million, representing an increase of approximately RMB21.5 million or 130.3% from the FY2020. The increase in loss was mainly due to a decrease in gross profit as a result of a drop in sales and a rise in selling and distribution costs.

Total Comprehensive Expense

For the FY2021, the Group's total comprehensive expense attributable to the shareholders was approximately RMB38.4 million, representing an increase of approximately RMB20.2 million or 111.0% from the FY2020. The appreciation of RMB against Hong Kong dollars resulted in an exchange loss of approximately RMB0.4 million on translation of the financial statements from the functional currency to the presentation currency in the FY2021, and the exchange losses were reflected as other comprehensive expense.

Capital Expenditures

The Group's capital expenditures mainly relate to additions of its property, plant and equipment and right-of-use assets for the opening of new retail outlets and renovation of existing retail outlets. For the FY2021, the Group spent approximately RMB9.3 million and RMB34.6 million on the acquisition of property, plant and equipment and right-of-use assets, respectively.

Capital Commitments

As at 31 December 2021, the Group had no significant capital commitments (31 December 2020: nil).

Liquidity and Financial Resources

As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB103.3 million (31 December 2020: approximately RMB104.0 million), out of which approximately RMB95.3 million was denominated in RMB and approximately RMB8 million was denominated in HK$ or MOP.

As at 31 December 2021, the Group had net current assets of approximately RMB86.0 million (31 December 2020: approximately RMB129.8 million) and net assets of approximately RMB200.8 million (31 December 2020: approximately RMB239.5 million). As at 31 December 2021, the Group had unutilised banking facilities of approximately RMB48.0 million (31 December 2020: nil).

On 21 October 2020, the Board announced that the Company, through its subsidiary, Guangdong Province Shun Ke Long Commerce Limited* (廣東省順客隆商業連鎖有限公司) ("Guangdong SKL", formerly known as Foshan City Shun Ke Long Commerce Limited* (佛山市順客隆商業有限公司)) began to subscribe for up to RMB60 million of wealth management product from Shunde Rural Commercial Bank with expected annualised return rate of 2.8% to 3%. As at 31 December 2021, Guangdong SKL did not hold any of the wealth management product.

In order to minimise 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 FY2021.

Material Acquisitions and Disposals

The Group did not carry out any material acquisition nor disposal of any subsidiary during the FY2021.

Indebtedness and Pledge of Assets

As at 31 December 2021, the Group had bank borrowings of approximately RMB60 million (31 December 2020: approximately RMB108 million) secured by:

(i) the pledge of certain buildings of the Group with carrying amounts of approximately RMB11.9 million 31 December 2021 (31 December 2020: approximately RMB11.4 million);

(ii) the pledge of certain right-of-use assets of the Group with carrying amounts of approximately RMB20.7 million 31 December 2021 (31 December 2020: approximately RMB19.0 million); and

(iii) the pledge of certain investment properties of the Group with carrying amounts of approximately RMB9.4 million 31 December 2021 (31 December 2020: approximately RMB9.4 million).

All those bank borrowings were repayable within a year. The interests of those loans were at fixed rate of 4.90% per annum (31 December 2020: at fixed rate of 5.23% per annum).

Key Financial Ratios

The following table sets forth the key financial ratios of the Group for the FY2021 and the FY2020:

	For the year ended 31 December	
	2021	2020
Debtors turnover days	**14.8**	12.1
Inventory turnover days	**72.5**	65.7
Creditors turnover days	**52.6**	52.4
Return on equity	**-19.2%**	–6.9%
Return on total assets	**-8.0%**	–2.7%
Total loans *(RMB'000,000)*	**60.0**	108.0
Total equity *(RMB'000,000)*	**200.8**	239.5
Gearing ratio	**29.9%**	45.1%
Net debt to equity ratio	**Net cash**	Net cash
Current ratio	**1.4x**	1.5x
Quick ratio	**0.9x**	1.0x

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

Foreign Currency Exposure

Majorities of the Group's assets, liabilities and cash flows were denominated in RMB and part of the Group's assets were denominated in HK$. During the FY2021, the appreciation of RMB against HK$ had no impact from translation as the reporting currency of the Group was RMB. Apart from that, the management of the Company viewed that the change in exchange rate for RMB against foreign currencies did not have significant impact on the Group's financial position nor performance given that functional currencies of the Group was RMB. During the FY2021, the Group did not engage in any hedging activities and the Group had no intention to carry out any hedging activities in the near future. The management of the Group will continue to closely monitor the foreign currency market and consider carrying out hedging activities when necessary.

Contingent Liabilities

As at 31 December 2021, 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 1,152 employees as at 31 December 2021, of which 1,138 employees worked in the PRC and 14 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 profit of the Group. During the FY2021, 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.

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 2021**		**Remaining balance of net proceeds as at 31 December 2021**	
	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%	74.4	48%	–	0%
Upgrading existing retail outlets	–	0.0%	14.6	9.4%	14.6	9.4%	–	0%
Repayment of bank borrowings	–	0.0%	27.9	18.0%	27.9	18.0%	–	0%
Information systems upgrades	11.2	7.2%	11.2	7.2%	11.2	7.2%	–	0%
Upgrading and expanding the existing two distribution centres	13.3	8.6%	13.3	8.6%	0	0%	13.3	8.6%
General working capital	13.6	8.8%	13.6	8.8%	13.6	8.8%	–	0%
Total	155.0	100.0%	155.0	100.0%	141.7	91.4%	13.3	8.6%

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant events requiring disclosure that has taken place subsequent to 31 December 2021 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 2021.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code effective on or before 31 December 2021 (the "CG Code") contained in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "Stock Exchange"). The Board is of the view that for the year ended 31 December 2021, the Company has complied with all the code provisions as set out in the CG Code.

On 1 January 2022, the amendments to the Corporate Governance Code (the "New CG Code") came into effect and the requirements under the New CG code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the New CG Code and align with the latest developments.

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 10 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 year ended 31 December 2021 and they all confirmed that they have fully complied with the required standard as set out in the Model Code.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters. The consolidated financial statements and final results of the Group for the year ended 31 December 2021 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 FY2021, the Audit Committee considered the Group's risk management and internal control system as adequate and effective.

DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the FY2021.

ANNUAL GENERAL MEETING

An annual general meeting of the Company will be held on Wednesday, 8 June 2022, notice of which will be published and despatched to the shareholders as soon as practicable in accordance with the requirements of the Company's Articles of Association and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 2 June 2022 to Wednesday, 8 June 2022, 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 Wednesday, 8 June 2022, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 1 June 2022.

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 2021 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 2021 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
Shang Duoxu
Chairman and Executive Director

Hong Kong, 30 March 2022

As at the date of this announcement, the executive Directors are Mr. Shang Duoxu and Mr. Han Wei; the non-executive Director is Ms. Wang Hui; and the independent non-executive Directors are Mr. Cheng Hok Kai Frederick, Mr. Wang Yilin and Mr. Zou Pingxue.

* *For identification only*