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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 2022

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 2022 with comparative figures for the year ended 31 December 2021 as follows:

HIGHLIGHTS OF ANNUAL RESULTS

	For the year ended 31 December		
	2022	2021	**Change**
	RMB'000	*RMB'000*	
Revenue	**638,761**	741,635	-13.9%
Gross Profit	**102,207**	107,843	-5.2%
Loss from Operations	**(18,697)**	(27,273)	-31.4%
Loss for the Year	**(24,933)**	(38,257)	-34.8%
Loss Attributable to Equity Shareholders of the Company	**(25,000)**	(38,045)	-34.3%
Loss Per Share ("EPS") – Basic and Diluted(1) *(RMB)*	**RMB(0.09)**	RMB(0.13)	

	As at 31 December		
	2022	2021	**Change**
	RMB'000	*RMB'000*	
Total Assets	**389,819**	481,585	-19.1%
Total Liabilities	**213,059**	280,737	-24.1%
Net Assets	**176,760**	200,848	-12.0%
Net Financial Position(2)	**40,972**	43,343	-5.5%
Current Ratio(3)	**1.49**	1.38	

Notes:

(1) The calculation of basic and diluted EPS for the years ended 31 December 2022 and 2021 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 and deposit with a bank 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 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	5	**638,761**	741,635
Cost of inventories sold		**(536,554)**	(633,792)
Gross profit		**102,207**	107,843
Other operating income	5	**24,928**	30,664
Selling and distribution costs		**(118,038)**	(133,939)
Administrative expenses		**(27,794)**	(31,841)
Finance costs	6	**(4,641)**	(10,590)
Impairment losses recognised in respect of property, plant and equipment		**(403)**	(12)
Impairment losses recognised in respect of other receivables		**(1,648)**	–
Impairment losses reversed in respect of trade receivables		**687**	206
Impairment losses recognised in respect of amounts due from related companies		**(202)**	–
Loss before tax	7	**(24,904)**	(37,669)
Income tax expense	8	**(29)**	(588)
Loss for the year		**(24,933)**	(38,257)
Other comprehensive income (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		**845**	(364)
Loss and total comprehensive expense for the year		**(24,088)**	(38,621)
(Loss) profit for the year attributable to:			
Owners of the Company		**(25,000)**	(38,045)
Non-controlling interests		**67**	(212)
		(24,933)	(38,257)
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(24,155)**	(38,409)
Non-controlling interests		**67**	(212)
		(24,088)	(38,621)
Loss per share	11		
Basic (RMB)		**(0.09)**	(0.13)
Diluted (RMB)		**(0.09)**	(0.13)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	**2022** **RMB'000**	2021 *RMB'000*
Non-current assets			
Property, plant and equipment		**31,305**	36,516
Right-of-use assets		**82,275**	110,756
Investment properties		**9,024**	9,351
Deposits paid		**9,982**	14,310
		132,586	170,933
Current assets			
Inventories		**111,837**	107,783
Trade and bills receivables	*11*	**28,744**	24,692
Deposits paid, prepayments and other receivables		**67,240**	74,192
Amounts due from related companies		**440**	642
Cash and cash equivalents		**48,972**	103,343
		257,233	310,652
Current liabilities			
Trade payables	*12*	**95,469**	79,838
Deposits received, receipts in advance, accruals and other payables		**28,644**	28,036
Lease liabilities		**23,008**	38,169
Contract liabilities		**17,832**	18,634
Bank borrowings	*13*	**8,000**	60,000
Tax payable		**23**	25
		172,976	224,702
Net current assets		**84,257**	85,950
Total assets less current liabilities		**216,843**	256,883
Non-current liability			
Lease liabilities		**40,083**	56,035
Net assets		**176,760**	200,848

	Note	**2022**	2021
		RMB'000	*RMB'000*
Capital and reserves			
Share capital	*14*	**2,387**	2,387
Reserves		**173,209**	197,364
Equity attributable to owners of the Company		**175,596**	199,751
Non-controlling interests		**1,164**	1,097
Total equity		**176,760**	200,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 People's Republic of China (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.

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.

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.

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

In the current year, the Group has applied, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the Group's annual period beginning 1 January 2022 for preparation of consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020 cycle

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these 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 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

Except as described below, the directors of the Company anticipate that, 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 IAS 1 Non-current Liabilities with Covenants ("the 2022 Amendments")

The 2022 Amendments modify the requirements introduced by the amendments to IAS 1 issued in 2020, Classification of Liabilities as Current or Non-current ("the 2020 Amendments") on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

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

IAS 1 is amended to 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 amendments also clarify that 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. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

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.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

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.

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 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

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 2022

	Retail outlet operation *RMB'000*	**Wholesale distribution** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*
REVENUE				
From external customers	**531,705**	**107,056**	**–**	**638,761**
From inter-segment	**41,855**	**14,562**	**(56,417)**	**–**
Reportable segment revenue	**573,560**	**121,618**	**(56,417)**	**638,761**
Reportable segment loss	**(18,075)**	**(2,463)**		**(20,538)**
Other corporate income				**618**
Other corporate expenses				**(4,984)**
Loss before tax				**(24,904)**

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 income				(52)
Other corporate expenses				(3,315)
Loss before tax				(37,669)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss from each operating segment 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.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

	2022	2021
	RMB'000	*RMB'000*
Retail outlet operation	**315,127**	402,222
Wholesale distribution	**60,350**	69,707
Total segment assets	**375,477**	471,929
Other corporate assets *(Note)*	**14,342**	9,656
Group's assets	**389,819**	481,585
Retail outlet operation	**204,976**	275,586
Wholesale distribution	**7,266**	4,057
Total segment liabilities	**212,242**	279,643
Other corporate liabilities *(Note)*	**817**	1,094
Group's liabilities	**213,059**	280,737

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, prepayments and other receivables and certain cash and cash equivalents.

– All liabilities are allocated to reportable and operating segments, other than certain 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 2022				
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to property, plant and equipment	**4,813**	**16**	**–**	**4,829**
Addition to right-of-use assets	**17,272**	**3,103**	**–**	**20,375**
Depreciation of property, plant and equipment	**8,672**	**172**	**287**	**9,131**
Depreciation of investment properties	**327**	**–**	**–**	**327**
Depreciation of right-of-use assets	**36,101**	**1,209**	**406**	**37,716**
Obsolete inventories written-off	**687**	**4**	**–**	**691**
Finance cost	**4,529**	**93**	**19**	**4,641**
Loss on disposal of property, plant and equipment	**165**	**–**	**–**	**165**
Property, plant and equipment written-off	**108**	**–**	**–**	**108**
Interest income on bank deposits	**(706)**	**(12)**	**(70)**	**(788)**
Impairment losses recognised in respect of property, plant and equipment	**–**	**403**	**–**	**403**
Reversal of impairment losses in respect of trade receivables	**(421)**	**(266)**	**–**	**(687)**
Recognition of impairment losses in respect of other receivables	**1,087**	**–**	**561**	**1,648**
Recognition of impairment losses in respect of amounts due from related companies	**202**	**–**	**–**	**202**

	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 cost	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 fair value through profit or loss ("FVTPL")	(289)	–	–	(289)
Impairment losses recognised in respect of property, plant and equipment	12	–	–	12
(Reversal) recognition of impairment losses in respect of trade receivables	(528)	322	–	(206)

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:

	2022	2021
	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)*	**504,123**	573,590
Bulk sales under retail outlet operation	**7,012**	11,903
General wholesales under wholesale distribution	**107,056**	133,990
– Services rendered		
Commission from concessionaire sales under retail outlet operation	**3,031**	2,511
	621,222	721,994
Revenue from other sources		
Rental income from subleasing certain retail areas under retail outlet operation		
– Lease payments that are fixed	**17,539**	19,641
	638,761	741,635

Note: General retail sales included the compensation for reduced selling prices of approximately RMB1,200,000 and RMB1,471,000 from the local government in the PRC which was classified as revenue during the years ended 31 December 2022 and 2021 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

	2022	2021
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point of time	**621,222**	721,994

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

As at 31 December 2022 and 2021, 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

	2022	2021
	RMB'000	*RMB'000*
Gain on disposal of property, plant and equipment	**–**	681
Government grants *(Note i)*	**879**	2,443
Interest income on bank deposits	**788**	1,689
Interest income from financial asset at FVTPL	**–**	289
Net exchange gains (losses)	**55**	(63)
Net rental income from investment properties *(Note ii)*		
Lease payments that are fixed	**1,755**	2,042
Promotion income from suppliers	**15,282**	19,295
Gain on lease termination *(Note iii)*	**1,402**	424
Others	**4,767**	3,864
	24,928	30,664

Notes:

(i) Various local government grants were granted to the Group in respect of certain research projects during the years ended 31 December 2022 and 2021. 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:

	2022	2021
	RMB'000	*RMB'000*
Gross rental income	**1,828**	2,134
Less: Outgoing incurred for investment properties that generated rental income during the year	**(73)**	(92)
Net rental income	**1,755**	2,042

(iii) During the year ended 31 December 2022, gain on early termination of a lease represented the net difference of approximately RMB1,402,000 comprising an approximately RMB11,140,000 decrease in right-of-use assets and an approximately RMB12,542,000 decrease in lease liabilities.

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.

6. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings	**948**	5,006
Lease liabilities	**3,693**	5,584
	4,641	10,590

7. LOSS BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Depreciation of investment properties	**327**	327
Depreciation of property, plant and equipment	**9,131**	12,397
Depreciation of right-of-use assets	**37,716**	40,302
Employee benefits expenses (excluding directors' remuneration):		
– Wages and salaries	**52,027**	61,446
– Pension scheme contributions	**7,660**	7,606
– Other benefits	**490**	597
	60,177	69,649
Auditor's remuneration	**1,000**	1,080
COVID-19 related rent concessions *(Note)*	**–**	(2,147)
Obsolete inventories written-off (included in cost of inventories sold)	**691**	2,074
Property, plant and equipment written-off	**108**	–
Loss on disposals of property, plant and equipment	**165**	–

Note: Due to the outbreak of COVID-19, the Group has received rent concessions from lessors including rent forgiveness in the prior year. The Group has adopted the Amendment to IFRS 16 COVID-19-Related Rent Concessions and early adopted Amendment to IFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021 and applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification.

8. INCOME TAX EXPENSE

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

	2022	2021
	RMB'000	*RMB'000*
Current – the PRC		
Under-provision in prior year	**6**	564
Charge for the year	**23**	24
	29	588

The Group is not subject to any income tax under the jurisdiction of the Cayman Islands and the British Virgin Islands for the years ended 31 December 2022 and 2021.

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 2022 and 2021.

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 2022 and 2021.

From 1 January 2019 to 31 December 2022, 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 2022 and 2021.

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 2022 and 2021. During the year ended 31 December 2022 and 2021, 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:

	2022 *RMB'000*	2021 *RMB'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(25,000)**	(38,045)

	2022	2021
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 2022 and 2021.

11. TRADE AND BILLS RECEIVABLES

	2022 *RMB'000*	2021 *RMB'000*
Trade receivables	**29,268**	25,554
Less: allowance for impairment of trade receivables	**(608)**	(1,295)
	28,660	24,259
Bills receivables	**84**	433
	28,744	24,692

As at 31 December 2022, the gross amount of trade and bills receivables arising from contracts with customers amounted to RMB27,769,000 (2021: RMB23,992,000).

All the bills receivables are aged within 90 days (2021: within 90 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:

	2022	2021
	RMB'000	*RMB'000*
Within 30 days	**12,204**	11,532
31 to 60 days	**11,853**	8,427
61 to 180 days	**2,429**	2,932
181 to 365 days	**1,697**	699
Over 1 year	**477**	669
	28,660	24,259

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:

	2022	2021
	RMB'000	*RMB'000*
Current to 30 days	**37,504**	28,683
31 to 60 days	**30,275**	23,654
61 to 180 days	**14,250**	12,148
181 to 365 days	**5,274**	8,557
Over 1 year	**8,166**	6,796
	95,469	79,838

13. BANK BORROWINGS

	2022	2021
	RMB'000	*RMB'000*
Secured bank borrowings classified as current liabilities	**8,000**	60,000
Carrying amount of bank borrowings that contain a repayable on demand clause but repayable*:		
Within one year	**8,000**	60,000

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

As at 31 December 2022, the bank borrowings were denominated in RMB, bore interest at fixed rate of 4.90% (2021: 4.90%) 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 RMB10,480,000 and RMB11,852,000 as at 31 December 2022 and 2021 respectively;

(ii) the pledge of certain right-of-use assets of the Group with carrying values of approximately RMB19,243,000 and RMB20,729,000 as at 31 December 2022 and 2021 respectively;

(iii) the pledge of investment properties of the Group with carrying values of approximately RMB9,024,000 and RMB9,351,000 as at 31 December 2022 and 2021 respectively.

14. SHARE CAPITAL

	2022		2021	
	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:

	2022	2021
	RMB'000	*RMB'000*
Within one year	**17,565**	17,649

BUSINESS REVIEW

China Shun Ke Long Holdings Limited (the "Company", collectively referred to as the "Group" with its subsidiaries) 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 2022 ("FY2022" 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 FY2022, the Group opened one retail outlet and closed two retail outlets. As at 31 December 2022, the Group had 66 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 FY2022 and the year ended 31 December 2021 ("FY2021"):

	For the year ended 31 December	
	2022	2021
At the beginning of the Year	**68**	71
Additions	**1**	1
Reductions	**(2)**	(4)
At the end of the Year	**67**	68

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 31 December 2022:

Location	**Number of retail outlets**
Foshan	**51**
Zhaoqing	**7**
Zhuhai	**5**
Guangzhou	**2**
Shenzhen	**1**
The PRC	**66**
Macau	**1**
Total	**67**

General Wholesale

During FY2022, the Group managed to keep all sole and exclusive distribution rights that it gained prior to FY2022. The Group maintained sole and exclusive distribution rights for 21 brands covering Foshan, Jiangmen and Zhaoqing. The exact coverage of the Group's sole and exclusive distribution rights varied among those 21 brands. Instead of developing the size of general wholesale customer base, the Group put more emphases on gaining more sub-distributors rather than retailers as the Group's customers.

Franchise Operation

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

The following table sets forth the changes in number of franchise outlets of the Group during FY2022 and FY2021:

	For the year ended 31 December	
	2022	2021
At the beginning of the Year	**625**	633
Additions	**198**	–
Reductions	**–**	(8)
At the end of the Year	**823**	625

RECENT DEVELOPMENT AND OUTLOOK

During the post-COVID-19 era, the consumption habits and business models 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 buying 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 specialised. The advantage of the traditional supermarket sector is that they have offline outlets close to customers. What they need to do is to highlight fresh food 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 in FY2022. The revenue was approximately RMB638.8 million, representing a year-on-year decrease of approximately RMB102.9 million or 13.9%. The decrease in revenue was primarily due to a decline in sales of retail outlets operations and wholesale distribution operations resulted from the closure of some loss-making outlets, a decrease in bulk wholesale business and the termination of some operating Projects (e.g. meat reserves) impacted by online e-commerce and COVID-19. Net loss attributable to equity shareholders was approximately RMB25.0 million in FY2022, representing a year-on-year decrease of approximately RMB13.0 million. The decrease in net loss attributable to equity shareholders was mainly due to a decline in administrative expenses and selling and distribution costs in FY2022.

In face of such a severe situation, the Group prudentially responded and decisively took the following major measures to minimise the decline in results: (i) established the model outlets of "Shun Ke Long Fresh Market" and its profitability model, and opened 12 stores, highlighting the growth point in results of fresh good; (ii) continuously upgraded and renovated stores of limited profitability in order to effectively increase sales; (iii) used direct procurement to effectively reduce procurement costs; (iv) strictly controlled costs, resulting in a substantial reduction in lease expenses, labour costs, interest on bank loans, utilities and other expenses; (v) adopted emerging sales methods such as live streaming to effectively promote online sales and cater to consumption habits while keeping abreast of market trends; (vi) by strengthening cooperation with suppliers, accurately grasped the sales methods and market trends of some bulk commodities and daily necessities, which effectively boosted the gross profit margin; (vii) received brand licensing from China Co-op, with which the Group's products are available for sale under two logos; and (viii) introduced a number of incentives, trainings and performance goals to improve employees' performance in an all-around way and their overall quality.

Despite the current complicated and rigorous operating environment of the retail sector, the Group will continue to focus on the supermarket chain business, expand the size of regional outlets, and explore the consumption potential in Foshan, Zhaoqing and Zhuhai. Grasping the development opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area, it will develop into an influential leading supermarket chain store operator in the area. 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". Based on brick-and-mortar retail, the Group will prioritise "new retail" and develop an omni-channel sales approach covering online and offline, in order to actively expand innovative businesses and stabilise revenue. In addition to continuing to take the above measures, the Group will also perform the following tasks in 2023: (i) leverage the supply and marketing chain and brand advantages, and export brand, commodity and management, striving to expand the number of franchised stores; (ii) develop wholesale business regarding sauces and beverages and gradually increase regional dealer brands with better profits, striving to become the largest first-level agent in Shunde District; (iii) continuously upgrade and renovate stores, and adjust the category structure to further optimise the store environment and shopping experience; (iv) continuously develop "Shun Ke Long Fresh Market" to promote franchised stores during the year, making them an extension of business format of "Shun Ke Long Fresh Market"; (v) continue to expand online platforms, develop the Group's own e-commerce platform "SKL Select" and open Tik Tok account and WeChat Video account for uninterrupted live streaming, so as to achieve a combination of online and offline sales; (vi) explore and expand international wholesale trade business by leveraging the Group's complete upstream and downstream supply and marketing systems and distribution and warehousing conditions, and relying on the policy benefits of Hainan Free Trade Port and Guangdong-Hong Kong-Macao Greater Bay Area; and (vii) pay great attention to hot and promotional windows and activities, such as several e-commerce shopping festivals and events of Labour Day, Middle Autumn Day and National 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 fail 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 FY2022, due to the impact of online e-commerce and COVID-19, the revenue of the Group was approximately RMB638.8 million, representing a decrease of approximately RMB102.9 million or 13.9% from FY2021. The decrease in revenue was mainly due to the closure of some loss-making outlets, a decrease in bulk wholesale business and the termination of some operating Projects (e.g. meat reserves).

For FY2022, the Group's revenue from retail outlets operation was approximately RMB531.7 million, representing a decrease of approximately RMB75.9 million or 12.5% from the FY2021. The decrease was mainly due to the closure of some loss-making outlets, the termination of some operating Projects (e.g. meat reserves), and a drop in retail sales of supermarkets impacted by the COVID-19 and online shopping.

For FY2022, the Group's revenue from wholesale distribution operation was approximately RMB107.1 million, representing a drop of approximately RMB26.9 million or 20.1% from FY2021. The drop was mainly due to the suspension of some bulk wholesale operations and a decline in sales of some agent and distribution brands during the COVID-19.

Gross Profit Margin

For FY2022 and FY2021, the Group's gross profit margins were approximately 16.0% and approximately 14.5% respectively. The growth was mainly attributed 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 FY2022 and FY2021:

	For the year ended 31 December	
	2022	2021
	RMB'000,000	*RMB'000,000*
Revenue		
Retail outlet operation	**531.7**	607.6
Wholesale distribution	**107.1**	134.0
Total	**638.8**	741.6
Cost		
Retail outlet operation	**435.3**	505.7
Wholesale distribution	**101.3**	128.1
Total	**536.6**	633.8
Gross profit		
Retail outlet operation	**96.4**	101.9
Wholesale distribution	**5.8**	5.9
Total	**102.2**	107.8
Gross profit margin		
Retail outlet operation	**18.1%**	16.8%
Wholesale distribution	**5.4%**	4.4%
Total	**16.0%**	14.5%

Other Operating Income

For FY2022, the Group's other operating income was approximately RMB24.9 million, representing a decrease of approximately RMB5.7 million or 18.7% from FY2021. The decrease was mainly due to the drops in government grants, interest income from bank deposits, promotion income from suppliers and rental income.

Selling and Distribution Costs

For FY2022, the Group's selling and distribution costs were approximately RMB118.0 million, representing an increase of approximately RMB15.9 million or 11.9% from FY2021. The decrease was mainly due to declines in rental expenses, utilities fees, labor costs, product losses and promotion expenses resulting from closed outlets.

Administrative Expenses

For FY2022, the Group's administrative expenses were approximately RMB27.8 million, representing a decrease of approximately RMB4.0 million or 12.7% from FY2021. The decrease was mainly due to the year-on-year decrease in depreciation and amortisation of assets, and the year-on-year decrease in taxes and other expenses.

Finance Costs

For FY2022, the Group's finance costs were approximately RMB4.6 million, representing a decrease of approximately RMB5.9 million or 56.2% from FY2021. The decrease was mainly due to lesser interest expense as a result of a decline in short-term borrowings and lesser lease liabilities.

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

In 2022, 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 RMB403,000, and there was no impairment loss 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. The major reason for such impairment loss was due to that the Group's wholesale business was affected by the decline in sales during the outbreak of the COVID-19, which led to an increase in operating losses before tax.

Income Tax Expense

For FY2022, the Group's income tax expense was approximately RMB29,000, representing a decrease of approximately RMB559,000 or 95.1% from FY2021, which was mainly due to the carryforward of corporate income tax payable of previous years in FY2021 and a sharp year-on-year decline in corporate income tax as a result of losses from operations in FY2022.

Net Loss

For FY2022, the Group's net loss attributable to equity shareholders was approximately RMB25.0 million, representing a decrease in loss of approximately RMB13.0 million or 34.2% from FY2021. The decrease in loss was mainly due to a decrease in administrative expenses and a drop in selling and distribution costs.

Total Comprehensive Expense

For FY2022, the Group's total comprehensive expense attributable to equity shareholders was approximately RMB24.2 million, representing a decrease of approximately RMB14.2 million or 37.0% from FY2021. The depreciation of RMB against Hong Kong dollars resulted in an exchange gain of approximately RMB0.8 million on translation of the financial statements from the functional currency to the presentation currency in FY2022, and the exchange gain offset 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 FY2022, the Group spent approximately RMB4.8 million and RMB20.4 million on the acquisition of property, plant and equipment and right-of-use assets, respectively.

Capital Commitments

As at 31 December 2022, the Group had no significant capital commitments (31 December 2021: nil).

Liquidity and Financial Resources

As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB49.0 million (31 December 2021: approximately RMB103.3 million), out of which approximately RMB43.2 million was denominated in RMB and approximately RMB5.8 million was denominated in HK$ or MOP.

As at 31 December 2022, the Group had net current assets of approximately RMB84.3 million (31 December 2021: approximately RMB86.0 million) and net assets of approximately RMB176.8 million (31 December 2021: approximately RMB200.8 million). As at 31 December 2022, the Group had unutilised banking facilities of approximately RMB100.0 million (31 December 2021: RMB48.0 million).

On 21 October 2019, the Board announced that the Company, through its subsidiary, Guangdong Province Shun Ke Long Commerce Limited* (廣東省順客隆商業連鎖有限公司) ("Guangdong SKL", formerly known as Foshan 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 2022 and 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 FY2022.

Material Acquisitions and Disposals

The Group did not carry out any material acquisition nor disposal of any subsidiary during FY2022.

Indebtedness and Pledge of Assets

As at 31 December 2022, the Group had bank borrowings of approximately RMB8.0 million (31 December 2021: approximately RMB60.0 million) secured by:

(i) the pledge of certain buildings of the Group with carrying amounts of approximately RMB10.5 million at 31 December 2022 (31 December 2021: approximately RMB11.9 million);

(ii) the pledge of certain right-of-use assets of the Group with carrying amounts of approximately RMB19.2 million at 31 December 2022 (31 December 2021: approximately RMB20.7 million); and

(iii) the pledge of certain investment properties of the Group with carrying amounts of approximately RMB9.0 million at 31 December 2022 (31 December 2021: 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 2021: at fixed rate of 4.90% per annum).

Key Financial Ratios

The following table sets forth the key financial ratios of the Group for FY2022 and FY2021:

	For the year ended 31 December	
	2022	2021
Debtors turnover days	**15.3**	14.8
Inventory turnover days	**74.7**	72.5
Creditors turnover days	**59.6**	52.6
Return on equity	**-14.2%**	-19.2%
Return on total assets	**-6.4%**	-8.0%
Total loans *(RMB'000,000)*	**8.0**	60.0
Total equity *(RMB'000,000)*	**176.8**	200.8
Gearing ratio	**4.5%**	29.9%
Net debt to equity ratio	**Net cash**	Net cash
Current ratio	**1.5x**	1.4x
Quick ratio	**0.8x**	0.9x

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$. During FY2022, the depreciation of RMB against HK$ had no impact on 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 the functional currency of the Group was RMB. During FY2022, 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 2022, 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 1,079 employees as at 31 December 2022, of which 1,068 employees worked in the PRC and 11 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 for staff and bonuses based upon staff performance and profit of the Group. During FY2022, 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 of Hong Kong Limited (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 2022**		**Remaining balance of net proceeds as at 31 December 2022**	
	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%	–	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%	0.2	0.2%	13.1	8.4%
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%	141.9	91.6%	13.1	8.4%

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant events requiring disclosure that has taken place subsequent to 31 December 2022 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 2022.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards. The Board believes that good corporate governance standards are essential in providing a framework to safeguard the interests of shareholders of the Company (the "Shareholders"), to enhance corporate value and accountability, and to formulate its business strategies and policies for the development of the Group.

The Company has adopted 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 2022, the Company has complied with all the code provisions as set out in the CG Code.

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 2022 and they all confirmed that they have fully complied with the required standards as set out in the Model Code.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company (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 2022 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 FY2022, 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 FY2022.

ANNUAL GENERAL MEETING

An annual general meeting of the Company will be held on Tuesday, 6 June 2023, 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 1 June 2023 to 6 June 2023, both days inclusive, during which period no transfer of Shares will be effected.

In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Tuesday, 6 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 31 May 2023.

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 2022 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 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 2022 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, 29 March 2023

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*