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 2018

The board of directors (the "Board" and the members of the Board, the "Directors") of China Shun Ke Long Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2018 with comparative figures for 2017 as follows:

HIGHLIGHTS OF ANNUAL RESULTS

	For the year ended 31 December		
	2018	2017	**Change**
	RMB'000	*RMB'000*	
Revenue	**986,998**	954,164	3.4%
Gross Profit	**143,274**	147,343	-2.8%
Profit from Operations	**21,375**	21,537	-0.8%
Profit for the Year	**11,402**	11,936	-4.5%
Profit Attributable to Equity Shareholders of the Company	**11,247**	11,681	-3.7%
Earnings Per Share ("EPS") – Basic and Diluted (1) *(RMB)*	**RMB0.04**	RMB0.04	

	As at 31 December		
	2018	2017	**Change**
	RMB'000	*RMB'000*	
Total Assets	**542,620**	525,538	3.3%
Total Liabilities	**264,732**	261,422	1.3%
Net Assets	**277,888**	264,116	5.2%
Net Financial Position (2)	**73,723**	72,512	1.7%
Current Ratio (3)	**1.68**	1.64	

Notes:

(1) The calculation of basic and diluted EPS for the years ended 31 December 2018 and 2017 is based on the weighted average number of 290,457,000 ordinary shares in issue during the year.

(2) The balance of net financial position is calculated as the sum of cash and cash equivalents, deposit with a bank and marketable securities 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 2018

	Notes	**2018** **_RMB'000_**	2017 *RMB'000*
Revenue	*5a*	**986,998**	954,164
Cost of inventories sold		**(843,724)**	(806,821)
Gross profit		**143,274**	147,343
Other operating income	*5b*	**55,046**	55,551
Selling and distribution costs		**(142,174)**	(140,978)
Administrative expenses		**(34,771)**	(40,379)
Finance costs	*6*	**(4,835)**	(4,625)
Profit before tax	*7*	**16,540**	16,912
Income tax expense	*8*	**(5,138)**	(4,976)
Profit for the year		**11,402**	11,936
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operation		**2,370**	(3,586)
Profit and total comprehensive income for the year		**13,772**	8,350
Profit for the year attributable to:			
Owners of the Company		**11,247**	11,681
Non-controlling interests		**155**	255
		11,402	11,936
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**13,617**	8,095
Non-controlling interests		**155**	255
		13,772	8,350
Earnings per share	*9*		
Basic (RMB)		**0.04**	0.04
Diluted (RMB)		**0.04**	0.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**50,452**	52,451
Prepaid land lease		**31,166**	32,224
Investment properties		**4,122**	4,245
Deposits paid		**9,293**	5,921
Goodwill		**2,897**	2,761
		97,930	97,602
Current assets			
Inventories		**121,656**	106,952
Trade receivables	11	**24,456**	39,146
Deposits paid, prepayments and other receivables		**115,942**	112,374
Amounts due from related companies		**913**	4,952
Financial assets at fair value through profit or loss		**20,000**	–
Deposit with a bank		**40,000**	–
Cash and cash equivalents		**121,723**	164,512
		444,690	427,936
Current liabilities			
Trade payables	12	**112,327**	110,198
Deposits received, receipts in advance, accruals and other payables		**32,903**	55,515
Contract liabilities		**10,278**	–
Amounts due to related companies		**–**	820
Bank borrowings	13	**108,000**	92,000
Tax payable		**1,224**	2,889
		264,732	261,422
Net current assets		**179,958**	166,514
Net assets		**277,888**	264,116

	Note	2018 RMB'000	2017 RMB'000
Capital and reserves			
Share capital	*14*	**2,387**	2,387
Reserves		**273,785**	260,168
Equity attributable to owners of the Company		**276,172**	262,555
Non-controlling interests		**1,716**	1,561
Total equity		**277,888**	264,116

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 March 2013 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered office is located at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, the Cayman Islands and its principal place of business in the People's Republic of China (the "PRC") is located at Floor 3, Huale Building, No.60 Hebin North Road, Lecong Town Shunde District, Foshan, Guangdong Province 528315, the PRC.

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

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

CCOOP International Holdings Limited, which is a company incorporated in Cayman Islands and an indirectly wholly-owned subsidiary of CCOOP Group Co., Ltd. ("CCOOP Group"), a company incorporated in the PRC, holds 204,558,317 ordinary shares in aggregate, representing 70.42% of the entire issued share capital of the Company. In the opinion of the directors of the Company, the holding company of the Company is CCOOP Group, the shares of which are listed on the Shenzhen Stock Exchange.

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

In the current year, the Group has applied, for its first time, the following new and amendments to IFRSs, which include IFRSs, International Accounting Standards ("IAS(s)"), amendments and interpretations ("Int(s)") issued by the International Accounting Standards Board (the "IASB") and the IFRS Interpretations Committee ("IFRIC") of the IASB.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* have been summarised below. The application of other new and amendments to IFRSs in the current year has had no material effect on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 superseded IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 January 2018) with the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue*. Details are described below.

The transition to IFRS15 had no significant impact on the retained earnings at 1 January 2018.

The amount of adjustment for each financial statement line item of the consolidated statement of financial position at 1 January 2018 affected by the application of IFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

	Note	**Carrying amounts previously reported as at 31 December 2017** *RMB'000*	**Impact on adoption of IFRS 15 – Reclassification** *RMB'000*	**Carrying amounts as restated as at 1 January 2018** *RMB'000*
Current liabilities				
Deposits received, receipts in advance, accruals and other payables	*(a)*	55,515	(17,705)	37,810
Contract liabilities	*(a)*	–	17,705	17,705

(a) At the date of initial application, amounts of RMB17,111,000 and RMB594,000 related to advance consideration received from wholesalers and unredeemed balance of the Group's award credits under customer loyalty incentive programme organised by an independent third party respectively were included in deposits received, receipts in advance, accruals and other payables. The balance was reclassified to contract liabilities upon application of IFRS 15 as it represented the Group's performance obligation to transfer goods in the future.

Prior to adoption of IFRS 15, the customer loyalty incentive programme in the allocation of a portion of the transaction price to the customer loyalty incentive programme using the fair value of points issued and recognition of the deferred revenue in relation to points issued but not yet redeemed or expired. The Group concluded that under IFRS 15 the customer loyalty incentive programme gives rise to a separate performance obligation because it generally provides a material right to the customer. Under IFRS 15, the Group allocated a portion of the transaction price to the customer loyalty incentive programme based on relative standalone selling price. The Group determined that, considering the relative standalone selling prices, the amount allocated to the customer loyalty incentive programme should not be significantly different to the previous accounting policy. However, the unredeemed balance of the award credits under the customer loyalty incentive programme was reclassified to contract liabilities as described above.

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of IFRS 15 on 1 January 2018

The following table summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position at 31 December 2018, by comparing the amounts reported under IAS 18 that were in effect before the change. Line items that were not affected by the adjustments have not been included. The adoption of IFRS 15 did not have material impact on the Group's consolidated statement of profit or loss and other comprehensive income, operating, investing and financing cash flows.

	As reported	**Impact of adopting IFRS 15**	**Amounts excluding impact of adopting IFRS 15**
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Deposits received, receipts in advance, accruals and other payables	32,903	10,278	43,181
Contract liabilities	10,278	(10,278)	–

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied IFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under IFRS 9 and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings as at 1 January 2018.

Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of IFRS 9 are continued to measure at amortised cost as were previously measured under IAS 39.

Loss allowance for expected credit losses ("ECL")

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss model with a forward-looking ECL approach. As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of IFRS 9.

It is concluded that, as at 1 January 2018, no additional credit loss allowance has been recognised against retained earnings as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under IAS 39.

New and revised IFRSs issued but not yet effective

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 3	Definition of a Business[5]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for annual periods beginning on or after a date to be determined
[5] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases and to account for those two types of leases differently.

IFRS 16 will supersede the current lease standards including IAS 17 *Leases* and the related interpretations when it becomes effective.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB100,603,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use assets and a corresponding liabilities in respect of all these leases unless they are exempt from the reporting obligations under IFRS 16. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of IFRS 16 will not have other material impact on amounts reported in the Group's consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(c) Functional and presentation currency

The functional currency of the Company is Hong Kong Dollar ("HK$"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the primary economic environment in which the principal subsidiaries of the Group operate in the PRC. 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 2018

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

For the year ended 31 December 2017

	Retail outlet operation *RMB'000*	Wholesale distribution *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
REVENUE				
From external customers	676,938	277,226	–	954,164
From inter-segment	70,287	71,622	(141,909)	–
Reportable segment revenue	747,225	348,848	(141,909)	954,164
Reportable segment profit	23,114	394		23,508
Other corporate income				318
Other corporate expenses				(6,914)
Profit before tax				16,912

Segment assets and liabilities

	2018	2017
	RMB'000	*RMB'000*
Retail outlet operation	**403,560**	398,681
Wholesale distribution	**103,076**	87,374
Total segment assets	**506,636**	486,055
Other corporate assets *(Note)*	**35,984**	39,483
Group's assets	**542,620**	525,538
Retail outlet operation	**251,568**	250,371
Wholesale distribution	**11,980**	9,586
Total segment liabilities	**263,548**	259,957
Other corporate liabilities *(Note)*	**1,184**	1,465
Group's liabilities	**264,732**	261,422

Note:

For the purpose of monitoring segment performances and allocating resources between segments:

- All assets are allocated to reportable and operating segments, other than certain cash and cash equivalents and certain property, plant and equipment.
- All liabilities are allocated to reportable and operating segments, other than other payables relating to central administrative costs.

Other segment information

	Retail outlet operation *RMB'000*	Wholesale distribution *RMB'000*	Total *RMB'000*
For the year ended 31 December 2018			
Additions to property, plant and equipment	**14,024**	**267**	**14,291**
Depreciation of property, plant and equipment	**11,261**	**250**	**11,511**
Depreciation of investment properties	**123**	**–**	**123**
Amortisation of prepaid land lease	**1,058**	**–**	**1,058**
Obsolete inventories written-off	**1,137**	**80**	**1,217**
Loss on disposals of property, plant and equipment	**47**	**–**	**47**
Interest income	**1,703**	**32**	**1,735**
For the year ended 31 December 2017			
Additions to property, plant and equipment	17,628	335	17,963
Depreciation of property, plant and equipment	12,725	283	13,008
Depreciation of investment properties	409	–	409
Amortisation of prepaid land lease	1,686	–	1,686
Obsolete inventories written-off	1,639	–	1,639
Loss (gain) on disposals of property, plant and equipment	674	(2)	672
Interest income	1,052	16	1,068

Geographic information

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

	Revenue from external customers		Non-current assets	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC (place of domicile)	**959,279**	918,888	**87,988**	91,185
Macau	**27,719**	35,276	**625**	462
Hong Kong	**–**	–	**24**	34
	986,998	954,164	**88,637**	91,681

Deposits paid are excluded from non-current assets under geographical information.

The PRC is the country of domicile of the Group. The country of domicile is determined by referring to the country which the Group regards as its home country, has the majority of operations and centre of management.

The geographical location of customers is based on the location at which the goods were sold and the services were rendered. The geographical location of the non-current assets is based on the physical location of the asset.

Information about a major customer

There was no customer that contributed to 10% or more of the Group's revenue for the years ended 31 December 2018 and 2017.

5. REVENUE AND OTHER OPERATING INCOME

(a) Revenue

Revenue represents revenue arising on sale of goods, rental income and the value of services rendered. An analysis of the Group's revenue for the year is as follows:

	2018	2017*
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15 for the year ended 31 December 2018		
– Sales of goods		
General retail sales under retail outlet operation *(Note)*	**590,203**	531,540
Bulk sales under retail outlet operation	**105,591**	114,427
General wholesales under wholesale distribution	**260,263**	238,711
Franchisees under wholesale distribution	**834**	38,515
– Services rendered		
Commission from concessionaire sales under retail outlet operation	**523**	747
	957,414	923,940
Revenue from other sources		
Net rental income from leasing shop premises under retail outlet operation	**29,584**	30,224
	986,998	954,164

* The amounts for the year ended 31 December 2017 were recognised under IAS 18.

Note: General retail sales included the compensation for reduced selling prices of approximately RMB270,000 and RMB2,929,000 from the local government in the PRC which was classified as revenue during the years ended 31 December 2018 and 2017 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 by timing of recognition

	Year ended 31/12/2018 *RMB'000*
Timing of revenue recognition	
At a point of time	**957,414**

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

All of the Group's remaining performance obligations for contracts with customers are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(b) Other operating income

	2018 *RMB'000*	2017 *RMB'000*
Government grants *(Note i)*	**1,433**	1,472
Interest income	**2,264**	1,386
Promotion income from suppliers	**42,671**	44,264
Net rental income from investment properties *(Note ii)*	**1,452**	1,363
Others	**7,226**	7,066
	55,046	55,551

Notes:

(i) Various local government grants were granted to subsidiaries of the Group in respect of certain research projects during the years ended 31 December 2018 and 2017. 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:

	2018 *RMB'000*	2017 *RMB'000*
Gross rental income	**1,545**	1,516
Less: Outgoing incurred for investment properties that generated rental income during the year	**(93)**	(153)
Net rental income	**1,452**	1,363

6. FINANCE COSTS

	2018 *RMB'000*	2017 *RMB'000*
Interest charged on bank borrowings	**4,835**	4,625

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2018	2017
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**11,511**	13,008
Depreciation of investment properties	**123**	409
Amortisation of prepaid land lease	**1,058**	1,686
Net exchange losses	**19**	13
Employee benefits expenses (excluding directors' remuneration):		
– Wages and salaries	**57,162**	53,932
– Pension scheme contributions	**9,027**	8,618
– Other benefits	**2,060**	1,429
	68,249	63,979
Auditor's remuneration	**1,160**	2,049
Operating lease charges in respect of land and buildings	**42,567**	38,777
Obsolete inventories written-off	**1,217**	1,639
Net loss on disposals of property, plant and equipment	**47**	672

8. INCOME TAX EXPENSE

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

	2018	2017
	RMB'000	*RMB'000*
Current — Macau		
Charge for the year	**36**	90
Current — the PRC		
Under (over) provision in prior year	**975**	(604)
Charge for the year	**4,127**	5,490
	5,138	4,976

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 2018 and 2017.

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 2018 and 2017.

The Group's subsidiaries in the People's Republic of China ("PRC") are subject to Enterprise Income Tax at the rate of 25% based on the estimated assessable profits for the years ended 31 December 2018 and 2017.

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

The Group's subsidiaries in Macau are subject to Complementary Tax at the rate of 12% based on estimated assessable profits for the years ended 31 December 2018 and 2017.

9. EARNINGS PER SHARE

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

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**11,247**	11,681

	2018	2017
Number of shares		
Weighted average number of ordinary shares in issue	**290,457,000**	290,457,000

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

10. DIVIDEND

The board of directors does not recommend the payment of final dividend for the years ended 31 December 2018 and 2017.

11. TRADE RECEIVABLES

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

	2018	2017
	RMB'000	*RMB'000*
Within 30 days	**12,711**	20,071
31 to 60 days	**3,521**	8,760
61 to 180 days	**5,020**	6,888
181 to 365 days	**372**	1,161
Over 1 year	**2,832**	2,266
	24,456	39,146

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:

	2018	2017
	RMB'000	*RMB'000*
Current to 30 days	**46,352**	37,576
31 to 60 days	**20,302**	25,058
61 to 180 days	**35,570**	36,465
181 to 365 days	**6,242**	7,212
Over 1 year	**3,861**	3,887
	112,327	110,198

13. BANK BORROWINGS

	2018	2017
	RMB'000	*RMB'000*
Secured bank borrowings due for repayment within one year	**108,000**	92,000

As at 31 December 2018 and 2017, the bank borrowings were denominated in RMB, bore interest at fixed rate of 5.23% (2017: 4.75%) per annum and repayable within one year.

14. SHARE CAPITAL

	2018		2017	
	Number of shares	***RMB'000***	*Number of shares*	*RMB'000*
Ordinary share of HK$0.01 each				
Authorised:				
At 1 January and 31 December	**2,000,000,000**	**15,826**	2,000,000,000	15,826
Issued and fully paid:				
At 1 January and 31 December	**290,457,000**	**2,387**	290,457,000	2,387

15. OPERATING LEASE ARRANGEMENTS

The Group as a lessee

The Group leases certain of its office and shop premises and warehouses under operating lease arrangements. Leases for these properties are negotiated for terms ranging from 1 to 18 years.

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

	2018	2017
	RMB'000	*RMB'000*
Within one year	**26,360**	15,872
Later than one year and not later than five years	**58,985**	34,366
Later than five years	**15,258**	16,385
	100,603	66,623

The Group as a lessor

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

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

	2018	2017
	RMB'000	*RMB'000*
Within one year	**19,558**	19,441

16. CAPITAL COMMITMENTS

As at 31 December 2018, the Group had the following capital commitments:

	2018	2017
	RMB'000	*RMB'000*
Contracted, but not provided for, in respect of acquisition of property, plant and equipment	–	260

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company and the Group is a supermarket chain store operator with geographical focus in Guangdong province of the PRC. During the year ended 31 December 2018 ("FY2018"), 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 FY2018, the Group opened 8 retail outlets and closed 2 retail outlets. As at 31 December 2018, the Group had 67 retail outlets located in Guangdong province of the PRC and 3 retail outlets 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 FY2018:

	For the year ended 31 December	
	2018	2017
At the beginning of the year	**64**	75
Additions	**8**	3
Reductions	**(2)**	(14)
At the end of the year	**70**	64

The following table sets forth the breakdown of the number of retail outlets of the Group by geographical location as at 31 December 2018:

Location	**Number of retail outlets**
Foshan	53
Zhaoqing	8
Zhuhai	5
Guangzhou	1
The PRC	67
Macau	3
Total	70

General Wholesale

During the FY2018, the Group managed to keep all sole and exclusive distribution rights it gained before. The Group maintained sole and exclusive distribution rights for 17 brands covering Foshan, Jiangmen and Zhaoqing. The exact coverage of the Group's sole and exclusive distribution rights varied among those 17 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 FY2018:

	For the year ended 31 December	
	2018	2017
At the beginning of the year	**437**	418
Additions	**71**	25
Reductions	**(26)**	(6)
At the end of the year	**482**	437

RECENT DEVELOPMENT AND OUTLOOK

In the short term, adverse factors such as the negative impact of the Sino-US trade war on the PRC's economy, the rise of operating costs and fierce horizontal competition will continue to pose challenges to the Group. However, if we take a long-term view of the development, the Group's prospects are bright. The Group's business has been based in the 9+2 city agglomerations in Guangdong-Hong Kong-Macao Greater Bay Area with a deep market base. With the development of the Greater Bay Area, the Group will be able to make breakthroughs in development through the leap forward of the market and its own continuous reforms.

In response to the challenges of the economic downturn, the Group continued to adopt a series of measures to enhance its profitability. In terms of sales, the Group will focus on the development of "Fresh + Kitchen + Home", and continue to open community fresh food stores (including fresh meat, melon, fruit and seafood) in third-tier cities. Moreover, the Group has always focused on the "new retail" business, i.e. the online sales business. The Group will strengthen cooperation with e-commerce platforms such as "Taoxianda", "Eleme" and "JD Daojia" to promote the development of online O2O and B2B platforms, improve the distribution capabilities, set up frontline warehouses and improve operations of logistics centers to achieve integration of online and offline businesses.

In terms of procurement, the Group will increase the variety of products, especially those with local characteristics, imported products, and best-selling products, and speed up the introduction, improve the process of delivery and after-sales. In addition, the Group will also strengthen the development of its own brand, focusing on daily necessities, cotton fabrics and paper products. Furthermore, the Group plans to increase the proportion of direct purchase from the origin to reduce intermediate layers, reduce costs and increase gross profit.

Through the above measures, the Group believes that the development in 2019 will be stable with opportunities. At the same time, the Group will continue to pay attention to different investment opportunities, identify appropriate businesses and projects for shareholders and increase shareholder returns.

FINANCIAL REVIEW

Revenue

For the FY2018, despite weak consumer sentiment due to economic uncertainties, the revenue of the Group was approximately RMB987.0 million, representing a mild increase of approximately RMB32.8 million or 3.4% when compared with revenue for the year ended 31 December 2017 ("FY2017"). The increase in the revenue was mainly driven by the improved sales in retail outlet operation.

For the FY2018, the Group's revenue from retail outlet operation was approximately RMB725.9 million, representing an increase of approximately RMB48.9 million or 7.2% when compared with FY2017. The increase was mainly driven by the sales from the newly opened retail outlets in Foshan, promotional activities and the increased sales of imported fresh fruit from Thailand.

For the FY2018, the Group's revenue from wholesale distribution operation was approximately RMB261.1 million, representing a drop of approximately RMB16.1 million or 5.8% when compared with FY2017. The drop was mainly due to the fact that there was a substantial decrease in the average purchase amounts by corporate customers.

Gross Profit Margin

For FY2018 and FY2017, the Group's gross profit margins were 14.5% and 15.4%, respectively. The decline was mainly due to the increase in low margin sales from promotional activities and imported fresh fruit products.

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 FY2018:

	For the year ended 31 December	
	2018	2017
	RMB million	*RMB million*
Revenue		
Retail outlet operation	**725.9**	677.0
Wholesale distribution	**261.1**	277.2
Total	**987.0**	954.2
Cost		
Retail outlet operation	**590.0**	536.6
Wholesale distribution	**253.7**	270.2
Total	**843.7**	806.8
Gross profit		
Retail outlet operation	**135.9**	140.4
Wholesale distribution	**7.4**	7.0
Total	**143.3**	147.4
Gross profit margin		
Retail outlet operation	**18.7%**	20.7%
Wholesale distribution	**2.8%**	2.5%
Overall	**14.5%**	15.4%

Other Operating Income

For the FY2018, the Group's other operating income was approximately RMB55.0 million, representing a decrease of approximately RMB0.6 million when compared with FY2017. The decrease was mainly due to the drop in promotion income from suppliers.

Selling and Distribution Costs

For the FY2018, the Group's selling and distribution costs were approximately RMB142.2 million, representing an increase of approximately RMB1.2 million or 0.9% when compared with FY2017. The increase was mainly due to an increase in the direct marketing and online advertising costs for sales promotions and renovation expenses for newly opened retail outlets.

Administrative Expenses

For the FY2018, the Group's administrative expenses were approximately RMB34.8 million, representing a decrease of approximately RMB5.6 million or 13.9% when compared with FY2017, reflecting the reduction of professional expenses after the completion of the mandatory unconditional cash offer for the shares of the Company.

Finance Costs

For the FY2018, the Group's finance costs were approximately RMB4.8 million, representing an increase of approximately RMB0.2 million or 4.3% when compared with FY2017. The increase was mainly due to an increase in bank borrowings for bulk purchase of products from distributors.

Income Tax Expenses

For the FY2018, the Group's income tax expenses were approximately RMB5.1 million, representing an effective tax rate of 31.1%. The high effective tax rate was mainly caused by some of the expenses in relation to closure of retail outlets being not tax deductible.

Net Profit

For the FY2018, the Group's net profit attributable to the shareholders was approximately RMB11.4 million, representing a slight drop of approximately RMB0.5 million or 4.5% when compared with FY2017, mainly due to an increase in selling and distribution costs during the year.

Total Comprehensive Income

For the FY2018, the Group's total comprehensive income attributable to the shareholders was approximately RMB13.8 million, representing an increase of approximately RMB5.4 million or 64.3% when compared with FY2017. The depreciation of RMB against HK$ led to an exchange gain on translating foreign operations of approximately RMB2.4 million for the FY2018, which was reflected as other comprehensive income.

Capital Expenditure

The Group's capital expenditure requirements were mainly related to additions of its property, plant and equipment for the newly opened and existing retail outlets. For the FY2018, the Group spent approximately RMB14.3 million on addition of its property, plant and equipment.

Liquidity and Financial Resources

As at 31 December 2018, the Group had cash and cash equivalents of approximately RMB121.7 million (as at 31 December 2017: approximately RMB164.5 million), out of which approximately RMB86.3 million was denominated in RMB and approximately RMB35.4 million was denominated in HK$ or MOP.

As at 31 December 2018, the Group had net current assets of approximately RMB180.0 million (as at 31 December 2017: approximately RMB166.5 million) and net assets of approximately RMB277.9 million (as at 31 December 2017: approximately RMB264.1 million). As at 31 December 2018, the Group did not have unutilized banking facilities (as at 31 December 2017: approximately RMB51.0 million).

Significant Investments and Plans for Material Investments or Capital Assets

The Group did not hold any significant investments during the FY2018.

Material Acquisitions and Disposals

The Group did not carry out any material acquisition nor disposal of any subsidiary or associated company during the FY2018.

Indebtedness and Pledge of Assets

As at 31 December 2018, the Group had bank borrowings denominated in approximately RMB108.0 million (as at 31 December 2017: approximately RMB92.0 million) secured by:

(i) the pledge of certain leasehold buildings of the Group with net carrying amount of approximately RMB9.7 million (as at 31 December 2017: approximately RMB14.4 million);

(ii) the pledge of certain prepaid land lease of the Group with net carrying amount of approximately RMB25.8 million (as at 31 December 2017: approximately RMB28.5 million); and

(iii) the pledge of certain investment properties of the Group with net carrying amount of approximately RMB2.4 million (as at 31 December 2017: approximately RMB2.9 million).

All the bank borrowings were repayable within one year. The interests of those loans were fixed at 5.23% per annum (2017: at fixed rate of 4.75% per annum).

Key Financial Ratio

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

	As at/for the year ended 31 December	
	2018	2017
Debtor turnover days	**11.8**	17.8
Inventory turnover days	**49.5**	52.8
Creditor turnover days	**48.1**	55.3
Return on equity	**4.1%**	4.5%
Return on total assets	**2.1%**	2.3%
Interest coverage ratio	**4.4x**	4.7x
Gearing ratio	**38.9%**	34.8%
Net debt to equity ratio	**Net cash**	Net cash
Current ratio	**1.7x**	1.6x
Quick ratio	**1.2x**	1.2x

Foreign Currency Exposure

Majorities of the Group's assets, liabilities and cash flows were denominated in RMB and part of the Group's assets were denominated in HK$. During the FY2018, the drop of RMB against HK$ had positive effect from translation as the reporting currency of the Group was RMB. Apart from that, the management of the Company viewed that the change in exchange rate for RMB against foreign currencies did not have significant impact on the Group's financial position nor performance given that functional currencies of the Group was RMB. During the FY2018, the Group did not engage in any hedging activities and the Group has no intention to carry out any hedging activities in near future. The management of the Group will continue to closely monitor the foreign currency market and consider carrying out hedging activities when necessary.

Contingent Liabilities

As at 31 December 2018, 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 1,471 employees as at 31 December 2018, of which 1,429 employees worked in the PRC and 42 worked in Hong Kong and Macau. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training to staff and bonuses based upon staff performance and profits of the Group.

During the FY2018, the Group had not experienced any significant problem with its employees or disruption to its operations due to labour disputes nor had it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

LISTING

The Shares 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 references are made to the announcement issued by the Company dated 24 October 2016, the Board considers that if the net proceeds were still allocated as the original manner 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 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 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 2018**		**Remaining balance of net proceeds as at 31 December 2018**	
	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%	35.8	23.1%	38.6	24.9%
Upgrading existing outlets	—	0.0%	14.6	9.4%	14.6	9.4%	—	0.0%
Repayment of bank borrowings	—	0.0%	27.9	18.0%	27.9	18.0%	—	0.0%
Information systems upgrades	11.2	7.2%	11.2	7.2%	11.2	7.2%	—	0.0%
Upgrading and expanding the existing two distribution centres	13.3	8.6%	13.3	8.6%	3.7	2.4%	9.6	6.2%
General working capital	13.6	8.8%	13.6	8.8%	13.6	8.8%	—	0.0%
Total	155.0	100.0%	155.0	100.0%	106.8	68.9	48.2	31.1%

SIGNIFICANT EVENT

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2018 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 period between the Listing Date and 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. The Board is of the view that during FY2018, the Company has complied with all the code provisions as set out in the CG Code.

REVIEW BY THE AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the Financial Statements and has met with the auditor of the Company, SHINEWING (HK) CPA Limited. The Financial Statements have been agreed by the auditor of the Company.

The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company, risk management and internal control systems with senior management members of the Company.

DIVIDEND

The Board has resolved not to declare any final dividend for FY2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday 21 June 2019 to Thursday, 27 June 2019, 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 Thursday, 27 June 2019, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 21 June 2019.

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 2018 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 2018 as set out in this announcement have been agreed by the Company's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this preliminary results announcement.

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

Hong Kong, 28 March 2019

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