

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**北京京客隆商業集團股份有限公司**  
**BEIJING JINGKELONG COMPANY LIMITED\***  
*(a joint stock limited company incorporated in the People's Republic of China)*  
**(Stock Code: 814)**

**UNAUDITED ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

Due to the reasons as further elaborated under the section headed “Review of Unaudited Annual Results” below, the auditing process for the annual results of Beijing Jingkelong Company Limited (the “**Company**” or “**Jingkelong**”) and its subsidiaries (collectively the “**Group**”) has not been completed. In the meantime, the board of directors (the “**Board**”) hereby announces the unaudited consolidated results of the Group for the year ended 31 December 2019 (the “**Reporting Period**”).

(Important notice: This announcement is published in Chinese and English versions. In case of inconsistency, the Chinese version shall prevail.)

\* For identification purpose only

## FINANCIAL INFORMATION

### CONSOLIDATED BALANCE SHEETS

Item	<i>Notes</i>	2019.12.31 <i>RMB</i> (Unaudited)	2019.01.01 <i>RMB</i> (Unaudited)	2018.12.31 <i>RMB</i> (Audited)
<b>Current assets:</b>				
Cash and bank balances		949,420,994	1,146,910,207	1,146,910,207
Accounts receivable	4	1,197,382,479	1,490,822,972	1,490,822,972
Prepayments		1,124,980,836	750,913,496	750,913,496
Other receivables		191,243,003	170,279,180	175,508,371
Inventories		1,564,435,396	1,668,923,611	1,668,923,611
Other current assets		<u>135,917,567</u>	<u>163,337,161</u>	<u>177,117,099</u>
<b>Total current assets</b>		<b><u>5,163,380,275</u></b>	<b><u>5,391,186,627</u></b>	<b><u>5,410,195,756</u></b>
<b>Non-current assets:</b>				
Other non-current financial assets		42,272,786	14,583,646	14,583,646
Investment properties		178,914,199	187,606,354	187,606,354
Fixed assets		922,254,233	976,125,343	976,125,343
Construction in progress		141,980,011	114,152,339	114,152,339
Right-of-use assets		1,137,662,287	1,165,139,003	–
Intangible assets		289,748,102	305,636,827	305,636,827
Goodwill		86,673,788	86,673,788	86,673,788
Long-term prepaid expenses		331,353,470	381,346,700	400,087,980
Deferred tax assets		10,523,930	20,226,293	20,226,293
Other non-current assets		<u>196,794,890</u>	<u>172,511,502</u>	<u>172,511,502</u>
<b>Non-current assets</b>		<b><u>3,338,177,696</u></b>	<b><u>3,424,001,795</u></b>	<b><u>2,277,604,072</u></b>
<b>TOTAL ASSETS</b>		<b><u>8,501,557,971</u></b>	<b><u>8,815,188,422</u></b>	<b><u>7,687,799,828</u></b>

Item	Notes	2019.12.31 RMB (Unaudited)	2019.01.01 RMB (Unaudited)	2018.12.31 RMB (Audited)
<b>Current liabilities:</b>				
Short-term borrowings		2,232,003,496	2,757,649,469	2,757,649,469
Notes payable		433,117,591	631,264,431	631,264,431
Accounts payable	5	907,047,722	1,001,433,347	1,001,433,347
Payroll payable		1,735,030	1,741,169	1,741,169
Taxes payable		101,920,932	90,160,465	90,160,465
Other payables		264,174,840	234,392,613	234,392,613
Including: Interest payable		2,859,433	3,939,352	3,939,352
Dividends payable		5,251,507	4,576,656	4,576,656
Contract liabilities		428,557,184	371,087,396	371,087,396
Non-current liabilities due within one year		196,274,668	194,598,375	–
Other current liabilities		<u>328,520,621</u>	<u>332,391,018</u>	<u>347,962,855</u>
<b>Total current liabilities</b>		<u><b>4,893,352,084</b></u>	<u><b>5,614,718,283</b></u>	<u><b>5,435,691,745</b></u>
<b>Non-current liabilities:</b>				
Bonds payable		402,326,607	–	–
Lease liabilities		977,428,757	977,942,220	–
Deferred income		35,950,018	43,314,592	43,314,592
Deferred tax liabilities		8,142,767	1,413,622	1,413,622
Other non-current liabilities		<u>–</u>	<u>800,000</u>	<u>30,380,164</u>
<b>Total non-current liabilities</b>		<u><b>1,423,848,149</b></u>	<u><b>1,023,470,434</b></u>	<u><b>75,108,378</b></u>
<b>TOTAL LIABILITIES</b>		<u><b>6,317,200,233</b></u>	<u><b>6,638,188,717</b></u>	<u><b>5,510,800,123</b></u>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital		412,220,000	412,220,000	412,220,000
Capital reserves		605,043,091	605,043,091	605,043,091
Other comprehensive income		309,414	82,125	82,125
Surplus reserves		160,727,215	153,125,894	153,125,894
Undistributed profits	6	<u>550,263,661</u>	<u>537,907,146</u>	<u>537,907,146</u>
<b>Total equity attributable to shareholders of the parent company</b>		<u><b>1,728,563,381</b></u>	<u><b>1,708,378,256</b></u>	<u><b>1,708,378,256</b></u>
<b>Minority interests</b>		<u><b>455,794,357</b></u>	<u><b>468,621,449</b></u>	<u><b>468,621,449</b></u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u><b>2,184,357,738</b></u>	<u><b>2,176,999,705</b></u>	<u><b>2,176,999,705</b></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><b>8,501,557,971</b></u>	<u><b>8,815,188,422</b></u>	<u><b>7,687,799,828</b></u>

On 7 December 2018, the Ministry of Finance of the People’s Republic of China (the “**PRC**”) issued the “Accounting Standards for Business Enterprises No. 21-Leases” (Finance [2018] No. 35) (the “**New Lease Guidelines**”), and required both domestic and overseas listed companies and companies that have been listed overseas and have prepared financial statements using International Financial Reporting Standards or Accounting Standards for Business Enterprises to implement the New Lease Guidelines on 1 January 2019.

The Group has implemented the New Lease Guidelines since 1 January 2019 as required by the Ministry of Finance of the PRC, and changed the relevant accounting policies according to the New Lease Guidelines.

According to the New Lease Guidelines, for each contract that existed before the date of first execution (i.e. 1 January 2019), the Group chose not to re-evaluate whether it is a lease or includes a lease on the date of first execution. For lease contracts where the Group is the lessee, the Group chose to adjust only the cumulative impact of lease contracts that have not been completed on 1 January 2019. The retained earnings at the beginning of the first execution period (i.e. 1 January 2019) and the amount of other related items in the financial statements would be adjusted as for the cumulative effect for the first execution, and the relative financial data for the comparable period would not be adjusted. Therefore, based on the reasons mentioned above, the financial information of the Group’s balance sheet contained in this announcement is presented in three columns in accordance with the relevant accounting standards mentioned above, that is, the financial information as of 31 December 2018, 1 January 2019, and 31 December 2019.

## CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2019 <i>RMB</i> (Unaudited)	2018 <i>RMB</i> (Audited)
<b>I. Total operating income</b>	7	<b>11,658,221,930</b>	11,650,283,772
Including: Operating income		<b>11,658,221,930</b>	11,650,283,772
<b>II. Total operating costs</b>	7	<b>11,531,612,765</b>	11,537,908,194
Including: Operating costs		<b>9,032,735,798</b>	8,942,576,973
Tax and surcharges		<b>48,879,944</b>	49,175,630
Selling expenses		<b>1,952,250,721</b>	2,075,079,026
Administrative expenses		<b>301,068,109</b>	298,378,649
Financial expenses		<b>196,678,193</b>	172,697,916
Add: Other income		<b>18,295,011</b>	27,812,795
Investment income		<b>1,468,632</b>	13,141,947
Gains on changes in fair value		<b>27,689,141</b>	(8,134,354)
Impairment losses on credits		<b>(8,242,579)</b>	(6,836,344)
Gains on disposal of assets		<b>515,005</b>	(2,305,871)
<b>III. Operating profit</b>		<b>166,334,375</b>	136,053,751
Add: Non-operating income		<b>22,372,295</b>	59,973,120
Less: Non-operating expenses		<b>9,904,427</b>	18,437,293
<b>IV. Total profit</b>		<b>178,802,243</b>	177,589,578
Less: Income tax expense	8	<b>81,715,652</b>	71,212,617
<b>V. Net profit</b>		<b>97,086,591</b>	106,376,961
(I) Classified by business continuity			
1. Net profit from continued operations		<b>97,086,591</b>	106,376,961
2. Net profit from discontinued operations		-	-
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company		<b>52,935,436</b>	63,312,317
2. Profit or loss attributable to minority interests		<b>44,151,155</b>	43,064,644
<b>VI. Net value of other comprehensive income after tax</b>		<b>437,915</b>	140,061
Net value of other comprehensive income attributable to shareholders of the parent company after tax		<b>227,289</b>	72,695
Other comprehensive income which can be reclassified into profit or loss subsequently		<b>227,289</b>	72,695
Translation differences of financial statements denominated in foreign currencies		<b>227,289</b>	72,695
Net value of other comprehensive income attributable to minority of interests after tax		<b>210,626</b>	67,366
<b>VII. Total comprehensive income</b>		<b>97,524,506</b>	106,517,022
Total comprehensive income attributable to shareholders of the parent company		<b>53,162,725</b>	63,385,012
Total comprehensive income attributable to minority interests		<b>44,361,781</b>	43,132,010
<b>VIII. Earnings per share</b>			
(I) Basic earnings per share	9	<b>0.13</b>	0.15
(II) Dilutive earnings per share		N/A	N/A

Notes:

## 1. GENERAL INFORMATION

Beijing Jingkelong Company Limited (the “**Company**”) is a joint stock limited company incorporated in the PRC. On 1 November 2004, upon the approval by Beijing Administration for Industry and Commerce (北京市工商局), the Company was transformed from Beijing Jingkelong Supermarket Chain Group Limited (the “**Beijing Jingkelong Supermarket Chain Company Limited**” before renamed) and the registered capital of the Company was RMB412,220,000. The company’s unified social credit code is 91110000101782670P. The registered office and the principal place of business of the Company is located at Block No. 45, Xinyuan Street, Chaoyang District, Beijing. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the retail and wholesale distribution of daily consumer products.

On 25 September 2006, the Company was listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited through the issue of H shares. On 26 February 2008, all the ordinary shares were transferred to the Main Board for listed trading. The Company issued a total of 412,220,000 ordinary shares as at 31 December 2019.

The controlling shareholder of the Company is Beijing Chaoyang Auxiliary Food Company (the “**Chaoyang Auxiliary**”), an enterprise established in the PRC.

## 2. BASIS OF PREPARATION

The Group has adopted the Accounting Standards for Business Enterprises and other related provisions issued by the Ministry of Finance. In addition, the Group also discloses relevant financial information required by the Companies Ordinance of Hong Kong and the Listing Rules of The Stock Exchange of Hong Kong Limited.

## 3. THE IMPACT OF IMPLEMENTING NEW LEASE GUIDELINES

According to the New Lease Guidelines, the amount of unpaid lease payments for the Group’s operating leases are discounted and included in the amounts of “right-of-use assets” and “lease liabilities” respectively, which are presented in the balance sheet; as for the right-of-use assets, they depreciates on a straight-line basis, and as for the lease liabilities, their interests are calculated according to the effective interest method. Rental expenses which were presented under “selling expenses – lease fee” in the income statement, but according to the New Lease Guidelines, are shown as “selling expenses – depreciation” and “financial expenses – interest expense” instead. In addition, the interest expense per period calculated on the basis of the lease liabilities will gradually decrease as the amount of the lease liabilities decreases, and will show a situation of high first and then low. Thus, compared to the original lease guidelines, the amount affected in respect of the total profit for the year ended 31 December 2019 due to the implementation of the New Lease Guidelines was RMB29,639,673, and the net profit attributable to shareholders of the parent company was RMB15,836,929, as a result of by the implementation of the New Lease Guidelines, of which the details are as follows:

	2018 RMB (Audited)		2019 RMB (Unaudited)		YoY (Original Lease Guidelines)	The change of new and original guidelines
		New Lease Guidelines	YoY (New Lease Guidelines)	Original Lease Guidelines		
<b>Selling expenses</b>	2,075,079,026	<b>1,952,250,721</b>	<b>(5.92%)</b>	<b>1,975,765,941</b>	<b>(4.79%)</b>	<b>(23,515,220)</b>
Including: Depreciation	102,674,411	<b>282,113,963</b>	<b>174.77%</b>	<b>93,890,981</b>	<b>(8.55%)</b>	<b>188,222,982</b>
Rental	237,942,856	<b>10,833,052</b>	<b>(95.45%)</b>	<b>222,571,254</b>	<b>(6.46%)</b>	<b>(211,738,202)</b>
<b>Financial expenses</b>	172,697,916	<b>196,678,193</b>	<b>13.89%</b>	<b>142,064,923</b>	<b>(17.74%)</b>	<b>54,613,270</b>
<b>Gains on disposal of assets</b>	(2,305,871)	<b>515,005</b>	<b>(122.33%)</b>	<b>(943,372)</b>	<b>(59.09%)</b>	<b>1,458,377</b>
Operating profit	136,053,751	<b>166,334,375</b>	<b>22.26%</b>	<b>195,974,048</b>	<b>44.04%</b>	<b>(29,639,673)</b>
<b>Total profit</b>	177,589,578	<b>178,802,243</b>	<b>0.68%</b>	<b>208,441,916</b>	<b>17.37%</b>	<b>(29,639,673)</b>
Income tax expense	71,212,617	<b>81,715,652</b>	<b>14.75%</b>	<b>86,969,743</b>	<b>22.13%</b>	<b>(5,254,091)</b>
Net profit	106,376,961	<b>97,086,591</b>	<b>(8.73%)</b>	<b>121,472,173</b>	<b>14.19%</b>	<b>(24,385,582)</b>
<b>Net profit attributable to the parent company</b>	63,312,317	<b>52,935,436</b>	<b>(16.39%)</b>	<b>68,772,365</b>	<b>8.62%</b>	<b>(15,836,929)</b>

#### 4. ACCOUNTS RECEIVABLE

Presentation of accounts receivable according to aging analysis on the basis of the date when revenue is recognized:

<b>2019.12.31</b>				
<b>RMB</b>				
<b>(Unaudited)</b>				
<b>Aging</b>	<b>Carrying amount</b>	<b>Proportion %</b>	<b>Impairment losses on credits</b>	<b>Net book value</b>
Within 1 year	1,131,410,849	93	–	1,131,410,849
1-2 years	31,685,199	3	950,556	30,734,643
2-3 years	14,234,768	1	1,423,477	12,811,291
3-4 years	23,314,230	2	5,828,558	17,485,672
4-5 years	9,880,047	1	4,940,023	4,940,024
Over 5 years	7,336,874	–	7,336,874	–
<b>Total</b>	<b><u>1,217,861,967</u></b>	<b><u>100</u></b>	<b><u>20,479,488</u></b>	<b><u>1,197,382,479</u></b>

The Group normally allows a credit period of no more than 90 days to its customers with a longer credit period of 180 days granted to its major customers.

On 31 December 2019, the total accounts receivable due from Wu-mart, Carrefour, Beijing Lotus Supermarket Chain Co., Ltd., Beijing Yonghui Superstores Co. Ltd., Jingdong, Tianjin jumei.com Technology Co., Ltd, Vipshop, and Lefeng (Shanghai) Information Technology Company Limited amounted to RMB280,963,340 (31 December 2018: RMB407,663,837) were limited by being factored to secure certain bank loans of the Group.

Pursuant to the factoring agreement between the Group and HSBC, HSBC provides a bank loan for amount of not exceeding 70% of accounts receivable factoring to the Group. HSBC collected the entire amount of accounts receivable and is only required to pay the Group any amount it collects in excess of the loan amount. As the Group has not transferred specifically identifiable cash flows, fully proportionate share of all or part of the cash flows or part of specifically identifiable cash flows, the Group cannot apply the derecognition model to part of the factored accounts receivable.

Since factored accounts receivable is on full recourse basis, the Group has not transferred the significant risks and rewards relating of these receivables, it continues to recognize the receivables and has recognized the cash received from the bank as accounts receivable secured loan.

On 31 December 2019 and 31 December 2018, there were no accounts receivable due from shareholders holding 5% or more of the Company's shares with voting power.

## 5. ACCOUNTS PAYABLE

Aging of accounts payable based on date of pick-up:

<b>Item</b>	<b>2019.12.31</b> <i>RMB</i> <b>(Unaudited)</b>	2018.12.31 <i>RMB</i> (Audited)
Within 1 year	<b>877,018,681</b>	985,132,303
1-2 years	<b>19,551,627</b>	7,094,374
2-3 years	<b>2,339,944</b>	2,479,769
Over 3 years	<b>8,137,470</b>	6,726,901
Total	<b><u>907,047,722</u></b>	<b><u>1,001,433,347</u></b>

The majority of accounts payable aging over 1 year consist of the final payments for suppliers. There was no accounts payable due to shareholders holding 5% or more of the Company's shares with voting power.



## 6. UNDISTRIBUTED PROFITS

Item	Amount RMB	Proportion of appropriation
<b>For the year ended at 31 December 2019 (Unaudited)</b>		
Undistributed profits at the beginning of year	537,907,146	
Add: Net profit attributable to the shareholders of the parent company for the year	52,935,436	
Less: Appropriation to statutory surplus reserve	7,601,321	10%
Ordinary shares' dividends payable	32,977,600	
Other		
Undistributed profits at the end of the year	550,263,661	
<b>For the year ended at 31 December 2018 (Audited)</b>		
Undistributed profits at the beginning of year	504,701,969	
Add: Net profit attributable to the shareholders of the parent company for the year	63,312,317	
Less: Appropriation to statutory surplus reserve	5,377,297	10%
Ordinary shares' dividends payable	24,733,200	
Other	(3,357)	
Undistributed profits at the end of the year	537,907,146	

### (1) Appropriation to statutory surplus reserve

On 31 December 2019, the undistributed profits of the Group included surplus reserves of subsidiaries totaling in the amount of RMB19,961,951 (31 December 2018: RMB19,242,475).

### (2) Cash dividend approved and subject to approval at the annual general meeting

According to the notice of the annual general meeting on 24 May 2019, a final dividend of RMB0.08 per share in respect of year ended at 31 December 2018 was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB32,977,600.

According to the notice of the annual general meeting on 25 May 2018, a final dividend of RMB0.06 per share in respect of year ended at 31 December 2017 was declared and paid to the shareholders of the Company. The aggregated amount of the final dividend declared and paid was RMB24,733,200.

- (3) The Board proposed on 31 March 2020 that it expects to recommend a declaration of final dividend in respect to the Reporting Period to the shareholders of the Company. However, due to the reasons as further elaborated under the section headed "Distribution of Dividends" below in this announcement, the amount of the final dividend to be declared for the year ended at 31 December 2019 has not been determined. The amount of the final dividend to be declared will only be proposed at the Board meeting to be held after the auditing process for the annual results of the Group for the year ended at 31 December 2019 has been completed. The proposal for the distribution of the final dividend above is subject to the consideration and approval at the 2019 annual general meeting of the Company (the "2019 Annual General Meeting") to be held on 23 June 2020. After approval, the final dividend will be paid within the time limits set out in the Articles of Association of the Company.

## 7. OPERATING INCOME AND OPERATING COST

### (1) Operating income and operating cost

Item	2019 RMB (Unaudited)		2018 RMB (Audited)	
	Income	Cost	Income	Cost
Principal operating	10,555,189,765	9,020,909,087	10,445,548,498	8,930,704,196
Other operating	<u>1,103,032,165</u>	<u>11,826,711</u>	<u>1,204,735,274</u>	<u>11,872,777</u>
Total	<u><u>11,658,221,930</u></u>	<u><u>9,032,735,798</u></u>	<u><u>11,650,283,772</u></u>	<u><u>8,942,576,973</u></u>

### (2) Principal operating income (classified by industry segments)

Item	2019 RMB (Unaudited)		2018 RMB (Audited)	
	Principal operating income	Principal operating cost	Principal operating income	Principal operating cost
Retail	4,104,864,537	3,382,667,386	4,251,207,905	3,526,168,118
Wholesale	6,411,758,686	5,608,200,678	6,157,646,906	5,377,846,186
Others	<u>38,566,542</u>	<u>30,041,023</u>	<u>36,693,687</u>	<u>26,689,892</u>
Total	<u><u>10,555,189,765</u></u>	<u><u>9,020,909,087</u></u>	<u><u>10,445,548,498</u></u>	<u><u>8,930,704,196</u></u>

The principal operating income mainly consists of selling food, non-staple food, daily consumer goods, beverage and wine, etc.

## 8. INCOME TAX EXPENSE

### (1) Details of income tax expense

Item	2019 RMB (Unaudited)	2018 RMB (Audited)
Current income tax expense calculated in accordance with tax laws and relevant requirements	65,284,144	70,824,364
Deferred income tax	<u>16,431,508</u>	<u>388,253</u>
Total	<u><u>81,715,652</u></u>	<u><u>71,212,617</u></u>

Reconciliation between income tax expense and accounting profit is as follows:

<b>Item</b>	<b>2019</b> <b>RMB</b> <b>(Unaudited)</b>	<b>2018</b> <b>RMB</b> <b>(Audited)</b>
Accounting profit	<b>178,802,243</b>	177,589,578
Income tax expense calculated at statutory/applicable tax rate	<b>44,700,561</b>	44,397,395
Effect of subsidiaries to adapt different tax rates	<b>818,038</b>	194,960
Effect of adjusting the previous years' income tax	<b>931,361</b>	425,433
Effect of non-taxable income	<b>(889,804)</b>	(321,674)
Effect of non-deductible costs, expenses and losses	<b>12,814,762</b>	4,944,512
Effect of using deductible losses of previously unrecognized deferred tax assets	<b>(1,418,755)</b>	(990,781)
Effect of deductible temporary difference or deductible losses of unrecognized deferred tax assets	<b>24,759,489</b>	<u>22,562,772</u>
Total	<b><u>81,715,652</u></b>	<u>71,212,617</u>

#### 9. CALCULATION PROCESS OF BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

While calculating basic earnings per share, net profit attributable to ordinary shareholders for the current year is as follows:

<b>Item</b>	<b>2019</b> <b>RMB</b> <b>(Unaudited)</b>	<b>2018</b> <b>RMB</b> <b>(Audited)</b>
Net profit attributable to ordinary shareholders for the year	<b>52,935,436</b>	63,312,317
Including: Net profit from continuing operations	<b><u>52,935,436</u></b>	<u>63,312,317</u>

While calculating basic earnings per share, the denominator is the weighted average number of ordinary shares outstanding and its calculation process is as follows:

<b>Item</b>	<b>2019</b> <b>(Unaudited)</b>	<b>2018</b> <b>(Audited)</b>
Number of ordinary shares outstanding	<b><u>412,220,000</u></b>	<u>412,220,000</u>

## Earnings per share

<b>Item</b>	<b>2019</b> <b>RMB</b> <b>(Unaudited)</b>	<b>2018</b> <b>RMB</b> <b>(Audited)</b>
Calculated based on net profit and net profit from continuing operations attributable to shareholders of the parent company:		
Basic earnings per share	<b>0.13</b>	0.15
Diluted earnings per share	<b>N/A</b>	<b>N/A</b>

As at the date of this announcement, the Company had no dilutive potential ordinary shares.

## 10. NET CURRENT ASSETS

<b>Item</b>	<b>2019.12.31</b> <b>RMB</b> <b>(Unaudited)</b>	<b>2018.12.31</b> <b>RMB</b> <b>(Audited)</b>
Current assets	<b>5,163,380,275</b>	5,410,195,756
Less: Current liabilities	<b>4,893,352,084</b>	5,435,691,745
Net current assets	<b>270,028,191</b>	(25,495,989)

## 11. TOTAL ASSETS LESS CURRENT LIABILITIES

<b>Item</b>	<b>2019.12.31</b> <b>RMB</b> <b>(Unaudited)</b>	<b>2018.12.31</b> <b>RMB</b> <b>(Audited)</b>
Total assets	<b>8,501,557,971</b>	7,687,799,828
Less: Current liabilities	<b>4,893,352,084</b>	5,435,691,745
Total assets less current liabilities	<b>3,608,205,887</b>	2,252,108,083

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In 2019, with the continuous increasing downward pressure on the global and domestic economies, the Chinese government paid more attention to the role of household expenditure in driving high quality economic development, and thus introduced measures such as tax reduction and lowering social security contribution rates, so as to further increase residents' disposable income and encourage consumption. Consumption concepts and behaviors have also shifted from physical goods to service-oriented, information-based, and quality-oriented: consumer demands are more diversified and stratified. Returning to the nature of retail and adhering to the concept of “commodity + service”, offline retailers, including the Group, focused on consumer experience, accelerated the pace in adjusting structures and innovation of the development model, explored online and offline integration, continuously improved the supply capacity and efficiency for goods and services so as to actively adapt to the changes in consumption environment and consumption trend. By actively adjusting the mix of the commodities, optimizing the shop layout, upgrading management of service, adopting internet technology and mobile technology, facilitating online and offline integrated development, improving logistics and distribution, as well as employing other measures, the Group has enhanced operation efficiency and steadily developed its wholesale and retail businesses.

### **RETAIL BUSINESS**

#### **Continuously promoting the transformation and upgrade of stores**

During the Reporting Period, in view of the changes in consumption environment and consumption trend, the Group has adopted measures such as store upgrading and transformation and layout adjustment, and on the basis of commodities mix adjustment and new shopping scene creation, introduced various types of IT products including self-service cashiers and electronic price tags to further enhance consumers' shopping experience.

During the Reporting Period, the Group continued to promote the expansion of small sized community live and fresh produce stores. A total of 21 traditional convenience stores were upgraded to “Jingjie” Live and Fresh Produce Convenience Stores, and three “Jingjie” Live and Fresh Produce Convenience Stores and two “Ai Jia” Community Live and Fresh Produce Convenience Stores were newly opened, which serve family shopping in the community, meet the basic consumption needs of three meals a day, eating well and eating enough, and satisfy the demands for goods for family kitchens, living rooms and bathrooms. As of 31 December 2019, there were 40 “Jingjie” Live and Fresh Produce Convenience Stores and 13 “Ai Jia” Community Convenience Stores. In order to cooperate with the government in promoting diversion, complementing the services, and improving service quality of the daily service industry, as well as creating an integrated service platform to meet the basis frequent and inelastic demands for daily services such as laundry and maintenance, five supermarkets and 12 “Jingjie” Live and Fresh Produce Stores have introduced in form of either the “embedded” or the “independent” mini community convenience service centers, where community residents are provided with convenience

services including laundry, lock repairing and key pairing, mobile phone repairing and quick haircut. Through the provision of community convenience services to better cater for the need of consumers, the brand image of Jingkelong and customer loyalty would be enhanced.

During the Reporting Period, the Group renovated and upgraded 17 stores (including one supermarket and 16 convenience stores), opened six convenience stores (including five directly-operated stores and one franchise-operated retail store). Due to the expiration of the lease term, modifications to the operation strategy, during the Reporting Period, the Group closed down one department store, two supermarkets, 22 directly-operated convenience stores and nine franchise-operated convenience stores.

The total number of the Group's retail outlets was 178 as at 31 December 2019. The following table sets out the number and net operating area of the Group's retail outlets as at 31 December 2019:

	<b>Department Stores</b>	<b>Hypermarkets</b>	<b>Supermarkets</b>	<b>Convenience stores</b>	<b>Total</b>
Number of retail outlets:					
Directly-operated	1	11	57	83	152
Franchise-operated	—	—	1	25	26
	<u>1</u>	<u>11</u>	<u>58</u>	<u>108</u>	<u>178</u>
Total	<u>1</u>	<u>11</u>	<u>58</u>	<u>108</u>	<u>178</u>
Net operating area (square metres):					
Directly-operated	27,800	78,817	127,736	17,028	251,381
Franchise-operated	—	—	880	6,976	7,856
	<u>27,800</u>	<u>78,817</u>	<u>128,616</u>	<u>24,004</u>	<u>259,237</u>
Total	<u>27,800</u>	<u>78,817</u>	<u>128,616</u>	<u>24,004</u>	<u>259,237</u>

### **Accelerating the iteration of products**

During the Reporting Period, being customer-oriented, the Group has re-categorised products according to the shopping habits and preferences of consumers, and through frequent market research and inspection of origins, the Group continued to introduce new supplier channels, new brands and new products, accelerate the speed of replacement and upgrade of product, and constantly improve category management. For live and fresh produce, snacks, non-staple food, household and daily goods, the Group put more efforts in development of customized, buyout, private label products, and purchase of products recommended by internet celebrities or which are new to the market, striving to create a new shopping scene for consumers and meeting the personalized and diversified needs of consumers to ensure that they could buy anything they want in our stores. Instead of displaying goods in a way that largely determined by resources invested by suppliers as in the past, consumers were given top priority so that interaction with customers were enhanced and their participation were encouraged. Goods were displayed with consideration to allow them “speak for themselves” to ensure that consumers could explore everything in the stores.

## **Constantly strengthening the live and fresh produce business**

During the Reporting Period, the Group has continued to adhere to the strategy of direct procurement from the source, explore new vegetable bases, and adopted dual-channel procurement strategy for vegetables, while constantly expanded the range of produce supplied from the bases in order to ensure the high quality and low price of the produce. The Group kept on optimising operation standards of the live and fresh produce. Integrated procedure comprised of planting, harvesting, processing, pre-cooling, packaging, receiving order, cold chain direct delivery and other stages for more than ten types of vegetables, such as Chinese cabbage, celery, white radish and broccoli, was achieved. The Group also continued with the implementation of procurement and storage, year-round supply, locking source and price of the fruit and vegetable products harvested in one season in order to raise the operating capacity for live and fresh produce.

## **Strengthening the online and offline integrated development**

During the Reporting Period, the Group enriched the product categories on our own shopping APP, stimulated sales with live and fresh produce and best-selling products, and constantly improved users' loyalty and repurchase rate. The function of the Jingkelong WeChat "Mini Program" leveraged the comprehensive advantages of live and fresh produce, as well as the price advantages of dry goods to attract consumption. Delivery time for orders made on our own shopping APP and the Mini Program shortened from 3 hours to 1 to 2 hours. The Group actively explored the potentials of online sales through third-party platforms and connected multiple logistics channels. The Group constantly optimized order placing and pick-up of goods functions at the stores and solved problems such as long pick-up lines, low efficiency of picking staff, certain overlaps between online and offline business during peak hours, and improved the operational efficiency of stores. The Group implemented the commodity inventory tracking mechanism to reduce the discrepancies in terms of online and offline inventory and improved the order picking rate. The Group maintained stable growth for its online sales volume and average transaction value during the Reporting Period.

## **Constantly promoting innovation in marketing and services**

During the Reporting Period, the Group implemented the annual marketing plan to ensure the seamless connection of sales promotion activities throughout the year. The Group strengthened the integration of marketing resources and the unity of activity themes. Based on the key marketing plans in relation to major holidays and anniversaries, the Group launched large-scale promotional activities in various forms and with flexible arrangements, such as the 24 solar terms and hotspots, and the recipes of internet celebrities, to attract customers. At the same time, the Group strengthened its marketing performance analysis, evaluated the effectiveness of marketing activities from various aspects such as sales, customer flow and expenses, and carried out precision marketing according to the needs of different consumer groups, so as to maximize efficiency. During the Reporting Period, the Group offered consumers various discounts and promotional activities, such as coupon code scanning, online coupon collection for offline use, rebate for payment, advertising coupons in WeChat stories, "money off", "hot item seckill", "posters discount", and "Jingkelong Brand Day", which presented the brand image of Jingkelong and were generally welcomed by consumers; the Group adjusted the layout of



traditional posters, bringing in related goods promotion through interactions with the customers on the points such as food recommendations and knowledge about home and living, and expanded the coverage of promotion through online platforms to fulfill the curiosity of consumers. The Group launched the “Enhancing Service Plan” in respect of its facilities and services, and fashionable, comfortable and modernized elements, from changes in lighting to creation of highlighted staircase, were added in the stores, effectively building a relaxing shopping environment for the consumers, improving the service quality and standards of the stores, and attracting the customers to come.

### **Paying high attention on food safety**

Food safety is a top priority for people’s livelihood. The Group has always attached great importance to food safety and regarded it as its most important task. During the Reporting Period, the Group provided on-site practical training on food safety to food safety administrators of the stores in batches, and invited professionals to conduct training at the business site, which involved acceptance of goods, commodity storage, personnel management and food exhibitions. Good training results were achieved; the Group continuously improved the Group’s food safety management system, and standardized its food safety management work from various aspects such as the manufacturer’s food safety assessment standards, food safety management system, food hazard control, and food safety crisis resolution. In addition to strengthening quality control through the transportation link from transportation loading, distribution, and vehicle temperature at the time of unloading, the live and fresh produce logistics centre monitored the temperature of the incoming goods from the suppliers at the same time to ensure the quality of live and fresh produce; the Group’s normal temperature logistics centre continuously increased the intensity of inspection, strictly inspected the dates of arrival and quality of products, and carried out various measures to keep food safety.

### **Strengthening logistics and distribution resources**

During the Reporting Period, the Group’s normal temperature logistics centre continuously optimized the inventory management and controlled the inventory properly to reduce the shortage rate of the stores. The Group also optimized the systems of warning management of the commodity shelf life and management of zero sales goods; and exercised strict control to all aspects, including acceptance of goods, storage and shipping, and the procedures such as keeping delivery records, using pallets, using distribution cages and packing were strictly carried out in accordance with the operating standards to ensure the safe delivery of products to stores; the Group continuously improved the efficiency of automatic sorting equipment to enhance the sorting efficiency; the live and fresh produce logistics centre strictly managed the temperature of the workshop, the vehicle temperature at arrival, inventory quality and product protection measures to ensure the product quality, and it strengthened product sampling, optimized process operations and continuously improved the professional skill level of employees to effectively control the quality of live and fresh produce.



## Operating results of retail business

An analysis of the retail principal operating income contributed by the Group's directly-operated hypermarkets, supermarkets, convenience stores, department stores and the gross profit margin is set out as follows:

	<b>2019</b> <i>RMB'000</i> <b>(Unaudited)</b>	2018 <i>RMB'000</i> (Audited)	Increase/ (Decrease) (Unaudited)
<b>Retail business</b>			
Hypermarkets	<b>1,145,451</b>	1,182,633	(3.1%)
Supermarkets	<b>2,583,997</b>	2,667,112	(3.1%)
Convenience stores	<b>347,959</b>	363,132	(4.2%)
Department stores	<b>27,457</b>	38,330	(28.4%)
(including commissions)	<b><u>22,311</u></b>	<u>32,601</u>	<u>(31.6%)</u>
<b>Total retail principal operating income</b>	<b><u>4,104,864</u></b>	<u>4,251,207</u>	<u>(3.4%)</u>
Gross profit margin of directly-operated hypermarkets, supermarkets and convenience stores (%)	<b><u>17.2%</u></b>	<u>16.4%</u>	<u>0.8p.p</u>

During the Reporting Period, the retail principal operating income of the Group decreased by approximately 3.4%. This was mainly attributable to (i) the same store sales growth (the "SSSG") was -3.01%, as compared to -0.44% for the year ended 31 December 2018; and (ii) the impact of the closure of two supermarkets in the second half year of 2018 and two supermarkets and a department store in year of 2019, which caused the decrease in the retail principal operating income.

The gross profit margin generated from the directly-operated retail business (excluding department stores) increased from approximately 16.4% in 2018 to approximately 17.2% in the Reporting Period, mainly because of: (i) the optimisation of the commodities mix by gradually increasing the proportion of the customized, buyout and private label brand products during the Reporting Period; and (ii) the steady increase of the online sales.

## **WHOLESALE BUSINESS**

### **Steadily promoting the introduction and development of channel resources**

During the Reporting Period, in addition to strengthening the cooperation with traditional sales channels, the Group continued to develop new channel relationships and strengthened the integration of upstream and downstream channel resources. The Group also further strengthened in-depth cooperation with major e-commerce platforms and enhanced overall competitiveness. Through the establishment of transportation data monitoring and sharing platform, and implementing measures such as improvement of right of vehicle access and implementation of transportation policies, the Group further optimized its logistics service model for serving the upstream suppliers and the downstream customers by the overall logistics operation capability, and expanded its market share.

### **Enhancing the supply chain advantage continuously**

During the Reporting Period, with the transformation and upgrading of retail terminals caused by the Internet and mobile technologies, the Group, as distributor, continued to optimize and adjust the product structure according to factors such as sales volume, profit, brand influence and accelerated the replacement and iteration of products. At the same time, the Group paid close attention to the changes in the consumer market and consumption trends, seized the opportunities of participating in large-scale conventions and exhibitions, such as the Spring Sugar and Alcoholic Commodities Fair, Shanghai Import Expo and SIAL China, to continuously attract new suppliers and promote the cooperation with international manufacturers and suppliers, to build overseas supply chains and introduce overseas direct-purchased product brands and categories. The Group made efforts to improve marketing planning services and information sharing services to suppliers, further improved the brand loyalty of suppliers, and cooperated with suppliers in market development and marketing.

### **Expanding the online and offline distribution channels**

During the Reporting Period, the Group continued to explore distribution channels, added online and offline sales channels, and improved the professional precision marketing services and logistics and distribution services for the existing e-commerce platforms and offline sales terminals to enhance market competitiveness. Taking into account the Group's development strategic, a professional company was established focusing on the development and marketing management of private label products so as to increase the number of categories of private label products. In addition to the original sales coverage of 12 provinces and cities in North China, Central China, South China and Northwest China, the Group continued to expand the product sales areas and the distribution network of private label products during the Reporting Period.

## Promoting the development of logistics operation

During the Reporting Period, the Group gained benefit from the resource allocation through dynamic allocation of logistics resource data monitoring and analysis. In order to further consolidate and enhance the logistics and distribution capacity and efficiency of the Groups' wholesale business, the construction of the intelligent logistics project commenced during the Reporting Period. The project is located at the intersection of West 6th Ring Road, Fangshan District, Beijing, Jinggang'ao Expressway and Jingkun Expressway. The project has a total construction area of over 36,000 square meters, and has approximately 30,000 storage spaces with a maximum storage capacity of 1.35 million boxes. The project includes automatic equipment such as automatic warehouses, sorting machines for goods and sorting machines for boxes. Multi-level in-store picking are introduced to improve picking capacity and box conveyor belts are used to interconnect the operations in each area, aiming at creating a modern logistic and distribution center of high sales per unit area, high degree of automation, low operating cost and low error rate. The project is positioned as a all-rounded regional distribution center which supports the storage and distribution services of wholesale business well-rounded SKU (abbreviation for the "Stock Keeping Unit" 「庫存單位」). During the Reporting Period, the construction and acceptance of the first phase of the warehouse and the installation and adjustment commissioning of the first phase of automatic warehouse have been completed. The construction of the fire extinguishing equipment and power distribution room are in progress simultaneously and civil engineering construction of the second phase of the warehouse is in the preliminary stage.

## Operating results of wholesale business

The wholesale principal operating income and gross profit margin are analyzed as follows:

	<b>2019</b>	2018	Increase/ (Decrease)
	<b>RMB'000</b>	RMB'000	(Unaudited)
	<b>(Unaudited)</b>	(Audited)	
Wholesale principal operating income recognized by Chaopi Group*	<b>6,842,393</b>	6,652,101	2.9%
Less: Intersegment Sales	<b>(433,286)</b>	(497,502)	(12.9%)
Sales to franchisees	<b>2,652</b>	3,048	(13.0%)
<b>Total wholesale principal operating income</b>	<b><u>6,411,759</u></b>	<u>6,157,647</u>	<u>4.1%</u>
Gross profit margin <b>**</b> (%)	<b><u>11.8%</u></b>	<u>11.7%</u>	<u>0.1p.p</u>

\* *Chaopi Group represents Beijing Chaopi Trading Company Limited (the "Chaopi Trading") and its subsidiaries.*

\*\* *This represents gross profit margin recognized by Chaopi Trading and its subsidiaries including intersegment sales.*

During the Reporting Period, the wholesale principal operating income recognized by Chaopi Group increased by approximately 2.9% and was mainly due to (i) the adjustment of the commodities mix being sold on e-commerce platforms during the Reporting period; (ii) the sale recovery of liquor sale, and the growth in sales of daily-chemical commodities obtained by the Group.

During the Reporting Period, the gross profit margin of wholesale business recognized by Chaopi Group was approximately 11.8%, which almost maintained the same level as compared to 2018.

## FINANCIAL RESULTS

	<b>2019</b>	2018	Increase/ (Decrease)
	<b>RMB'000</b>	RMB'000	(Unaudited)
	<b>(Unaudited)</b>	(Audited)	
Principal operating income	<b>10,555,190</b>	10,445,548	1.0%
Gross profit	<b>1,534,281</b>	1,514,844	1.3%
Gross profit margin (%)	<b>14.5%</b>	14.5%	–
Earnings before interest and tax	<b>374,200</b>	339,546	10.2%
Net profit	<b>97,087</b>	106,377	(8.7%)
Net profit margin (%)	<b>0.9%</b>	1.0%	(0.1)p.p
Net profit attributable to shareholders of the parent company	<b>52,935</b>	63,312	(16.4%)
Net profit margin attributable to shareholders of the parent company (%)	<b>0.5%</b>	0.6%	(0.1)p.p

## PRINCIPAL OPERATING INCOME

During the Reporting Period, the Group's principal operating income increased by approximately 1.0%, of which retail principal operating income decreased by approximately 3.4%, and wholesale principal operating income increased by approximately 4.1%.

## GROSS PROFIT AND GROSS PROFIT MARGIN

During the Reporting Period, the gross profit margin of the Group was 14.5% (2018: 14.5%).

## **OTHER OPERATING INCOME**

Other operating income mainly comprises income from promotional activities, rental income from leasing and sub-leasing of properties and counters.

The Group's other operating income decreased from RMB1,204,735,274 in 2018 to RMB1,103,032,165 by approximately 8.4% during the Reporting Period, mainly due to the decrease in income generated from e-commerce promotional activities, as a result of the adjustment of the commodities mix and the marketing model for sales to e-commerce platforms in wholesale business, while the promotion and marketing fees from the selling expenses being reduced correspondingly.

## **SELLING EXPENSES**

Selling expenses mainly comprise of salary and welfare, depreciation and amortization, energy fee, rental expenses, repair and maintenance expenses, transportation expenses, software service fee, packing expenses, and advertising and promotion expenses.

The Group's selling expenses were RMB1,952,250,721 during the Reporting Period, representing a decrease of approximately 5.9% compared to the corresponding period in 2018. The decrease was primarily due to (i) the decreased in advertisement fees and promotional fees targeted at the terminals of the wholesale business, along with the adjustment of the commodities mix and the marketing model for sales to e-commerce platforms mentioned above; (ii) the adjustment under the lease guidelines which caused a decrease in the sales expenses of RMB47,670,253 and an increase in the financial expenses of RMB23,980,277.

## **ADMINISTRATIVE EXPENSES**

Administrative expenses mainly comprise salary and welfare, social security costs (including retirement benefit contribution) and entertainment expense.

The Group's administrative expenses were RMB301,068,109 during the Reporting Period, representing a slight increase of approximately 0.9% as compared to 2018. The increase was mainly because of the increased costs involving retirement benefit contribution, house reserves and other social insurance relating to the wages.

## **FINANCIAL EXPENSES**

Financial expenses include interests on bank loans and debentures, interest income, bank charges and exchange gains or losses.

The Group's financial expenses increased from RMB172,697,916 in 2018 to RMB196,678,193 in 2019. The increase is mainly due to the adjustment of lease guidelines which affected the financial expenses increased by RMB23,980,277 mentioned above, without taking into account such effect, the financial expenses decreased by RMB30,632,993 actually, as compared to 2018.

## **INCOME TAX EXPENSE**

The Group's subsidiaries, Chaopi Maolisheng (Hong Kong) Company Limited (the "Maolisheng (Hong Kong)") and Hong Kong Asia Company Limited (the "Chaopi Hong Kong"), were registered and established in Hong Kong. In accordance with Hong Kong taxation law, the relevant corporate income tax rate was 16.5%.

Except for Maolisheng (Hong Kong) and Chaopi Hong Kong, other members of the Group were subject to corporate income tax at a rate of 25% during the Reporting Period on their respective taxable profit pursuant to the relevant PRC tax laws and regulations.

Income tax expense increased from RMB71,212,617 in 2018 to RMB81,715,652 in 2019, primarily due to the increase in 2019 taxable profits.

## **NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY**

The net profit attributable to shareholders of the parent company decreased by approximately 16.4% from RMB63,312,317 in 2018 to RMB52,935,436 in 2019. This was mainly attributable to the adjustment under the lease guidelines, without taking into account such effect, the net profit attributable to shareholders of the parent company was RMB68,772,365 during the Reporting Period, representing an increase of 8.62% as compared to 2018.

## **BASIC EARNINGS PER SHARE**

The Group recorded basic earnings per share of approximately RMB0.13 for 2019, which was calculated on the basis of the number of 412,220,000 shares. The basic earnings per share for 2018 was RMB0.15. The decrease in earning per share was main due to the decrease of net profit attributable to shareholders, which was affected by the adjustment under the lease guidelines.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the Reporting Period, the Group mainly financed its operations through internally generated cash flows, bank borrowings and debentures.

As at 31 December 2019, the Group had non-current assets of RMB3,338,177,696 (comprising of fixed assets, investment properties and land right-of-use assets of RMB1,365,218,369), and non-current liabilities of RMB1,423,848,149 (comprising of bonds payable of RMB402,326,607).

As at 31 December 2019, the Group had current assets of RMB5,163,380,275. Current assets mainly comprised of cash and cash equivalents of RMB864,849,804, inventories of RMB1,564,435,396, accounts receivable of RMB1,197,382,479 and prepayments and other receivables of RMB1,316,223,839. The Group had current liabilities of RMB4,893,352,084. Current liabilities mainly comprised of accounts payable and notes payables of RMB1,340,165,313, short-term borrowings of RMB2,232,003,496, contract liabilities of RMB428,557,184 and other current liabilities of RMB328,520,621.

## **INDEBTEDNESS AND PLEDGE OF ASSETS**

As at 31 December 2019, the Group had bank loans of RMB2,232,003,496, which consisted of accounts receivable factored bank loans of RMB48,566,497 and unsecured bank loans of RMB2,183,436,999. All the Group's bank loans bear interest rates ranging from 3.90% to 5.39% per annum.

Certain of the Group's margin deposits of RMB84,571,190 were pledged for notes payable of RMB433,117,591 as at 31 December 2019.

As at 31 December 2019, the Group's gearing ratio\* is approximately 74.3%, which is slightly higher than that of 71.7% as at 31 December 2018, mainly due to the result of the adjustment under the lease guidelines.

\* *Calculated by: total liabilities/total assets*

## **FOREIGN CURRENCY RISK**

The Group's operating revenues and expenses are principally denominated in RMB.

During the Reporting Period, the Group did not encounter any material effect on its operation or liquidity as a result of fluctuation in currency exchange rates.



## EMPLOYEES AND TRAINING

As at 31 December 2019, the Group employed 5,669 employees in the PRC (31 December 2018: 6,010). The total staff costs (including directors' and supervisors' remunerations) of the Group for the Reporting Period amounted to approximately RMB750,557,336 (2018: RMB748,945,515). The staff emolument (including directors and supervisors) of the Group are based on position, duty, experience, performance, and market rates, in order to maintain their remunerations at a competitive level.

As required by the PRC laws and regulations, the Group participates in the defined contribution retirement benefits scheme for its employees operated by the relevant local government authorities in the PRC. The Group is required to make contributions for those employees who are registered as permanent residents in the PRC at a rate of 16% (2018: 20%) of the employees' salaries, bonuses and certain allowances. The Group has no further obligation associated with the said defined contribution retirement benefits scheme beyond the above mentioned annual contributions. The Group's contributions to the defined contribution retirement benefits schemes amounted to approximately RMB66,757,466 for the Reporting Period (2018: RMB70,101,635).

During the Reporting Period, the Group hosted trainings with various format and topics for its employees to improve their skills and professional knowledge. The Group held 62 seminars during the year, and 6,000 employees have benefited from them.

## THE ISSUANCE OF BONDS

Pursuant to the "Approval on Issuance of Corporate Bonds of Beijing Jingkelong Company Limited" (Zheng Jian Xu Ke [2019] No. 303) issued by the China Securities Regulatory Commission, on 6 March 2019, the Company was approved to publicly issue corporate bonds with a total par value of no more than RMB800 million to qualified investors. The lead underwriter and the bond trustee of this public issuance of corporate bonds is Zhong De Securities Company Limited.

The Company finished the public issuance of 2019 corporate bonds (first phase) in an aggregate amount of RMB400 million on the Shanghai Stock Exchange on 22 August 2019. The maturity period of the corporate bonds is five years, with an option to increase the coupon interest rate by the issuer and a repurchase option by the investors at the end of the third year. The coupon rate of the corporate bonds is 3.77%.

## ESTABLISHMENT OF A SUBSIDIARY

On 16 August 2019, the Group, through its non-wholly owned subsidiary Chaopi Trading, established a subsidiary, Baoding Chaopi Trading Company Limited ("**Baoding Chaopi**"), with an independent third party, Mr. Wang Kang, to mainly engage in the wholesale and agency business of the fast moving consumer goods such as liquor, grain and edible oil, household chemicals and snacks. The registered capital of Baoding Chaopi was RMB10,000,000, which has been fully paid up. The capital contribution of Chaopi Trading was RMB7,000,000 and Chaopi Trading became the holder of 70% of the equity interest in Baoding Chaopi. The Company held an indirect equity interest of approximately 55.89% in Baoding Chaopi.



## **SPECIAL MATTER**

Jinan Chaopi Linda Trading Co., Ltd. (the “**Jinan Chaopi Company**”) is a second-level subsidiary of the Group. Since its establishment, Jinan Chaopi Company’s financial statements have been included in the Group’s consolidation scope.

Currently, there is an unresolved dispute between the minority shareholders of Jinan Chaopi Company (formerly the general manager of Jinan Chaopi Company) and the major shareholder, Chaopi Trading, which is a first-level subsidiary of the Group. Thus, the minority shareholders refused to hand over the items and materials such as the company’s business license, bank account opening permit, company seal, financial seal, financial books and vouchers, etc. As at the date of this announcement, the legal proceedings for Chaopi Trading to request the minority shareholders to return the misappropriated items and materials are in progress.

The financial data of Jinan Chaopi Company in December 2019 was not included in the consolidated financial statements of the Company for the year ended 31 December 2019 due to the above actions of the minority shareholders. Even through the management of the Company made some adjustments to these consolidated financial statements based on the bank statement of Jinan Chaopi Company provided as at 31 December 2019, the Group cannot guarantee the completeness and accuracy of data related to Jinan Chaopi Company in the 2019 consolidated financial statements of the Group. In addition, such dispute has resulted in the inability to perform some of the audit procedures that are related to Jinan Chaopi Company, such as issuance of letter of verification and inspection of vouchers, which are necessary for the issue of audit opinion on the Group’s 2019 financial statements.

According to the financial statements ended 30 November 2019 provided by Jinan Chaopi Company, and based on the adjustment mentioned above, the total assets and net assets of the Jinan Chaopi Company merged into the Group’s 2019 consolidated financial statements were RMB108.6571 million and RMB5.4677 million, which account for the Group’s corresponding amounts in the consolidated balance sheet on 31 December 2019, 1.28% and 0.25% of respectively; the operating income and net profit of 2019 were RMB36.0441 million and RMB-7.7177 million respectively, which account for 0.31% and -7.95% of the corresponding amounts in the Group’s consolidated income statement for 2019 respectively.

The situation of Jinan Chaopi Company mentioned above will not only lead to the incompleteness of the Group’s 2019 consolidated financial data, but also affect the auditor’s consideration of the types of audit opinions to be issued on the Group’s 2019 consolidated financial statements, and as for the specific audit opinion type, the auditor will set out in the audited financial report to be issued later, which taking into account the influence of various relevant factors.

## **CONTINGENT LIABILITIES**

As at 31 December 2019, the Group had no material contingent liabilities.

## **EVENTS AFTER THE REPORTING PERIOD**

Subsequent to 31 December 2019, the Group had the following significant events:

### **Repayment of short-term financing bonds**

Approved by the China Association of Banking Market Dealers (CPI No. [2018] CP153), on 21 March 2019, the Group completed the public issuance of short-term financing bonds in the value of RMB300 million and a term of one year in China. The issuance interest rate is 3.90%, the value date is 25 March 2019, and the interest payment date is 24 March 2020. The lead underwriter is Bank of Beijing Co., Ltd.

As of 24 March 2020, the above-mentioned short-term financing bond value of RMB300 million and interest expenses of RMB11.668 million had been paid by through the settlement account at the Clearing House Financial Markets Co., Ltd. and were fully settled.

## **STRATEGIES AND PLANS**

In 2020, the epidemic of the novel coronavirus (the “**COVID-19**”) spread in China at the beginning of the year. In face of the sudden epidemic, the Group actively maintains the supply of goods with advantage of supply chain and logistics network to ensure stable supply of daily necessities in the market of the capital, including protective masks, disinfection supplies, grain, edible oils, non-staple food, meat, eggs, fruits, vegetables, and milk, so as to reduce consumption panic; leveraging the technical foundation of online and offline integration and development, the Group meets the demand in a contactless manner through online orders during the epidemic; at the same time, the Group concerns and cares about the employees, strengthens their protective measures during the epidemic, leads them to take up social responsibilities mutually, to earnestly ensure the market supply, implement epidemic prevention and control measures in stores to stabilise the market and the public. The sudden outbreak of novel coronavirus epidemic will bring impacts to China ’s macro-economy and the development environment of the Group. The Group will carefully analyze the experience gained from this epidemic and identify the impacts on the lifestyle and behavior of the consumers to cope with the new challenges as well as opportunities.

### **Retail Business**

In 2020, the Group will further develop innovative thinking, explore and grasp the market and innovation opportunities, and will actively introduce the new technologies, experiences, culture and other initiatives to meet the needs of consumption upgrade; focusing on the consumers’ needs and relying on the continuous improvement of technology and retail infrastructure, the Group will take advantage of existing offline resources to integrate online and offline boundary, customer boundary and supply chain boundary, strengthen multi-format linkage to meet consumption in different shopping scenarios. In this way the consumers can not only choose to enter the stores with more confidence relievedly and happily, but also can easily choose to shop online conveniently.

## **Wholesale Business**

In 2020, on the basis of steadily consolidating the existing upstream and downstream channel resource, the Group will further enhance its capabilities in marketing, information services and logistics services as a distributor; the Group will promote the development of logistics intelligence based on the operation model of a well-rounded warehouse, with the support of technological innovation and the goal of improving the level of logistics services. Aiming at expanding its business, the Group will improve logistics intelligence to maximize efficiency and enhance the logistics service capability, which will enable the Group to keep its competitiveness as a comprehensive wholesale distributor.

## **OTHER INFORMATION**

### **CORPORATE GOVERNANCE**

In the opinion of the directors, the Company has applied the principles of and complied with all the code provisions of the Corporate Governance Code (the “**Corporate Governance Code**”) set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) during the Reporting Period, save for the directors’ retirement by rotation as set out below.

Provision A4.2 of the Corporate Governance Code requires that every director (including those appointed for a specific term) of a listed issuer shall be subject to retirement by rotation at least once every three years. The Articles of Association of the Company stipulates that each director shall be elected by the general meeting of the Company for a term of not more than three years, and eligible for re-election upon the expiry of the term. Having taken into account of the continuity of the Group’s operation and management policies, the Company’s Articles of Association contains no express provision for the directors’ retirement by rotation and thus deviate from the aforementioned provision of the Corporate Governance Code.

### **Purchase, Sale or Redemption of Listed Securities of the Company**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the Reporting Period and up to the date of this announcement.

### **Distribution of Dividends**

As set out under the section headed “Review of Unaudited Annual Results” in this announcement, the auditing process for the annual results of the Group for the year ended at 31 December 2019 has not been completed, and hence the audited annual results of the Company are not yet available. Accordingly, whilst the Board expects to recommend a declaration of final dividend in respect of the Reporting Period to the shareholders whose name appear on the register of members of the Company on 6 July 2020, the amount of the final dividend to be declared for the year ended at 31 December 2019 has not been determined.

Following the completion of the audit process, the Board will, based on the audited annual results of the Company, recommend the payment of a final dividend in respect of the Reporting Period and a further announcement containing, inter alia, details of the amount of dividend and the date of payment will be issued. The proposed final dividend will also be subject to approval by the shareholders at the 2019 Annual General Meeting.

### **Closure of Register of Members**

The register of members of the Company will be closed from Wednesday, 3 June 2020 to Tuesday, 23 June 2020, both days inclusive, during which no transfer of shares of the Company will be effective. Holders of H Shares whose names appear on the register of H Shares kept at Computershare Hong Kong Investor Services Limited (the “**H-Shares Registrar**”) at 4:30 p.m., the close of business on Tuesday, 2 June 2020 are entitled to attend and vote at the 2019 Annual General Meeting following completion of the registration procedures. To qualify for attendance and voting at the 2019 Annual General Meeting, documents on transfers of H Shares, accompanied by the relevant share certificates, must be lodged at the transfer office of the Company’s H-Shares Registrar, at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 2 June 2020. Holders of domestic shares of the Company whose names appear on the register of shareholders of the Company at 4:30 p.m., the close of business on Tuesday, 2 June 2020 are entitled to attend and vote at the 2019 Annual General Meeting following completion of the registration procedures. Holders of Domestic Shares should contact the secretary to the board of directors of the Company (the “**Secretary to the Board**”) for details concerning registration of transfers of Domestic Shares. The contact details of the Secretary to the Board are: 3rd Floor, Block No.45, Xinyuan Street, Chaoyang District, Beijing, The People’s Republic of China. Telephone No.: 86(10) 6460 3046. Facsimile No.: 86(10) 6461 1370.

The register of members of the Company will also be closed Tuesday, 30 June 2020 to Monday, 6 July 2020, both days inclusive, during which no transfer of shares of the Company will be effective. Holders of H Shares and whose names appear on the register of H Shares kept at the Company’s H-Share Registrar and holders of Domestic Shares of the Company whose names appear on the register of shareholders of the Company at 4:30 p.m., the end of Monday, 6 July 2020 are entitled to the 2019 final dividend (if any). To qualify for entitlement of the 2019 final dividend (if any), documents on transfers of H Shares, accompanied by the relevant share certificates, must be lodged at the transfer office of the Company’s H-Share Registrar and Transfer Office at above address, not later than 4:30 p.m. on Monday, 29 June 2020. Holders of Domestic Shares should contact the Secretary to the Board (whose contact details are set out above) for details concerning registration of transfers of Domestic Shares.

### **ANNUAL GENERAL MEETING**

The 2019 Annual General Meeting is expected to be held on Tuesday, 23 June 2020. The notice of the 2019 Annual General Meeting will be sent to the shareholders of the Company.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The auditing process for the annual results for the year ended at 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak. In so far as the Board is aware, the delay in the completion of the audit procedures is mainly attributable to the delay in obtaining certain confirmations from banks, customers and suppliers in view of the imposition of relevant travel and other restrictions within Beijing. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

## **FURTHER ANNOUNCEMENT(S)**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended at 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the confirmed proposed final dividend for the year ended at 31 December 2019, and (iii) the payment date of such proposed final dividend.

In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before 30 April 2020.

## **PUBLICATION OF UNAUDITED 2019 FINAL RESULTS AND ANNUAL REPORT**

This unaudited results announcement is published on the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company website at [www.jkl.com.cn](http://www.jkl.com.cn). The 2019 annual report of the Company will be despatched and made available on the HKExnews and the website of the Company in due course.

**The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Company's auditors, and are subject to possible adjustments. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**Beijing Jingkelong Company Limited**  
**Li Jianwen**  
*Chairman*

Beijing, PRC  
31 March 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Li Jianwen, Mr. Shang Yongtian, Ms. Li Chunyan and Mr. Zhang Liwei; the non-executive directors are Ms. Zhang Yan and Mr. Li Shunxiang; and the independent non-executive directors are Mr. Wang Liping, Mr. Chen Liping and Mr. Choi Onward.*