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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)

UPDATE ON THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of Beijing Jingkelong Company Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 31 March 2020 in relation to the unaudited annual results for the year ended 31 December 2019 (the “**2019 Results Announcement**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the 2019 Results Announcement unless the context requires otherwise.

AUDITOR’S AGREEMENT ON THE 2019 ANNUAL RESULTS

As stated in the 2019 Results Announcement, the annual results for the year ended 31 December 2019 (the “**2019 Annual Results**”) contained therein had not been agreed by the Company’s auditor as required under Rule 13.49(2) of the Listing Rules.

The Board of the Company is pleased to announce that the Company’s auditor (the “**Auditor**”), Ruihua Certified Public Accountants LLP, has completed its audit of the annual results of the Group for the year ended 31 December 2019 in accordance with the China Accounting Standards for Business Enterprises.

Save for the Qualified Opinion (as defined below) as disclosed below, the 2019 Annual Results contained in the 2019 Results Announcement (including the financial figures in respect of the Group’s consolidated balance sheets, consolidated income statement, and the related notes thereto for the year ended 31 December 2019) have been compared

by Ruihua Certified Public Accountants LLP to those set out in the audited consolidated financial statements for the year ended 31 December 2019, and were found to be in agreement.

Save as disclosed herein, the 2019 Annual Results contained in the 2019 Results Announcement remain unchanged.

AUDITOR'S QUALIFIED OPINION

Reference is made to the section headed “Special matter” in the 2019 Results Announcement. The Auditor has issued a qualified opinion (the “**Qualified Opinion**”) on the independent auditor’s report on the Company’s consolidated financial statements for the year ended 31 December 2019.

An extract from the independent auditor’s report on the Company’s consolidated financial statements for the year ended 31 December 2019 is as follows:

Qualified Audit Opinion

We have audited the accompanying financial statements of Beijing Jingkelong Company Limited (the “**Company**”), which comprise the consolidated balance sheets of the Group and the balance sheets of the Company as at 31 December 2019, the consolidated income statement of the Group and the income statement of the Company, the consolidated statement of changes in shareholders’ equity and the consolidated cash flow statement of the Group and the statement of changes in shareholders’ equity and the cash flow statement of the Company for the year then ended at 2019, and other certain explanatory notes.

In our opinion, except for the possible impact of matters described in the section “Basis for qualified opinion” the financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2019 and of financial performance and cash flows of the Company and the Group for the 2019 year then ended in accordance with the Accounting Standards for Business Enterprises.

Basis for Qualified Opinion

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

(“**Chaopi Trading**”), which is a first-level subsidiary of the Company. 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 reporting date, 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 in 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, we cannot guarantee the completeness and accuracy of data related to Jinan Chaopi Company in the 2019 consolidated financial statements of the Company; 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 Company’s 2019 consolidated financial statements were RMB108.6571 million and RMB5.4677 million, which account for the Company’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 Company’s consolidated income statement for 2019, respectively.

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 Company’s 2019 financial statements. Thus, we are unable to obtain sufficient and appropriate audit evidence on the possible impact of Jinan Chaopi Company’s 2019 financial data on the Company’s 2019 consolidated financial statements, nor can we determine whether it is necessary to adjust its amount.

We performed our audit in accordance with the Chinese Auditing Standards for Certified Public Accountants. The Auditor’s Responsibility for Auditing Financial Statements section of the audit report further explains our responsibilities under these standards. In accordance with the Code of Ethics for Chinese Certified Public Accountants, we are independent of the Company and fulfill other responsibilities in terms of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MANAGEMENT’S POSITION AND ACCOUNTING TREATMENT

The legal proceedings for Chaopi Trading, the subsidiary of the Company, to request the minority shareholders of Jinan Chaopi Company to return the company’s business license, company seal and other misappropriated items and materials are in progress. In order to safeguard the interests of the Group and the shareholders of the Company, the Group has strived to resolve the disputes and has taken various steps and measures, including seeking advice from its legal advisers (“**PRC Legal Advisers**”) as to the laws of the People’s Republic of China (the “**PRC**”), collecting and handling the relevant evidence in support of the legal proceedings together with the PRC Legal Advisers, and considering other legal remedies. As disclosed under the section headed “Special matter” in the 2019 Results Announcement and in the section headed “Auditor’s qualified opinion” in this announcement, the management of the Company made some adjustments to these financial statements based on the bank statement of Jinan Chaopi Company provided as at 31 December 2019, and after the adjustment mentioned above, the amounts of the total assets, net assets, the operating income and net profit of the Jinan Chaopi Company were small when compared to the corresponding amounts in the Company’s consolidated balance sheet and consolidated income statement, respectively. The audit committee of the Company confirmed that it has reviewed and agreed with the management’s position and the accounting treatment of the Company set out above.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of RMB0.08 (2018: RMB0.08) per share (tax inclusive) for the year ended 31 December 2019 to shareholders whose names appear on the register of members of the Company at 4:30 p.m., the end of Monday, 6 July 2020. Subject to the approval by the shareholders of the Company at the 2019 Annual General Meeting on (i) the proposed amendment to the articles of association of the Company as referred to in the announcement of the Company dated 22 April 2020, and (ii) the payment of the final dividend, the said final dividend is expected to be paid on or before 22 August 2020.

The dividend to be distributed will be denominated and declared in Renminbi. Distribution of the cash dividend for domestic shareholders will be paid in Renminbi, while cash dividend for H shareholders will be declared in Renminbi but paid in Hong Kong dollars (based on the average of the exchange rates for Renminbi to Hong Kong dollars as announced by the People’s Bank of China for the five working days prior to the date of convening the 2019 Annual General Meeting at which the final dividend is approved by the Shareholders).

Pursuant to the “Enterprise Income Tax Law of the PRC” and the “Detailed Rules for the Implementation of the Enterprise Income Tax Law of the PRC”, commencing from

1 January 2008, any Chinese domestic enterprise which pays dividend to a non-resident enterprise shareholder (i.e. legal person shareholder) in respect of accounting periods beginning from 1 January 2008 shall withhold and pay enterprise income tax for such shareholder. Since the Company is an H share listed company in Hong Kong, the proposed 2019 final dividend will be subject to the aforesaid Enterprise Tax Laws. In order to properly carry out the withholding and payment of income tax on dividend to non-resident enterprise shareholders, the Company will strictly abide by the law and identify those shareholders who are subject to the withholding and payment of income tax based on the register of its H shareholders as on Monday, 6 July 2020. In respect of all shareholders whose names appear in the register of H shareholders kept at Computershare Hong Kong Investor Services Limited, the Company's H-Shares Registrar and Transfer Office in Hong Kong as on Monday, 6 July 2020 who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees, and other entities or organizations that are all considered as non-resident enterprise shareholders), the Company will distribute the 2019 final dividend after deducting income tax of 10%.

Pursuant to the State Administration of Taxation Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) (the “**SAT Notice**”) dated 28 June 2011, and the letter titled “Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland companies”(the “**Stock Exchange Letter**”) issued by the Stock Exchange dated 4 July 2011, the Company is required to withhold and pay the individual income tax in respect of the 2019 final dividend paid to the individual H shareholders whose names appear in the register of H-Shares Registrar of the Company (the “**Individual H Shareholders**”) when distributing the 2019 final dividend in accordance with the law, as a withholding agent on behalf of the same. However, the Individual H Shareholders may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries in which the Individual H Shareholders are domiciled and the tax arrangements between Mainland China and Hong Kong (Macau). The Company will finally withhold and arrange for the payment of the withholding tax pursuant to the above the SAT Notice and the Stock Exchange Letter and other relevant laws and regulation (including the “Public Notice on the Administrative Measures on Non-resident Taxpayers Claiming Tax Treaty Benefits” (STA Public Notice [2019] No. 35) (《國家稅務總局關於發佈<非居民納稅人享受稅收協定待遇管理辦法>的公告》(國家稅務總局公告2019年第35號))(the “**Tax Treaties Notice**”). The Company will determine the country of domicile of the Individual H Shareholders based on the registered addresses as recorded in the register of members of the Company on Monday, 6 July 2020 (the “**Registered Address(es)**”). The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the Individual H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the Individual H Shareholders or any disputes over the withholding mechanism or arrangements. Details of arrangements are as follows:

- (i) For Individual H Shareholders who are Hong Kong or Macau residents and those whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholder;
- (ii) For Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the Individual H Shareholders. If the relevant Individual H Shareholders would like to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant shareholder to handle the application for the underlying preferential tax benefits pursuant to the tax treaties, provided that the relevant shareholder shall submit to the Company the information required under the Tax Treaties Notice on or before the fifteen days of the month following the actual payment date of the final dividend. Upon examination and approval by competent tax authorities, the Company will assist in refunding the additional amount of tax withheld and paid.
- (iii) For Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will finally withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. and
- (iv) For Individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will finally withhold and pay individual income tax at the rate of 20% on behalf of the Individual H Shareholders. If the domicile of an Individual H Shareholder is not the same as the Registered Address or if the Individual H Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the Individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before the fifteen days of the month following the actual payment date of the final dividend. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding provisions and arrangements. Individual H Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the Tax Treaties Notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

Shareholders are recommended to consult their tax advisers regarding PRC, Hong Kong and other tax implications arising from their holding and disposal of H Shares of the Company.

ANNUAL REPORT

The 2019 annual report of the Company will be made available on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.jkl.com.cn, and despatched to the shareholders of the Company, on or around Wednesday, 29 April 2020.

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

Beijing, PRC
22 April 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.

** For identification purpose only*